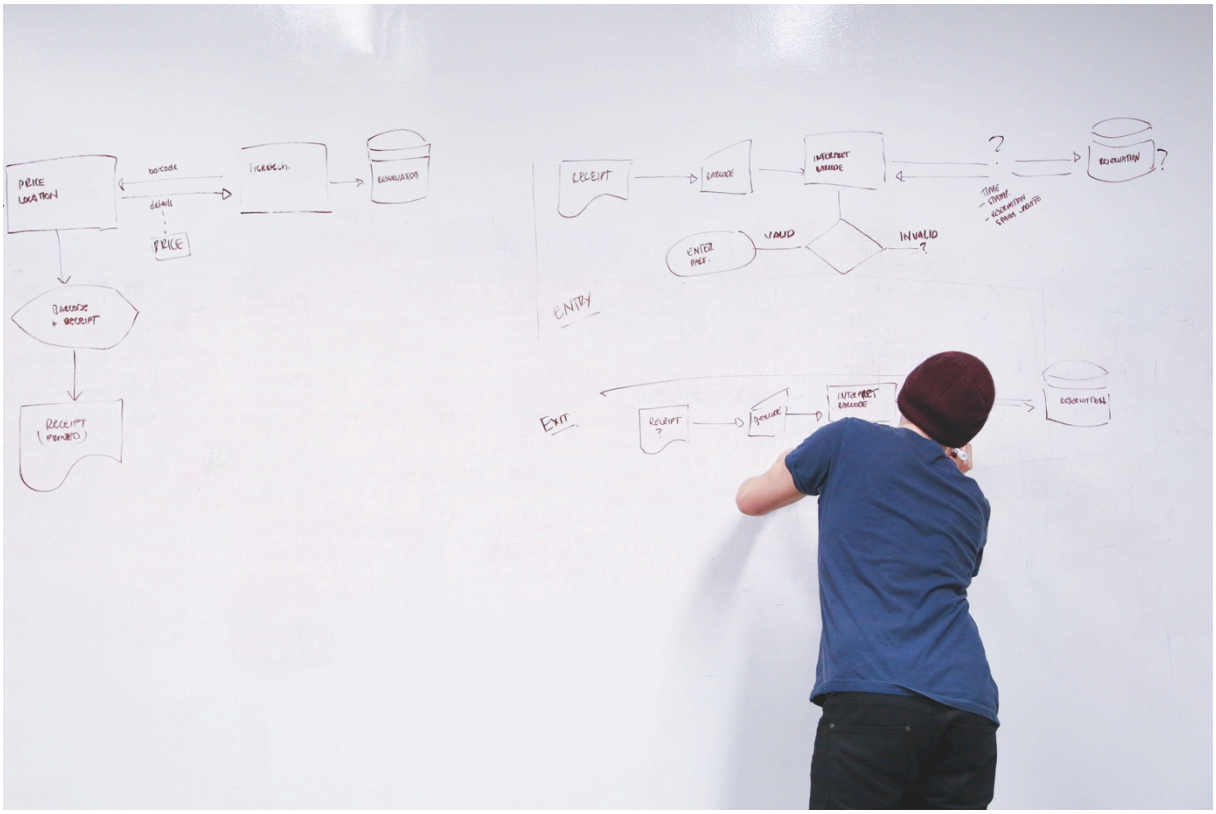

A Market-Driven Business Development **Architecture & Process** for Innovative Products and Service

CPU

CPU_ is based on working experience for over 15 years in the start-up and technology space, both in the US and in France, in a variety of innovative industries, with clients, consultants, suppliers and personnel originating from different parts of the world. It also builds on ideas, and publications on innovation, applied psychology, start-ups, marketing and sales; a selection of recommended readings is listed in the bibliography section.

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Photos: Startup Stock Photos

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Foreword

CPU_ is a method that consists of an architecture and a process, and whose objective is to better synchronize the development of an innovative product or service with the market - typically in a start-up company - in order to accelerate the first sales, and subsequent commercial development.

This synchronization operates through a structured process that allows for a better understanding:
(C) of the Content, ie information, that needs to be put forward to prospects and clients, as well as its appropriate vehicle – business plan, brochures, website, specs,…;
(P) of the People, staff, partners, referrals, that need to be recruited to gain commercial momentum;
(U) of how to best position an offer to early-adopters, and trigger the first deals that will Unite the seller with the buyer.

This Overview of the method describes the general aspects of CPU_, as well as its specific interest to teams developing innovative products and services in what is commonly referred to as the "innovation-based economy".

