



Deliverable D.2.2.

Entrepreneurship Curriculum for Venture Creation course

November 2023

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**Document information**

D.1.2. SEEDplus Data Management Plan	
Project/Grant Agreement number	<i>101100494</i>
Project title	<i>Strengthening European Entrepreneurial Development</i>
Project acronym	<i>SEEDplus</i>
Project start date	<i>01/04/2023</i>
Project end date	<i>30/06/2025</i>
Project duration	<i>27 months</i>
Work Package	<i>WP2. Pathways to Expand Entrepreneurial Ecosystems</i>
Deliverable lead	<i>TUV</i>
Author(s)	<i>Tamer Abu-Alam (UiT) Olga Voropai (KAU) Angel Marinov (TUV) Svilen Simeonov (TUV)</i>
Type of deliverable (R, DEM, DEC, other)	<i>R</i>
Dissemination level (PU, SEN, CI)	<i>PU</i>
Date of first submission	<i>November 15, 2023</i>
Revision n°	<i>Version 4</i>
Revision date	<i>September 15, 2024</i>



Executive Summary

The "Entrepreneurship Curriculum for Venture Creation" course is designed to equip students with the essential skills, knowledge, and mindset needed to drive innovation, foster business creation, and strengthen Europe's position as a leader in entrepreneurship and deep technology. The course addresses the need for self-employment and entrepreneurial skills, supporting strategic objectives such as the New European Innovation Agenda, the green transition, and the United Nations Sustainable Development Goals (SDGs).

The course aims to empower students to become innovators capable of navigating the complexities of the modern business landscape. Through a blend of practical tools, real-world applications, and theoretical foundations, the course prepares students to create sustainable ventures that address contemporary challenges like climate change, digital transformation, and economic competitiveness.

Key goals include fostering innovation and self-employment, supporting Europe's innovation agenda, promoting green and sustainable business practices, and bridging the gap between education and industry. By integrating deep technology and strategic entrepreneurship, the course equips students with the skills needed to compete globally and contribute to Europe's innovation ecosystem.

The course is developed based on a thorough needs mapping, which aligns the educational content with Europe's broader socio-economic and technological transformations. It emphasizes the integration of sustainability and circular economy principles, preparing students to create ventures that contribute positively to society and the environment.

Sustainability and open access are core components of the course, with all materials made freely available on the [MOOC platform](#) and the [YouTube channel](#) to maximize impact and support continuous adaptation. Financial and administrative support from UiT - The Arctic University of Norway ensures the course's sustainability beyond its initial funding, with plans to expand it as a mandatory course for all master's students by 2026. Additionally, the SEEDplus team is working on converting the collected materials into a comprehensive book, enhancing the course's accessibility and long-term impact.

The presented report provides an overview of the course objectives, structure, learning outcomes, and assessment methods, as well as the philosophy behind the course and the approach to mapping the challenges. It outlines the roadmap for how the SEEDplus team will sustain the course beyond the funding period. This report serves not only as documentation of the methodology used to develop the course but also as a strategic guide for replicating and transferring the course to other Higher Education Institutions and ensuring its long-term sustainability.



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1- HISTORY OF CHANGES

Submission of the first version of the deliverable		Nov 2023
Update the deliverable by adding the Lean LaunchPad module		Feb 2024
Update the deliverable by adding the Start-up competition		Sep 2024

2- AIM AND GOALS

The "Entrepreneurship Curriculum for Venture Creation" course is designed to equip students with the skills, knowledge, and mindset necessary to foster innovation, drive business creation, and contribute to Europe's position as a leading hub for entrepreneurship and deep technology. The course aims to address the critical need for self-employment opportunities and entrepreneurial skills, supporting the broader objectives of the New European Innovation Agenda, the green transition, and the achievement of the United Nations Sustainable Development Goals (SDGs).

Aim of the Course

The primary aim of this course is to empower students to become innovators and entrepreneurs who can navigate the complexities of the modern business landscape. By integrating practical tools, real-world applications, and theoretical foundations, the course prepares students to create



sustainable ventures that address contemporary challenges such as climate change, digital transformation, and economic competitiveness.

Goals of the Course

1. **Foster Innovation and Self-Employment:** The course is designed to encourage students to pursue self-employment and innovation-driven careers, contributing to a dynamic and resilient European economy. By developing entrepreneurial skills, students are better equipped to identify opportunities, create new ventures, and drive job creation, supporting the EU's strategic focus on entrepreneurship as a cornerstone of economic growth (European Commission, 2015¹).
2. **Support the New European Innovation Agenda:** Aligned with the New European Innovation Agenda², this course emphasizes the importance of fostering a robust innovation ecosystem in Europe. The Agenda aims to position Europe as a global leader in innovation, particularly in deep technology sectors, by creating a fertile environment for start-ups and scale-ups. Through this course, students learn how to contribute to this vision by developing businesses that leverage cutting-edge technologies and innovative practices.
3. **Promote the Green Transition and Net-Zero Goals:** The course integrates principles of sustainable business practices and green innovation, preparing students to develop ventures that align with Europe's Green Deal and net-zero ambitions. By focusing on sustainable business models and environmentally conscious entrepreneurship, students are encouraged to create solutions that address climate challenges, reduce carbon emissions, and promote circular economy practices (Geissdoerfer et al., 2017³).
4. **Contribute to Achieving the SDGs:** By embedding sustainability and social responsibility into the curriculum, the course supports the achievement of the UN SDGs, particularly goals related to decent work and economic growth (SDG 8), industry, innovation, and infrastructure (SDG 9), and responsible consumption and production (SDG 12) (United Nations, 2015⁴). Students are encouraged to develop ventures that not only generate profit but also create positive social and environmental impacts.
5. **Enhance Europe's Global Competitiveness in Technology and Innovation:** As global competition in technology and innovation intensifies, Europe must cultivate its entrepreneurial talent to maintain its competitive edge. This course equips students with the skills needed to excel in deep technology sectors, such as AI, renewable energy, and digital solutions, which are pivotal to Europe's strategic positioning against other global

¹ Recent changes in self-employment and entrepreneurship across the EU

(<https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://ec.europa.eu/social/BlobServlet%3FdocId%3D15535%26langId%3Den&ved=2ahUKewiTyqWiz7CIAxX1cfEDHfOpEnoQFnoECBYQAQ&usq=AOvVaw0RbB6ggBaoYxF3Wl47wfl1>)

² https://research-and-innovation.ec.europa.eu/strategy/support-policy-making/shaping-eu-research-and-innovation-policy/new-european-innovation-agenda_en

³ Geissdoerfer, M., Savaget, P., Bocken, N. M., & Hultink, E. J. (2017). The circular economy—A new sustainability paradigm? *Journal of Cleaner Production*, 143, 757-768.

⁴ <https://sdgs.un.org/goals>



powers (Foray, 2021⁵). By fostering an innovation culture, the course aims to attract and retain top talent, strengthening Europe's status as a leading innovation hub.

6. **Create an Innovation Hub to Attract Talent:** One of Europe's strategic priorities is to create an environment that attracts global talent and fosters entrepreneurial growth. This course contributes to building Europe's reputation as a vibrant innovation hub by equipping students with the necessary skills to launch and scale businesses that can compete globally. Through practical learning experiences, students gain exposure to the entrepreneurial ecosystem, enhancing their ability to contribute to and thrive within Europe's innovation landscape.
7. **Bridge the Gap Between Education and Industry:** The course bridges the gap between academic knowledge and industry practice by providing students with direct exposure to business creation, mentorship from industry experts, and real-world competition. This experiential learning approach ensures that students are not only theoretically prepared but also practically equipped to enter the entrepreneurial ecosystem with confidence and competence (Gibb, 2002⁶).

3- MAP THE NEEDS

The development of the "Entrepreneurship Curriculum for Venture Creation" is rooted in a comprehensive understanding of the current and future needs of the European innovation landscape. Mapping the needs of the training programme was not merely a procedural step; it was a philosophical undertaking that sought to align educational efforts with the broader socio-economic and technological transformations reshaping Europe. The European landscape is marked by rapid advancements in digital technologies^{7,8}, an urgent need for sustainable solutions^{9,10}, and a complex interplay of regional economic disparities^{11,12}. To address these multifaceted challenges, a precise understanding of the needs at both the macro and micro levels is essential.

The Philosophical Foundation: Understanding the European Imperative

Education, particularly in entrepreneurship and innovation, is not just a pathway to individual success but a cornerstone for societal progress. The education must equip individuals not only

⁵ Foray, D., Eichler, M. & Keller, M. Smart specialization strategies—insights gained from a unique European policy experiment on innovation and industrial policy design. *Rev Evol Polit Econ* 2, 83–103 (2021).
<https://doi.org/10.1007/s43253-020-00026-z>

⁶ Gibb, A. (2002). In Pursuit of a New Entrepreneurial Paradigm for Learning: Creative Destruction, New Values, New Ways of Doing Things and New Combination of Knowledge. *International Journal of Management Reviews*, 4, 233-269.
<http://dx.doi.org/10.1111/1468-2370.00086>

⁷ Misuraca, G., Broster, D., & Centeno, C. (2012). Digital Europe 2030: Designing scenarios for ICT in future governance and policy making. *Government Information Quarterly*, 29, S121-S131.

⁸ Tariq, M. U. (2024). The Role of Emerging Technologies in Shaping the Global Digital Government Landscape. *Emerging Developments and Technologies in Digital Government*, 160-180.

⁹ Arora, N. K., Fatima, T., Mishra, I., Verma, M., Mishra, J., & Mishra, V. (2018). Environmental sustainability: challenges and viable solutions. *Environmental Sustainability*, 1, 309-340.

¹⁰ Charter, M., & Tischner, U. (Eds.). (2017). *Sustainable solutions: developing products and services for the future*. Routledge.

¹¹ Dunford, M., & Perrons, D. (1994). Regional inequality, regimes of accumulation and economic development in contemporary Europe. *Transactions of the Institute of British geographers*, 163-182.



with skills but also with the ability to think critically and ethically about the challenges they face (Nussbaum, 2010¹²). Within the European context, this philosophical foundation underscores the need to prepare a workforce that is innovative, ethically conscious, and capable of driving sustainable economic growth.

The New European Innovation Agenda highlights the urgency of embedding entrepreneurship within the education system to foster a culture of innovation that supports Europe's strategic goals (e.g., European Commission, 2008¹³). This course aims to address this need by providing a structured approach to entrepreneurship education that combines practical skills with a deep understanding of the societal implications of business creation. By doing so, it aligns with the European imperative of cultivating not just business leaders but responsible and visionary innovators who contribute to the broader good.

Mapping Needs at the Intersection of Technology and Society

The intersection of technology and society presents both opportunities and challenges that demand a strategic educational response. As Luciano Floridi (2014¹⁴) emphasizes, the digital revolution is reshaping the human condition, requiring a new approach to education that integrates technological proficiency with societal impact. In this context, the need for entrepreneurship education goes beyond traditional business skills to include a strong focus on deep technology, sustainable innovation, and the ability to navigate the complexities of modern markets.

The rapid advancement of technologies such as AI, blockchain, and green tech has redefined the competitive landscape, making innovation an essential component of economic resilience and growth (Brynjolfsson & McAfee, 2014¹⁵). This course addresses the critical need to equip future entrepreneurs with the skills to harness these technologies responsibly and creatively, driving Europe's leadership in the global innovation race.

Moreover, the integration of sustainability into business education reflects the growing societal demand for enterprises that contribute positively to environmental and social outcomes. The European Green Deal and the SDGs call for business models that prioritize sustainability, emphasizing the need for educational programs that prepare students to meet these demands (Geissdoerfer et al., 2017¹⁶). This course responds by teaching students to develop ventures that are not only economically viable but also socially responsible, aligning business success with societal well-being.

Needs of a Greener and Circular Economy

The shift towards a greener and circular economy is essential to address the pressing environmental challenges of our time, such as climate change, resource depletion, and

¹² Nussbaum, M. C. (2010). *Not For Profit: Why Democracy Needs the Humanities*. Princeton University Press.

¹³ Entrepreneurship in higher education, especially within non-business studies
(<https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://ec.europa.eu/docsroom/documents/8969/attachments/1/translations/en/renditions/pdf&ved=2ahUKewjb8ZyN2rCIAxXNJhAIHda4JRgQFnoECBgQAQ&usq=AOvVaw1LOaJRvsWurUa2lery3iQ0>)

¹⁴ Floridi, L. (2014). *The 4th Revolution: How the Infosphere is Reshaping Human Reality*. Oxford University Press.

¹⁵ Brynjolfsson, E., & McAfee, A. (2014). *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*. W.W. Norton & Company.

¹⁶ Geissdoerfer, M., Savaget, P., Bocken, N. M., & Hultink, E. J. (2017). The circular economy—A new sustainability paradigm? *Journal of Cleaner Production*, 143, 757-768.



environmental degradation. The European Green Deal¹⁷ and global sustainability initiatives emphasize the need to transition from a linear economic model—characterized by take, make, and dispose—to a circular one that prioritizes reuse, recycling, and sustainable resource management. This transformation not only mitigates environmental impacts but also offers economic opportunities, positioning Europe as a leader in green innovation.

The “Entrepreneurship Curriculum for Venture Creation” directly addresses the need for circular economy integration by equipping students with the skills to develop sustainable business models. The course teaches students to incorporate principles of circularity into their ventures, such as designing products for longevity, minimizing waste, and using sustainable materials. Through practical applications and case studies, students learn to create businesses that are not only economically viable but also environmentally responsible, aligning with Europe’s goals for a greener future.

By focusing on innovation in green technologies and sustainable business practices, the course prepares students to meet the growing demand for circular solutions and supports Europe’s ambition to become a global leader in sustainability. The curriculum encourages students to explore the role of green technologies in their business models, driving the green transition and contributing to Europe’s efforts to build a more resilient, low-carbon economy. This approach ensures that graduates are equipped to lead in an evolving market where sustainability is increasingly a key driver of success.

The European Context: A Strategic Necessity

Europe faces an imperative to enhance its global competitiveness through innovation and entrepreneurship. The European Union has identified the need to create a more dynamic innovation ecosystem that can compete with other global powers such as the United States and China, particularly in areas of deep technology and digital transformation (Foray, 2021¹⁸). The creation of a robust educational framework that fosters entrepreneurial skills is essential for achieving this strategic goal.

The New European Innovation Agenda highlights that Europe must strengthen its capacity to attract and retain talent, build a world-class innovation infrastructure, and support the scaling of start-ups and SMEs. This course aims to contribute directly to these objectives by equipping students with the tools and mindset needed to drive venture creation and innovation within Europe. By doing so, it helps position Europe as a leading hub for technological and entrepreneurial talent.

Furthermore, as Europe transitions towards a net-zero and digital economy, the ability to innovate will be a critical differentiator. The course’s focus on sustainable business models, deep technology integration, and strategic entrepreneurship ensures that students are not just prepared to enter the market but to lead in shaping the future of European industry. The emphasis on real-world application, mentorship, and competition within the course creates a learning environment that mirrors the challenges of the contemporary business landscape, preparing students to navigate and excel in an increasingly complex global economy.

¹⁷ https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

¹⁸ Foray, D., Eichler, M. & Keller, M. Smart specialization strategies—insights gained from a unique European policy experiment on innovation and industrial policy design. *Rev Evol Polit Econ* 2, 83–103 (2021).



4- REVIEWING OF EXISTING TEACHING MATERIALS

The review of existing teaching materials was a crucial methodological step in developing the "Entrepreneurship Curriculum for Venture Creation" course. This review aimed to ensure that the content met high academic and practical standards and aligned with the strategic goals of fostering innovation, entrepreneurship, and sustainable business practices in line with the European educational and innovation landscape. The process focused on identifying, evaluating, and adapting existing resources to create a cohesive, engaging, and impactful learning experience that addresses the needs identified during the initial mapping phase.

Methodological Approach

The methodology for reviewing teaching materials followed a systematic and multi-phase approach that integrated qualitative and quantitative evaluation techniques. The primary goal was to assess the relevance, quality, and suitability of available resources, ensuring they effectively supported the course's learning outcomes and aligned with European priorities in entrepreneurship, innovation, and sustainable development.

1. Systematic Search and Compilation of Resources

The review process began with a comprehensive search and compilation of teaching materials related to entrepreneurship, business creation, and sustainable innovation. This phase involved gathering syllabi, lecture notes, case studies, video lectures, and other relevant educational resources. The search extended beyond academic institutions to include industry resources, online open educational resources (OERs), and MOOCs, reflecting the need to incorporate diverse and up-to-date perspectives into the course.

- **Search Criteria:** Resources were selected based on their relevance to core topics of the course, such as business modeling, market analysis, financial planning, and sustainable business practices. Criteria also included alignment with ethical, sustainability, and innovation principles and adaptability for different delivery modes (e.g., online, blended). The search process was iterative, allowing for the refinement of criteria as new insights were gathered.

2. Development of an Evaluation Framework

An evaluation framework was developed to systematically assess the collected materials using both qualitative and quantitative metrics. This framework ensured that each resource was evaluated for its educational value, relevance, quality, and alignment with the course's objectives and the broader European context of supporting innovation and sustainable entrepreneurship.

- **Qualitative Assessment:** A rubric was created to evaluate the depth and clarity of content, the pedagogical approach, and how well the materials addressed key topics like venture creation and sustainable business models. Special attention was given to inclusiveness, accessibility, and the practical applicability of the materials, ensuring they could serve as valuable resources for students with varying levels of prior knowledge.
- **Quantitative Assessment:** Quantitative metrics included the assessment of learning outcomes, time requirements, and the alignment of content with the ECTS (European Credit Transfer and Accumulation System) standards. This helped



ensure that the materials could be integrated seamlessly into the curriculum and that the workload was appropriate for students.

This review process was integral to ensuring that the "Entrepreneurship Curriculum for Venture Creation" is grounded in high-quality, relevant materials that effectively support the development of entrepreneurial skills and align with Europe's strategic goals of fostering a greener, more innovative economy.

5- DEVELOPING AND CREATING THE TEACHING MATERIALS

Based on the identified needs, existing resources, and expertise, we developed a comprehensive training programme with carefully designed modules tailored to the course objectives. A committee from all partner institutes of the SEEDplus project, including both academic institutions and the business sector, worked together to prepare the course. This collaboration ensured that the materials are academically sound and meet industry needs, making the course relevant to real-world business challenges.

6- OPEN ACCESS AND SUSTAINABILITY OF THE COURSE

It is our philosophy to ensure that the "Entrepreneurship Curriculum for Venture Creation" course remains open access and sustainable, maximizing its impact and extending its benefits beyond the initial funding period for SEEDplus project. This approach not only enhances the reach of the course but also supports continuous improvement and adaptation, making it a valuable resource for students, educators, and the broader community.

Open-Access to Maximize Impact

To maximize the course's impact, all teaching materials are made open-access and available to the public, students, and other Higher Education Institutions (HEIs) through the MOOC platform <https://mooc.cloudearthi.com/> and the course YouTube channel (https://www.youtube.com/watch?v=xmrJ9--G4_M&list=PLKHkZHLsnCy0-3exKDEgyjIKp5p2ymwSu). By providing unrestricted access to course content, we empower students and educators to utilize, adapt, and further develop the materials, fostering a culture of continuous learning and innovation. Open access ensures that the knowledge and resources generated by this course are not confined within institutional boundaries but are shared widely, amplifying their effect on the educational landscape.

This approach is particularly important in the context of fostering entrepreneurship and innovation across Europe. By making the course openly available, we contribute to building a broader ecosystem where students, academics, and industry professionals can engage with cutting-edge content, experiment with business creation concepts, and drive forward entrepreneurial thinking. The open-access model encourages collaboration, adaptation, and the cross-pollination of ideas, which are essential for developing resilient and dynamic business environments.



Sustainability Beyond the Funding Period

Sustaining the course beyond its initial funding is crucial to ensuring its long-term impact. We have secured financial support from UiT The Arctic University of Norway to run the course for all master's students at the Faculty of Biosciences, Fisheries, and Economics as a pilot programme (Link to the course: <https://uit.no/utdanning/emner/emne/842084/bed-3111>). This commitment not only demonstrates the value of the course but also sets the stage for its broader adoption. The goal is to expand the course into a mandatory component for all master's students at UiT by 2026, integrating entrepreneurial education into the core curriculum.

Sustaining the course ensures that future generations of students continue to benefit from the skills and knowledge it provides, fostering a strong entrepreneurial mindset that is vital for Europe's economic growth and innovation capacity. By embedding the course into the university's long-term offerings, we align with strategic goals such as enhancing innovation, supporting green and circular economies, and equipping students with the tools to succeed in a rapidly changing business landscape.

The open access and sustainability strategy ensures that the course remains relevant, adaptable, and impactful, allowing it to continuously evolve and meet the needs of students and the wider community. By investing in the long-term viability of the course, we not only maximize its immediate benefits but also contribute to building a more innovative and entrepreneurial Europe.

Development of a Course Book from Collected Materials

The SEEDplus team is actively working on converting the collected course materials into a comprehensive book that will serve as a valuable resource for students, educators, and aspiring entrepreneurs. This initiative aims to compile the course content, case studies, practical examples, and expert insights into a structured format, making it easily accessible and widely available beyond the digital platform.

The creation of this book is driven by the goal of providing a tangible resource that can be used independently or alongside the course to deepen understanding and application of the principles taught in the "Entrepreneurship Curriculum for Venture Creation." By transforming the course materials into a book, we aim to further solidify the knowledge imparted, offering a go-to reference for those involved in business creation, innovation, and sustainable entrepreneurship.

Additionally, this book will enhance the sustainability and impact of the course by making the content available in a format that can be easily disseminated, shared, and used for further teaching and training purposes. The book will not only benefit the participants of this course but also support other educational institutions, trainers, and self-learners who are looking to integrate entrepreneurship and innovation into their own learning pathways.

By documenting the comprehensive learning journey of this course, the book will contribute to the academic literature on entrepreneurship education and provide a legacy that extends the reach of the SEEDplus initiative. This effort underscores our commitment to maximizing the educational impact of the course and ensuring that the knowledge gained continues to inspire and equip future generations of entrepreneurs.



7- COURSE OVERVIEW: VENTURE CREATION COURSE

The **Venture Creation Course** is a comprehensive program designed to equip students with the essential skills and knowledge needed for successful business creation and entrepreneurship. Structured over three academic semesters, the course is divided into three modules—Fundamentals, Lean LaunchPad, and Start-up Competition. It targets Bachelor, Master, and PhD students with technical backgrounds, providing a robust foundation in business fundamentals, practical start-up development, and competitive entrepreneurship.

Course Structure

- **Module 1: Fundamentals (10 Weeks)**

This module covers the basics of building a successful business, including team dynamics, business models, market analysis, financial planning, and legal aspects. It provides students with theoretical insights and practical knowledge necessary for starting a venture.

- **Module 2: Lean LaunchPad (10 Weeks)**

This module emphasizes hands-on experience, guiding students from theoretical learning to practical application as they develop their start-up ideas using the Lean LaunchPad methodology. It features presentations, discussions, and mentoring sessions to help students refine their business concepts and validate customer needs. Additionally, the module includes a series of “Grill the Leaders” sessions, where successful entrepreneurs share their stories, engage in open discussions, and inspire students by providing insights from real-world experiences and success stories.

- **Module 3: Start-up Competition (3 Weeks)**

In this final module, students develop and pitch their start-up projects in a competitive setting, applying knowledge from the previous modules. They receive mentoring from academic and industry experts, allowing them to refine their business models and enhance their pitching skills.

General Course Description

The Venture Creation Course aims to bridge the gap between academic learning and real-world business creation. By combining theoretical foundations with practical experience, the course prepares students to navigate the challenges of entrepreneurship. The curriculum is designed to foster innovation, critical thinking, and strategic decision-making, encouraging students to develop ventures that are sustainable, scalable, and aligned with market needs.

Throughout the course, students engage in a dynamic learning environment that includes online lectures, interactive discussions, mentoring sessions, and competitive pitching opportunities. This blended approach ensures that students are not only gaining knowledge but also applying it in real-world scenarios, enhancing their readiness for the entrepreneurial journey.



Learning Outcomes

Upon completion of the course, students:

- Understand the essential components of successful business creation, including business models, market analysis, financial planning, and legal requirements.
- Develop practical skills in start-up formation, customer engagement, and product iteration.
- Apply Lean LaunchPad principles to refine their business ideas through hands-on practice and direct feedback.
- Enhance their pitching and presentation skills, gaining confidence in communicating their business value proposition to potential investors and stakeholders.
- Build strong industry connections and networks that support future entrepreneurial endeavors.

Assessment Methods

The assessment approach is designed to evaluate students' knowledge, practical skills, and ability to apply entrepreneurial concepts.

- **Module 1:** Assessment includes attendance, participation, and self-assessment tests focused on understanding foundational business concepts.
- **Module 2:** Students are assessed through attendance, participation in discussions, and the quality of their presentations, reflecting the iterative development of their business models.
- **Module 3:** Assessment involves several rounds of pitch presentations in a competitive environment, where students demonstrate their ability to validate, refine, and present their start-up ideas effectively.

8- VENTURE CREATION COURSE – STRUCTURE

Module 1: Fundamentals	
Topics covered	Week 1: Introduction: basics of a healthy business <i>Learning outcomes:</i> • Understand the essential components for building a successful and sustainable business. • Recognize key factors and common pitfalls in business operations and growth.
	Week 2: Team start-ups <i>Learning outcomes:</i>



	• Develop effective strategies for forming and managing start-up teams. • Address team dynamics and ensure balanced roles and responsibilities.
	Week 3: Introduction to business models/EARTH-Centered Business Design <i>Learning outcomes:</i> • Define and compare various business models and their applications. • Apply EARTH-Centered Business Design principles for sustainable and socially responsible business practices. EARTH-Centered Business Design is developed and presented by partnering organization Edinburg innovations
	Week 4: Market analysis <i>Learning outcomes:</i> • Conduct thorough market analysis to identify industry opportunities and threats. • Utilize market research tools to gather and interpret relevant data for strategic decision-making.
	Week 5: Minimum viable product and product iterations <i>Learning outcomes:</i> • Create and test a Minimum Viable Product (MVP) to validate business ideas. • Implement iterative design processes to refine products based on user feedback.
	Week 6: Customer engagement & branding. Market segmentation <i>Learning outcomes:</i> • Develop strategies for effective customer engagement and branding. • Identify and segment target markets to tailor marketing efforts and product offerings.
	Week 7 and Week 8: Financial planning <i>Learning outcomes:</i> • Create comprehensive financial plans, including budgeting, forecasting, and financial projections. • Analyze financial statements and manage cash flow for optimal financial health.
	Week 9 and Week 10: Legal and tax aspects of running a business (lectures are tailored to the country that they are presented, dealing with specifics and issues related to national legislation)



	<i>Learning outcomes:</i> • Understand and navigate legal requirements and tax regulations specific to the country of operation. • Develop strategies to manage legal risks and ensure compliance with relevant laws and regulations.
Form:	Online lectures
Assessment	Attendance Course completion Unit and final self-assessment by multiple-answer test

Module 2: Lean LaunchPad	
Topics covered	Week 1: Course introduction <i>Learning outcomes:</i> • Understand the Lean LaunchPad methodology and its application in start-up development. • Set clear objectives for the course, including personal and team goals for business idea development. Week 2: Business model/ customer development <i>Learning outcomes:</i> • Develop and articulate a business model using the Business Model Canvas framework. • Apply customer development techniques to validate assumptions about customer segments and needs. Week 3: Value proposition <i>Learning outcomes:</i> • Create a compelling value proposition that addresses specific customer pain points and desires. • Test and refine the value proposition through customer feedback and market research. Week 4: Customers/ users/ players <i>Learning outcomes:</i> • Identify and segment potential customers, users, and key stakeholders for the business. • Develop strategies to engage and understand the behaviors, motivations, and needs of different customer segments. Week 5: Distribution channels <i>Learning outcomes:</i> • Evaluate and select the most effective distribution channels to reach target customers.



	- Design and test distribution strategies to optimize product delivery and customer access. Week 6: Customer relationships <i>Learning outcomes:</i> - Develop strategies for building and maintaining strong customer relationships. - Analyze the role of customer relationships in driving loyalty, retention, and long-term growth. Week 7: Revenue models <i>Learning outcomes:</i> - Identify and evaluate various revenue models appropriate for the business. - Design and validate a revenue model that aligns with customer value and business sustainability. Week 8: Partners <i>Learning outcomes:</i> - Identify potential key partners and assess their role in the business model. - Develop strategies for building and managing partnerships that enhance business capabilities and market reach. Week 9: Key resources and costs <i>Learning outcomes:</i> - Identify the key resources required to operate the business effectively. - Analyze and optimize the cost structure to ensure financial viability and efficient resource allocation. Week 10: Playback and lessons learned <i>Learning outcomes:</i> - Synthesize and present the progress and outcomes of the business model development process. - Reflect on the lessons learned throughout the course and identify areas for future improvement and iteration.
Form	Online lectures Online discussion and presentation by students Grill the leader sessions from business representatives
Assessment	Attendance and participation

Module 3: Start-up competition	
Topics covered	This module finalizes the venture creation course program. Student work on the development of their start-ups based on the knowledge and



	experience gained through Module 1 and Module 2. During the start-up development students are supervised by academic and business representatives.
Form	Mentoring and supervision Self-preparation Competition
Learning outcomes	<i>Enhanced Pitching and Presentation Skills</i> Outcome: Develop the ability to craft and deliver a compelling and concise pitch that clearly communicates the value proposition and potential of the start-up. <i>Idea Validation and Iteration</i> Outcome: Gain experience in validating a business idea through feedback from judges and mentors, leading to iterative improvements in the business model or product offering. <i>Financial Planning and Resource Management</i> Outcome: Build and refine financial projections and budgets, demonstrating an understanding of the start-up's financial needs and sustainability. <i>Networking and Industry Connections</i> Outcome: Establish valuable connections with industry experts, potential investors, and other entrepreneurs, expanding the network and opportunities for future business growth.
Assessment	Several rounds of pitch presentation.