Implementing CPU_ however, is a more down-to-earth process, going through information processing at the individual and collective levels, creating campaign scenarios, commercial documents, among many other things, but constantly, even obsessively, collecting feedback from all sources, and putting it to work in a designed manner.

For more details, visit www.runcpu.com.

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The innovation landscape

Innovation is changing the world, yet it seems that it still lacks a proper roadmap at many levels if it is to sustainably help bring prosperity (back) to the world, and possibly limit or reverse the effects of climate change. Its impact has apparently been so far too limited to significantly curb the trends.

One of the main reasons why innovation is slow at changing the world could be that over 90% of innovative companies fail, according to standard start-up success ratio at seed stage, and this ratio does not seem to increase with time, range and experience, which is rather counter intuitive.

Start-ups currently[1] create 2% of new jobs in the US, with a slow but continuous slide down from 3.8% in 1987, and represent 1.5 to 3% (California) of existing jobs throughout the United States.

Another potent factor could be that the original ecosystems of innovation - Silicon Valley, Boston/Cambridge, and a few other places in the US – have indeed allowed for the initial breakthrough, while the underlying speculative model is not very efficient.

Over the past ten years, average venture capital returns have been said to underperform the stock exchange or index funds. While the controversy is likely to continue, what is becoming clear is that a happy very few have enjoyed very large multiples by financing the Ubers and LinkedIns, and before that the Groupons, Paypals and Facebooks. But such success is scarce and lottery winners tend to be wealthy BAs and VCs who concentrate mostly in Silicon Valley.

Yet, paradoxically, governments that want to stimulate an innovation-based economy of their own tend to mimick what they think is the essence of the "alchemy", but transplanting Silicon Valley is impossible as demonstrated notably by Dan Breznitz's work[2].

> ***"One of the main reasons why innovation is slow at changing the world could be that over 90% of innovative companies fail (...)"***

What is more, innovation is not merely linked to a financing or a business model. It is a growing social activity that has been fueled by the asymptotic expansion of the Internet, to source, collectively elaborate, and deliver new products and services.

As this movement expands, it tends to refocus on the most basic and simple business model: selling stuff to clients, even if it starts with raising the initial funding on Kickstarter and similar financing platforms.

People who finance these projects/ products are not investors they are Beta clients. These platforms have also deeply impacted the BtoB start-up space although most companies still raise funds through a business plan, and a proof of concept or prototype.

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[1] Source: US Census Bureau, September 2015. http://www.ritholtz.com/blog/2015/09/job-creation-in-the-united-states/

[2] Summarized in his Harvard Business Review column, "Why Silicon Valley shouldn't be the model for innovation" https://hbr.org/2014/11/why-silicon-valley-shouldnt-be-the-model-for-innovation# See *Bibliography* for detailed references.

But down the road, entering the market will be real-money time for any company launching a new product or service, so that one could imagine that the whole company time would align on that moment, pretty much as a sports team prepares for the World Cup.

Companies do prepare, but, in Europe at least, they tend to focus almost exclusively on one aspect - making the best product/service they can think of and extensively presenting all the capabilities, main and derived, bells and whistles… yet, they often forget to seriously dig on market demands, practices, practicalities and market calendars, that is actively synchronizing with the market.

Most innovative companies tend to lack the architecture that would allow them to operate that synchronization. Instead, the technical development, grants, subsidies, and major trade/investment events tend to serve as a de facto calendar and tempo.

This easily translates into losing time. Failing to align with a seasonal market can typically mean deferring revenues by up to a year… and most Business-to-Business markets are seasonal due to regulations, public budgets or just habits.

Aligning with the market also means gradually acquiring some deep understanding of future clients, including their own business models. Innovative products and services that succeed often strongly impact their clients' business models in more than one respect, and it is of capital importance to understand and anticipate those impacts to successfully close deals, and most importantly generate early sales.

CPU_ is an attempt to build an architecture that will allow for better and quicker alignment with relevant markets, making the venture more independent from any financial model. Because of its modular nature it can easily be deployed in start-ups as well as in more established companies that run innovative projects as autonomous units.

CPU_ from process to architecture

Innovation is a process, and should not be confused with technology which refers either, in a global sense, to the set of tools humans have developed so far – from mastering fire to deploying the internet – or, more specifically – to a precise tool or set of tools. Innovation is the process through which these tools (innovative products) are created, and systematically encompasses technical novelties as well as the use of novelties: a smartphone is both an object and a behavioral extension of our communication/social capabilities.