9- VENTURE CREATION COURSE – FOUNDATIONS – DETAILS

The Venture Creation Course, Module 1 – fundamentals include a set of online lectures focused on equipping students with the theoretical foundations needed to start their entrepreneurial journey. The course revolves around 8 topics presented for one academic semester or 10 weeks. Each topic of this module includes a:

- 20-minute recording presenting the topic
- Presentation
- 5 to 10 pages of reading materials
- Multiple answer self-evaluation test.

In order to broaden the view of the presentation some of the topics are developed in pairs, by different partners. The same topic is presented from two different points of view, from different regional perspectives.

The training materials are available online at the project's MOOC platform – mooc.cloudearthi.com

The topics of the module with their corresponding abstract are listed below:

**Topic 1. Introduction: basics of a healthy business**

Abstract: The essence of sustainability and the concept of sustainability are examined from the perspective of its triad - business, society, and the environment. Goals and strategies for sustainability from the UN and EU are presented, as well as their transformation into key EU policies, drawing parallels with business development in their context. The essence of the EU taxonomy and the reason for the growing interest of businesses in its implementation are discussed. The fundamental methods used to measure business sustainability are presented. The course also introduces entrepreneurship as a management concept and presents an algorithm for generating rational ideas for the development of a sustainable business.

Topic 2. Startup's team (multiple perspective topic)

Abstract - perspective 1: Venture capitalists often state that they invest in the management team, not the technology, that means that success of a startup depends on the team. Before starting venture creation, it is important to conclude founder's agreement which is taking into account all issues of team work. Instruments of vesting and cliff are widely used to fix the responsibilities and roles of each member of the founder's team. There are five important functions each company performs, and startups are not an exemption - each function should be assigned for team members, and some techniques are used for that. Startup's communication and leadership require skills and emotional intelligence to ensure team development and stakeholder engagement. There are some tools to practice that may help to acquire the necessary communication and leadership skills.

Abstract - perspective 2: Every startup needs a good team to be successful in realizing its idea. The team should possess the best skills for its management. Managing teams requires an accurate assessment of situations where teamwork is necessary, as well as precise selection of suitable team members and the management of factors for team effectiveness. In the current topic, the key roles necessary for a team to be successful will be clarified, along with the factors related to team effectiveness. Models, methods, and techniques that are necessary for selecting an effective team that contributes to the successful launch and stabilization of the company will be discussed.

Topic 3. Introduction to business models/EARTH-Centered Business Design

Abstract: With this topic, students will be able to learn about successful business models applicable to startup companies, the fundamental elements of a business model, and how to create your own successful business model. You will also learn how to apply your new technological methods in the most market-effective manner, and how to prepare the perfect business plan to aid you in finding the investors necessary for realizing your idea.

Topic 4. Market analysis (multiple perspective topic)

Abstract - perspective 1: The topic of Market analysis delves into a comprehensive exploration of various aspects related to evaluating market dynamics and trends. It examines crucial questions such as identifying customer preferences and needs, understanding competitor strategies, assessing market size and growth potential, and predicting future demand. This topic covers methodologies for data collection, interpretation, and drawing actionable insights from market



research. Additionally, it delves into the significance of market segmentation, targeting specific consumer groups, and developing effective marketing strategies based on the acquired insights. The topic aims to equip learners with the analytical tools necessary to make informed business decisions, capitalize on opportunities, and mitigate risks within diverse market environments.

Abstract - perspective 2: This topic explores techniques and strategies for determining the size of the target market. Key aspects of research into the opportunities and potential of the specific market are presented. Analysis of competition and the product range it offers is undertaken. Key advantages of the products and services provided by our company, for which there could be a potential in the specific market, are highlighted.

Topic 5. Minimum viable product and product iterations

Abstract: This topic examines the product and its life cycle within the context of the sustainability concept and the transition to a circular economy. The topic presents various methods for calculating the cost of the product, and this is done within the context of the discussed issues.

Topic 6. Customer engagement & branding. Marketing for new businesses (multiple perspective topic)

Abstract - perspective 1: The Marketing segment of the course delves into selecting optimal distribution channels, employing promotion tactics via digital marketing and traditional advertising while emphasizing unique value propositions. It further explores cultivating enduring customer engagement and loyalty, leveraging feedback to enhance products, and addressing budget allocation alongside tracking ROI. Additionally, it underscores the paramount importance of strategic branding in shaping a strong and recognizable identity that resonates with the audience. By addressing these aspects, students will be well-prepared to create a comprehensive market plan aligning their startup product with the target audience and utilizing effective marketing strategies for success in a competitive market environment.

Abstract - perspective 2: The lecture covers the fundamental aspects related to the process of attracting and retaining new customers. Techniques and strategies are presented that a company can utilize to attract potential clients. The main communication channels and opportunities for presenting products and services are discussed. Additionally, marketing is emphasized as an important component of every startup business and a prerequisite for the growth of the newly established company.

Topic 7. Financial planning.

Abstract: An overall plan of the organization and the conduct of financial analysis within a company is presented. Key indicators characterizing the state and activities of the business are discussed. Relationships and dependencies between the examined indicators are presented. The topic also addresses start-up companies as subjects for rational investment.

**Topic 8.** Legal and tax aspects of running a business (multiple perspective topic)

Abstract - perspective 1: The topic includes questions regarding forms, options of legal entity registration and taxation in Ukraine and in some jurisdictions abroad, especially in terms of reduction of the tax burden and better regulation and property rights protection. The issues on Intellectual Property (IP) policy and protection, and legal aspects of fundraising (like distribution of shares and taxation of grants and investments) are presented in the topic as well.

Abstract - perspective 2: This topic covers issues related to the registration of a commercial company, the tax policy in a European country, and the legal aspects of the new company's operations. Various possibilities for financing entrepreneurial activities are discussed, including both loan financing and funds from European Structural and Investment Funds. Opportunities for practical training and gaining experience for young entrepreneurs through the 'Erasmus for Young Entrepreneurs' program are also presented. The content of this topic will be adjusted to region specifics.

Topic 9. Investment readiness and raising funds

Abstract: From this topic, students will learn about the different types of investors, how investment funds operate, and how to find a suitable investor for realizing a startup business. Students will also become familiar with various options for financing a startup business and what the possibilities are for funding startups.

10- VENTURE CREATION COURSE – LEAN LAUNCHPAD - DETAILS

Module 2 of the Venture creation course – Lean LaunchPad is a more hands-on experience and it aims to transition the students from fundamental learning to practical activities related to the creation of their start-ups. The module is a declaration of 1 academic semester – spanning a total of 10 weeks. Each week covers a specific topic, where:

- Students are required to perform a series of pre-class activities.
- Training sessions include:
 - Short presentation of the topics by academics
 - Presentation by participants in order to demonstrate the results from their pre-class activities.
 - Discussions and mentoring on the given topic.
- Grill the leader sessions:
 - Online workshops and talks, to be delivered concurrently with the activities of Module 2, that will be led by successful entrepreneurs or business leaders from innovation ecosystems. These sessions will enrich the entrepreneurship curriculum by sharing real-life success stories and lessons learned by experienced entrepreneurs.



The structure of each topic can be described as:

Topic 1: Course Introduction

Student presentation: n/a

Weekly activities required pre-class: Initial team formulation & startup idea selection/development

Topic 2: Business model/customer development

Student presentation:

- Team name & composition
- Initial business model canvas (BMC)
- Hypotheses for each of 9 parts of the model
- Ways to test and evaluate each hypothesis

Weekly activities required pre-class:

- Finalise team, startup idea, name etc.
- Populate the first business model canvas and hypotheses against each part of the model
- Identify pass/fail signals for hypothesis tests
- Review weekly learning materials

Topic 3: Value proposition

Student presentation:

- Market/opportunity size estimates;
- Value proposition hypotheses;
- Customer feedback on VP hypotheses

Weekly activities required pre-class:

- Conduct the first round of customer testing on value proposition hypotheses;
- Market/opportunity size estimations
- Review weekly learning materials

Topic 4: Customers/users/payers

Student presentation:

- Learnings on VP & customer/user segmentation from customer discussions
- Updates to the BMC with a focus on customer segment (who is the customer/user/payer, why, how to reach them etc.) & VP
- What we thought, what we did, what we found, what we're going to do



Weekly activities required pre-class:

- 10-15 customer engagements, focus on user/customer hypotheses (what are their problems, how currently solving problems, could your VP solve the problem and how, what part of your product excited customers, is the customer a decision maker, what is their budget, current spend, what is decision process?)
- Review weekly learning materials

Topic 5: Distribution channels

Student presentation:

- Updated BMC with changes highlighted
- What we thought, what we did, what we found, what we're going to do

Weekly activities required pre-class:

- Talk to 10-15 potential channel partners (salesmen, OEM distributors etc.)
- ID learnings against hypotheses
- ID any changes to VP
- Review weekly learning materials

Topic 6: Customer relationships

Student presentation:

- Updated BMC with changes highlighted
- What we thought, what we did, what we found, what we're going to do
- present & explain marketing campaign

Weekly activities required pre-class:

- Create a prototype (website/app/model product etc.)
- Evaluate initial usage - analytics/site tracking/user response etc.
- Identify customer acquisition cost i.e. engage in 'search engine marketing' - any budget we can provide for this to test?
- Ask for user actions, use Google Analytics, test propagation of product, viral coefficient
- Identify assumed customer lifetime value. use proxy companies to test demand creation budget and forecast
- Review weekly learning materials

Topic 7: Revenue models

Student presentation:

- Updated BMC with changes highlighted
- What we thought, what we did, what we found, what we're going to do



Weekly activities required pre-class:

- Identify revenue model (various offerings? pricing? payment flows? financial metrics for the business model?)
- Test pricing with 100 web customers / 10-15 non-web customers
- Identify risks, competitor models
- Identify a rough income statement for the business model
- Develop 'lifetime value' calculation for customers
- Review weekly learning materials

Topic 8: Partners

Student presentation:

- Updated BMC with changes highlighted
- What we thought, what we did, what we found, what we're going to do

Weekly activities required pre-class:

- Identify necessary partners, why and what needs, risks, why they'll partner with you, partnership costs, benefits of exclusivity
- Talk to actual partners
- Review and update the proposed income statement for the business model
- Review weekly learning materials

Topic 9: Key resources & costs

Student presentation:

- Updated BMC with changes highlighted
- What we thought, what we did, what we found, what we're going to do

Weekly activities required pre-class:

- Build Expense model
- Resources assumptions spreadsheet
- Identify cashflow break-even point
- ID financial metrics for costs in the BM
- Costs vs ramp vs product iteration in the model?
- Timeline for resource needs
- Review weekly learning materials

Topic 10: Playback & lessons learned

Student presentation:

- Lessons learnt presentation



Weekly activities required pre-class:

- Prepare lessons learned presentation 10 mins - include 3 iterations of business model canvas in a presentation to highlight progress, final slide on where we ended, key learning, assessment on viable business or not, intentions for progressing idea or not
- Review weekly learning materials

Grill the leader sessions:

Our philosophy is to train students using real-life stories of both successes and failures. The 'Grill the Leader' sessions are weekly online workshops and talks, held concurrently with the activities of Module 2. These sessions will be led by successful entrepreneurs and business leaders from innovation ecosystems. By sharing real-life success stories and lessons learned, these sessions will enrich the entrepreneurship curriculum and provide students with valuable insights from experienced professionals.

The following table shows the planned Grill the Leader workshops where business leaders are invited to share their successes and failures with the students in open sessions full of questions and brainstorming.

Grill the Leader Workshops				
Weeks	Workshop Topic	Responsible Partner	Invited Speaker	Suggested Date
Week2	University Spin-Off Startup Success Story Rivelino Montenegro - Serial Entrepreneur	FTA	Rivelino Montenegro	19 feb. 16h CET
Week3	Startup Success Story - Value Proposition focus Startup GreensMadeEasy	Impact Hub	Frances Pairaudeau Helena Hidalgo	29 feb. 17h CET
Week4	Startup Success Story - Customers / Users / Payers focus Startup Woamy	EIT RM	Mohamed Elamir [mohamed.elamir@woamy.com]	7 Mar. 17h CET
Week5	Startup Success Story - Distribution channels focus Startup / Entrepreneur / Business Leader C	GFO		14 Mar. 17h CET



Week 6	Startup Success Story - Customer relationships focus Ana Trifković Female Entrepreneur	FTA	Ana Trifković	21 Mar. 17h CET
Week 7	Startup Success Story - Revenue models focus Nuno Dias - Serial Entrepreneur	FTA	Nuno Dias	11 Apr. 17h CET
Week 8	Startup Success Story - Partners focus Startup NanoPow	EIT RM	Sivakanesar Luxsacumar (just Cumar) - luxsan@nanopow.com	18 Apr. 17h CET
Week 9	Startup Success Story - Key Resources & costs focus Startup Earthbound	Impact Hub	Domagoj Boljar Earthbound db@miret.co	25 Apr. 17h CET
Week 10	Startup Success Story - Female led startup Startup AlongRoute	GFO	Dr. Georgia Kalantzi - Co- Founder at AlongRoute	2 May. 17h CET
Week 11	Startup Success Story	GFO	Startup Success Story Startup Ki Hydrogen	9 May. 17h CET

11- VENTURE CREATION COURSE - START-UP COMPETITION.

Module 3 of the Venture Creation Course, the Start-up Competition, is designed to provide students with a practical, real-world experience in developing and pitching their start-ups. Building on the skills and knowledge acquired in Module 1 (Fundamentals) and Module 2 (Lean LaunchPad), this module challenges students to refine and present their start-up ideas in a competitive setting.

Before the competition, students receive technical and entrepreneurial mentoring from both business and academic experts, helping them prepare and optimize their business concepts. The



competition is structured in two stages—national and international—allowing students to first compete locally and then present their ventures on a broader stage, simulating the real pressures and dynamics of the entrepreneurial world.

12- APPENDICES

The following section provides examples of the teaching materials used in the course.

VENTURE CREATION COURSE WORKBOOK

M. Marchenko (Modules 3, 4)

O. Tsyplitska (Modules 5, 6, 7)

I. Kubareva (Modules 1, 2)

O.Voropai (Modules 4, 7)

SEEDplus



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Content

[Module 1. The concept of healthy business](#)

[Module 2. Startup team](#)

[Module 3. Minimum viable product and product iterations](#)

[Module 4. Marketing, customer engagement and branding](#)

[Module 5. Financial planning -1](#)

[Module 6. Financial planning -2](#)

[Module 7. Legal issues of running a startup business](#)

Module 1:

“The concept of healthy business”

- What is a healthy business?
- Sustainable Development Goals (SDGs)
- Sustainability meaning and pillars
- Circular economy
- Social Enterprises
- Corporate Social Responsibility

What is a healthy business?*

A healthy business is a business that develops in the direction of sustainability, effectiveness, and responsible influence. A healthy business is a well-rounded entity that thrives financially, operationally, organizationally, and ethically. It is committed to its employees, the community, and the environment while ensuring long-term sustainability and positive impact.

Operational health:

- **Efficiency:** Optimizing processes to minimize waste, maximize productivity, and deliver value efficiently.
- **Effectiveness:** Aligning operations with strategic goals and achieving desired outcomes consistently.
- **Innovation:** Continuously seeking new ideas, developing innovative products and services, and adapting to changing market demands.

Organizational health:

- **Strong leadership:** Having competent and ethical leaders who provide clear vision, direction, and support to employees.
- **Positive work culture:** Fostering a culture of collaboration, trust, respect, and open communication.
- **Engaged workforce:** Having a motivated and engaged workforce that contributes their best efforts and feels valued by the company.

Financial health:

- **Profitability:** The ability to generate consistent and sustainable profits over time.
- **Financial stability:** Maintaining a healthy balance sheet with adequate cash flow and manageable debt levels.
- **Sound financial practices:** Implementing responsible financial management practices, including budgeting, forecasting, and risk mitigation strategies.

Social and environmental responsibility:

- **Ethical conduct:** Operating with integrity, transparency, and fairness in all business dealings.
- **Social responsibility:** Contributing positively to the community, supporting social causes, and upholding ethical labor practices.
- **Environmental sustainability:** Minimizing environmental impact through sustainable practices, reducing waste, and conserving resources.

* Source: the article of Peter Nathan, link: <https://www.linkedin.com/pulse/what-healthy-business-peter-nathan-zs7mc/>

Sustainable Development Goals, SDGs

In 2015, UN member countries adopted a sustainable development program **“THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT”** with a horizon of 2030. At the center of this program are

17 Sustainable Development Goals, (SDGs), which are as follows:



1. No poverty;
2. Zero hunger;
3. Good Health and well-being;
4. Quality education;
5. Gender Equality;
6. Clean water and sanitation;
7. Affordable and clean energy;
8. Decent work and economic growth;
9. Industry Innovation and infrastructure;
10. Reduced Inequalities;
11. Sustainable Cities and Communities;
12. Responsible consumption and production;
13. Climate action;
14. Life below water;
15. Life on land;
16. Peace, justice, and strong institutions;
17. Partnership for the goals.

Sources:

1) <https://www.un.org/sustainabledevelopment/development-agenda/>

2) [THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT](#)

3) [Actions for the Sustainable Development Goals](#)

Priority policies of the European Commission that unite 17 UN SDGs

The comprehensive EU approach towards implementing the UN's 2030 Agenda for Sustainable Development includes:

European Green Deal

Economy that works for people

Europe fit the digital age

European way of life

Stronger Europe in the world

European Democracy

The European Commission has a holistic approach to sustainability and the SDGs.

The Commission has focused on delivering concrete actions that will bring tangible progress in the areas of the Sustainable Development Goals (SDGs)



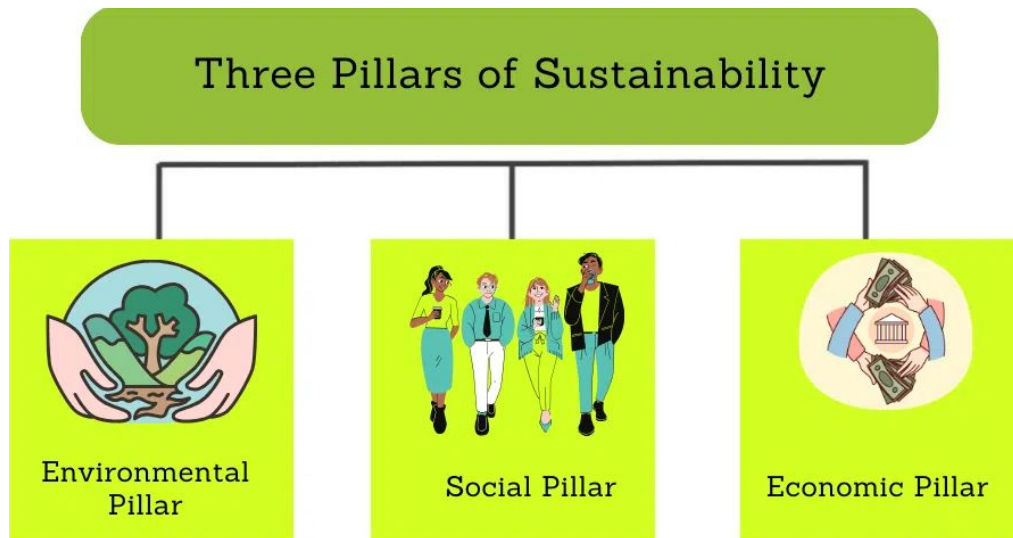
Source:

https://commission.europa.eu/strategy-and-policy/sustainable-development-goals/eu-whole-government-approach_en

Sustainability

In the broadest sense, sustainability refers to the ability to maintain or support a process continuously over time. **In business and policy contexts, Sustainability** seeks to prevent the depletion of natural or physical resources, so that they will remain available for the long term.

3 Pillars of Sustainability are economic, environmental, and social—also known informally as profits, planet, and people*.



Think about the 3 pillars of sustainability of your business. Define actions to be sustainable in each pillar. For each action, identify a sustainable development goal that you support

The **Commission's comprehensive or "whole of government" approach to implementing the Sustainable Development Goals (SDGs)** comprises several strands as depicted in the figure below**:



Progress in the implementation of the Sustainable Development Goals

A qualitative assessment of the progress made on each of the SDGs is regularly provided by the EU and can be obtained from the EU SDG webpage***.

Sources:

*<https://www.investopedia.com/terms/s/sustainability.asp>

**https://commission.europa.eu/strategy-and-policy/sustainable-development-goals/eu-whole-government-approach_en#the-commissions-whole-of-government-approach-to-implementing-the-sustainable-development-goals

***https://commission.europa.eu/strategy-and-policy/sustainable-development-goals/eu-whole-government-approach_en#progress-in-the-implementation-of-the-sustainable-development-goals

Circular economy

The circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. **In this way, the life cycle of products is extended.**



European Parliament wants Europeans to switch to a circular economy by using raw materials more efficiently and reducing waste. The European Union produces more than 2.2 billion tonnes of waste every year. It is currently updating its legislation on waste management to promote a shift to a more sustainable model known as the circular economy. The European Commission adopted the new circular economy action plan (CEAP) in March 2020. It is one of the main building blocks of the European Green Deal, Europe's new agenda for sustainable growth. The new action plan announces initiatives along the entire life cycle of products. It targets how products are designed, promotes circular economy processes, encourages sustainable consumption, and aims to ensure that waste is prevented, and the resources used are kept in the EU economy for as long as possible.



Consider steps to build a sustainable business and apply a circular economy model using an infographic on the circular economy:

<https://www.europarl.europa.eu/thinktank/infographics/circulareconomy/public/index>

Is your business sustainable enough?

Sources:

<https://www.europarl.europa.eu/topics/en/article/20151201ST005603/circular-economy-definition-importance-and-benefits>

https://environment.ec.europa.eu/strategy/circular-economy-action-plan_en

European Parliament Research Service

Social enterprises

A **social enterprise** is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders.

It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives.

It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.

The European Commission uses the term 'social enterprise' to cover the following types of business

- Those for whom the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation
- Those whose profits are mainly reinvested to achieve this social objective
- Those where the method of organization or the ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice

Despite their diversity, social enterprises mainly operate in the following 4 fields

- **Work integration** - training and integration of people with disabilities and unemployed people
- **Personal social services** - health, well-being and medical care, professional training, education, health services, childcare services, services for elderly people, or aid for disadvantaged people
- **Local development of disadvantaged areas** - social enterprises in remote rural areas, neighbourhood development/rehabilitation schemes in urban areas, development aid and development cooperation with third countries
- **Other** - including recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, consumer protection and amateur sports



Is your business social ?

Justify your opinion using social enterprise characteristics



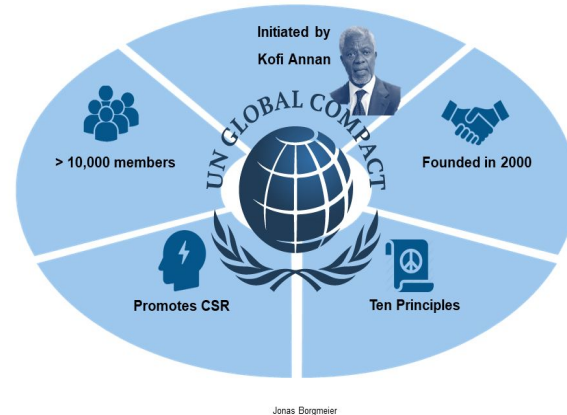
Sources:

https://single-market-economy.ec.europa.eu/sectors/proximity-and-social-economy/social-economy-eu/social-enterprises_en

Corporate Social Responsibility

CSR is a responsibility companies should take for the consequences of their actions. The CSR measures should include:

- Introducing code of Conduct
- Making the Value Chain more sustainable
- Dialogue with Stakeholders
- Certification



The ten principles of the UN Global Compact

Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuse.

Labour

1. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
2. The illumination of all forms of forced and compulsory labour;
3. The effective abolition of child labour; and
4. The elimination of discrimination in respect of employment and occupation.

Environment

1. Business should support a precautionary approach to environment challenges;
2. Undertake initiatives to promote greater environmental responsibility; and
3. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

1. Business should work against corruption in all forms, including extortion and bribery.

Sources:

<https://jonasborgmeier.eu/posts/csr-ungc.html>

<https://unglobalcompact.org/what-is-gc/mission/principles>

https://d306pr3pise04h.cloudfront.net/docs/publications%2FUN_Global_Compact_Guide_to_Corporate_Sustainability.pdf

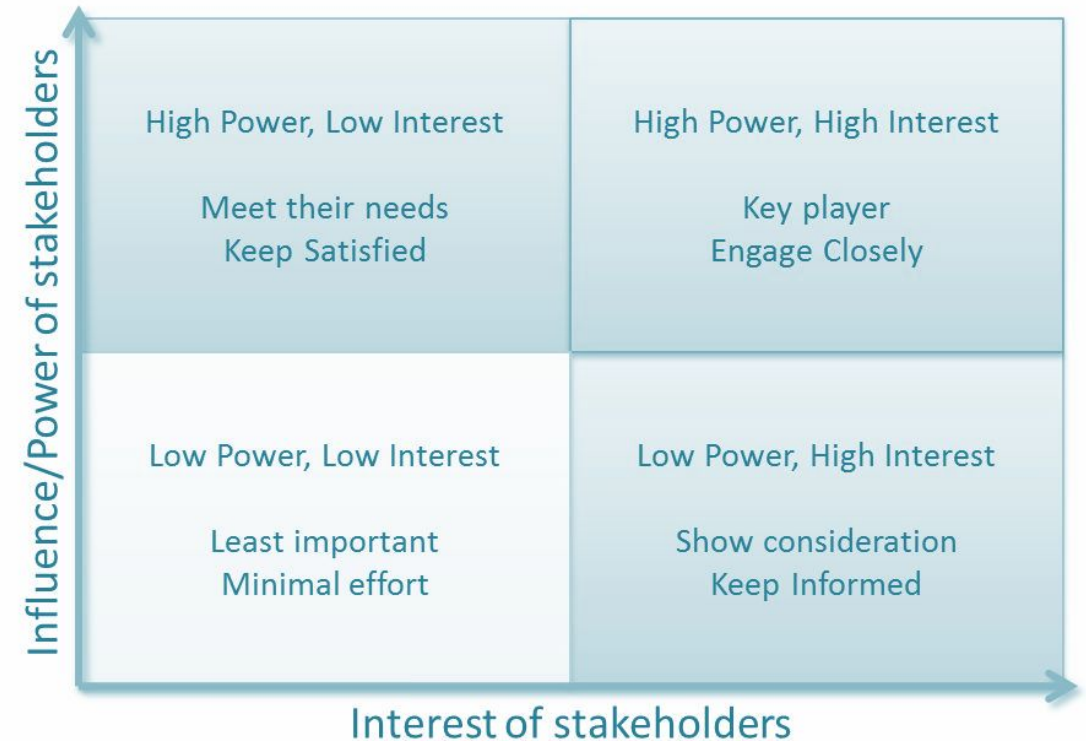
Stakeholders of Social Responsibility

A company should take the following steps to identify the scope of its stakeholders:

- ✓ Define CSR strategy
- ✓ Identify stakeholders of your business
- ✓ Map stakeholders under their power and interest
- ✓ Define stakeholders' expectations considering the CSR agenda
- ✓ Define your business expectations from stakeholders considering the CSR agenda
- ✓ Agree on CSR development steps with stakeholders
- ✓ Implement CSR activities
- ✓ Provide monitoring and controlling of CSR performance for your business and your stakeholders

Stakeholders will differ depending on their interest in the company's activities and the power they might have on you. Your primary focus should be on those, who have the highest influence and interest in what you do. Those are the key target of the CSR activities of the company. Organisations and individuals who do not have a direct interest in what you do, but are very influential, should always stay on your radar: meet their needs and keep them satisfied as their voice will be very well heard by your target customers.

Be sure to review the matrix on a reasonable time-frame basis, as stakeholders might gain power and change the quadrants.



Look at the matrix on the next page. Think about your business stakeholders, map stakeholders under their power and interest, define CSR expectations (yours and your stakeholders'), plan steps to be responsible partners.

Example of CSR analysis: stakeholders, metrics and SWOT characteristics

(example of a Ukrainian tourist enterprises)

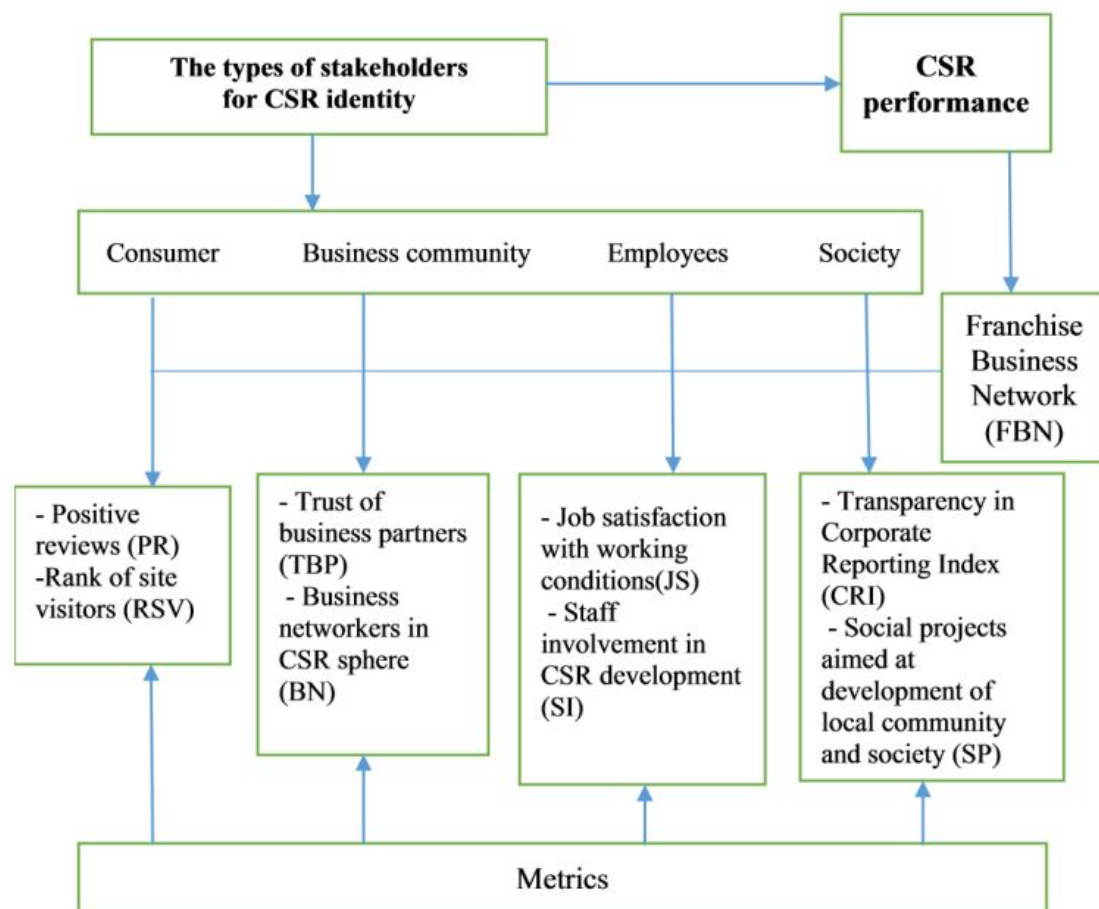


Table 4. SWOT-characteristics of the prerequisites for CSR development in Ukrainian tourist enterprises

Strengths	Weakness
- Ukraine has virtually all resort resources; - travel companies have the potential to generate up to 10-12% of GDP; - tourism is a powerful base for the development of services; - an increase in the number of international and domestic tourists; - understanding of the strategic importance and value of social orientation in most tourist enterprises	- low level of transparency of tourism business; - lack of financial resources; - low level of efficiency of social communications
Opportunities	Threats
- strengthening the corporate reputation in the tourist services market; - compliance with the Code of Corporate Conduct and Business Ethics; - enhancing the social activity of the company, growth of tourist loyalty; - increasing investment attractiveness, participation in international business, etc. - establishing partnership agreements with a network of travel agents and leading hotels in the world.	- undeveloped market for investment in Ukraine; - monopolization of the Ukrainian economy - decline in the purchasing power of consumers

Source: performed by authors on the base of State Statistics Service of Ukraine⁴



Think about stakeholders, CSR metrics and CSR SWOT characteristics of your business

Module 2:

“Startup Team”

- Startup team rules
- Founders' agreement
- Ownership structure
- Personality types
- Building a team
- Communication in teams
- Effective leadership

Startup Team Rules

1. Find Founders
2. Understand why you are building a team
3. Distinguish a team from a group
4. Build the Trust and Cohesive Team
5. Find Right People and Set Team Roles
6. Create and Develop a Team
7. Communicate
8. Be Effective Leader

Startup Founders' Agreement

The first step for startup creation is to find founders – key partners to develop and implement a business idea, share responsibility and define ownership structure. Founders' agreement lays out all these details about ways for startups partners collaboration. It includes:

- ownership structure;
- confidentiality;
- decision-making and dispute resolution;
- transfer of ownership on IP;
- representations and warranties; and
- choice of law

Ownership structure

- Who gets what percentage of the company?
- **What will each founder contribute to the company?** (e.g., duties, roles, job descriptions, hour commitments)
- How much capital is each founder contributing and for what?
- Is the percentage of ownership shares subject to **vesting** based on continued participation in the business?



Read more about Founders agreement

<https://clara.co/founders-agreement-vs-shareholders-agreement/>.

See Template of "Founders Agreement"

<https://startupguide.hbs.edu/wp-content/uploads/2018/11/Founders-Agreement-Template.docx>

Harvard Business School's Founders' Agreement Template.

Create Founders Agreement Template for your team, highlight the most important chapters.

Ownership Structure (sample)

Ownership structure is one of the key parts in founders' agreement. And not only percentage of interest in ownership reflects ownership structure.

It is also reasonable to add areas of responsibility in accordance with each founder background and considering directions for startup development. These key direction are strategy and business development, research and development (R&D), technology and operations development, finance and accounting, business planning. Upon formation of the Company, each Founder will be appointed to serve as a [Manager] of the Company.

Person	Percentage Interest	Roles and responsibilities
[Founder 1 Name]	[Founder 1 Percentage Interest]	CEO, strategy and business development, communication with stakeholders and marketing
[Founder 2 Name]	[Founder 2 Percentage Interest]	Research director (Principal investigator) Chief technology officer (CTO), responsible for operations
[Founder 3 Name]	[Founder 3 Percentage Interest]	CFO, responsible for finance and accounting, business planning



Think about Ownership Structure for your Startup.

Vesting

provisions govern how long it takes for founders to take ownership over their stake in the Company.

If a company has a standard four-year vesting term with a one-year cliff the Founder does not actually possess its ownership stake until certain time periods have elapsed. The Founder accrues 1/48th of their ownership interest every month (1/4 each year) but does not actually receive their accrued ownership stake until the end of year one of continuous and consecutive employment/work at the company.

Cliff

Not actually owning the first year's worth of accrued ownership until after a year of working for the company is called a cliff



Read more about vesting and cliff

<https://sites.psu.edu/goyal/2021/02/>

<https://www.law.upenn.edu/clinic/entrepreneurship/startupkit/founders-agreement.pdf>

Personality Types

The MBTI® assessment is a psychometric tool to measure the 16 personality types in C. G. Jung's theory of psychological types, based on the work of Isabel Briggs Myers.

MBTI personality types describe healthy, normal, and natural differences between people. There are other tests which may be used for the same purposes – e.g. 16 Personalities tool.



MBTI INVENTORY

<https://www.mbtionline.com/en-US/How-it-works/Framework>

<https://www.verywellmind.com/the-myers-briggs-type-indicator-2795583>



<https://www.16personalities.com/>



Take personality test and reflect on results.

Building a team

To start building a team, firstly, think about reasons to do it. Team building enhances startup results and ensures work process efficiency through the following steps:

Establish the Team Vision/Goal to share values and scope of work	set a clear vision to which the team can jointly work towards together
Facilitate a Working Environment to provide effective collaboration	ensure a climate that enables team members to speak up and address the real issues preventing the goal from being achieved, ensure that trust is established, collective collaboration is demanded, and openness is welcome
Set Clear Expectations and Responsibilities to support commitment	team where there is ambiguity about the direction and priorities fails to commit. Management must establish clear expectations so there is no ambiguity or question of what is expected of the team, whether it is the timeline, product, requirements, etc
Provide Training and Staffing to develop competencies	a work team must have the resources to do the job. Specifically, the team needs trained, competent team members
Get out of the team's way to increase team self-efficacy and improve teamwork	the manager's role is to get out of the team's way. Once the team knows what they are working towards, tasks have been clearly defined and delegated, expectations are clearly set and they have the means to build relationships of trust and have open communication, the manager needs to step back and let the teamwork

Distinguish a team from a group

Teams' features

- Shared leadership roles
- Individual and mutual accountability
- A specific purpose that the team itself delivers
- Collective work products
- Open-ended discussion and active problem solving in meetings



Groups features

- Strong, clearly focused leader
- Individual accountability
- Purpose is the same as the larger organizational mission
- Individual work products
- Focus on efficiency in meetings



Why do teams emerge?

- Cooperation and working together
- Efficiency and satisfaction
- Sense of individual and collective satisfaction
- Achievement and learning (to achieve goals)
- Strengthened team processes and outcomes



Build the Trust and Cohesive Team

The **Team Trust Canvas** helps to create shared values in the team and agree on the rules of teamwork

The article [Team Trust Canvas](#) describes principles and actions one should take to create trust in the team. Each team member fills out a card (or table) where they indicate their vision of how to develop each component of the Canvas. Teams define not only their vision for each part of the Canvas, but also the tools (to implement the vision).

Transparency How to ensure transparency and openness in the team?	Interaction How to build mutual understanding in a team?	Compassion How to support each other?
Values How do we define our common values? How do we synchronize individual values?	Competence How to develop competencies and manage knowledge in our team?	Responsibility How not to be afraid to take responsibility and learn to fulfill obligations?
Result How to learn to determine what is really "ready" (what is really the result)		Continuity How to assess progress and ensure continuity of improvement?
What else is important to us?		



Discuss with the team about their vision of Team Trust Canvas elements.
Agree on ways to do this.

Find Right People and Set Team Roles

Define a Product and Competencies to create the product	- do PBS – product breakdown structure - do WBS – work breakdown structure - define Competencies	Firstly, think about product, define its characteristics and value for the customer – what are you going to create? It helps you to see what work you need to do. Thus, you will have product structure and work structure. And it helps you to define competencies to perform work for product creation.
Find People for Competencies	- create Competencies Map - find people to cover all competencies - periodically review and update competencies map during team lifecycle	So, you have a list of competencies and need to find people for them. To understand correctly if all competencies are covered by people and to see ways to develop them, put it in the competencies map and periodically update it (see <i>template and steps to do it below</i>). So, you will know who is doing what in the project and to whom to give which tasks.
Ask People to answer 3 Questions:	- Who wants to do it? - Who can perform? - Who has the time and will be available?	Find people who want, can and have time to work in a team. Ask candidates about this, because even a good team member cannot be effective if works on many projects at the same time, or has no interest in the project, or lacks experience and skills.
Do Belbin test and Team Roles Profile	to set team members roles for: - idea/thinking, - people/communication, - action/implementation and completion	Working with a team requires understanding that there are three different behavioral roles (thinking, communication, action), and it is important that they are performed by people who are suitable for this. Do Belbin test to plan team members roles (see <i>roles characteristics by the link below</i>)

Steps to create Team Star Map of Competencies

- 1 - Define competencies required for the team
- 2 - Search for competencies from team members - all competencies (stars) required for the product must be presented by team members
- 3 - Identify areas of development for additional competencies among team members (circles)
- 4 - Periodically review the map and update competencies and their development in the team

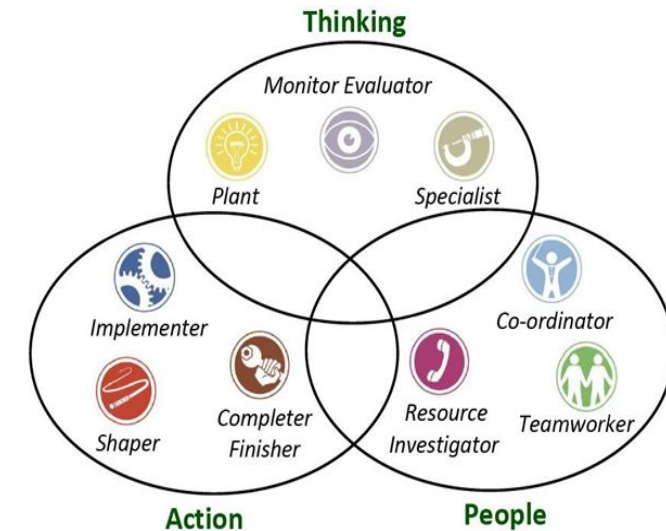
Competence	Competence	Competence	Competence	Competence
Team				
Team member Name	☆	●		
Team member Name	●		☆	
Team member Name				☆
Team member Name	●	☆		
Team member Name			☆	
Team member Name			●	☆
Team member Name		☆		●
Team member Name	☆	●		

☆ - developed competencies ● - areas of development of additional competencies



Think about your product – identify its features and the steps to create it, then identify the competencies needed to create the product and think about the people who can do it. Make a competency map and check whether people in the team cover them.

Belbin Team Roles



[Belbin Team Roles Video Scribe.flv](#)

[Team roles features](#)

[Sample of Belbin team report](#)



How can you use information about team roles in building a team?
Think about roles for your team members under Belbin approach.

Create and Develop a Team

Start Teamwork and Set Communication	- do organizational structure for team – who will do the work and what position to occupy - use flat organizational structure without strong hierarchy to develop self-organization in the team - define roles and responsibilities for team members – do RAM (responsibility assignment matrix) - agree about communication rules and ways, create Communication plan
Consider engagement of each team member	- People can have different attitude to teamwork: Unfamiliar, Resistant, Neutral, Supporting, Leading - Consider engagement of each team member – try to turn them to supporters - This is important because even one destructive person can spoil the teamwork
Understand Team Cohesion and Diversity	use diversity to provide cohesion - See Surface-Level Diversity – team members' appearance, age etc. - See Deep-Level Diversity – team members' attitudes, beliefs, and values - Create Team Trust Canvas to understand diversity and to agree on Transparency, Interaction, Compassion, Values, Competence, Responsibility, Result, Continuity

RAM or RASCI Chart Example



R - Responsible - works

A - Accountable - delegates and approves work

S - Support - helps to do and finish work

C - Consulted - gives advice, expert

I - Informed - receives information about progress and results

	Roles (or names and positions)			
Activities	IT Expert	Finance Manager	Marketing and PR Manager	Project Manager
Market Analysis	C	C, I	R	A
Advertising Campaign	S	C	R	A
Site Support	R	C	I	A
Project Justification		R	C, I	A



Think about roles for your team members, using RASCI approach, develop RASCI matrix. Make a list of communication ways and rules to provide information to the team.

Create and Develop a Team

Develop Team from stage to stage (Tuckman Model)	• apply appropriate approaches to communication, meetings, team management considering team life cycle stage
Create Self-managed and innovative team	• apply Agile values and principles - be flexible, product- customer- and people-oriented; • see mistakes as ways to right solution, fail fast, early and often – work with prototypes ○ develop self-managed team: ○ use minimum external management ○ give maximum responsibility ○ make team cross-functional to be able to help each other, use competency mapping to see areas of cross-functionality

Read more about Team Lifecycle under Tuckman model:

<https://www.wcupa.edu/coral/tuckmanStagesGroupDevelopment.aspx>

Read more about Agile values and principles:

<https://agilemanifesto.org/>

<https://www.whizlabs.com/blog/embedding-agile-values-and-principles/>

Team Lifecycle (under Tuckman model)

Stage	Features of Project Team	Actions for Team Leader
Forming	The team meets and learns about the project and the official roles and responsibilities of the participants. Team members tend to be independent and less open at this stage.	Provide the team with the necessary information Communication question
Storming	The team begins to consider the project, technical solutions and management approach. If team members are not shared and open to different ideas and perspectives, the environment can become counterproductive.	Conflict management Development of common culture and values
Norming	Team members begin to work together and adjust their work habits and behaviors to support the team. The team learns to trust each other.	Monitoring, support
Performing	Teams that reach the execution stage are a well-organized unit. They are interdependent and work with problems effectively.	Direction of action and support
Adjourning	The team completes the work and leaves the project. This usually happens when staff are laid off as the results are obtained and the project is completed (part / phase or the whole project)	Results Recognition of success Analysis of lessons

Communicate

Facilitate Teamwork	• Use two-way communication – give and receive feedback • allow the team to make decisions • make team responsible for results • use facilitation techniques – brainstorming, dialogues, moderation cards, mental maps
Manage Team Dysfunctions (Patrick Lencioni pyramid)	Understand team dysfunctions and act as a team leader: • Absence of trust – Go first • Fear of conflict – Mine for the conflict • Lack of commitment – Force clarity and closure • Avoidance of accountability – Confront difficult issues • Inattention to results – Force on collective outcomes

See more about Patrick Lencioni pyramid:

<https://www.executiveagenda.com/application/files/4915/6330/1707/fivedysfunctions.pdf>

See more about facilitation:

<https://extension.umaine.edu/publications/wp-content/uploads/sites/52/2015/04/6101.pdf>

Facilitation is professional organization of the teamwork, aimed at clarifying and achieving the group's goals

Facilitator (from the English. Facilitate - to make an action or process simpler) is often called a leader, whose main task is to stimulate and guide the process of finding and analyzing information, decision-making by participants in group work.

Facilitator

- does not solve the problem but uses certain skills and special techniques that allow the group to make decisions, set goals;
- is responsible for the process, the group - for the content;
- follows the group, helping it to find a solution on its own. The result is not obvious from the beginning;
- necessarily leads the group to a fixed agreement, which is not known to him in advance;
- the facilitator's opinion is not considered, is not expressed and does not matter.

Communications and feedback in teamwork

- ✓ Give feedback on time
- ✓ Praise where needed
- ✓ Focus on the problem and clearly point out the shortcomings
- ✓ Set a constructive goal of feedback (I have concerns about..., it's important for me to tell you that..., I'd like to discuss..., I have some thoughts on...)
- ✓ Talk about the situation, not about the person (this problem should not be considered this way..., there should be another indicator..., the ways out of the crisis in this report do not reflect the essence of the problem)
- ✓ Give the other person a chance to answer
- ✓ Summarize and express your support

See more : Using Feedback—A Powerful Communication Tool. p.198, Claire B. Halverson, S. Aqeel Tirmizi. Effective Multicultural Teams: Theory and Practice. [Electronic resource] / Claire B. Halverson, S. Aqeel Tirmizi. — Springer Science + Business Media B.V. VT, USA, 2008. — 302p.



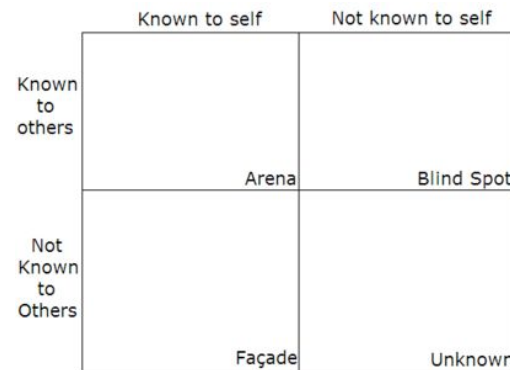
Imagine that a member of your team made a presentation of project idea and didn't include important financial indicators - think about how you would give feedback and ask that this data be added to the presentation

Manage Conflicts	• Be aware of sources of conflict in projects and how to avoid it (conflict about priorities, resources, roles and responsibilities, scope and outcomes) • Use Johari window to understand nature of conflicts - a technique that helps people better understand their relationship with others. It has four areas: Open, Blind, Hidden, Unknown. The more your open area the better. To expand this area, ask for feedback and provide feedback in communications. • Conduct conflict framing to reveal level of conflict (no conflict, open, surface or latent conflict) • Define strategy under 5 Conflict Management Styles according to Thomas, K.W., and R.H. Kilmann approach – these styles are: avoiding, collaborating, competing, accommodating, and compromising - Use logic of conflict management styles considering assertiveness and cooperativeness level of actors to find the right strategy for conflict resolution.
Use and Develop Emotional Intelligence	• develop and apply EQ skills – under Emotional Competence Framework (Personal Competence: Self-Awareness, Self-Regulation, Motivation; Social Competence: Empathy, Social Skills) • apply 3-H technique : Heart, Head, Hand for thinking and action. This means that you need to apply emotions, gather facts and understand the actions and steps to solve the problem, and only then decide about the situation.

Johari

window

The Johari window is a technique that helps people better understand their relationship with themselves and others. It was created by psychologists Joseph Luft and Harrington Ingham in 1955 and is used primarily in self-help groups and corporate settings as a heuristic exercise. Luft and Ingham named their model "Johari" using a combination of their first names



Open area: Anything you know and are willing to share with others

Blind area: Anything you do not know, but that others have become aware of

Hidden area: Anything you know and are not willing to share with others

Unknown area: Any aspect unknown to you or anyone else

Read more about Johari window:

<https://www.communicationtheory.org/the-johari-window-model/>

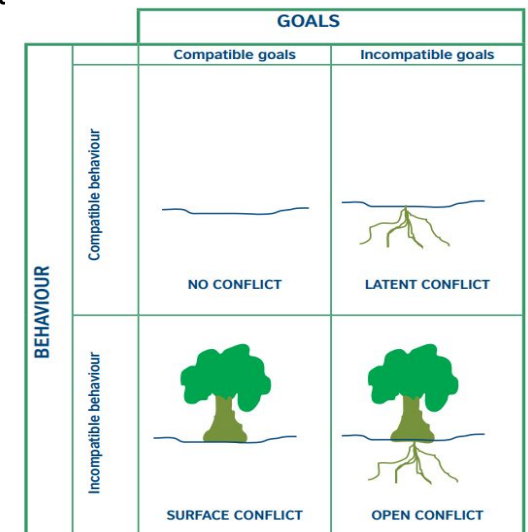
Conflict framing

Open conflict - the parties set incompatible goals, which are manifested in incompatible patterns of behavior. To resolve this type of conflict, it is necessary to pay attention to their causes and consequences.

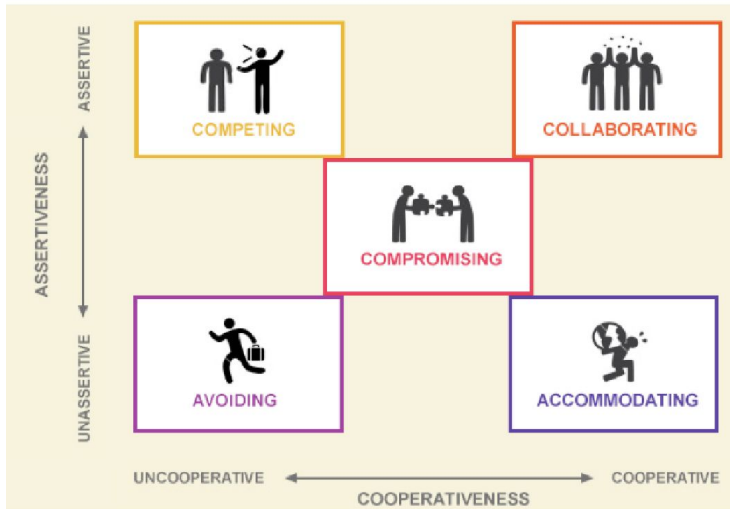
Latent conflict - the parties do NOT show incompatible behavior. Make efforts to find ways to bring problematic issues to the surface so that they can be constructively resolved.

Superficial conflict - with compatible goals, the behavior of the parties remains incompatible. Such conflict is not deeply rooted and may result from misunderstandings or different approaches. The strategy of behavior is to develop trust and mutual understanding between the parties.

Read more about Conflict Framing in British Council Active Citizens toolkit: https://www.britishcouncil.org/sites/default/files/active_citizens_global_toolkit_2017-18.pdf



Conflict management styles (by K.W Tomas and R.H. Kilmann)



See more :

<https://kilmanndiagnostics.com/overview-thomas-kilmann-conflict-mode-instrument-tki/>

Emotional intelligence

Daniel Goleman, author of the best-selling book Emotional Intelligence, estimates that EQ contributes from 75% to 96% of employee productivity compared to IQ contribution – from 4% to 25%.

Thus, develop and apply Emotional Intelligence skills – under Emotional Competence Framework they are:

Personal Competence - Self-Awareness, Self-Regulation, Motivation

Social Competence - Empathy, Social Skills

See more in the book: DANIEL GOLEMAN. Emotional Intelligence: Why It Can Matter More Than IQ.

3-H technique : Heart, Head, Hand

Heart, Head & Hand is a fresh approach to a traditional concept of communication in which the order of the three steps is vitally important:

1. establish rapport and seek empathy with your listener (heart);
2. appeal to your listener's - and your own - desire for proof points by offering supportive evidence (head);
3. remember to ask your listener to take action (hand).

This means that you need to apply emotions, gather facts, and understand the actions and steps to solve the problem, and only then decide about the situation.



Sources:

<https://pndblog.typepad.com/pndblog/2010/09/heart-head-hand.html>

<https://www.consultantsmind.com/2012/09/29/head-heart-hand/>

The emotional competence framework

Personal Skills (how we manage ourselves)	
Self-awareness	Knowing one's internal states, preferences, resources and intuitions
Emotional awareness	Recognizing one's emotions and their effects
Accurate self-assessment	Knowing one's strengths and limits
Self-confidence	A strong sense of one's self-worth and capabilities
Self-regulation	Managing one's internal impulses and resources
Self-Control	Keeping disruptive emotions and impulses in check
Trustworthiness	Maintaining standards of honesty and integrity
Conscientiousness	Taking the responsibility for personal performance
Adaptability	Flexibility in handling change
Innovation	Being comfortable with novel ideas, approaches, and new information
Motivation	Emotional tendencies that guide or facilitate reaching goals
Achievement drive	Striving to improve or meet a standard of excellence
Commitment	Aligning with goals of the group or organization
Initiative	Readiness to act on opportunities
Optimism	Persistence in pursuing goals despite obstacles and setbacks

Social skills (how we manage relationships)	
Empathy	Awareness of other's feelings, needs, and concerns
Understanding others	Sensing others' feelings and perspectives, and taking active interest in their concerns
Developing others	Sensing others' development needs and bolstering their abilities
Service orientation	Anticipating, recognizing, and meeting customers' needs
Leveraging diversity	Cultivating opportunities through different kinds of people
Political awareness	Reading a group's emotional currents and power relationships
Social Skills	Adeptness and inducing desirable responses in others
Influence	Wielding effective tactics for persuasion
Communication	Listening openly and sending convincing messages
Conflict management	Negotiating and resolving disagreements
Leadership	Inspiring and guiding individuals and groups
Change catalyst	Initiating or managing change
Building bonds	Nurturing instrumental relationships
Collaboration & cooperation	Working with others toward shared goals
Team capabilities	Creating group synergy in pursuing collective goals

Effective Leader

Understand Leadership Approaches	• Great Man Leadership • Trait Leadership • Skills Leadership • Style Leadership • Situational Leadership • Contingency Leadership • Transactional Leadership • Transformational Leadership • Leader-Member Exchange Leadership • Servant Leadership
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Watch 5-minutes video about leadership theories:

<https://www.youtube.com/watch?v=XKUPDUDOBV>

Think about ways and situations then you can apply this types of leadership.

Develop 7 habits of effective people (Stephen Covey Approach)	Habit 1: Be Proactive Habit 2: Begin with the End in Mind Habit 3: Put First Things First Habit 4: Think Win-Win Habit 5: Seek First to Understand, Then to Be Understood Habit 6: Synergize Habit 7: Sharpen the Saw Habit 8: Find your voice and inspire others to find theirs.
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Watch the video: <https://www.youtube.com/watch?v=DY49svNcdrU>

Think about how 7 habits are developed in you and what are the directions of their strengthening.

Delegate	• Use Vroom-Yetton Decision-Making Model for Delegation, which states that there are five decision-making processes for involving team members, including autocratic, consultation, and shared decision-making. It depends on situation, task complexity, information availability. • Specify responsibilities clearly • Provide adequate authority and specify limits of discretion • Specify reporting requirements • Ensure subordinate acceptance of responsibilities • Inform others who need to know • Monitor progress in appropriate ways • Arrange for the subordinate to receive necessary information • Provide support and assistance but avoid reverse delegation • Make mistakes a learning experience
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Read more about Vroom-Yetton Decision-Making Model:

<https://slidemodel.com/vroom-yetton-decision-model/> and:

<https://www.designorate.com/vroom-yetton-jagohow-to-decide/>

Be Focused on the goal (Use Essentialism Approach)	• Be Focused: • value efforts – relationship between time and result. Pareto's law 80/20 - 20% of the effort provides 80% of the result • Prioritize your work – use logic of Time Management Matrix approach • Delegate correctly • search for less but better • be Disciplined • say No
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See more about Essentialism in the book:

Greg McKeown. Essentialism: The Disciplined Pursuit of Less

<https://heream.files.wordpress.com/2017/12/greg-mckeown-essentialism-the-disciplined-pursuit.pdf>

Be Effective Leader of a Team	To see your performance Use Objective Measures to evaluate results • sales, net profits, profit margin, • market share, • return on investment, • return on assets, • productivity, • cost per unit of output, • costs in relation to budgeted expenditures, • change in the value of corporate stock Use Subjective Measures to evaluate results • ratings obtained from the leader's superiors, peers, or subordinates
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Module 3:

“Minimum viable product and product iterations”

- What does MVP mean and what is it about?
- Why startups need MVP development?
- Steps of MVP development process
- The future of MVPs
- Maximizing success with MVP

What does MVP mean and what is it about?