Business clients buying a new technology acquire both a new tool and novel operating capabilities and processes that will impact their ability to perform their business in a more effective manner, in other words save money, make more money or a combination of both.

But precisely when the technology is really new, because there is no precedent, it is very difficult to effectively communicate and leverage on such projected changes unless:

a/ the Seller really understands how the Buyer works;

b/ the Seller is able to give clues to the Buyer on how to implement changes, and to give detailed estimates of the impact and return the change of product or service will generate;

c/ the Seller is able to understand the general dynamics of the market to identify trendsetters/early adopters;

d/ the Seller is able to understand the internal dynamics of such early adopters and to feed appropriately the decision-making process.

If these conditions are fulfilled, the Seller will be able to position an appropriate offer to the Buyer, at the right time for the Buyer.

A lot of start-up companies understand that, and try their best to achieve it in their own terms. With time and luck, any successful company eventually will, but again having an appropriate architecture and process will speed up the first sales, and map the way towards other parts of the market that will bring larger development more rapidly.

" Business clients buying a new technology acquire both a new tool and novel operating capabilities and processes that will impact their ability to perform their business in a more effective manner (...)"

3 systems

CPU_ stands for Content, People, and Unity, and is a development architecture that consists in breaking down the whole product or service sales development process into 3 systems materialized by triangles, and 9 sub processes that are used as nodes in the mapping hereunder.

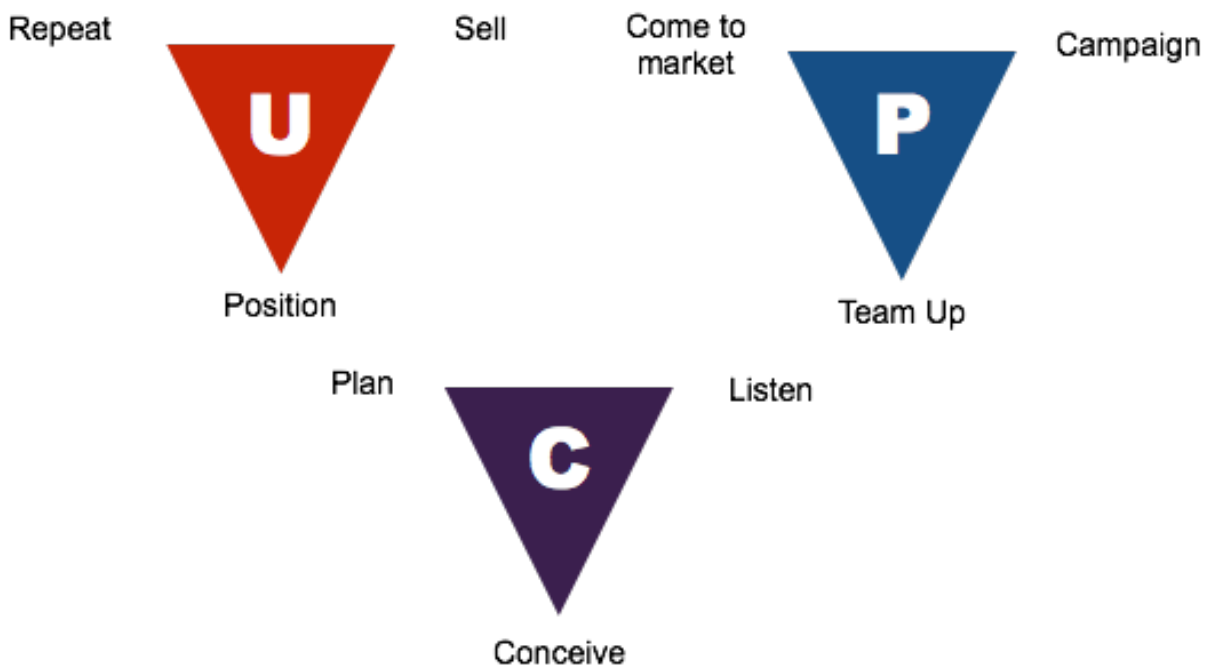
Those triangles constitute systems in that by using a set of routines, they can produce novel results and outputs through iterative runs.

1. **Content**
   Information constitutes the backbone, or rather the Central Nervous System of a company. So developing content, that is co-creating the story with the help of fellow workers in all departments, consultants, prospects, peers, friends and family, is what makes the dream turn into tangible sales support, specs manual, and supply chain workflow.