In the realm of product development, the concept of the **Minimum Viable Product** — or **MVP** — has revolutionized the way startups and established companies bring their ideas to life. **MVP** encapsulates the essence of innovation, where efficiency meets pragmatism in the journey from concept to market reality. At its core, it represents the most simplified version of a new product that can still be released to satisfy early adopters.

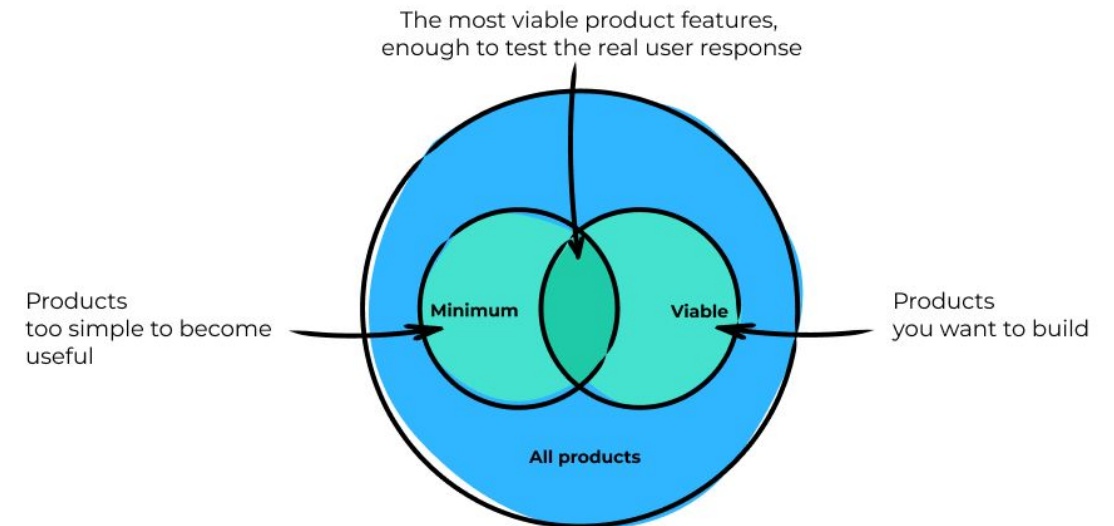
A **minimum viable product**, MVP in short, is a foundational concept in product development. It represents the most basic version of a product that allows a team to test its fundamental hypotheses using the least amount of effort.

One of the most important questions you should answer when developing a new product is whether people are ready to use it and pay for it. To ensure your solution meets the needs of people, try putting it in their hands first. It is desirable to develop a basic version of the new product with enough features to satisfy customers and get maximum feedback.

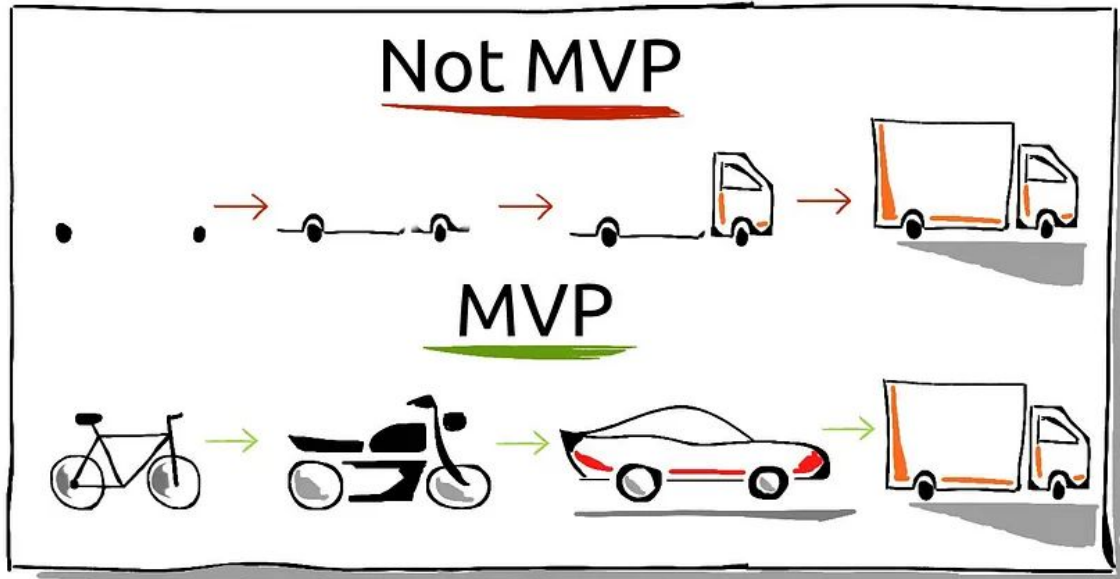
Minimum: a basic set of features and capabilities which...

Viable: provides a value to the customers, so that they are ready to pay money, and...

Product: ready to use today.



The **main goal** of an **MVP** is to swiftly introduce a functional product to the market, allowing teams to collect valuable user feedback. It prioritizes essential features and acts as a foundation for iterative enhancements, ensuring that subsequent iterations align with user needs and market demands.



Key characteristics of an MVP

An **MVP** is not a haphazardly constructed prototype but rather a thoughtfully designed product version embodying essential features that **address core user problems**. While the term 'minimum' indicates simplicity, the 'viable' component emphasizes the product's need to be functional and valuable from the outset. The following characteristics outline what defines a successful MVP:

- **Focus on core functionalities** that reflect essential value proposition.
- **High usability** allowing for a seamless early user adoption experience.
- **Reliability** to ensure that the product can to perform as designed.

- **An empathetic design** that shows care for the user's needs.
 - **Adaptability** to incorporate user insights and adapt to changing market needs efficiently.
- The **MVP** stands for **a streamlined path** to greater product-market fit, providing a tangible baseline from which businesses can iterate and evolve. By adhering to these characteristics, companies can avoid overcommitting resources, minimize time to market, and maximize the learning from real-world feedback, thereby paving the way for greater innovation and success.

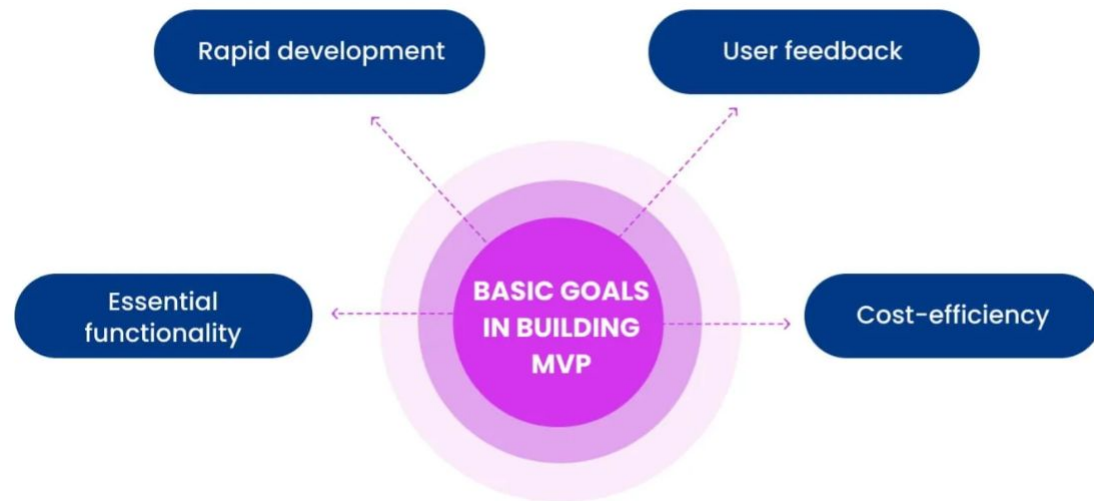
Basic goals in building MVP

Switching from the MVP definition, let's overview what are the most **basic minimum viable product goals** you should pursue. When it comes to developing it, setting clear and strategic goals is crucial. The emphasis is always on **simplicity** and **efficiency**, aiming to achieve the following basic objectives:

- **Essential functionality.** MVP includes only core features as they address the primary user needs or solve a specific, major problem.
- **Rapid development.** When developing an MVP, the speed is a priority. This way, you can swiftly bring the product to market and gather user feedback.

- **User feedback.** MVP aims to create a platform for early user interaction to gather insights that will guide future enhancements and iterations.
- **Cost-efficiency.** MVP minimizes development costs by focusing on essential features only, allowing you to optimize resources and cut down the development time.

By aligning efforts with these basic goals, a well-executed MVP lays the groundwork for a **successful product**, setting the stage for **iterative development** and **continuous improvement**.



MVP standards

Establishing MVP development standards is essential for maintaining consistency and clarity throughout the development process. These standards encompass various aspects, including:

- **Usability.** Ensure the MVP is user-friendly and emphasizes a seamless and intuitive experience despite its minimalistic nature.
- **Feature selection.** Clearly define criteria for selecting features that align with the core purpose of the product and provide immediate value to users.
- **Scalability.** Lay the groundwork for future scalability, allowing the product to evolve and expand as user needs and market conditions change.
- **Feedback loops.** Implement robust mechanisms for collecting, analyzing, and incorporating user feedback into subsequent development phases.

Summing up the chapter, adhering to the **basic goals** and **standards** is **crucial**. When all aspects and plans are in place and are well-defined, development teams can streamline the MVP creation. Consequently, the MVP approach increases the likelihood of a **successful product** launch and fosters a solid foundation for **ongoing improvements**.

Why do startups need MVP?

This popular approach in startup product development will help you test your [business idea](#) and save both [time](#) and [resources](#). This way, you understand what users need and can create an offering that they are [ready to pay for](#). When it comes to developing a minimum viable product, it brings invaluable benefits to the venture. But why? In their essence, startups, although bring innovation and novelty, are very risky. They often lack [investment](#), [reliable team](#), and [resources](#).

Thus, [MVP](#) can greatly eliminate major startup problems. This approach will allow startups to make [effective](#) and [thoughtful decisions](#). To do so, let's list the ultimate advantages of startup MVP development.

[Accelerated time to market](#)

By focusing on essential features, the development cycle is significantly shortened. This rapid deployment helps startups stay ahead of the competition and gain early market traction.

[Meet the needs of your core audience](#)

Startups can collect feedback from early adopters by launching a simplified version of their product. This ensures that subsequent iterations are better aligned with customer expectations and preferences.

[Minimize risk](#)

Launching a full-scale product without testing its viability can be risky. MVP development mitigates this risk by enabling entrepreneurs to validate their product concept with minimal investment. This iterative approach ensures that resources are allocated efficiently, reducing the financial and operational risks for MVP startup associated with developing a fully-featured product from the outset.

[Capitalize on quick wins](#)

Startups can deliver quick wins to their customers. These early successes not only boost morale within the development team but also create positive momentum in the market. Quick wins can lead to increased user adoption, positive word-of-mouth, and a stronger foundation for future product enhancements.

[Focus on the essentials](#)

MVP development forces startups to prioritize core functionalities that are essential for the product's success. This focused approach helps in avoiding unnecessary features that might complicate the initial release. By honing in on what truly matters to users, startups can deliver a lean and effective product that resonates with their target audience.

Although this list is just a sneak peek, it clearly outlines why startups need MVP. However, there are far more reasons than listed above.

Steps of MVP development process

With all the theory buckled up, let's move on to the MVP development process. In a nutshell, it isn't complicated, yet dividing it into sizeable milestones is a must. So, when it comes to MVP development, there are several crucial steps.

Define the problem

Clearly, MVP gets created to solve a particular problem, be it an instability of the idea, lack of potential users, or others. So, to make the most of your MVP goals, clearly articulate the problem it aims to address. You would need to understand the pain points of your target audience and identify the specific challenges your product intends to solve. A well-defined problem sets the stage for an effective solution.

Do market research

Your future MVP is highly dependent on the market it enters. Before diving into MVP development, proper market research is a must.

In market research, there are various aspects you have to understand. Understand your target audience with their problems and desires, and research competitors. Additionally, each market follows trends and it's crucial to have a keen eye on them, as they provide both opportunities and challenges. This knowledge will guide your MVP strategy.

Get a clear idea

Following problem definition and thorough market research, you should have a well-defined business idea for your future MVP. Specify the problem it addresses, articulate the value it offers users, and clarify goals, objectives, and a unique selling proposition. This clear vision ensures a focused and purposeful development process.

Defining core features

When creating an MVP, it's paramount to distill your product to its essential features — those that provide core value to your customers and address their primary needs. This stage involves empathetic design practices and a commitment to understanding and solving real user problems, which will ultimately propel the MVP towards achieving a viable product-market fit.

Building the MVP

The construction of your MVP should balance optimal functionality with the least possible complexity. This entails a focused effort to include only the most critical features, streamlining the development process for expedience and efficacy. It's about strategically piecing together a product that serves its intended purpose without unnecessary embellishments.

Testing and feedback

Once your MVP reaches the testing phase, the pursuit of MVP in software development hinges on authentic user feedback. Real-world application and utilizer reviews provide priceless data, illustrating whether your product meets the needs, fulfills expectations, or requires calibration. Testing elucidates the practicality and appeal of your MVP, guiding further engineering and refinement.

Iteration and improvement

The iterative process after deploying your MVP is imperative for continual improvement. With user feedback as a beacon, modifications and enhancements can be implemented, ensuring that successive versions of your MVP evolve more precisely to meet the market's needs. The drive for iteration keeps your product dynamically aligned with the market, a trait essential for sustained relevance and growth.

Your MVP is a testament to your brand's innovation, resourcefulness, and user-centric focus. Through meticulous planning and execution of these steps, you navigate your product's journey from a nascent idea to a market-tested solution. And remember, as you learn through the MVP process, your product becomes a more refined embodiment of your vision and your users' aspirations.

The future of MVPs

The continual evolution of MVPs reflects a paradigm shift in product development, where flexibility and speed are twin pillars of innovation. As businesses navigate the competitive terrain of the digital age, the foresight into MVP trends becomes non-negotiable. This section peeks into the crystalline ball of MVP's prospects, spotlighting the influential currents sweeping across its landscape.

Evolving trends in MVP development

Among the emerging MVP trends, meticulous emphasis on user-focused design and iterative development processes stands out.

Trend	Impact on MVP Development Strategy	Potential Benefits
User-Centric Design	Elevated through application of UX/UI insights catering to precise user needs and expectations.	Increased user engagement and higher adoption rates.
Data-Driven Iterations	Refinements rooted in quantitative and qualitative user data guide product evolution.	Validated product decisions and more focused feature enhancements.
Rapid Prototyping & Testing	Accelerated feedback loops enabled by swift prototype deployment.	Quicker time-to-market and agility in addressing market needs.
Leveraging AI & Machine Learning	Integrating predictive analytics to gauge future user behavior and preemptively shape MVP features.	Proactive adaptation to market dynamics and user trends.

An MVP development strategy must now weave in real-time analytics and behavioral studies, ensuring product adaptations resonate deeply with user preferences. Below, we encapsulate these evolving trends in a table summarizing key factors driving the future of MVPs.

These trends not only inform MVP development strategy but also impel the refinement of lean methodologies, propelling MVPs to become more than bare-bone products. As the future unfolds, MVPs are expected to integrate greater user insights, embody more comprehensive iteration cycles, and espouse impactful, data-backed decisions.

Maximizing success with MVP

The journey of MVP in product development is much more than building an MVP; it’s a vibrant cycle of innovation, validation, and iteration. The ultimate aim is to chalk out the trajectory of success with MVP – each step delicately woven into the product’s lifecycle, affirming MVP importance at every stage. Beginning with a strategically humble yet functionally coherent version of the product, a successful MVP serves as a launch pad for a business idea, providing substantial learning with minimal risk.

For businesses, the linchpin of attaining success with an MVP hinges on their ability to align development processes with in-depth user insights and business strategy. An MVP thrives on feedback – embracing a culture where customer responses are not just heard but are intricately analyzed and applied towards enhancing the product offering. This process of building, measuring, and learning creates a robust feedback loop that ensures the MVP stays relevant and resonant with the user base.

Key MVP Principles	Role in Product Development	Impact on Business Success
Defined User Needs	Ensures that MVP features align with user requirements for solving specific problems.	Higher user satisfaction and increased chance of early adoption.
Efficient Resource Utilization	Minimizes wastage and focuses investment on core product capabilities.	Cost-effective development and clear focus on value generation.
Consistent Customer Feedback	Facilitates iterative refinements and adherence to user-centric models.	A product that is continually improved according to market needs.
Agility and Iteration	Allows for quick response to market feedback and adaptive product evolution.	Keeps the product competitive and aligned with dynamic market trends.

The emphasis on building an MVP is vital – as it epitomizes the commitment to deliver a product that may start small but is poised for growth. ‘Viable’ in the MVP context is not just about meeting the bare minimum requirements; it’s about setting a foundation for excellence and scalability.

The business landscape is strewn with stories of swift adaptations, driven by innovative MVPs, that have catapulted simple ideas into mainstream solutions.

- **Lean** and **purposeful feature** set to address critical customer needs
- **Meticulous** market-fit analysis and prompt strategic pivoting
- **Clear** and **actionable** user engagement data to steer product direction
- **Resourceful approach** that turns constraints into creative problem-solving

The application of these **principles** propels businesses and entrepreneurs to not just ride the wave of MVP in product development but to command its direction. It's this control, combined with the dexterity to navigate the market, that marks **the true success of an MVP** – and by extension, the product it represents.



Module 4:

“Marketing, Customer Engagement and Branding”

- Marketing for new business
- The Power of Strong Brand Identity
- Planning Marketing for New Businesses
- Tracking and Measuring Marketing efforts
- Communicating Deep Tech on Early Stages

Marketing for new businesses

Congratulations on taking the courageous step of starting your own business. Whether you're launching a tech startup, opening a cozy café, or offering a unique service, one thing is certain: **marketing is the key to making your venture succeed**. In today's competitive world, a strong marketing strategy can make all the difference between being unnoticed and becoming a success story.

However, here's the challenge: marketing can feel overwhelming, especially for new businesses. There are so many choices and strategies, and it's easy to feel lost in the noise. That's why we've created this course specifically for you.



You might be asking yourself, "Why is marketing so important for my business?"



Let's look at some eye-opening facts. Did you know that a lot of small businesses **fail in their first years**? One of the main reasons for this is the need for better marketing. Research shows that companies that prioritize marketing are 1.5 times more likely to experience significant growth.

Marketing isn't just about promoting your products or services; **it's about building a strong brand, connecting with your target audience, and creating lasting relationships with customers. It's about sharing your unique story and showing the value you bring.** And in today's digital age, where consumers are bombarded with information, a well-planned marketing strategy will make you stand out from the competition.

The power of a strong brand identity

A. Defining your brand identity

When it comes to marketing, think of your brand identity as the **heartbeat** of everything you do. It's what makes you stand out among competitors and leaves a strong impression on your customers. Imagine it as your business's personality and essence. To really make an impact, it all begins with grasping the immense importance of brand identity and how it shapes how consumers view your company.

To create a strong brand identity, you need to craft a compelling brand story that resonates with your intended audience. This is your chance to showcase what makes you unique and why customers should choose you over others. Take a deep dive and uncover the special aspects of your business that make you shine.

However, don't rely solely on guesswork and intuition. You need a solid foundation of market research and competitor analysis to craft a compelling brand identity. Dive into the details of your market, and understand what your customers need, desire, and struggle with. This will help you mold your brand to fulfill their hopes and establish a meaningful connection.

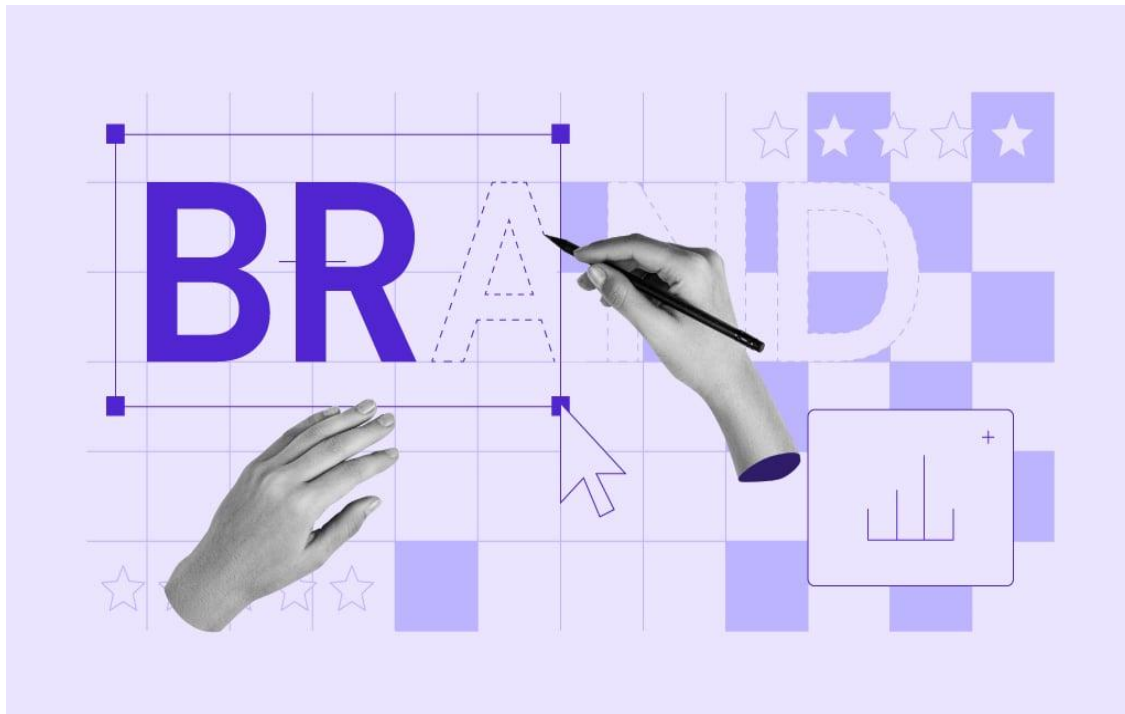


B. Creating a memorable brand image

The visual aspect plays a crucial role in marketing because it can really grab people's attention and engage them. Designing a unique and visually appealing logo is a must if you want to convey your brand's personality and values.

This logo serves as the visual representation of your brand, carrying the responsibility of showing what your brand stands for and leaving a strong impression on anyone who sees it.

But creating a successful brand identity goes beyond just having a logo. Consistency is really important in this process. Developing a clear brand message and tone that match your brand story is vital. When you keep things consistent in all your communication channels, like ads, social media, and how you interact with customers, it builds trust and makes your target audience feel familiar with your brand.



Remember, every time your customers interact with your brand, it's a chance to show your brand identity and give them a consistent experience. From when people see your logo to how they interact with your website, packaging, or even your staff, each interaction should feel the same and be memorable. Making sure everything works together and follows your brand's guidelines creates a clear story that makes your brand stronger and means a lot to your target audience.

C. Building brand awareness

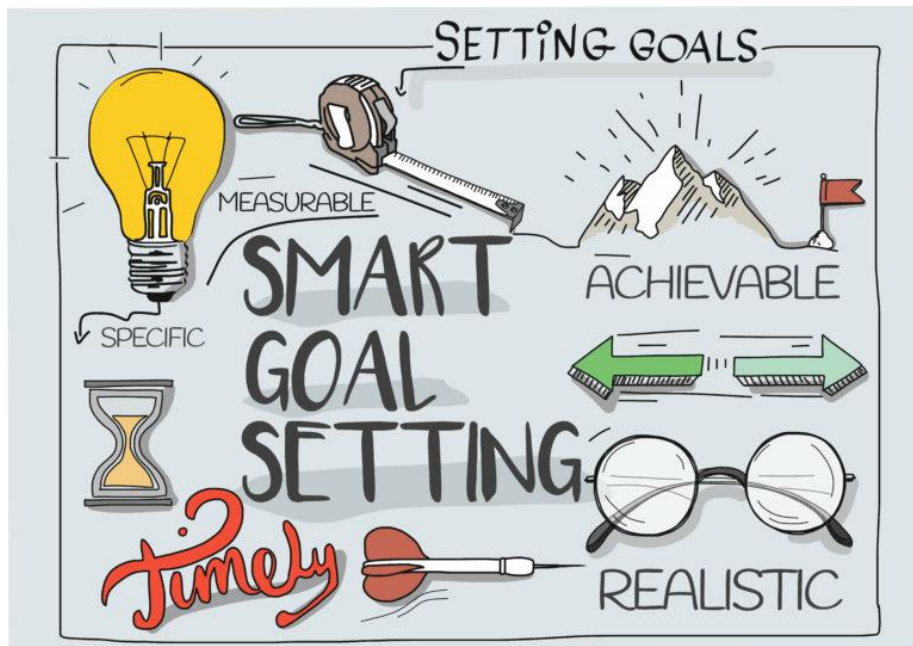
Your brand must offer a great product or service and establish a strong presence that resonates with your target audience. In simple terms, if people aren't aware of your brand, it can't succeed. This is where social media comes in – it's a really important way to connect with your audience and make your brand known.

Even though online stuff is important, don't forget about real-life connections. Taking part in local events and sponsorships lets you connect with your target customers in person. Being active in your community shows your dedication and builds relationships beyond just online interactions. This human touch helps people trust you more and makes them more likely to choose your brand over others.

Plan marketing for new businesses

A. Setting SMART marketing goals

To make your marketing strategies better and successfully promote your new business, you need to set SMART goals. **SMART stands for Specific, Measurable, Achievable, Relevant, and Time-bound.** This is a helpful way to create goals that are practical and make sense. When you use SMART goals, you can match your marketing plans with your bigger business goals and make sure your efforts lead to important results.



Let's break it down:

Specific: Instead of saying something general like “increase sales,” aim for something more clear, like “raise online sales by 20% in the next three months.” This gives you a clear target for your marketing plans.

Measurable: This means setting up ways to measure how you're doing. If you want more leads, you can watch how many leads you get from different marketing places or campaigns. Measurable goals show you how you're doing and let you change things if you need to.

Achievable: It's great to set big goals, but they should also be possible. Think about what you have – like money, time, and skills – when you pick your marketing goals. Wanting growth is important, but it's also good to set goals you can really reach.

Relevant: Your marketing goals need to match your bigger business goals and fit with your brand. For example, if your business is all about being eco-friendly, your marketing goals could be about showing how environmentally responsible you are. Relevant goals help you keep a consistent brand image and tell the right message to your customers.

Time-bound: This means setting a clear time frame to finish your goals. Having deadlines or milestones makes you work faster and helps you keep track of how you're doing. Time-bound goals also let you look back and see how you did, and then change things if you need to.

When you track things like website traffic, how many people become customers, or how much money you're making, you'll know if your marketing plans are working. These are called **key performance indicators (KPIs)**. By paying attention to these indicators, you can see how well your marketing is doing and make smart choices to make your campaigns even better.

B. Identifying target markets and segmentation

In the ever-changing world of business, it's important to realize that not all customers are the same. This is where market segmentation comes in – a crucial practice in successful marketing. It helps businesses understand and cater to the different needs and preferences of their customer base.



By creating **ideal customer profiles (ICPs)**, companies can customize their marketing efforts for various groups. This personal approach, considering factors like demographics, psychographics, and behaviors, helps businesses connect more deeply with their audience, leading to better chances of winning them over as loyal customers.

Demographics are the basic details used to create ICPs, like **age, gender, income, education, and location**. For example, a clothing store might find that their ideal customers are urban females aged 25-34 with higher incomes. Armed with this knowledge, they can make marketing that suits their lifestyles and tastes.

Psychographics dig into the psychology of consumer behavior and play a big role in shaping ICPs. This includes things like **personality traits, values, interests, and opinions**. By knowing more about their target audience, businesses can make campaigns that really connect with them. A travel company might identify adventure-loving, eco-conscious people as their ideal customers. With this info, they can create ads that talk about eco-friendly trips and unique experiences.

Behavioral patterns show how people make choices. By looking at past purchases, interactions with brands, and online activities, businesses can see different types of buyers. This helps them make marketing that works for each group.

For instance, an online store might see that some customers buy stuff based on recommendations from social media influencers. With this info, they can do influencer marketing and referral programs to get more people like them to buy.

By putting demographics, psychographics, and behavioral patterns together, businesses can create detailed ICPs that show who their customers really are. This lets them make marketing that fits each group. The result is a stronger bond between the brand and the customer, making it more likely that people will buy from them again and again.

C. Choosing the right marketing channels

In today's tech-savvy world, businesses have various ways to market their products or services. You need to explore both [traditional](#) and [digital options](#) to find the ones that work best for your audience and goals. While old-school methods like print, TV, and radio still matter, especially for local businesses, digital marketing offers cost-effective ways to reach people precisely.

[Digital marketing](#) has changed how businesses connect with their audience. Having a good website is key to show what you offer and build trust.