2. **People**
   Humans are propagators of Content. From recruiting sales people to prospection and distribution strategy, human interactions, and how appropriately they are fed, are key to success. Those interactions in return should impact back the Content system to integrate all feedbacks.

3. **Unity**
   Unity here refers to the deal, which creates unity with the client, and generates subsequent relations, commitments and opportunities, that may translate into repeat sales.

The 9 summits are sub processes where inputs intervene in a designed manner, and a definite order. However, outputs should be measured at system level, and documented as versions.



Conceive/Listen/Plan <=> C of Content

Conceiving the sales development of a newly designed product or service is a classical and much mythicized first step in the Madmen series. Yet, from the initial idea stage onward, the project is pitched, and **challenged**, which generates new ideas, modifications in the design and all other aspects of what slowly, or not so slowly, becomes a **Plan**.

The first runs of **Content** should be enough to generate a Business Plan, be it for a start-up company or for a new product/service project. The first **C** is therefore to properly finance the company/project, using the Business Plan; that is version Alpha.

The second set of runs will aim at creating the prototype, framing a first market approach and setting up a first sales and operations roadmap version Beta.

Team Up/Campaign/Come to market <=> P of People

Coming rather than going to market, because the market most generally preexists. "Creating the market" is a misconception or a misunderstanding of what markets are.

What an innovative offer creates is the emergence of a new spot within or next to the existing market landscape. If the offer is very successful it may reshape the market up to its structural components such as pricing, terms of service, etc.

" What an innovative offer creates is the emergence of a new spot within or next to the existing market landscape."

Picking up the right first **Team** members is obviously crucial; bearing in mind they will be mentoring the rest of the team, and hiring customers eventually. A correctly framed and executed CPU_ will facilitate integration, as well as stimulate individual contributions and ultimately global performance.

Campaigning will be carried out by the team and should be the opposite of random action in its proactive part, whilst supporting communication can be generic. Successful campaigning relies on understanding where early adopters can be found in designated, typically underserved, demand segments.

The way the project and team **Come to market** describes the distribution strategy which can be direct, indirect, or combined in many cases. Distribution structure will have a strong impact on deployment, margins, and customer relationship…

The first runs of the **People** system should generate the first campaign results, i.e. sales or expressions of interest, depending on how far the project have gone – but expressions of interest do not put cash into the bank, while campaigning costs time and money. People phase will be carried out at version Beta.

Subsequent runs should refine and develop the targeted markets, as well as ensure that new People are properly integrated into the system.

Position/Sell/Repeat <=> U of Unity

Unity relies on **People**. Sales people from the selling company should be in a position where they can help people in the buying company that understand the value of the offer, either take the decision or lobby their management to do so.

Positioning is a complex notion, referring to the perception of what a company has to offer, through a combination of product value, corporate image, and reputation as a whole. Another way to put it is that the offer will be judged against the perceived Position of the seller, which prior outputs and efforts should have built up by this stage, but which needs fine tuning on packages, pricing, incentives… to be in the most appropriate position towards priority market segments.

Selling should be duly monitored and analyzed, since this is the sub process that the selling company will want to rerun most. This implies embedding a *SPIN*-like (see *SPIN*-selling in Bibliography) approach to customers' needs and benefits that will in turn provide precious inputs to Design and Sales alike.

In the first runs, **Unity** should focus at priority segments that are typically either underserved segments with ill-satisfied needs, sensitive to financial and/or technical arguments, and/or segments where the product/service allows for an innovative approach and business model.

The expected output of the first runs is a first sell, or rather a first set of clients that validate the model as well as the product or service. Version starts at Beta/Release Candidate stage.

" The expected output of the first runs is a first sell, or rather a first set of clients that validate the model as well as the product or service."

Repeat is not excluded from first runs but is more likely to get higher priority in subsequent runs, when market share is developing rather than appearing. Repeat brings strong benefits, in sales obviously, and also in strengthening the Position.

As the project moves along, each sub process is repeated, gets richer and more complex, to create a more refined version of Content, which gradually transforms into the appropriate marketing and commercial material.

The more closely this first system is designed and maintained, the easier it is to run it as many times as will be necessary to obtain the desired output performance level.

The reason for structuring the process into a limited number of output steps (C, P, and U) is to preserve simplicity at the macro level, whilst sub processes create complexity through iterations and successive inputs at the micro level.

Visit www.runcpu.com for a more detailed explanation on how to implement the architecture and process.