Social media is another big player. Platforms like Facebook, Instagram, Twitter, LinkedIn, and TikTok let you talk to a lot of people, make your brand known, and engage customers. You can even target specific groups based on things like interests.

[Sending emails is still a great way to connect with customers.](#) When you have a list of interested people, you can send them personal content, deals, and updates. Tools help you do this smartly and see how well it's working.

[Teaming up with influencers is smart online.](#) They can make your brand more visible and trusted. Offline stuff like mailing campaigns still work too. Picking who gets your message and making it appealing can get good results.

[Don't forget about real-world events.](#) Going to trade shows or hosting your own lets you meet customers face-to-face. This can show off your stuff, engage people, and create lasting connections.

D. Developing an effective marketing mix

Creating a strong value proposition is crucial to show customers what makes your products or services special. A good value proposition grabs people's attention and sets you apart from competition. Here are some important things to think about when making your value proposition:

Identify and highlight unique benefits: Figure out what features or things about your products or services make them stand out from the rest. These could be quality, how they work, convenience, new ideas, or anything that gives customers more. Make sure to talk about these awesome things in your value proposition so customers know why they should pick you.

Pricing strategies and promotions: How much you charge matters, so think about your prices carefully. Decide if you're going to be seen as a premium option or if you're more affordable. Look at how much your target customers are willing to pay and set your prices right. You can also think about having special offers, discounts, or loyalty programs to make customers excited and want to buy now.

Positioning and differentiation: To do well when there's lots of competition, show how you're different. Look at where your competitors are and find things, they're not doing that customers want. Talk about the things that make you great, like top quality, special skills, amazing customer service, or being really kind to the environment. Explain why your stuff is the best and solves problems.

Distribution and supply chain considerations: Having great products is cool, but you need to get them to customers at the right time. Think about how you're going to get your stuff out there and make sure it's smooth. This means thinking about having enough products, how things get shipped, managing how much stuff you have, and helping customers if they need it. Make sure the way you get things to people matches what your customers like and need.

Tracking and measuring efforts

A. Utilising marketing analytics tools

Getting the right information is key to making smart marketing choices. **Tools like Google Analytics** can help you keep an eye on how your website is doing, see what people do on it, and figure out where they turn into customers. For social media, you can use built-in stats and other tools to know how many people are interested and engaged. There are also tools that can help you manage your marketing automatically and tell you useful things about what's working.

B. Assessing return on investment (ROI)

Marketing is an investment, and it is essential to know if it's paying off. Calculate the costs associated with your marketing campaigns and compare them to the revenue generated. Identify the most profitable marketing channels for your business. Optimise your marketing budgets based on **ROI** analysis to ensure you allocate resources effectively. Implement **A/B testing** to refine your campaigns and maximise results.



C. Gathering customer feedback and reviews

Listening to what customers say is like finding a treasure. Ask them to share what they think and leave reviews. If they have good or bad things to say, it's important to know. Look online to see what people are saying about your business. If you find any problems, **fix them quickly**. Use what you learn from customers to make your products better and give them a better experience. **Good reviews can also help you look better and more trustworthy**.



Communicating Deep Tech on Early Stages

Please, take a moment to answer this question:

“Are there more six letter words in English that end in ‘ing’ or that have ‘n’ as their fifth letter?”

Later in in this chapter you will understand, that it’s a tricky question. And that your answers will prove the necessity of communication from Day 1 of your startup idea. Even if you don’t have the product yet, you need to talk about it. It’s only that the content of your communication, your objective, your listeners and the tools might differ.

When you successfully identify your business model that fits the market, by that time you will probably be able to allocate some substantial budget for the dedicated marketing team to address your customers. This team will follow the classical AIDAR communication funnel.



AIDAR Model

They will draw **attention** of as many target customers as possible, who are searching for a certain product type.

They will make customers **interested** in your product, providing relevant details and descriptions.

They will create an emotional connection with brand story and a convincing value proposition to raise a **desire** for your product.

They will finally secure a deal with an appropriate call to **action** in the right place and right time for a client.

The last task will be to keep the customer and build a long lasting **relationship**.

A - Attention

I - Interest

D - Desire

A - Action

R - Retention



VAE Model

But before that the weight of all the marketing communication burden will be on your shoulders.

At the very start your main objectives will be to increase the visibility of your team and your idea, to make people aware of the project and try to engage them with the process. No-one is selling and buying anything yet. But you already communicate.

V - Visibility

A - Awareness

E - Engagement



To market effectively, you will need answers to the following questions:

- Who do you need to talk to
- What do you have to say
- What should be the tools
- Where is the best place to communicate
- Where to find money on your marketing communication

Who are you talking to?

Your main objective on the early stage is to build awareness and engage the largest contact network possible, including early adopters and opinion leaders.

It means that you will have to talk to almost everyone:

non-technical investors and journalists, investors and experts with technical, engineering and scientific background, specialised media, funding programs, incubators and accelerators, scientific peers, and even family and friends.

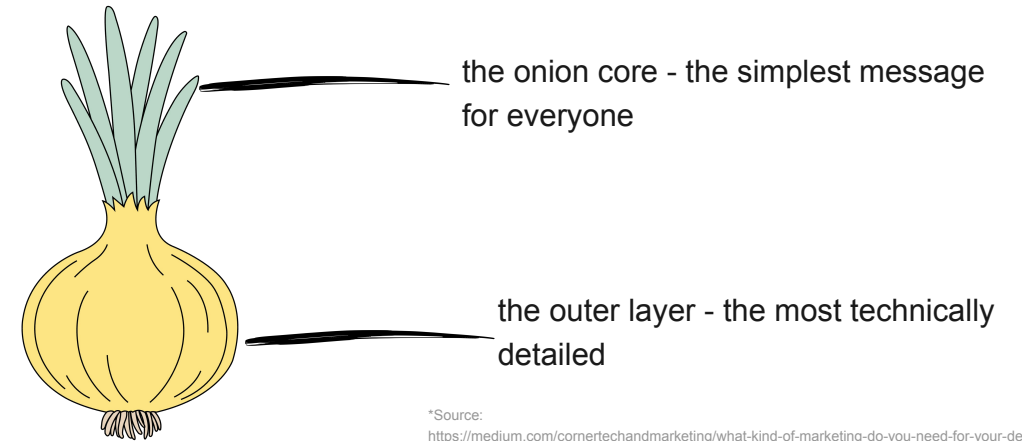
What are you telling?

You need to sell your idea or project. And that's all about pains and problems of your potential customers, the solutions and values for customers you are suggesting, your competitive advantages and definitely a proof of concept.



Make a list of things, you would like to know about a new innovative product on the market.

And your message will resemble an onion* with the core message, the simplest one, clear to the least knowledgeable audience. Each layer will have a more specific message, tailored to the specific audience - providing more technical details to scientific reviewers, being more passionate about the pains and problems you are solving with potential customers, your development plans, you name it.



*Source:
<https://medium.com/cornertechandmarketing/what-kind-of-marketing-do-you-need-for-your-dep-tech-company-8c3792e7cc59>

Our main message should not be about money and profit. Our objective is to raise awareness and increase visibility, motivate people to engage with you and your project. You have a lot more chances to succeed if you present solutions to real problems.

A Harvard Business Review research* shows that 25% more people will like your pitch if you passionately demonstrate why it is good for them. And even if you talk to the experts who need to know how it's working, be sure to emphasise how it will also meet the needs of the people. And don't forget to make it clear that very many people on the planet share these needs.

WHY

Tell general public

Why your costemer would like your product

and get **+25%** to a successful pith

HOW

Tell experts

How your product will meet customers' needs

and get **+44%** to a successfull pitch

What are the tools?

There are hundreds of ways you would need to present your idea. Important thing to remember when creating any of them is to make the message simple and visual. And to tell the story, not just a set of facts.

A list of the possible communication tool will include (but will definitely not be limited to):

- an article
- a graph
- a one-sentence description
- a 30-sec elevator-pitch
- a 10-slide presentation
- a 2 page technical explanation
- a publication for a journal
- an interview
- an investors' memo
- a questionnaire to talk to customers.

Tell your story the way, a Saint Bernard dog would understand you and spread the word further.

Do you know that the main problem in this field is ...

So we invented a way to solve that problem by doing ...

Actually we just obtained a grant from ... to pursue our growth.



Read an article about the RapidSOS company. Write a 30-sec elevator pith, following the structure:

*<https://hbr.org/2021/10/when-pitching-an-idea-should-you-focus-on-why-or-how?>

Enterprise

RapidSOS, a big data platform for emergency first responders, raises \$75M

Ingrid Lunden @ingridlunden / 2:32 PM GMT+2 • October 25, 2022

 Comment

Emergency response services have had a big boost of data thanks to advances in connected technology, with watches that can detect when their wearers are falling down and are experiencing trauma, cars that can pinpoint where their drivers are located and home systems that can transmit important data about fires when you cannot just a few of the innovations we've seen in recent years. Today, a startup called [RapidSOS](#), which helps connect those data points with those who can turn them into action, is announcing some funding as it continues to grow.

Considering that emergencies are precisely the kinds of critical situations that need to work quickly and efficiently, the landscape of players involved is in reality huge and fragmented. RapidSOS currently counts 90 tech companies (covering more than 500 million connected devices and buildings), over 50 public safety vendors and 15,000+ first responder agencies as customers and users of its platform. So far this year, this has worked out to handling 130 million emergencies. All those numbers represent big growth for the company [over last year](#), when RapidSOS announced \$85 million in funding. But considering there are more than 14.4 billion connected devices globally (that includes IoT), and that data and information in the name of quick response can extend into even more areas like smart traffic routing, there is a lot of room to grow.

The heart of RapidSOS's business is a platform that provides APIs to technology, insurance and healthcare companies (the list of tech companies includes the likes of Apple, Google, Uber, SiriusXM and more), which can in turn be used both to channel data and direct voice connections between those companies' users and emergency response centers.

These work on the basis of continuous monitoring that might or might not have the proactive input of the users themselves, depending on the situation. So global events like the pandemic or a natural disaster might be front of mind as typical use cases (I first heard of the company when it [went viral](#) during a string of natural disasters years ago), but others include health monitoring for vulnerable individuals, vehicle crash detection, home security, fire, enterprise security, gunshot detection, personal safety and critical event management.

In addition to the tech that it has built to make those connections and parse the data that comes out of them, it's proven to be a middle man in translating some of the newer innovations at the tech end into actions at the lower-tech responders' end.

"Before, 911 wouldn't even know your name," said Martin. "Now they have a live feed of the situation. It's half a billion devices now working in harmony to save you."

That work has included RapidSOS giving some 20,000 hours of training each year for emergency response centers to "understand emergency workflows and identify technology solutions to solve hard challenges such as verification," in the words of the company.

Source:

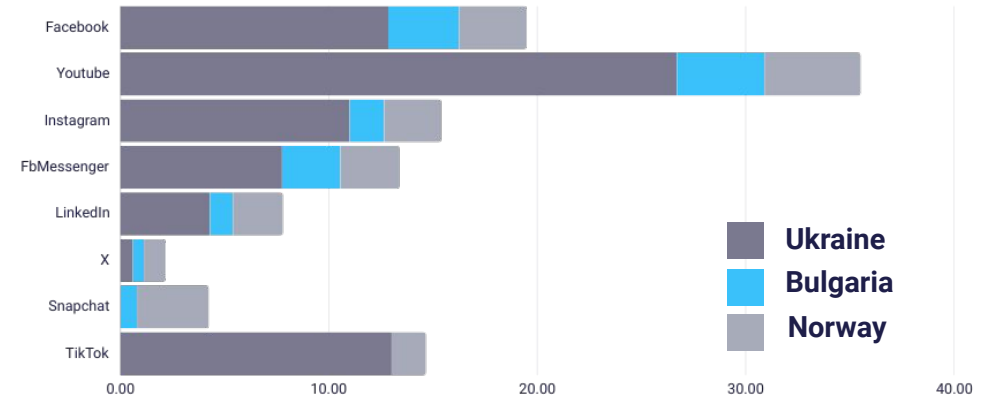
<https://techcrunch.com/2022/10/25/rapidsos-a-big-data-platform-for-emergency-first-responders-raises-75m/?guccouner=1>

Where do you communicate?

You always start telling your story to your nearest and dearest - your friends, your family, your scientific supervisor. But as the audience becomes more aware of the great idea you have, you go beyond that. On the auto onion layers you communicate more with incubators, accelerators, journalists, investors, public funding authorities, your peer scientist. And you are now present on the web, in social media and blogs, attend conferences, industrial events and fairs, submit to journals and give interviews, attend client-oriented webinars and workshops, try your best at incubation and acceleration demo-days.

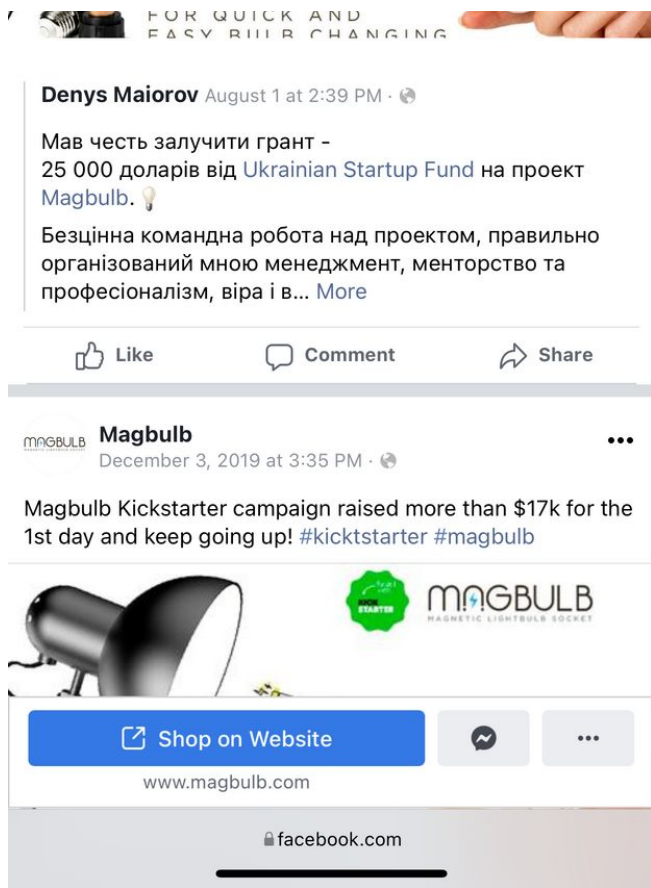
Web presence is extremely important. Ok, Saint Bernard understood us, and his owner even told his friend bout us, and those friends told to their friend. And there's already a whole network of people aware of what we do and even appreciating it. But some important facts and details might be missing out along this process. Some aspects are hard to retell. That's why you should be available on the web for people to get help on that, to provide details they missed and to make the info diffusion process a piece of cake. Channels will differ, explore your audience to choose the best fit. But Be there!

The most popular Social Media, 2023



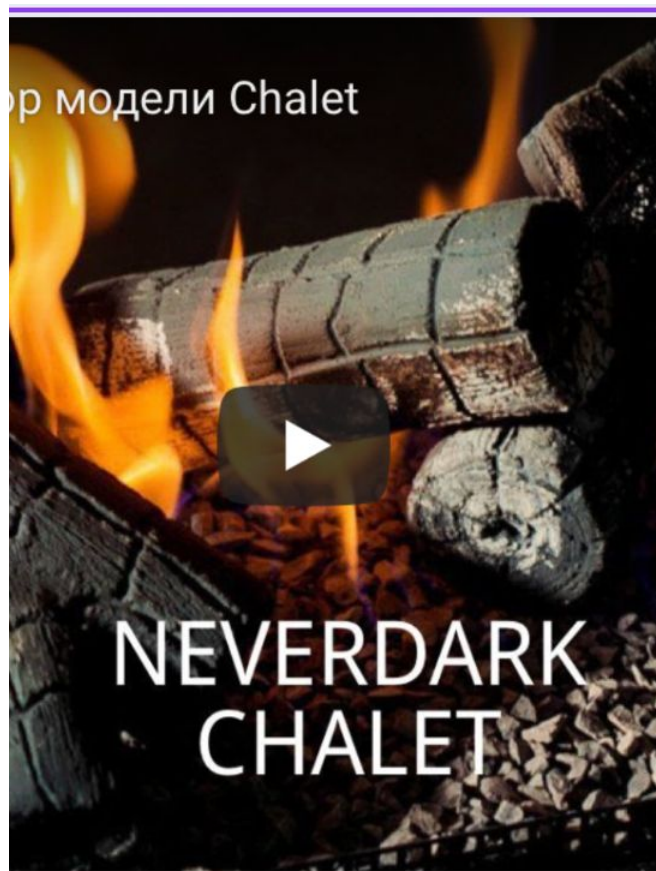
Source: Datareportal





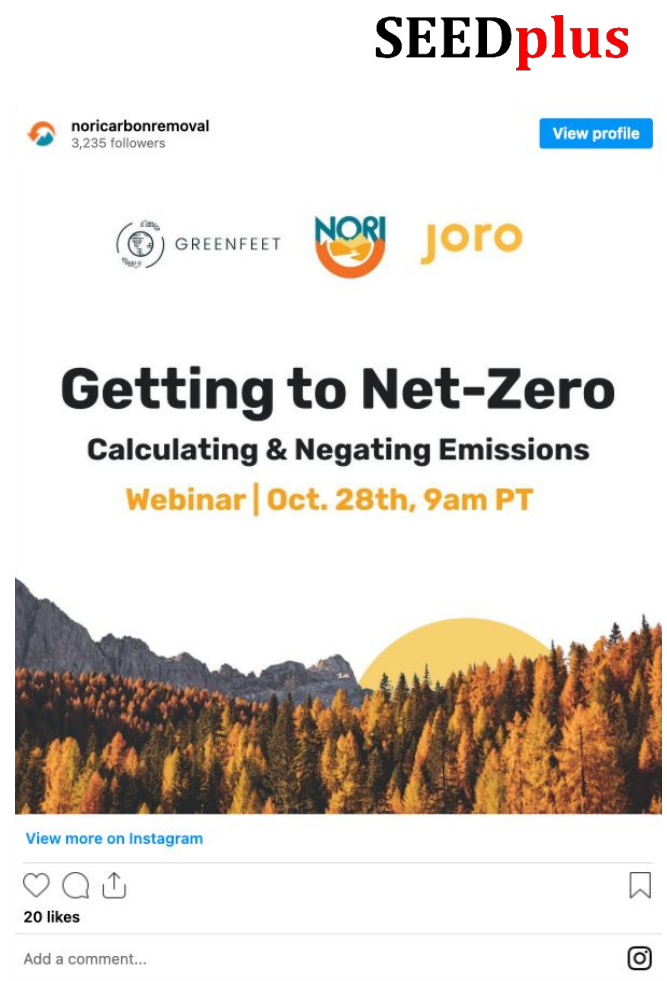
MagBulb

Announcing their Kickstarter campaign on Facebook



Neverdark

Youtube video explainign how technology works



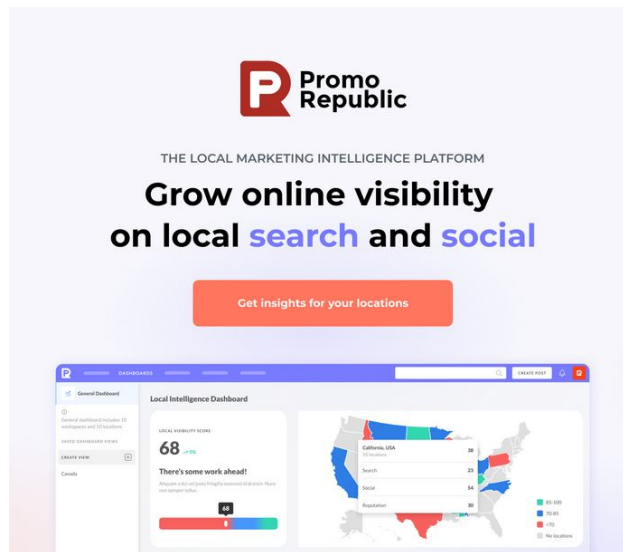
NORI

Featuring industry-related webinar on Instagram

What about budgeting?

A Promorepublic service for automated Social media marketing with templates, scheduling and your industry tips would cost you \$49 per month and you can as well do everything with your team efforts.

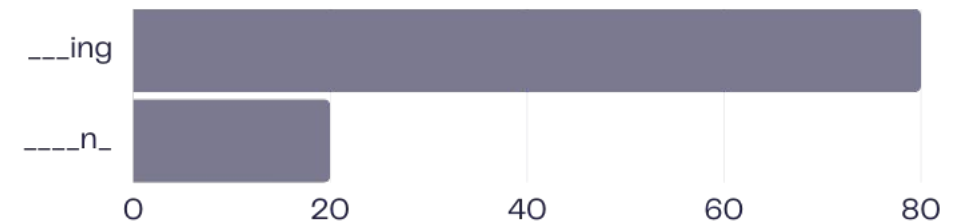
Incubation programs and public funding can also include marketing communication budgets. Ukrainsian Startup Fund and Google give money on marketing in Ukraine just to name a few.



<https://promorepublic.com/en/>

Time to sum it up.

Recall your answers to my introductory question. These are the answers of my hundreds of students who accepted the challenge before you.



But the truth is that there are more words that have 'n' as their fifth letter. And what is more, the -ing words all fall into that category.

Do you know why most of them were wrong?

This is all because of the availability heuristics: a special feature of our brain that allows us to save cognitive efforts with quick (but often biased and wrong) decisions. It means that we are likely to recall something which is easy to remember, which we hear often. That is why Coca-Cola never stops talking to us. And so should you!

Conclusion

Marketing is like the **heartbeat** of any new business venture. When you make a **strong brand, plan your marketing, leveraging digital marketing channels, and keep track of what works**, you can get closer to the people you want to sell to, make more people know about your brand, and make more money. Just remember, **marketing doesn't stop**. You should always be ready to change and find new ways to do things. **Be creative, learn about new stuff, and always try to give your customers something they really like**. With good marketing, your new business can do really well in today's competitive world.

Module 5:

“Financial planning – 1”

- What is financial planning and why is it important for running a business.
- Revenues and costs of the startup.
- Financial projections: Profits and Losses, Balance Sheet and Cash Flow. Financial metrics.
- Break-Even Point.

What is financial planning and why is it important for running a business

Financial planning is a process of development a comprehensive picture of your current finances, your financial goals and any strategies you've set to achieve those goals.

Financial plan includes:

- Budget
- Cash Flow Management
- Risk Management
- Investment Management

Financial planning uses different tools to ensure the financial goals achievement.

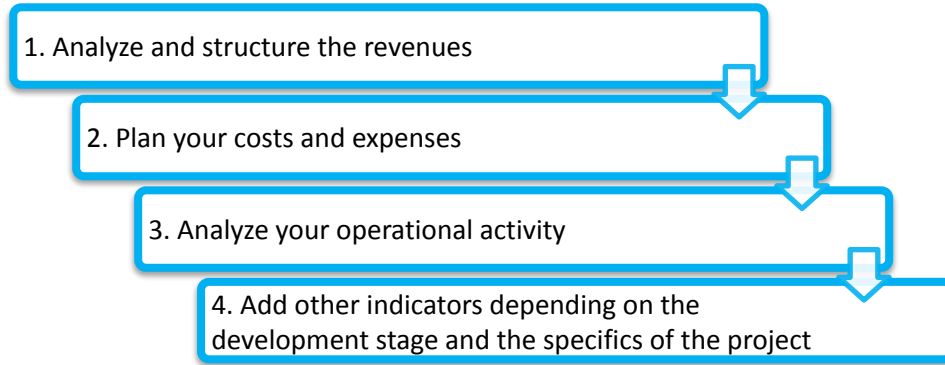
Financial modeling is one of such instruments.

Financial modeling

Financial modeling is a forecast of a startup's future financials based on assumptions and past performance.

- It helps to prioritize your marketing methods. For example, by financial modeling you might find out that increase in customer retention by 5% is more profitable than increase in conversion rate by 2%.
- It helps to establish benchmarking for operational and financial indicators. When you run a business, it is difficult to define the normal levels of performance indicators. The financial projections, marketing research and other startups' performance can set benchmarks.
- It helps to find not only points of growth but also the ways to achieve the goals.
- It helps to answer the questions:
 1. *What are the financial projections?*
 2. *Is the business model feasible?*
 3. *How many customers do we need to acquire?*
 4. *How much investments do we need and when?*
 5. *How to design our strategy?*
 6. *What are the bottlenecks of the business processes where we bear a lot of expenses?*
 7. *What is the minimum reasonable volume of production?*
 8. *Will we have a profit and when?*

Stages of financial modeling:



The issues to be analyzed developing a financial model of a startup include:

- Sales plan
- Sales market analysis
- Total cash flow
- Cost of sales
- All sources of project revenue
- Actual and projected costs

As the result, the assessment of the operating profit, whether it is positive or negative (losses), can be made.

For financial modeling you should establish the time frames and think over about possible pivots in your project, risk mitigation , opportunities to receive additional investments and mistakes correction in the future.

Revenues and costs of the startup

Startup revenues and costs are the base for its profitability and market capitalization

Revenue

Revenue is all money a startup receives from its business. This is the main source for business to survive and to operate, to generate profit.

There two categories of revenue a startup can receive:

Operating revenue:

is generated from a company's core business operations and is typically the area where a company earns most of its income.

Non-operating revenue:

is generated from activities not related to your company's core business operations, such as the revenue earned from interest or selling assets.

By comparing revenue and costs a startup can calculate financial metrics and to assess the startup growth.

In order to generate maximum revenue, a startup needs to select a revenue model, and most likely not one, but a few.

Revenue models



transaction

sale of license,
one-time purchase

online sales



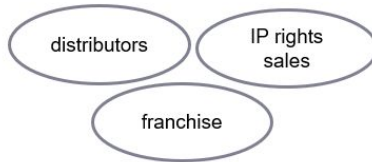
subscription



direct sales



indirect sales

sales generation,
marketplace

Transaction model. Direct way of revenue generation: a company sells a product or a service. A client pays and buys.

Advantages: simplicity of transactions and wide variety of products for choice.

Disadvantages: Too many companies use this model increasing competition and distorting prices, and therefore earning less revenues.

Examples:



Selling license/ one-time purchase. Anticipates selling software or other serviceable product of long-term use through purchasing of license. The idea is to supply a product only for one payment.

Advantages: Requires limited investments. Profit from license distribution network. Success depends on founders' efforts.

The widespread use of technology.

Disadvantages: Loss of control. Limited potential.

Examples:



Online sales. This model is related to the transactional sales model except that the customer must first find the company online through a web search or marketing funnel and transact exclusively online.

Advantages: Online sales are effective for a wide range of products, including software, tech, and even subscription services.

The widespread use of technology.

Disadvantages: Sales by building a relationship with the customer is not very characteristic of this model, because if the startup is related to consulting or selling bulky, high-value products, you should consider using a model that works better for your supply.

Examples:



Subscription model. Supplying to clients a product or a service for which they will pay for a long time, usually monthly or yearly.

Advantages: If your startup is quite far along in its development, this model can generate substantial recurring income. And can benefit from the fact that the consumer will simply be lazy to be described by your service (this is the main “secret sauce” of this model).

Disadvantages: Since the model is dependent on the number of customers, it is critical to maintain a preponderance of subscribers over those who unsubscribe from the service.

Types of subscription:

Freemium	Testing	PAYWALL
• Offering a free version (no upfront fee) and a paid version with extended functionality. • Offering a free version with the purchase of additional options and virtual goods.	• Free test period and transition to paid access after its completion.	• To use the service, the user must first pay for it.

Examples:



Microsoft

NETFLIX



Direct sales. There are two types of direct sales: internal sales, when somebody calls to place an order, or commercial agents make calls to potential customers; and external sales, which are made personally by commercial representative to customer (vis-a-vis).

Advantages: The direct sales model works great for building relationships with the customer, combined with the company's sales cycles, which helps to attract many customers and influencers.

Disadvantages: The direct sales model often requires hiring a sales team, which means that it is not profitable to sell cheap items or small quantities of them that way. If the offer costs less than \$100, you will also face the problem of insufficient scaling of the business.

Examples:

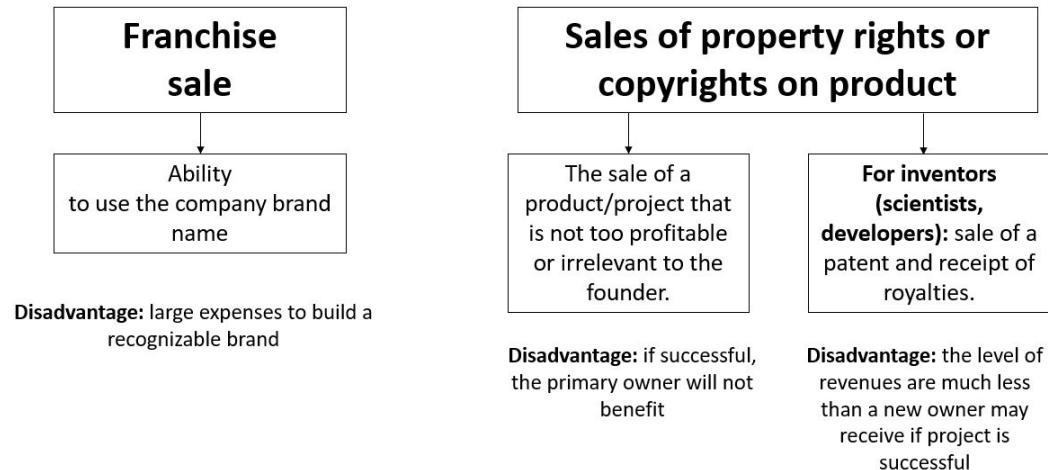


Indirect sales. The indirect sales model is a type of trading activity, according to which the sale of goods occurs with the participation of intermediaries. That is, the manufacturer is not in direct contact with customers. Indirect sales are typical for large companies with significant production volumes.

Advantages: The indirect sales model is ideal for companies that have a product that fits seamlessly into their partners' existing supply channels and can bring them additional profit. Gives the opportunity to capture a portion of the market. Product promotion does not require a significant financial investment, these costs are shifted to intermediaries.

Disadvantages: Lack of contact between the manufacturer and the end user, the inability to build proper relationships with customers. Difficulty in controlling the sales and pricing policy of intermediaries.

Other models of indirect sales:



Examples:

PHILIPS



BOSCH



Sales generation model (marketplace, platform). The model involves the creation of a virtual (or real) platform to bring together buyers and sellers. Income is received as a commission on sales, or as a part of the price of the product sold.

Advantages: Does not require significant initial investment. It is often possible to gain a pioneering position and become the main provider of such services in a certain market.

Disadvantages: This is a two-sided market where the "chicken and egg" problem inevitably arises.

Examples:



amazon

Booking.com

Advertising model. Revenue comes not from the audience, but because of it: consumers "pay" for service not with money, but with attention. It can be a fee for display or click, participation in surveys, sponsorship.

Advantages: The service is perceived as free, which attracts a large audience.

Disadvantages: The audience must be interesting to advertisers. The need to promote the service before advertising sales begin. Dependence on advertising market prices and advertising business cycle. Lack of direct revenue from users.

Examples:



How to choose a revenue model

- Client-experience-driven choice
- Analyze what customers buy and which channels they use
- Assess market potential and competition
- Develop your value proposition
- Diversify your channels



Analyze the possible revenue models for your startup.

Learn the possible channels to implement these models.

Costs

Costs are all charges and payments that must be made for the startup to operate and produce and sell its product.

Costs are often associated with the **resources** involved in startup activity:



Human
resources



Physical
resources



Intangible
resources



Financial
resources



Digital
resources

Some resources are to be purchased and become startup's costs and expenses.

Cost structure

There are several types of costs that can be measured:

Variable costs

are expenses that vary with production output.

Fixed costs

are incurred regularly and are unlikely to fluctuate over time.

Direct costs

are costs that are directly related to the creation of a product and can be directly associated with that product. Direct costs are usually variable costs, except for labor costs.

Indirect costs

are costs that are not directly related to a specific cost object. Indirect costs may be fixed or variable.

The sum of variable costs (VC) and fixed costs (FC) is the **total costs (TC)**, that can be also represented by the sum of direct and indirect costs.

Depreciation is a part of fixed costs. And represents an accounting method that spreads out the cost of an asset over its useful life. The purchased equipment or hardware usually serve for a long period of time – more than 1 year. That is why their cost is distributed through the useful period of exploitation or the volumes of production.

Depreciation expense shows how much of the asset's value has been used up in that year.

Non-current assets of a startup that are depreciated include: buildings, equipment, intellectual property rights, furniture, transport, other facilities, marketable securities.

Methods of depreciation: straight-line, declining balance, sum-of-the-years' digits, and units of production, etc.

Cost of goods sold (COGS)

For measuring profits from sales, it is important to determine the cost of goods sold.

Cost of goods sold refers to the direct costs of producing the goods sold by a company.

This amount includes the cost of the materials and labor directly used to create the good.

It excludes indirect expenses, such as distribution costs and sales force costs.

Cost of goods sold is also referred to as "cost of sales".



Define the structure of costs of your startup. Make a forecast of your sales and make a projection of the COGS.

Profits and net income

Profit means the revenue that remains after expenses.

It exists on several levels, depending on what types of costs are deducted from revenue.

Net income, also known as **net profit**, is a single number, representing a specific type of profit after all costs and expenses have been deducted from revenue.

Gross profit refers to the difference between sales revenue and COGS. For example, if your company sells \$100,000 worth of products and has \$40,000 in COGS, it has \$60,000 in gross profit.

$$\text{Net profit} = \text{Revenue} - (\text{Variable costs} + \text{Fixed Costs})$$

$$\text{Gross profit} = \text{Revenue} - \text{Cost of goods sold (COGS)}$$

Operating profit is the net income derived from a company's core operations. Put another way, it is the amount of money that a company has left over after meeting its operating costs (gross profit) but before paying its taxes.

Problem: How AMAZON earns money

Assume, Amazon sells each book for \$20. It costs only \$10, and the cost of processing the order is \$5.

The sales volume is 1 million of books a year, and FC = \$3.5M.

Define the gross and net profit. Is the business model profitable?

Solution:

Gross profit = Price – COGS = \$20 – (\$10+\$5) = \$5

Fixed costs per 1 book = \$3.5M / 1 million = \$3.5

Net profit = \$20 – (\$10+\$5+\$3.5) = \$1.5

As the net profit is positive number (+\$1.5), the business model is profitable.



Find your projected COGS, Gross profit and Net profit. Is your business model profitable?

Financial projections: Profits and Losses, Balance Sheet and Cash Flow. Financial metrics.

There are several financial statements that can be projected by a startup to see the financial picture and the state of the assets.

Financial statements is a necessary element of startups' operating activity and can be claimed by various stakeholders : investors, tax service, banks, partners etc.

Profits and losses statement (P&L)

Profits and losses statement or Income statement is a financial statement that outlines a company's revenue, costs, and expenses over a specified period of time.

The P&L or Income statement, like the Cash Flow statement, shows changes in accounts over a set period of time. The Balance Sheet, on the other hand, is a snapshot, showing what the company owns and owes at a single moment.

Example of P&L statement of a company ABC shows the stages of calculation of net income.

Company “ABC”

Particulars	Amount (\$)	Amount (\$)
Sales	\$1,000,000	
Cost of goods Sold	\$ 600,000	
Gross Profit		\$ 400,000
Operating Expenses		
Advertisement expenses	\$ 60,000	
Depreciation expense	\$ 80,000	
Rent expense	\$ 15,000	
Payroll taxes	\$ 5,000	
salaries and wages	\$ 51,000	
Commission expense	\$ 5,000	
Other Operating Expenses	\$ 7,000	
Total operating Expenses		\$ 223,000
Operating Income		\$ 177,000
Non-operating Income		
Revenue from Interest	\$ 10,500	
Interest Expenses	\$ (9,100)	
Total Non- operating Income		\$ 1,400
Net Income		\$ 178,400

This document follows a general form as seen in the example below. It begins with an entry for revenue (sales), known as the top line, and subtracts the costs of doing business, including the cost of goods sold, operating expenses, tax expenses, and interest expenses. The difference, known as the bottom line, is net income, also referred to as profit or earnings.

Balance Sheet

Balance Sheet is a financial statement that reports a company’s assets, liabilities, and shareholder equity at a specific point of time. It provides a snapshot of what a company owns and owes, as well as the amount invested by shareholders.

Example of a Balance Sheet is presented below.

Assets	2020	2019
Current Assets		
Cash	11,874	
Accounts receivable		
Inventory		
Prepaid expenses		
Short-term investments		
Total current assets	\$ 11,874	\$ -
Fixed (Long-Term) Assets		
Long-term investments	1,208	
Property, plant, and equipment	15,340	
(Less accumulated depreciation)	(2,200)	
Intangible assets		
Total fixed assets	\$ 14,348	\$ -
Other Assets		
Deferred income tax		
Other		
Total Other Assets	\$ -	\$ -
Total Assets	\$ 26,222	\$ -
Liabilities and Owner's Equity		
Current Liabilities		
Accounts payable	8,060	
Short-term loans		
Income taxes payable	3,145	
Accrued salaries and wages		
Unearned revenue		
Current portion of long-term debt		
Total current liabilities	\$ 11,205	\$ -
Long-Term Liabilities		
Long-term debt	3,450	
Deferred income tax		
Other		
Total long-term liabilities	\$ 3,450	\$ -
Owner's Equity		
Owner's investment	7,178	
Retained earnings	4,389	
Other		
Total owner's equity	\$ 11,567	\$ -
Total Liabilities and Owner's Equity	\$ 26,222	\$ -

The balance sheet adheres to the following accounting equation, with assets on one side, and liabilities plus shareholder equity on the other, balance out:

$$\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$$

This formula is intuitive. That's because a company has to pay for all the things it owns (assets) by either borrowing money (taking on liabilities) or taking it from investors (issuing shareholder equity).

If a company takes out a five-year, \$4,000 loan from a bank, its assets (specifically, the cash account) will increase by \$4,000. Its liabilities (specifically, the long-term debt account) will also increase by \$4,000, balancing the two sides of the equation.

If the company takes \$8,000 from investors, its assets will increase by that amount, as will its shareholder equity.

Cash Flow statement

Cash Flow statement summarizes a company's inflow and outflow of cash, meaning where a business's money came from (cash receipts) and where it went (cash paid). By "cash" it is considered both physical currency and money in a checking account.

It consists of three parts: **operations**, **investing activities** and **financial activities** (see example below).

Cash Flow Statement of company "BCA"

		For the Year Ending	12/31/2019
		Cash at Beginning of Year	15,700
Operations			
Cash receipts from			
	Customers		693,200
	Other Operations		
Cash paid for			
	Inventory purchases		(264,000)
	General operating and administrative expenses		(112,000)
	Wage expenses		(123,000)
	Interest		(13,500)
	Income taxes		(32,800)
Net Cash Flow from Operations			147,900
Investing Activities			
Cash receipts from			
	Sale of property and equipment		33,600
	Collection of principal on loans		
	Sale of investment securities		
Cash paid for			
	Purchase of property and equipment		(75,000)
	Making loans to other entities		
	Purchase of investment securities		
Net Cash Flow from Investing Activities			(41,400)
Financing Activities			
Cash receipts from			
	Issuance of stock		
	Borrowing		
Cash paid for			
	Repurchase of stock (treasury stock)		
	Repayment of loans		(34,000)
	Dividends		(53,000)
Net Cash Flow from Financing Activities			(87,000)
Net Increase in Cash			19,500
		Cash at End of Year	35,200

Cash Flow statement plays a key role in determining the amount and timing of raising the necessary funding for a startup.

Cash Flow Statement and the amount of investments (grants)

	in \$							
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
Cash Received								
Grants								
Angel capital								
Venture capital								
Individual costs								
Sales Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other								
A. Total Cash Received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Paid Out								
Registration	(250.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administration	(1,800.0)	(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)
Personnel	(1,400.0)	(1,400.0)	(5,900.0)	(5,900.0)	(5,900.0)	(5,900.0)	(5,900.0)	(5,900.0)
Social Insurance Tax	(704.0)	(1,144.0)	(2,134.0)	(2,134.0)	(2,134.0)	(2,134.0)	(2,134.0)	(2,134.0)
Production	(113.0)	(226.0)	(226.0)	(565.0)	0.0	0.0	0.0	0.0
Intermediaries								
Travel Costs								
Certification, TM	(70.0)	(400.0)				(800.0)		
Patents (other countries)				(1,500.0)				
Website	(500.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Participation in Exhibitions	0.0	0.0	(600.0)	(600.0)	(600.0)	0.0	0.0	0.0
Other project inputs	(2,905.0)	(520.0)	(520.0)	(535.0)	(3,005.0)	(480.0)	(480.0)	(480.0)
Other Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Total Cash Paid	(7,742.0)	(7,490.0)	(13,180.0)	(15,034.0)	(15,439.0)	(13,114.0)	(12,314.0)	(12,314.0)
C. Net Cash Flow (A-B)	(7,742.0)	(7,490.0)	(13,180.0)	(15,034.0)	(15,439.0)	(13,114.0)	(12,314.0)	(12,314.0)
D. Cash available at start of month		(7,742.0)	(15,232.0)	(28,412.0)	(43,446.0)	(58,885.0)	(71,999.0)	(84,313.0)
E. Cash available at end of month (C+D)	(7,742.0)	(15,232.0)	(28,412.0)	(43,446.0)	(58,885.0)	(71,999.0)	(84,313.0)	(96,627.0)

At the beginning of its activity a startup may not have a revenue and only consume financing. Thus, its cash flow is negative (the bottom of the table outlined in red).

It means a startup should look for financial aid or investments to cover its expenses.

The analysis of the statement can help to determine how much and when the attraction of funds should be done.

For example, it can be an initial investment of \$235K.

	in \$							
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
Cash Received								
Grants								
Angel capital	235,000.0							
Venture capital								
Individual costs								
Sales Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other								
A. Total Cash Received	235,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Paid Out								
Registration	(250.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administration	(1,800.0)	(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)	(3,800.0)
Personnel	(1,400.0)	(1,400.0)	(5,900.0)	(5,900.0)	(5,900.0)	(5,900.0)	(5,900.0)	(5,900.0)
Social Insurance Tax	(704.0)	(1,144.0)	(2,134.0)	(2,134.0)	(2,134.0)	(2,134.0)	(2,134.0)	(2,134.0)
Production	(113.0)	(226.0)	(226.0)	(565.0)	0.0	0.0	0.0	0.0
Intermediaries								
Travel Costs								
Certification, TM	(70.0)	(400.0)				(800.0)		
Patents (other countries)				(1,500.0)				
Website	(500.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Participation in Exhibitions	0.0	0.0	(600.0)	(600.0)	(600.0)	0.0	0.0	0.0
Other project inputs	(2,905.0)	(520.0)	(520.0)	(535.0)	(3,005.0)	(480.0)	(480.0)	(480.0)
Other Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Total Cash Paid	(7,742.0)	(7,490.0)	(13,180.0)	(15,034.0)	(15,439.0)	(13,114.0)	(12,314.0)	(12,314.0)
C. Net Cash Flow (A-B)	227,258.0	(7,490.0)	(13,180.0)	(15,034.0)	(15,439.0)	(13,114.0)	(12,314.0)	(12,314.0)
D. Cash available at start of month		227,258.0	210,768.0	195,734.0	180,295.0	167,181.0	154,867.0	142,553.0
E. Cash available at end of month (C+D)	227,258.0	219,768.0	206,588.0	191,554.0	176,115.0	163,001.0	150,687.0	138,373.0

We see, that the bottom line (cash available) turned into positive numbers. So, the startup can provide its operating activity.

Financial metrics

There are several financial indicators that a startup, an investor or a partner may monitor to recognize the project's profitability and feasibility.

The most widespread includes:

- **Net Present Value (NPV)** of the project,
- **Return on Investment (ROI)**,
- **Internal Rate of Return (IRR)**,
- **Net Profit Margin**

Their calculation requires the availability of the above-mentioned financial statements.

Net Present Value (NPV)

NPV is the difference between the present value of cash inflows and the present value of cash outflows over a period of time.

$$NPV = \sum_{t=0}^n \frac{Rt}{(1+i)^t} - C$$

t = the time period in # of years

R = cash flow amount

i = discount rate, or desired rate of return

C = initial cash investment

Return on Investment (ROI)

ROI is a ratio that measures the profitability of an investment by comparing the gain or loss to its cost.

$$ROI \% = (Income - Cost of investment) / Cost of investment \times 100\%$$

Internal Rate of Return (IRR)

IRR is a discount rate that makes the net present value (NPV) of all cash flows equal to zero in a discounted cash flow analysis.

$$0 = NPV = \sum_{t=1}^T \frac{C_t}{(1+IRR)^t} - C_0$$

t = the time period in # of years

C_t = net cash inflow during the period t

i = discount rate, or desired rate of return

C = initial cash investment

Net Profit Margin

A measure, expressed as a percentage, of how much net income is generated from every dollar of revenue.

$$\frac{\text{Net profit}}{\text{Revenue}} \times 100 = \text{Net Profit Margin}$$

The financial issues of the startup demand more dedication to financial accounting, so it is recommended for a startup to involve people with relevant expertise in the team.



Using the projections of your financial statements try to define the financial metrics for your project. This will enrich your presentation and show your deep knowledge of the project.

Break-Even Point

Break-even analysis is a technique used to evaluate the feasibility of a new product

A startup's break-even analysis begins with the break-even point (BEP) calculation. It calculates the amount of product a startup must produce and sell to cover its total costs.

BEP is point on **volume of production where revenues equal costs.**

At the break-even point, your startup has **neither a profit nor a loss.**

Each additional unit of product above BEP volume brings additional earnings and profit.

Each unit of product below BEP volume leads to the losses.

Break-Even Point calculates the number of units of a product (good or service) that a company must sell to cover all its costs and still make neither a profit nor a loss.



Cost Volume Profit Analysis (CVP), also known as Break-Even analysis, is a financial planning approach that startups use when making decisions about their business strategy regarding sales price, costs, and volume.

A startup uses this tool to determine the impact of pricing, cost, and volume decisions on the business' bottom line (in the short term).

Key issues in CVP (or Break-Even) analysis :

- ✓ *CVP Analysis Goal and Tasks*
- ✓ *CVP Chart, CVP Analysis Assumptions and Importance*
- ✓ *Profit Equations (total approach and per unit)*
- ✓ *Contribution Margin Equation and Economic Content*
- ✓ *Break-Even Point of Startup project: Equation and Types*
- ✓ *Contribution Margin Ratio: CVP Analysis in Revenues*
- ✓ *Safety Margin of the Project and of the Project Price*
- ✓ *Operating Leverage and Degree of Operating Leverage*

Break-Even Point (or CVP) analysis tasks

CVP analysis purpose is to make comparable assessment of costs and profitability of base products groups of the startup

CVP Analysis tasks:

- ✓ To **explore** the **costs' structure** to identify the most critical cost items
- ✓ To **value** the amount of **Variable Costs per Unit (AVC)** of production and the amount of **Fixed Costs (FC)** for the period of production
- ✓ To **estimate Contribution Margin (CM)** for each type of the product
- ✓ To **calculate Breakeven Point** (in quantity/units and in sales/\$)
- ✓ To **define the Margin of Safety** (in quantity/units and in sales/\$)
- ✓ To **determine the Degree of Operating Leverage (DOL)**
- ✓ To **value Profitability of Sales** for each product group and for each direction of activity



Create a list of the products you are going to produce.

Think about the pricing strategy and set the price for each product.

Define cost categories for each product (materials, labor, electricity, equipment, etc.).

Determine which costs are fixed and which are variable.

Managers are concerned about the impact of their decisions on profit. The **decisions they make are about volume, pricing, or incurring a cost.** Therefore, managers require an understanding of the **relations among revenues, costs, volume, and profit.**

The decision-making questions that CVP analysis answers are:

- ✓ What is expected level of profit at a given sales volume?
- ✓ What additional amount of sales is needed to achieve a desired level of profit?
- ✓ What will be the effect on profit of a given increase in sales?
- ✓ Is the forecast for sales consistent with the forecasted profits?
- ✓ What additional profit would be obtained from a given percentage reduction in unit variable costs? Whether to increase fixed costs?
- ✓ What increase in sales is needed to make up a given decrease in price to maintain the present profit level?
- ✓ What sales level is needed to cover all costs in sales region or product line?
- ✓ Which products or services to emphasize?
- ✓ How much to budget for discretionary expenditures?
- ✓ Whether fixed costs expose the organization to an unacceptable level of risk

Break-Even Point Chart

The break-even chart shows the relationship between cost and sales.

This chart indicates the profit area and the loss area for various quantities after and before the break-even point, respectively.

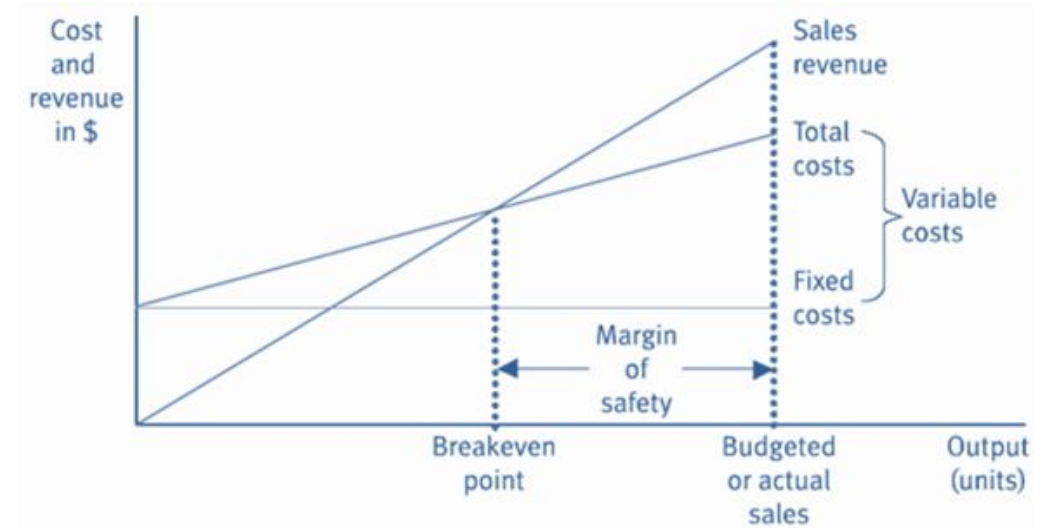
The horizontal line on the chart shows the number of sales, and the vertical line on the chart shows total expenses and total revenue.

The intersection point is the break-even point, which indicates the absence of profit and loss at a given quantity.

Presented chart shows that startup can use Break-Even Point to evaluate feasibility of planned (budgeted) or actual sales

If budgeted or actual sales exceed break-even point level, it means that it is reasonable for the startup to produce such a volume.

The difference between the planned or actual sales level and the break-even sales level is the startup margin of safety, and the larger the difference, the better for the feasibility of the project



Basic assumptions of break-even analysis (CVP Analysis)

- ✓ The output of the project is homogeneous/similar
- ✓ The volume of production is equal to the volume of sales
- ✓ The amount of fixed costs (FC) does not change during the year
- ✓ The value of variable costs per unit of output (AVC) does not depend on output volume
- ✓ Output prices for a product of a project do not depend on output volume, there is no price discrimination.

The example below explains how to use graph analysis to assess startup current volume of production and sales and evaluate risk of operational activity of the startup

Actual sales – 16 units

Revenue for actual volume – 1 600 USD

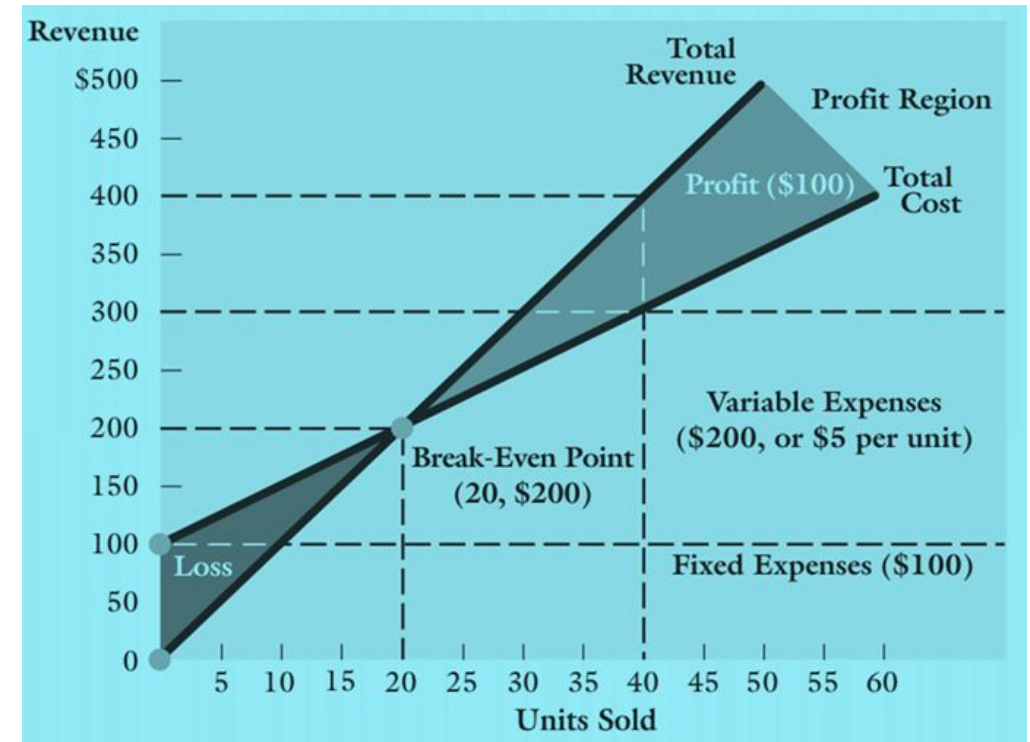
Break-even point volume – 10 units

Revenue for Break-even point volume – 1 000 USD

Safety Margin in volume – 6 units (16 – 10) – 37,5%

Safety Margin in sales – 600 USD (1 600 – 1 000) – 37,5%

Conclusion. Actual volume of production is acceptable because $Q_{\text{actual}} 16 > Q_{\text{BEP}} 10$, and project will have a Profit



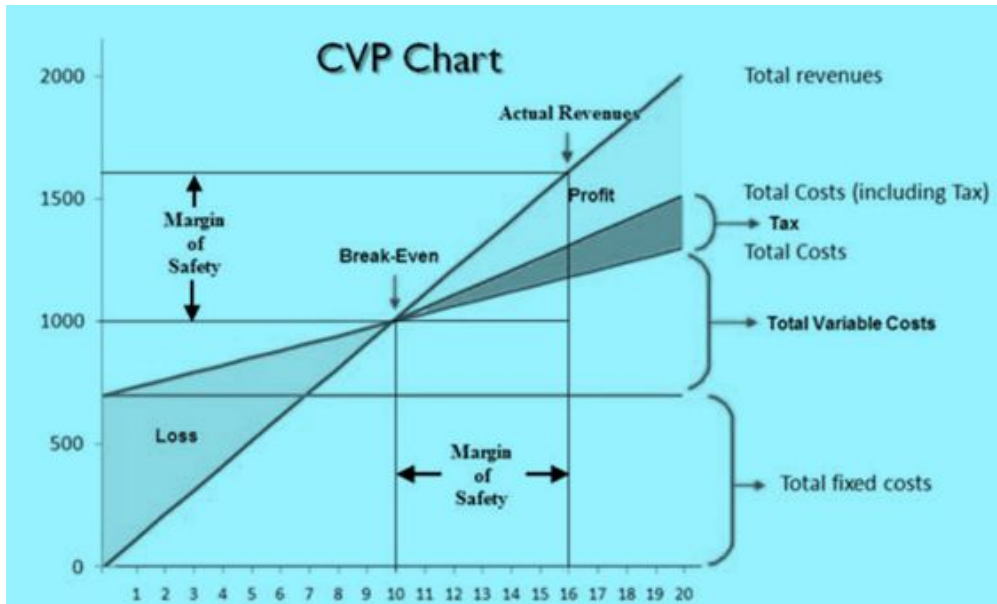
Considering the data from the BEP chart above provide analysis of startup feasibility:

Define break-even point in sales volume and in revenue.

Define actual sales volume and revenue.

Calculate Safety Margin in volume and Safety Margin in sales. Define Safety Margin in percentage.

Is this business profitable (for actual level of sales)? Calculate profit or losses. Define Unit Price.



Break-Even planning. Discretionary expenditures

BEP analysis includes decisions about costs structure and amount. And one of the way to improve situation and decrease risk of loses is review of costs. And one of the questions is: how much to budget for discretionary expenditures?

Discretionary expenses are costs associated with business activities that are not directly tied to operational procedures, and therefore can be reduced or removed without halting the business in the short run. In other words, these are non-essential or unnecessary costs that the business does not need to operate.

Example:

Brian is the owner of a mid-sized manufacturing company in Denver. Brian is having some issues with his receivables, and therefore has a cash flow problem. He needs to pay his expenses by the end of the month, but there are certain expenses that must go unpaid for now. From the list below, which costs would be considered discretionary for Brian's business?

- ✓Billboard advertising space
- ✓Employee paychecks
- ✓Electricity
- ✓Quarterly employee training session

The discretionary costs for Brian's company are billboard advertising space and the quarterly employee training session. Without these, the company can continue its operations in the short term.

Discretionary Spending Examples

(<https://meshpayments.com/blog/discretionary-spending/>)

Marketing campaigns and advertising
 Attending or hosting events
 Bringing on freelance staff
 Public relations
 Mergers and acquisitions
 Buying back stock/Other stock-related areas
 Research and development (R&D)
 Subscriptions
 Travel costs
 Employee perks

Discretionary spending refers to non-essential expenses that can be adjusted based on available budget.

Essential spending is necessary for basic needs, while discretionary spending is optional.

In some cases, certain discretionary expenses can be essential for business growth or success.

Businesses can track and control discretionary spend using a spend management system.

Managing discretionary spending helps maintain financial control and make strategic choices.