5 ways of benefitting from CPU_

1. Crafting the business plan

CPU_ is 100% compatible with presenting a forecast of what the activity will look like in 3 years' time. The Alpha version consists in writing this business plan based on the original idea, feedback from whichever trustable source you can think of, and ideally some help from veteran entrepreneurs on the planning and budget sides. This is what a classical business plan is.

What CPU_ brings is that this Business Plan/Alpha version will be revised periodically through a documented process, with the principal objective of making sales as soon as possible.

A quarterly update will provide both management and investors with a better appreciation of progress and drawbacks, allowing for earlier correction if necessary, or extended budget when time comes. Again, this is rather classic.

What CPU_ allows is for a simpler view that still conveys complexity. CPU_ puts things into perspective and enables to track evolution over time.

As a side note, CPU_ can be an effective angle to attract smart investors who like to monitor, but also proactively contribute to the projects they fund.

2. Building an antifragile company

Separating the development into 3 systems that can run independently allows for some parallel processing, yet in an ordered and coordinated manner.

Another benefit of separating Content from People and Unity is that the nature of investment and amount of expense greatly vary from one step to another. Running iterative versions through a structured architecture and process greatly reduces the risk of spending too early or too much.

This is one of the antifragile qualities the CPU_ can bring to a project, in accordance with N Taleb's principles (see *Appendix II: Bibliography*).

3. Generating early sales

When a company is about to launch an innovative product or service on a market and everyone knows about it, ramping up to the first sales as quickly as possible is essential to the increase of the commercial momentum up to a real market trend.

This is where successfully engaging the market in early discussions, and being able to integrate feedbacks in framing the sales tactics and strategy will bring a timely advantage. Embedding CPU_'s architecture will ensure that no time is lost in identifying the easiest and shortest way into the market.

4. Motivating a (wider) team

Inner communication around sales is rather difficult when dealing with innovative products or services. Several cultural factors, real or perceived, tend to get in the way - money, uncertainty, distance…

By inscribing the whole process in a simple architecture, CPU_ helps create a general awareness of what is happening on the commercial front. It also allows people outside the sales team to contribute via defined processes, thus making the companies more cohesive and succesful.

5. Benefitting from a better vision

Sales are essential to any sustainable business, as reminded earlier, but forecasting sales correctly is a major competitive advantage when starting or growing an innovative business.
Correct forecasting builds trust at all levels, with investors, workers and clients. Through greater reactivity and flexibility, and within a straightforward architecture, improving sales forecast is among CPU_'s benefits.

It may, at important times, enhance the quality of sleep of the most concerned people!

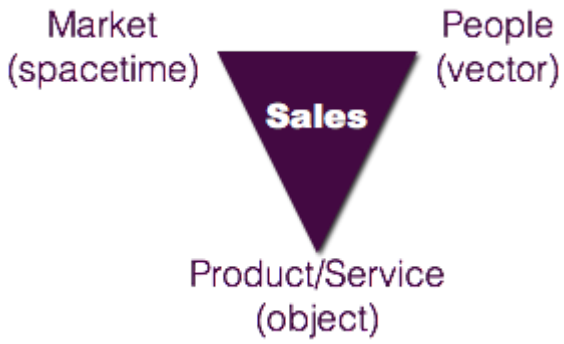
Context and timing are quintessential in executing the marketing strategy. At the end of the day, once People and Content are properly envisioned and executed, Sales are about aligning the company as a team with clients' expectations.

CPU_ allows for such an alignment, one cycle at a time.

Appendix I: Definitions

Business Development (BD) vs Sales

BD is a process which, if successful, will generate Sales. In the context of CPU_, from a systems point of view, BD can be represented as yet another triangle:



Sales are positive events, and missed sales are negative events. Both are consequences of past actions/versions, and should be used as inputs for the next run or cycle.

Marketing

Marketing consists in putting a product or service on one or more markets. Marketing Innovative Products And Services (IPAS) generates specific issues that emerge from the very nature of innovation, because novel functions and capabilities disrupt habits.

There is a cost for change that spans across material, organizational and individual aspects. A successful marketing strategy therefore should first demonstrate that gains exceed costs, along those 3 dimensions in order to generate the first sales.

One should bear in mind, that these gain/cost evaluations will be made in a specific context – financial, organizational and individual – that will largely determine both the reality and perception of the value proposition.

Clients

Clients are not investors, as they get to actually use the IPAS, which implies that not only should they be convinced to buy, but also that they will generate feedback to the Seller as well as the Market eventually. If the feedback is not good, it could possibly ruin all the Seller's marketing efforts.

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http://www.runcpu.com

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Architecture & Process CPU_Beta2, January 2015