Some discretionary expenses may qualify for tax deductions, depending on jurisdiction and tax laws. Consult professionals for specific regulations.



Think about discretionary expenditures for your business and prepare a list of them

Break-Even Point Calculation

CVP analysis begins with the basic profit equation.

Profit = Total Revenue – Total Costs

$$(PR = TR - TC)$$

Separating costs into Variable and Fixed categories, we express profit as:

Profit = Total revenue – Total Variable costs – Total Fixed Costs

$$(PR = TR - VC - FC)$$

If we assume that the selling price and variable cost per unit are constant, then total revenue is equal to price times quantity, and total variable cost is variable cost per unit times quantity.

We then rewrite the profit equation in terms of the contribution margin per unit

$$PR = P \times Q - AVC \times Q - FC = (P - AVC) \times Q - FC$$

P = Selling price per unit

AVC = Variable Cost per unit

(P – AVC) = Contribution Margin per unit

Q = Quantity of product sold (units of goods or services)

FC = Fixed Total Costs

Break-Even Point (QBEP\$) in sales/\$ money or the Profitability Threshold (PT) – the revenue (output in money), which allows to return all production costs of the project. An indicator that reflects the monetary expression of the Break-Even Point, that is, the Revenue from the sale of such volume of production, which provides a Break-Even Level

$$PT = FC / (CM / TR)$$

$$PT = QBEP \text{ in units} \times \text{Price of project (unit price)}$$



Determine the projected selling price for your product

Define variable and fixed costs

Calculate the break-even point in units

Compare the projected / planned product quantity with the BEP

- ✓ **Break-Even Point (QBEPq) in quantity/units** - the volume of production (output in units), which allows to cover costs of the project.
- ✓ The more Q sales, the more revenue. A startup must sell a break-even quantity to cover total costs and sell above BEP to make a profit.
- ✓ Since revenue equals total cost (TR=TC) at the break-even point and profit equals zero, we can use the TR=TC equation to calculate the break-even quantity. Solving for Q and assuming that the profit is zero (at the break-even point), we obtain the equation Q BEP

$$TR(P \times Q) = VC(AVC \times Q) + FC + PR$$

$$\text{if } PR = 0, \quad P \times Q = Q \times AVC + FC$$

$$Q_{BEP} = \frac{FC}{P - AVC}$$

$$Q_{BEP} = \frac{FC}{(TR - VC)/Q} = \frac{FC}{CM/Q}$$

Example

ABC is a medical clinic that provides outpatient medical services.

The institution is considering the possibility of offering an additional service - a cardiac examination (cardioscopy) of each patient.

ABC clinic estimates the annual fixed cost of the equipment and skills required to provide services at \$180,000.

The variable costs for each patient served are estimated to be \$40.

If the clinic plans to charge \$60 for each cardioscopy, how many patients must it serve per year to break even?

$$BEP = FC / (P - AVC)$$

$$180\,000 / (60 - 40) = 180\,000 / 20 = 9\,000 \text{ patients}$$

Break-Even Point: Units needed for target profit

Quantity of product that needs to be sold to earn a target profit can be determined by using the BEP analysis formula. Assuming that costs remain constant, we solve for the expected quantity of goods or services that must be sold to achieve a target level profit. Notice that the denominator in this formula, (P-AVC), is the contribution margin per unit (CMu)

$$BEP = \frac{FC + Profit}{P - AVC}$$

Safety Margin (Strength Margin) - this is the amount at which the actual (project) output exceeds the critical one (break-even)

$$Safety\ Margin = \frac{(Total\ Revenue - Profitability\ Treshold)}{(Total\ Revenue)} \times 100\%$$

where **Profitability Treshold** is Break-Even Point (QBEP\$) in sales/\$.

Safety Margin for Project Price shows possibility of reducing the project price while maintaining its profitability, provides defining the minimum project price and its deviation from the planned price of the project

$$P\ min \ [=(FC + Q \times AVC) / (Q\ project)]$$

$$Safety\ Margin\ pp = (P_{project} - P\ min) / P_{project} \times 100\%$$



Provide calculations of total revenue, total costs, and operating income.

Calculate Profitability Threshold for your business.

Assess Safety of Margin and minimum Price?

What is your expected planned profit?

Calculate Quantity of product to get this target profit.

Example. Suppose that ABC Company wants to produce a new product and has forecast the following information.

Price per Product (P) = \$800 ; Variable cost per Product (AVC) = \$300

Fixed costs related to Product production (FC) = \$5,500,000

Target profit (PR) = \$200,000 ; Estimated sales (Q) = 12,000 Product units

Solution.

Total Revenue planned = $800 \times 12000 = \$9.600.600$;

TC = FC + (AVC * Q) = $\$5.500.000 + \$3.600.000 = 9.100.000$

Profit = $\$9.600.600(TR) - \$9.100.000(TC) = \$500.600$

TR BEP (PT) = $\$800 \times 11\ 400 = \$9.120.000$

TC = $\$5.500.000 + 11400 \times 300 = \$5.500.000 + \$3.420.000 = \$8.920.000$

Profit = $\$9.120.000(TR) - \$8.920.000(TC) = \$200.000$

CMR = $(\$9.600.000 - \$9.120.000) / \$9.120.000 = 0,05$

Quantity of Products needed for the target profit :

QBEP in units = $(\$5,500,000 + \$200,000) / (\$800 - \$300) = 11,400$ units

Conclusions: (we compare projected Q with BEPQ) – Q projected more than Q BEP, but Margin of Safety is low (600 units or 5%), so the risk is loss is high.

To define for the ABC Company revenues needed for a target profit of \$200,000, we first calculate the contribution margin ratio as follows:

$$CMR = \frac{P - AVC}{P}; \quad CMR = (\$800 - \$300) / \$800 = 0.625$$

A Contribution Margin Ratio CMR of 0.625 means that 62.5% of the revenue from each Product sold contributes first to fixed costs and then to profit after fixed costs are covered.

$$Revenue = \frac{FC + Profit}{CMR};$$

$$Revenue = (\$5,500,000 + \$200,000) / 0.625 = \$9,120,000$$

We check to see that the two results are identical by multiplying the number of units (11,400) times price (\$800) to obtain the revenue amount (\$9,120,000). Revenue = Q * P = $11,400 \times 800 = \$9,120,000$

Contribution Margin, Contribution Margin Ratio

Both contribution margin (CM) and contribution margin per unit are valuable tools when considering the effects of volume on profit. CM helps to separate out the fixed cost and profit components coming from product sales and can be used to determine the selling price range of a product, the profit levels that can be expected from the sales. Contribution Margin per Unit tells us how much revenue from each unit sold can be applied toward fixed costs. Once enough units have been sold to cover all fixed costs, then the contribution margin per unit from all remaining sales becomes profit.

Contribution Margin is total revenue minus total variable costs.

$$CM = TR - VC = FC + PR$$

Similarly, the **Contribution Margin Per Unit** is the selling price per unit minus the variable cost per unit.

$$CMu = P - AVC$$

Contribution margin ratio (CMR) is the percent by which the selling price (or revenue) per unit exceeds the variable cost per unit, or contribution margin as a percent of revenue.

For a single product, it is.

$$CMR = (P - AVC) / P$$

To analyze CVP in terms of total revenue instead of units, we substitute the contribution margin ratio for the contribution margin per unit. We rewrite the equation to solve for the total dollar amount of revenue we need to cover fixed costs and achieve our target profit as

$$Revenue = (FC + Profit) / ((P - AVC) / P) = (FC + Profit) / CMR$$



- Provide BEP analysis using projected data of your startup.
- Define BEP in units and sales.
- Make analysis of sales quantity to get a target profit.
- Define CM, define CMR and calculate additional profit that your business would earn if sales were 20% more than projected.

Example: Company “Co” projected sales, price, costs and volume are presented below. BEP analysis provided by the company shows break-even volume, quantity to get target profit, CMR and Margin of Safety. Obviously, a business can use BEP (CVP) analysis to plan and justify decisions about costs, volume, and profits.

Projected	Total	Per Unit
Sales (TR, Price)	\$200 000,00	\$20,00
Less: Variable expenses (VC)	\$120 000,00	\$12,00
Contribution margin (CM)	\$80 000,00	\$8,00
Less: Fixed expences (FC)	\$64 000,00	
Operating income	\$16 000,00	
Projected Quantity (Q)	10 000,00	
BEP analysis		
Break-even point in units	8 000,00	FC (\$64000)/(P(\$20) - AVC(\$12))
Units for target profit \$30 000	\$11 750,00	FC (\$64000) + Profit (\$30000)/(P(\$20) - AVC(\$12))
Contribution Margin Ratio (CMR)	0,4	CM(\$8)/Price(\$20)
Using CMR - additional profit that Co would earn if sales were \$25 000 more than expected	\$10 000,00	CMR(0,40)*Additional sales(\$25000)
Suppose Co is planning to earn operating income equal to 20% revenue - what is Q?	16 000,00	(Operating Income: (%0,20)*(P\$20*Q) = (P\$20*Q) - (AVC\$12*Q) - FC(\$64000))
Margin of Safety for the projected level of sales, in units	2 000,00	Projected sales, units (10000) - BEP, units (8000)
Margin of Safety for the projected level of sales, in sales revenues	\$40 000,00	Margin of Safety in units * Price
The income statement earn operating income 20% revenue		
Sales Q (16000) * Price (\$20)	\$320 000,00	
Less: Variable expences (Q 16000) * (AVS \$12)	\$192 000,00	
Contribution margin (CM)	\$128 000,00	
Less: Fixed expences (FC)	\$64 000,00	
Operating income	\$64 000,00	
Operating income / Sales	20,00%	

Degree of Operating Leverage (DOL)

Degree of Operating Leverage (DOL) is a leverage ratio that summarizes the effect a particular amount of operating leverage has on a company's earnings before interest and taxes (EBIT) over a period of time.

DOL illustrates on how much percentage the operating profit will change when the revenue is changed by 1%. The formula is as follows:

$$DOL = \frac{(FC + PR)}{PR} = \frac{TR - VC}{PR} = \frac{CM}{PR}$$

The higher the degree of operating leverage, the greater the potential danger from forecasting risk, where a relatively small error in forecasting sales can be magnified into large errors in cash flow projections.

If the DOL of a company is high, this means a relatively small increase in sales can have a large effect on net operating income.

Calculating DOL can help in decision-making, which may prevent large losses to a company based on smaller changes in sales.

Operating leverage is a measurement of the degree to which a firm or project incurs a combination of fixed and variable costs.

A business that makes sales providing a very high gross margin and fewer fixed costs and variable costs has much leverage.

Operating Leverage = Contribution Margin / Net Operating Income



Provide risk analysis of your project using DOL (degree of operating leverage).

Make conclusion about change in operating income due to change in operating revenue.

Example: Projected volume of sales - 200 units annually. Annual operating fixed costs FC (including depreciation of the equipment) for the project are \$1,600 for a year. The unit price is \$40. Variable costs per unit of output \$30.

1) Justify the feasibility of the project from the standpoint break-even point and 2) Assess the level of risk of the project using DOL ratio.

Solution

$$1) \text{ BEP} = FC / (P - AVC) = \$1\,600 / (\$40 - \$30) = 160 \text{ units}$$

Conclusion. Projected Q of production is acceptable because Q planned 200 > Q BEP 160 and project will have a Profit

2) Assessment of the risk level

Operating Leverage DOL = (FC + Profit)/Pr or MC /Profit

Profit = TR – TC

$$TR = Q \times \text{Price} = 200 \times \$40 = \$8.000$$

$$TC = \$1.600 + AVC \times Q (\$30 \times 200 = \$6000) = \$7.600$$

$$\text{Profit} = \$400$$

$$OL = (FC + \text{Profit}) / \text{Profit} = (\$1600 + \$400) / \$400 = 5 \text{ (ratio)}$$

Conclusion. If the revenue is changed by 1% the operating profit will change by 5% (DOL illustrates on how much percentage the operating profit will change when the revenue is changed by 1%. The higher the degree of operating leverage, the greater the potential danger from forecasting risk, where a relatively small error in forecasting sales can be magnified into large errors in cash flow projections)

Safety Margin in money = TR (total revenue) – PT (profitability threshold)

$$\text{Safety Margin in \%} = (TR - PT) / TR$$

$$TR = 200 \times \$40 = \$8.000$$

$$PT \text{ (TR for BEP)} = 160 \times \$40 = \$6.400$$

$$\text{Safety Margin, \$} = \$8.000 - \$6.400 = \$1.600$$

$$\text{Safety Margin, \%} = (\$8.000 - \$6.400) / \$8.000 = \$1.600 / \$8.000 = 0,2$$

Conclusion. If actual revenue (sales) decreases by 20% the profit will be zero.

Break-Even Point Formulas and their applications

Indicator of BEP Analysis		Formula	Project A
P	Price per Unit		\$50
Q	Sales in units		\$60
TR	Total Revenue	$P \times Q$	\$3000
FC	Fixed Costs		\$1040
VC	Variable Costs		\$600
AVC	Variable Costs per Unit (Average)	VC/Q	\$10
CM	Contribution Margin	$TR - VC$; $FC + PR$	\$2400
CMR	Contribution Margin Ratio	$P - AVC/P$; CM/TR	0,8 ratio
PR	Profit	$TR - TC$; $CM - FC$	\$1360
DOL	Degree Of Operating Leverage	CM/PR	1,76 ratio
QBEPunits	Break-Even Point cash, units	$FC/(P - AVC)$	26 units
PT	Profitability Threshold	$FC/(CM/TR)$; FC/CMR ; $QBEP \times P$	\$1300
SM, \$	Safety Margin for Project, \$	$TR - PT$	\$1700
SM, %	Safety Margin for Project, %	$(TR - PT)/TR$, %	43,33 %
P min	Project Price min	$(FC + VC)/Q$	\$27,33
SM pp, \$	Safety Margin for Project Price, \$	$P_{proj} - P_{min}$	\$22,67
SM pp, %	Safety Margin for Project Price, %	$(P_{proj} - P_{min})/P_{proj}$, %	45,33 %

- Operating income = (Price $\times$ Number of units) – (Variable cost per unit $\times$ Number of units) – Total fixed costs
- Break-even point in units = Fixed costs/(Price – Unit variable cost)
- Revenue = Price $\times$ Units
- Break-even point in sales dollars = Fixed costs/Contribution margin ratio
or = Fixed costs/(1 – Variable cost ratio)
- Variable cost ratio = Total variable cost/Sales
or = Unit variable cost/Price
- Contribution margin ratio = Contribution margin/Sales
or = (Price – Unit variable cost)/Price
- Margin of safety = Sales – Break-even sales
- Degree of operating leverage = Contribution margin/Profit
- Percentage change in profits = Degree of operating leverage $\times$ Percentage change in sales
- After-tax income = Operating income – (Tax rate $\times$ Operating income)
- Income taxes = Tax rate $\times$ Operating income
- Before-tax profit = After-tax profit/(1 – Tax rate)



The formulas and calculations presented in the table show the variety of ways to perform a BEP (or CVP) analysis. Depending on the information available and the goals of the calculations (as well as the goals of financial planning), you can get the necessary answers to the questions about cost, quantity, price, revenue, and profit planning.

Try using the table to calculate the given indicators and compare the break-even levels with the projected ones, evaluate the financial and operational risk of your startup decisions and their impact on financial results

Module 6:

“Financial planning – 2”

- The essence of unit economics
- Important metrics for startups
- Sources of startup funding
- How to meet the investor's requirements to get funding

The essence of unit economics

A startup founders are often asked about a set of metrics representing the startup's traction and reliability of the business model. This set of metrics is called **unit economics**.

Unit Economics

Characterizes how much income and expenses a business earns and spends for one user during all the time of using the product.

Under **unit** it is considered a basic item generating revenue – **a user, a product, buyers and sellers** for a marketplace. It involves calculating the cost of acquiring a customer, the revenue generated per customer, and the resulting profit margins.

Generally, a unit economy helps to understand:

- amount of profit one user generates;
- what is the price limit to attract new users;
- how we can improve the indicators mentioned above.

All tech startup founders should implement at least simple financial reports from the very beginning to understand the dynamics.

Unit economy in calculations

The logic and the basic calculations of the unit economy can be represented in a following framework:

Assume, there is a user named Martha. The cost of her acquiring for the startup "ABC" is **\$15**. Every month she pays **\$3** for subscription on the ABC's app.

So, to become a profitable acquisition Martha has to use the app at least **$\$15 / \$3 = 5$ months**.

If Martha unsubscribe earlier, the money spent for acquisition will be lost. Thus, acquiring users with the same profile as Martha is like pouring money down the drain.

Suppose Martha stays with app subscription for **10 months**. First 5 months the project will be considered unprofitable, but the second 5 months it becomes **unit-positive**, as revenue outreaches the cost of acquisition.

Involving more users which are subscribed for more than 5 months can bring a startup to a scaling up stage. However, having losses for a tech startup in the current month is fine. In the longer perspective the metrics of the unit economics should grow for investors who may be not interested in profits now, but the project must scale fast, keeping a unit metrics positive.

Important metrics for startups

In general, startup's metrics reflect its financial state, product quality, an extent of users' involvement. All unit metrics can be classified by two main categories: *financial* and *product & involvement*.

Financial	Product & involvement
• Bookings vs Total Revenue • Monthly Recurring Revenue • Gross Profit • LTV – Life Time Value • CAC – Customer Acquisition Costs • ARPU – Average Revenue per User • ARPPU – Average Revenue per Paying User	• Active Users • MoM – Month-over-month growth • Churn rate • CVR – conversion rate

Bookings: the number of pre-paid or post-paid arrangements for the product. Should be compared with the total revenue to understand the pace of growth of the company.

Monthly Recurring Revenue (MRR): the predictable total revenue generated by your business from all the active subscriptions in a particular month. It includes recurring charges from discounts, coupons, and recurring add-ons, but excludes one-time fees.

Gross Profit: the difference between Revenue and Cost of Goods Sold (COGS).

Life Time Value (LTV): how much one user will pay us for the whole time of using the product or service. For example, Martha pays \$3 for 10 months, her LTV = $3 \times 10 = \$30$.

Customer Acquisition Costs (CAC): the cost of attracting one paying client. These can be marketing costs or referral program bonuses. It cost the startup \$15 to acquire another Martha.

Average Revenue Per User (ARPU): how much money one user brings in per month or per purchase. It is the monthly price for your product or service. Martha was paying \$3 per month (standard package). When a startup has a different price for a different set of services and clients do not pay the same amount, the ARPU is counted as an average check. For example, Adele was paying \$6 per month (premium package) and Victor pays \$0 (freemium). On average, each pays: $(\$3 + \$6 + \$0) / 3 = \3 .

Average Revenue Per Paying User (ARPPU): how much one paying user will bring us revenue per month or per purchase. There are only Martha and Adele who are paying, so ARPPU = $(\$3 + \$6) / 2 = \$4.5$.



There are more unit economy metric related to financial indicators for measuring your business performance. Try to find and to learn them yourself.

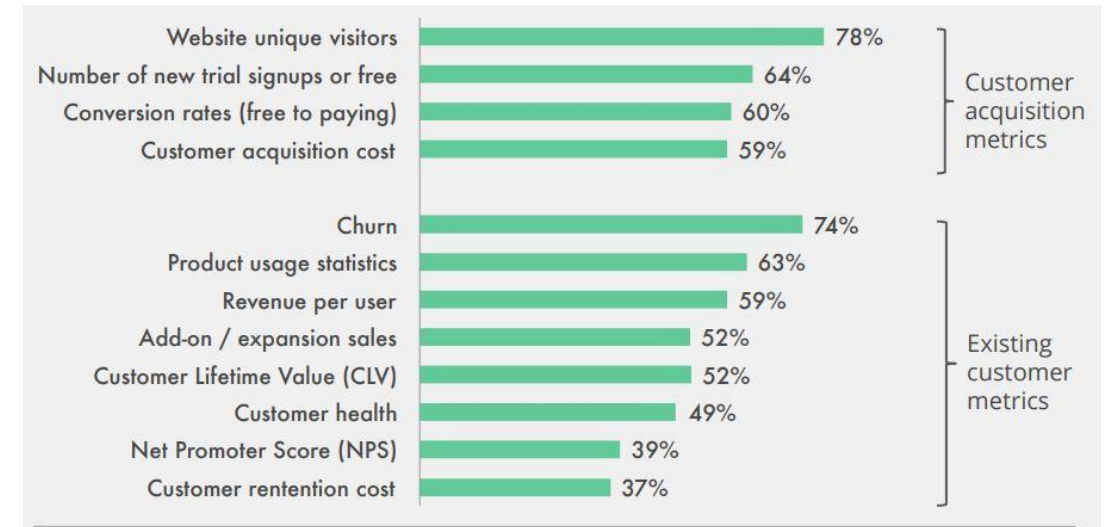
Active Users: a number of people / units who uses your product or services regularly and in a meaningful way during a specified time period. Active users are usually defined and measured based on their active time period, such as: Daily Active User (DAU): Users interact with the product/service on a daily basis.

Month-over-Month Growth (MoM): the rate of your business growth. Subtract the first month from the second month and then divide that by the last month's total. Multiply the result by 100. The indicator can be applied either to revenue or to daily active users etc.

Churn rate: also known as the rate of attrition or customer churn, is the rate at which customers stop doing business with an entity. It is most commonly expressed as the percentage of service subscribers who discontinue their subscriptions within a given time period. It is also the rate at which employees leave their jobs within a certain period. For a company to expand its clientele, its growth rate (measured by the number of new customers) must exceed its churn rate.

Conversion rate (CVR): records the percentage of users who have completed a desired action. Conversion rates are calculated by taking the total number of users who 'convert' (for example, by clicking on an advertisement), dividing it by the overall size of the audience and converting that figure into a percentage.

Which metrics do startups track more often?



Source: Totango.

Startups tend to pay more attention to customer acquisition metrics, especially in SaaS sphere, then existing customer metrics. But the gap is smaller compared to past years.



Try to calculate these metrics for your project traction. Compare to other startups from your industry. Use this source: <https://firstpagesage.com/reports/average-cac-for-startups-benchmarks/>

Sources of startup funding

There are several main sources of startup funding which are often used to raise the innovation business.

Venture capital

A specific risky form of direct investment in the equity capital of companies that, being at the initial stages of development, demonstrate rapid economic growth due to the development and practical use of original innovative ideas.

The venture sector can be formal and informal.

Informal. At the initial stages, projects are financed by private individuals (business angels), who invest pre-seed and seed capital. In 80% of cases, angel investors participate in the management of startup projects.

Investment size: from USD 10,000 up to several million dollars (5-20% of the investor's funds).The number of active business angels in Europe is more than 100,000.

According to UAngel, the number of systemic business angels in Ukraine is no more than 50 with an average check of 20-60 thousand dollars.

Formal. Amounts of financing - from USD 250,000 for one round.

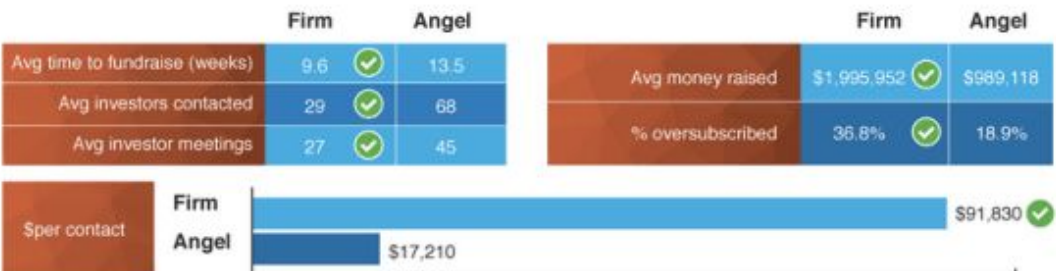
Formal sector involves such specialized institutions:

- investment companies,
- pension funds,
- insurance companies,
- government agencies,
- international organizations,
- large private investors.

Venture funds provide: seed investments (seed funds); early stages (early-stage funds – A and B rounds); later stage funds (rounds C and D).

Venture capitalists, as a rule, buy shares of companies in the early stages of their development. Private equity funds invest in medium and large companies to accelerate their development.

Key differences between business-angel and investment companies are in number of startups to finance and average amount of money received.



Source: Tech Crunch.

Crowdfunding

this is direct financing by individuals of a project / startup / enterprise.

A lot of crowdfunding platforms offer opportunities for startups and other projects. Some of them are presented below:



Crowdfunding is a way of raising money to finance projects and businesses. It enables fundraisers to collect money from a large number of people via online platforms. Crowdfunding is most often used by startup companies or growing businesses as a way of accessing alternative funds.

Crowdfunding sites generate revenue from a percentage of the funds raised.

However, they also establish their fees and rules which may limit some perspectives of financing attraction for a startup.

Own sources

3F – Family, Friends and Fools. This means founders may attract own money, as well as money of people who trust them.

Usually, 3F is not enough source to ensure a rapid growth of a company. But it is important at the initial stage to push the idea into life.

Bank loan

an amount of money loaned at interest by a bank to a borrower, usually on collateral security, for a certain period of time.

Bank loan is not the most appropriate source of funding and is quite expensive for a startup.

The interest rate is quite high in Ukraine. There is often a limit of the amount of money that can be given by bank. And despite the startup's success the payments for bank must be done regularly.

Most bank won't finance high-risky innovation projects, that is why a founder can only borrow money for personal purposes.

Accelerator

it is a company whose business is to help other companies (residents of the accelerator).

Accelerator programs typically involve a fixed-term, cohort-based startup program that offers mentorship, seed capital, and other resources to startups. A startup accelerator is designed to mentor and guide entrepreneurs as they develop their businesses in a relatively short time frame. Generally speaking, the duration of an accelerator program lasts between 3 - 6 months. However, some may range from 2 weeks to 12 months. Startup founders will receive guidance and resources from a mentor network.

How to meet the investor's requirements to get funding

Investor's questions to answer

When investor decides to finance innovation project he or she wants to be aware about key aspects and details of the project.

What is the main idea of the project?

Good business ideas should have a large potential market reach and growth prospects.

How will you earn money?

Investors need high margins, solid gross margins and a financial model leading to sustainable profitability over time.

Why this is you to receive my money?

A startuper need to demonstrate a track record of success, understanding of your target market, technical knowledge of your product industry, passion for what you do, ability to build and lead effective teams.

Why this team?

Startups are a teamwork. It is important to understand the core competencies needed to win in your market and to attract and motivate the right people.

Bill Gross of IdeaLabs mentioned in a TED Talk that "selection of the moment" can be considered the biggest reason for the success of most startups. So, the question "Why now" is concluding to prove a startup is well-prepared to use all opportunities on the market.

Why now?

Choosing the right time to be active in the market always relies on an understanding of the wider ecosystem, which will allow your company to grow, or can stop it in its tracks. You need to spot an opportunity in the market that is not obvious to the casual observer but will immediately attract a competent and experienced investor.

Criteria to meet investor's requirements

Here are some essential elements of startup's project that should be carefully and qualitatively provided to increase the investor's confidence in decision to finance your project.

1. **Prepare a compelling pitch.** Develop a well-crafted pitch deck that clearly articulates the startup's value proposition, market opportunity, competitive advantage, and growth potential. Tailor the pitch to address the investor's interests and concerns.
2. **Show your traction.** Provide evidence of customer validation, market traction, revenue growth, partnerships or any other milestones achieved. Data-driven metrics and key performance indicators (KPIs) can help substantiate the startup's progress.
3. **Financial projections.** Prepare realistic and well-supported financial projections that outline the startup's expected revenue, expenses, and profitability over a defined period. Be prepared to discuss and defend the projections during investor meetings.
4. **Risk Management.** Analyze and demonstrate what risks and how you may meet and mitigate regarding scalability, market dynamics, competitive landscape and the startup's strategy.
5. **Build relationships.** Take the time to network, attend industry events, and engage in meaningful conversations with investors to understand their perspectives and preferences. Building trust and credibility can significantly enhance the chances of receiving funding.

6. **Show transparency and responsibility.** Be transparent and forthcoming with information during the due diligence process. Respond promptly to investor inquiries, provide requested documents and data in a timely manner, and maintain open communication channels throughout the funding process.
7. **Negotiate Terms Wisely.** If an investor expresses interest in funding the startup, carefully review and negotiate the terms of the investment agreement. Seek legal advice if necessary to ensure that the terms are fair and favorable to the startup's long-term interests.

Despite established norms and rules in building relationships with investors, a startup should also worry about protecting its intellectual property. Some investors may have ulterior motives.

So, it is important to have a legal protection and understand the boundaries that separate trade secrets from discoverable facts.



Prepare your answers to the questions above. Are you ready to pitch to investors?

Module 7:

“Legal Issues of Running Startup Business”

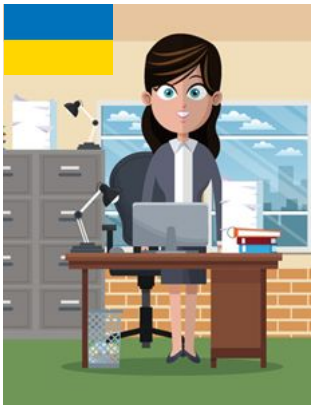
- How to register a startup in Ukraine
- Favourable tax jurisdictions for startups
- Agreements in startup and taxation of investments
- IP rights and IPR protection

A startuper is not only a creator, at the early stages of the project he or she is also a manager, a market specialist, or a lawyer and has to deal with various issues of the project.

At some point of the project there is a need to legalize activity for attracting investments, scaling production and sales. It entails paying taxes, protection of intellectual property, cooperation with angel and venture investors, banks or stock markets.

All decisions regarding legal registration of a startup should be based on the optimization of administration and taxation, territorial preferences, and reliability from investor's point of view.

Sometimes it is a choice between two options – national registration and registration in favorable jurisdictions.



or



Registration of a startup in Ukraine

Before registering a startup legally ask yourself if you are about taking responsibility for the venture development and what type of enterprise is the most appropriate for your project.

Forms of business

There are several forms of business to run your startup legally.



There are several forms of business to run your startup legally.

1. Individual entrepreneurship

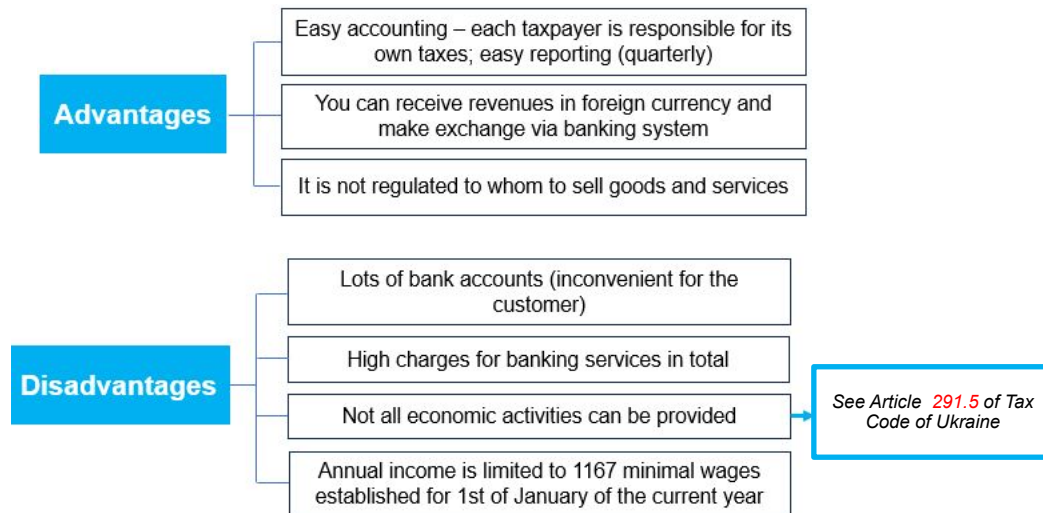
You run your business individually, take all the risks, but own all the profits (or losses). It can be a legal entity (private enterprise) which you own solely, as well.

In Ukraine, a startup has two main options to organize individual entrepreneurship and legal relations with the team. You and your team members individually receive honorarium or payments from the customer.

Option A

all team members are individual entrepreneurs of the third group of taxpayers of the Unified (Simplified) Tax System

Option A has both advantages and disadvantages.

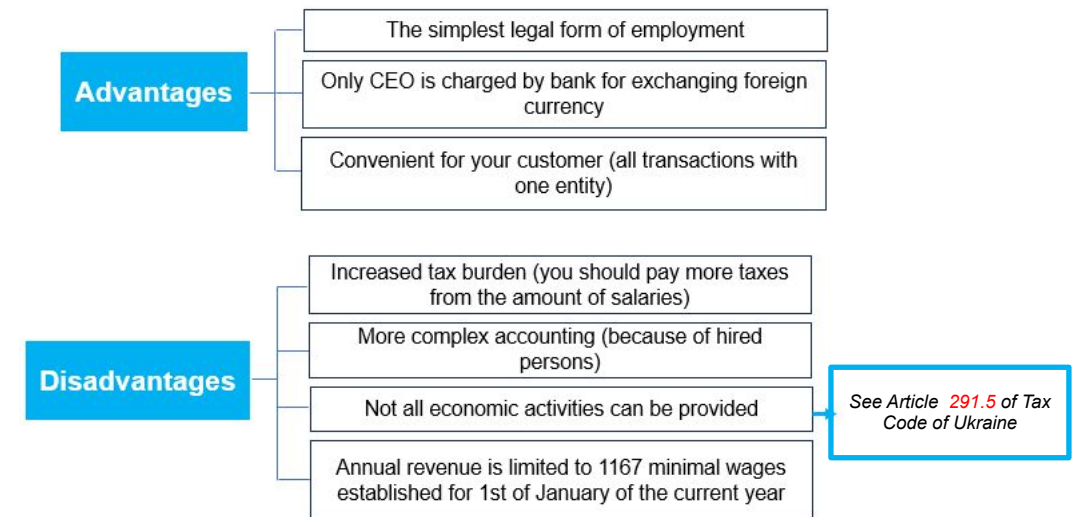


For reference: in 2023 the minimal wage is 6700 UAH. So, the annual limit for revenue is 7 818 900 UAH.

Option B

the CEO registers as an individual entrepreneur of the third group and hires all team members as employees concluding an employment contract

This is the simplest legal form of employment in terms of interactions with regulatory bodies. During inspections, there is no need to contrive why these people are in the office. However, the salaries of your employees will be charged much more.



There also some other options like registering the members of your team as entrepreneurs of second group of taxpayers or operating on a Universal Tax System. You can check this out for yourself using the Tax Code of Ukraine.

2. Partnership

You and your investors / team members (founders) are the partners and each of you owns a certain share of the company.

There are several types of legal partnerships:

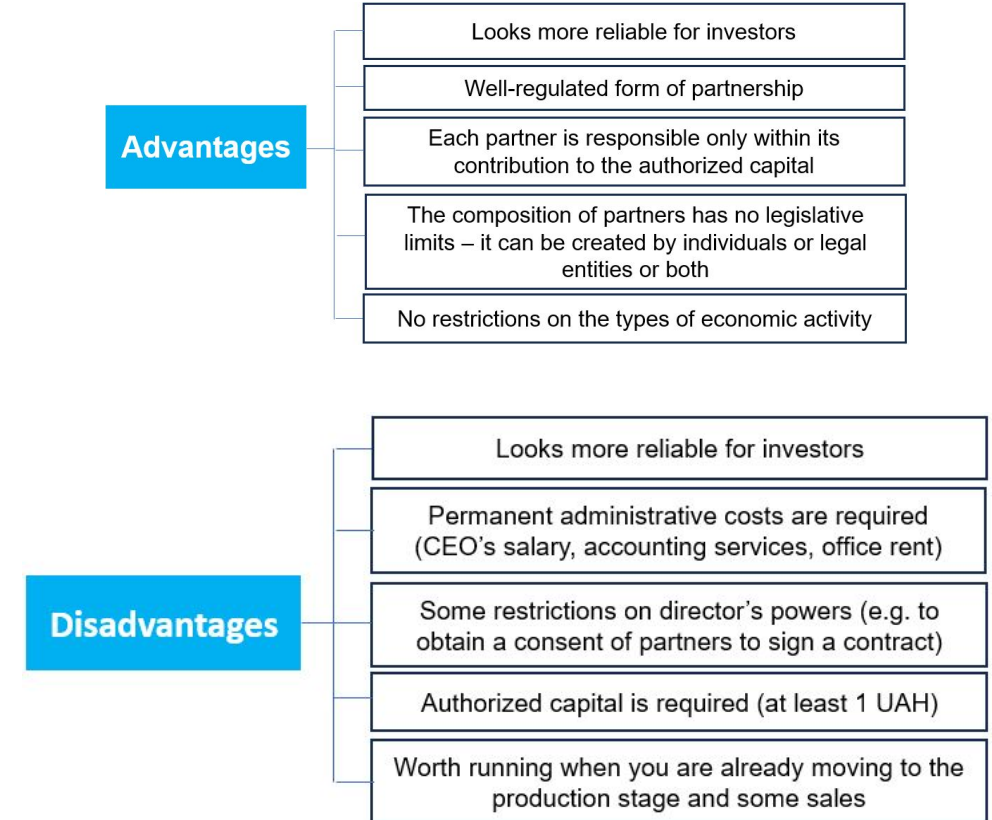
- full partnership
- limited partnership
- company with additional liability
- limited liability company (LLC).

However, only LLC is the most widespread form in Ukraine. It is well-regulated and has a significant benefit for its participants – **limited liability** (each partner is responsible only within the limits of his share in the Charter capital).

LLC starts with the **general meeting of founders**, the decision of which is recorded in the **protocol**. Next, the **Charter** of the company should be drawn up.

This legal form involves the permanent position of the director of the company (CEO) and hiring accountant or outsourcing accounting services.

The advantages and disadvantages of the partnership in the form of LLC are listed on Diagram below.



Authorized Capital means the total amount of shares that a Company is allowed to issue to the shareholders.

3. Corporation

It is an organizational form when the authorized capital is accumulated by selling the shares of your company to potential shareholders.

It makes sense when you can attract significant capital for your startup. Also, it is worth registering when a startup has got some reputation, captured significant and stable market share.

The legal form of corporation is **joint stock company (public or private)**.

To register a joint-stock company is reasonable when a startup needs to involve various stakeholders and investors in business. Its Authorized capital should not be less than **200 minimal wages** (in 2023 this sum equals 1,340,000 UAH).

However, the registration procedure is quite complicated.

Also, the transparent distribution of shares requires developed stock market (which is almost absent in Ukraine).



Familiarize yourself with how a joint-stock company functions according to current legislation (see Law of Ukraine “On joint stock companies”).

The features of corporation



JSC have the same taxation opportunities as LLC

for prosperous startups initial public offering (IPO) is the one of the best ways for exit

in the USA a business that plans an IPO must register with the exchanges and the Securities and Exchange Commission to ensure it meets all criteria

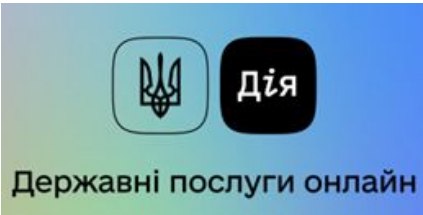
this is one of the main ways a business raises capital to fund its growth

Initial Public Offering is the first sale of a company's shares to the public. It's one of the startup's exit strategy and was used by well-known companies **Facebook (Meta)**, **Apple**, **Google (Alphabet)**. But IPO is not a guarantee for fast growth and reputation.

Another exit strategy is **Merger & Acquisition (M&A)**. It involves either merging with another company or selling a controlling interest in a business to a larger investor. A company aims to work with a party interested in growing and protecting its legacy. **Whatsapp** and **Instagram** (both bought by Facebook) are the examples of successful acquisition.

Registering a startup

Registration of individual entrepreneurship or LLC can be done via public digital service “Diya”:



- free of charge
- online
- fast
- requires a digital key access

Application submission takes only several minutes. The whole registration takes up to 2 working days (often less). For LLC you must have prepared electronic documents (a Charter and a protocol) to attach them to your application.

You may register a company sending a regular mail to the center of administrative services enclosing all registration forms and necessary documents or personally. These procedures are more time-consuming.

After that you have 10 days to register at a local division of State Tax Service of Ukraine, which can also be done online in the electronic cabinet of the taxpayer.

Taxation of the startup

After the registration, a company must open a bank account and then starts operating. All revenues that goes into a bank account are subject to taxes.

An individual entrepreneur or LLC has a choice of taxation systems: either Unified (Simplified) or Universal Taxation Systems. Let’s compare their benefits and limitations.

Unified Tax System	Universal Tax System
For LLC: lower rates (5% or 3%+20%VAT) but bigger tax base (revenue)	For LLC: high rate (18%) but usually lower tax base – only profit (= revenue – expenses)
For individual entrepreneur: lower rates (5% or 3%+20%VAT) but bigger tax base (revenue)	For individual entrepreneur: high rate (18%) + military duty (1.5%)
Quarterly reporting and payments for unified tax	Yearly (see Article 137.5 of the Tax Code of Ukraine) or quarterly reporting and payments of tax on profit
Easy accounting	Complicated accounting

It is recommended to use a Unified Tax System for startups. It helps to avoid additional tax audit and is less time-consuming and money demanding.

Taxation of individual entrepreneurs

Let's consider the feature of simplified taxation for individual entrepreneurs.

Single tax	5% of income or 3% of income + 20% Value-Added Tax
Single social contribution (entrepreneur)	22% from minimal wage established for 1st of January of the current year In 2023 – 1474 UAH per month
Single social contribution (employees' salary fund)	22% from monthly salary fund Responsible for withholding and remittance of 18% (personal income tax) + 1.5% (military duty) at the cost of employee from his salary

When choosing a rate 5% or 3% plus 20% of value-added tax (VAT), consider whether your production is material-intensive – in this case it is advantageous to choose a second option (3% + 20%). But it is not the case of IT while it is exempt from VAT.

Taxation of LLC

Let's consider both options – Unified and Universal Tax Systems.

Unified Tax System for LLC

Single tax	5% of income or 3% of income + 20% Value-Added Tax
Single social contribution (employees' salary fund + employees' salaries)	22% from monthly salary fund Responsible for withholding and remittance of 18% (personal income tax) + 1.5% (military duty) at the cost of employee from his salary

If an individual entrepreneur of LLC hires people, he becomes a tax agent for the employees and is responsible for withholding and remittance of their personal taxes (18% of personal income tax and 1.5% of military duty). His own duty is to pay a single social contribution which is 22% from employees' salary fund.

Universal Tax System for LLC

As a legal entity on the Universal Tax System LLC pays tax on profit, VAT (if its revenues during last 12 months exceeds 1mln UAH), single social contribution and can be imposed with some other taxes (land tax, rent for the use of subsoil, local taxes etc.).

Tax on profit	18%
Value-Added Tax	20% If the sum of operations during last 12 months exceeds 1,000,000 UAH
Single social contribution (employees' salary fund + employees' salaries)	22% from monthly salary fund Responsible for withholding and remittance of 18% (personal income tax) + 1.5% (military duty) at the cost of employee from his salary

To solve complexities with taxation it is better to have a CFO (Chief Financial Officer) or an accountant in your startup team.

Registration at Diya.City

There is a new opportunity for Ukrainian IT-startups to register for a special regime of economic activity – **residence in Diya.City**.

A startup should meet **several requirements** to utilize it:

1. A startup must be a legal entity and be engaged in activities related to IT, software development, machine building using IT, cyber security etc.
2. All hired people (at any type of contract) must receive an average monthly salary not less than 1,200 EUR.
3. The number of personnel should not be less than 9 people.
4. The amount of qualified income (sum of net revenue from sales and royalty) is not less than 90% of total income.

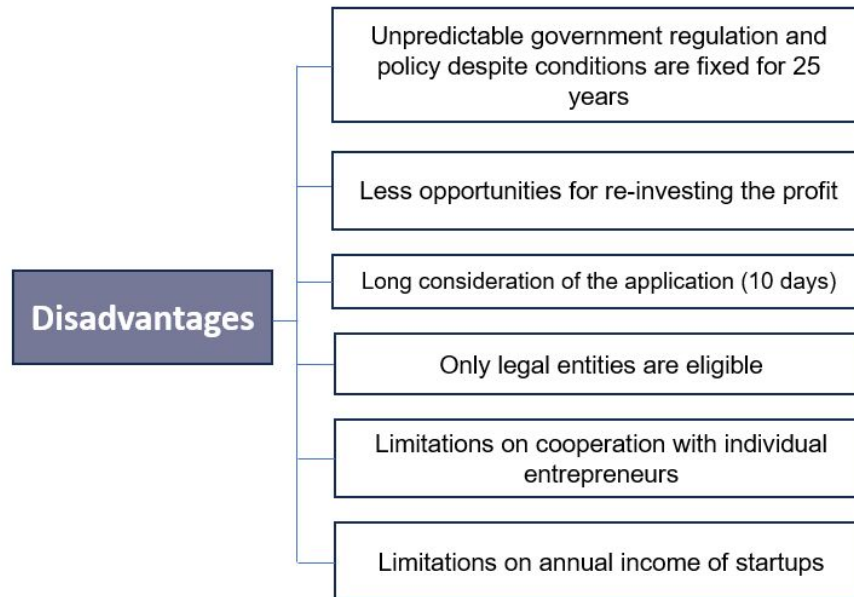
The regime is aimed at ensuring the minimum tax burden on residents of Diya.City. Another advantage is that venture investments are protected under the English law. A startup may choose the format of personnel recruitment:

- under the Labour Code employment;
- contract with individual entrepreneurs;
- GIG contract.



Compare the terms of GIG contract with individual entrepreneurs and employment under the Labour Code

There are some limitations for startups being registered for Diya.City residence.



This regime allows **exit capital tax at the rate 9%**; on employee's personal income at the rate of 5% and single social contribution of **22% from minimal wage**.

Startups can apply if their annual revenue is not more than **7.5 million UAH**).

Favorable tax jurisdictions for startups

Sometimes capturing new markets and dealing with foreign investors requires registration in foreign tax jurisdictions. There a startup can better protect its intellectual property, and an investor – his investments. Often some jurisdictions create a very favorable investment and business climate ensuring less tax burden and easier.

To enter the European markets, it is worth to register in **Estonia**. And to capture Northern American or other markets it may be reasonable to register in the **State of Delaware (USA)**.



Source: <https://internationalwealth.info/en/uncategorized/estonia-all/>



Source: <https://bit.ly/3jhxSps>

ESTONIA

Formally, Estonia is not a tax haven, because its taxes are comparable to other European countries.

Estonia is at the forefront of digital development. All taxation is made **digital**, and it is convenient.

The registration is rapid through Estonian public e-services. Total tax burden is close to Ukrainian system.

To register you need to incur extra expenses for contact person and legal address provision, as well as bank accounts:

- ① **Legal address and contact person (200-400 EUR per year)**
- ② **Paying for opening a bank account (up to 200 EUR)**
- ③ **Registration fee is 265 EUR**

In Estonia you get higher protection of your intellectual property and access to the European markets.

STATE OF DELAWARE

Nicknamed “The Diamond State,” Delaware is best-known for its extremely business-friendly corporate laws. If you register **LLC** in Delaware, you receive such benefits:

- No corporate tax for income derived from outside U.S.
- No sales tax imposed in Delaware
- Enhanced privacy in company information and records
- Fast and simple incorporation process
- No requirement for auditing and financial reporting
- No exchange control or any other currency legislation
- Modern and friendly corporate legislation

To register you will need to buy services of the intermediaries, to rent an office and make some other preparations for your business:

- ① **Hiring a professional Registered Agent**
- ② **Paying for local registered office**
- ③ **Paying for opening a bank account**
- ④ **Total registration expenses is up to 1,500 USD**

Other most rated jurisdictions for startups include:



Cyprus



the United Arab Emirates



Romania



Singapore



Georgia



Gibraltar



Hong Kong



Poland



Portugal



Turkey

If you want to continue your startup activity in Ukraine (*and physically you and your team stay in Ukraine*), you should register **a permanent representative office** and **agent agreement**, while your legal entity abroad continues to receive revenues and investments.

Choosing a jurisdiction for registration, think about your core market and your potential investors.



Try to identify the difference between a tax haven and a jurisdiction with a favorable business climate

Agreements in startup and taxation of investments

It is very important **to establish relations** with the co-owners of the idea at the beginning of the introduction of the startup and its registration.

Quite often, startup participants are so focused on the project itself that issues of intellectual property, profit sharing, duties and functions of each team member are not clearly defined or legally formalized at the beginning. Thus, if you are starting as an individual entrepreneur, it can be recommended that you enter into a Joint Activity Agreement.

The Joint Activity Agreement governs the relationship between two companies / entrepreneurs which set up a third company, the Joint Venture, with the intention of jointly establishing an activity with its own objectives: research and development, distribution and marketing, manufacturing, etc. The Agreement establishes all the agreements necessary to start up and then manage the Joint Venture.

You can view a typical Joint Activity Agreement [here](#).

If you are establishing a business in the form of LLC, then take seriously the drafting of the Charter and the Corporate Agreement.

The Corporate Agreement will cover important considerations such as:

- What decisions directors and shareholders can make
- How often directors and shareholders will meet.
- The sale of shares
- How dividends will be paid
- Selling the company
- Dispute resolution
- Deed of Accession – about binding new shareholders to any pre-existing shareholder agreement.

Never accept the Charter or Corporate Agreement in the form of templates, provided for a small fee. Savings at this stage can be very expensive in the future, so write the Charter and Corporate Agreement for your company with your lawyers.

Taxation of grants and investments

At the early stage of development, a startup always raises funds, mostly from grants, crowdfunding and investments. This money comes to startup's bank account and become a subject of tax accounting.

Due to national legislation grants received by a startup – individual entrepreneur or LLC – are considered as **non-refundable financial aid** and are included to a taxable income regardless the tax system chosen by startup for operating (Unified or Universal).



Grants are taxed as ordinary income under the Universal Tax System:

- for individual entrepreneur – 18% of personal income tax + 1.5% of military duty
- for LLC – 18% of tax on profit.

However, there are some exemptions for grants received from state organizations and the EU.

Investments received as a contribution to Authorized capital are not taxable. They become a part of Charter capital of a company and the main source of financing company's operations.

Though contributions in the form of property do not entail tax consequences for the startup, they have consequences for contributors. The transfer of property to the Charter capital (like buildings, equipment or furniture) is equated to its sale as a good. Therefore, it is subject to value-added tax. For these contributions of property to the Charter capital, an investor receives corporate rights, in particular, a share in LLC. So, it is considered as personal income and is taxed by personal income tax and single social contribution.

Intellectual Property Rights (IPRs) are the exclusive rights awarded to an entity in exchange for disclosing innovation or creation



Why do we need IP?

IP gives businesses an opportunity to earn on their research and innovations. Start-up companies use IP to prevent large competitors from copying their inventions. For large corporations, it is a chance to earn benefits from their investments and protect their intangible assets. IP protection allows the release of IP into the public domain under the control of the rights' holder either under the General Public License or the Creative Common License. Licensed trademarks can be also used by the non-profit organisations for the public benefits. The Forest Stewardship Council (FSC) licenses its trademark only to those companies who follow the sustainable development principles.



Different types of IP*

There are different types of IP and different ways of their protection. Some of them exist automatically after creation without any efforts (as, for example, copyright), while some need verification and registration (like patents or designs).

Patents give patent owners the right to prevent others from making, using or selling the invention **in the country** for which the patent was granted, for a limited time (**up to 20 years**). In return for this protection, the applicant has to reveal his invention to the public, so others can build on it. As a rule, patent offices publish applications after 18 months. At this stage they become visible to everyone. According to the European Patent Convention, or EPC, "European patents shall be granted for any inventions, in all fields of technology, provided that they are **new**, involve an **inventive step** and are susceptible of **industrial application**."

Patent owners obtain the right to use their invention for making and selling the products based on this patent while also get the exclusive right to prevent others from making, using or offering for sale, selling or importing products that infringe the patents without holders' authority.

A **trademark** is any sign, that helps distinguish products and services of one firm from those of others. You can register a trademark when it is distinctive, is not restricted by the public policy or ethical rules and does not create any grounds for confusion for end users.

Types of trademarks may include:

- wordmarks
- figurative marks
- shape marks
- colour per se marks (where protection is sought for one or more colours, regardless of any specific shape or configuration)
- sound marks
- movement marks
- other: olfactory, taste, hologram, position and tracer marks.

Trademark can be registered in one specific country, across EU (you then register an EUTM through European Union Intellectual Property Office - EUIPO) or globally (through World Intellectual Property Organization - WIPO). Registration through WIPO will result in obtaining different national trademarks at a time.

Trademark protection features:

- time-bound: initial duration - 10 years, can be renewed
- limited to the territory
- should be used for the last 5 years
- might be declared invalid even after registration

Designs are the appearances of any part or a whole of an handicraft or manufactured product. Designs may consist of different features: colours lines, shapes, textures etc. Almost any item can be eligible for design protection as long as it is characterised by **novelty** and **individual character** by producing an impression on an informed user different from the impression produced on such a user by a previously known design.

Designs can either be registered on a local (national), regional (EU) or global level or stay unregistered, but still be protected.

registered designs

exclusive right to use the design

prevent others from using the design
an incorporating it into other products

5 years + renewal for up to 25 years

unregistered designs

exclusive right to use the design

no protection against independent
works or creations identical or similar
to the unregistered design

3 years

Utility models (UM) are intellectual property rights that protect technical inventions, just like patents do. Though being alike in nature, they have some substantial differences:

- not all countries provide UM protection (no UM in Canada, the US, the UK).

- no regional or global registration
- duration of the protection is shorter (3 to 10 years)
- are registered without examination

This later is a ground for the main advantage of the UM compared to patents - the speed of registration and the resulting protection obtained.

Copyright protects the production of human mind, such as ideas and artistic works, provided that these productions are the **expressions of human ideas**, but not the ideas themselves.

Copyright grants the author the moral rights and the economic rights.

Moral rights stay with the author even if the copyright has been transferred to another party and include:

- the right of authorship
- the right of integrity of work: the author has the right to object to any changes made to the work that could jeopardise his honour and reputation
- the right of divulgation: the author has the right to decide when his work can be made public.

Economic rights can be transferred to the third parties and include:

- the right to reproduce the work and to communicate it to the public
- the right of adaptation and translation, the resale right and the right of distribution

Copyright protection is granted automatically the moment the work is created, no further registration is required. The duration of protection should not be less than 50 years after the death of the author. In EU this period is even longer - 70 years after the authors' death.



Read an abstract from an article on a legal claim of the SpaceX company against a Ukrainian entity "Starlink" Ltd. regarding the Starlink TM.

Identify the ground for SpaceX's claim against Starlink Ltd.

Identify the reasons, Space X failed to obtain the already registered trademark. What trademark characteristics made this possible.

Sayenko Kharenko has successfully defended the interests of Starlink in a dispute over the early termination of the Ukrainian trademark certificate.

According to Sayenko Kharenko, back in 2022, American company Space Exploration Technologies Corporation filed a claim with the Kyiv Commercial Court seeking early termination of certificate No. 135574 for the Starlink trademark, which had been registered in good faith and actively used in its activities by Ukrainian company Starlink since 2011. The plaintiff claimed that the said trademark had allegedly not been used by its owner for the last five years.

"After hearing the case, the court of first instance found that Starlink had used the trademark during the period mentioned above. Therefore, there were no grounds for termination of the certificate. It was also confirmed by the court that Space Exploration Technologies Corporation had no infringed rights or legitimate interest as a basis for filing this lawsuit. Disagreeing with the decision of the court of first instance, Space Exploration Technologies Corporation appealed against it," the firm reported.

After considering the parties' arguments, "the appellate court dismissed the appeal in full, confirming the groundlessness of the plaintiff's claims and the legitimacy of the owner's use of the disputed trademark," Sayenko Kharenko announced.

The Sayenko Kharenko team included Partner Yaroslav Ognevyyuk, Senior Associate Volodymyr Hrunskyi, Associate Khrystyna Ivanytska, and Junior Associate Igor Korohod.

<https://ceelegalmatters.com/ukraine/24247-sayenko-kharenko-successful-for-starlink-in-trademark-dispute-before-court-of-appeal>

Listed above are the **formal IP rights**. Dr Alisson Orr outlines that the IP family also includes **non-physical IP** you own (like trade secrets, processes, contracts, customer & supplier relationships) and **intellectual capital** you don't own but have the right to use (like your team and IP licensed to you).

According to WIPO, **trade secrets** are the most common IP protection type, used by companies. Trade secrets consist on confidential business information which provides an enterprise with a competitive edge, are not generally known and cannot be easily discovered.

A single product or service you've created will imply tens of IP rights and the way the way it does for let's say an iPhone.



Identify the possible IP rights for a motion security camera Ajax



IP provides a lot of benefits for a single company:

- helps it keep competitive advantage over competitors and market growth potential
- allows to invest in further innovations
- generates financial resources for innovation actions through licensing, franchising or selling IP rights
- protect legally from committing piracy and counterfeit of ideas that could damage the interests of the company

IP also provides benefits for employees, who, according to the research, get 19% higher salaries at European firms that own IPRs compared to those firms that do not.*

Provided all these benefits of the IPR's protection, the decision about the IPR protection strategy for a business is not an easy one. There might sometimes be the other side of the coin. For instance, patenting process will take on average 25 month before you get protected, might cost you up to 50000 dollars per patent and do not guarantee you will earn money on that innovation. Should you obtain a utility model fast, but be less protected, or should or rather apply for a patent registration? Is it better to open your invention to public through formal IP rights or keep it a secret?

As these aspects make the issue of IPRS protection complicated, they also prove that it is extremely important for your startups. Technology Transfer offices and Technology and Innovation Support Centres at universities and research centres will help you with the first steps. Find the nearest in your region and get started.

IP-related organisations

The following organisations and their resources might be helpful for you in the issues of regulating and registering IP rights:

National IP Office (Ukraine): <https://nipo.gov.ua>

EU IP Office (EUIPO): <https://www.euipo.europa.eu/en>

World IP Office (WIPO): <https://www.wipo.int/portal/en/index.html>

Technology and Innovation Support Centres (TISCs) in EU countries:
<https://www.wipo.int/tisc/en/search/>