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NoGAP

Knowledge Transfer Community to bridge the gap between research, innovation and business creation

Deliverable 2.4

HANDBOOK / BUSINESS PLAN IN INNOVATION ENVIRONMENT

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List of acronyms and abbreviations

<i>e.g.</i>	<i>exempli gratia</i>
<i>etc.</i>	<i>et cetera</i>
IP	Intellectual Property
PR	Public Relations
TTC	Technology Transfer Centre

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Introduction

This deliverable was prepared by the Slovak University of Agriculture in Nitra as a task leader of Task 2.2 (WP2) within the FP7-INCO project NoGAP: *Knowledge Transfer Community to bridge the gap between research, innovation and business creation*.

WP 2: Developing innovation support services to foster innovation partnership in the societal challenge secure, clean and efficient energy

Task 2.2: Development of specific services in the field of energy efficiency and renewable energy in Bio-based Economy based on methodology of T1.3 and KIC and DTC services

D2.4: Handbook / Business Plan in Innovation Environment

The overall aim of deliverable 2.4 is to prepare a handbook regarding of how to prepare and how to put into action a Business Plan in Innovation Environment. The document will help stakeholders to understand not only the importance of a properly prepared business plan but also the issues generated by mistakes and omissions, when starting a project, no matter of the nature (research or industry).

Business plan refers to the road map that gives an overall overview of a project intended to launch and grow business and it tells prospective investors how a project developer plan to meet goals. It is a document, typically 15-30 pages long, which states business goals, shows a plan to reach them, addresses the issues concerning the reasonable expectations of a return on capital for investors and it also shows that developer has foreseen risks, formulated strategies for overcoming them and has experience to execute the operational strategies. This is especially essential in case of renewable energy business plan due to the fact that the investment community has identified very high and difficult risks related to these projects. Additionally, business plan is a suitable tool for monitoring business performance to stay on track. There are four reasons for writing a business plan to be considered:

- **Assists in Financing:** a business plan shows the amount and type of financing or whether the outside investment is required;
- **Accountability:** a business plan provides a system of checks and balances in order to avoid mistakes;
- **Control:** a business plan sets up benchmarks to keep the business under control;
- **The Big Picture:** a business plan encourages the realism and allows for thinking through the entire business process

1. Initial assessment

A project developer must consider several issues before preparing business plan in case of intention to enter the renewable energy market. Therefore, detailed assessment of the fundamental aspects of the potential market, the end-users and in-country resources is crucial to be done in process of preparation of well-thought out business plan. The issues necessary to be solved out are as follows:

- Current energy services being provided and prices being paid by end-users;
- Renewable energy resources;
- Appropriate technology given the energy services required by end-users;
- Economic profiles of end-users;
- Previous experience and familiarity in the community with renewable energy;
- Market demand for the product/service;
- Existing mechanisms available to build a maintenance and spare parts infrastructure;
- Existing rural credit, savings, and banking institutions;
- Presence of local organization or partner interested in renewable energy development;
- Existing complementary infrastructure (e.g. transport and communication).¹

2. Cover page

A cover page should be as simple as possible and it should identify yourself, your business, and the date the plan is being submitted. The institution or party (e.g. prospective investors, bankers etc.) to which is a business plan addressed could be also included. Cover page should have a clean and professional appearance with a company logo or emblem displayed on it. In order to ensure the positive first impression, the cover page should include business information, including: full name of business; location of business (street, city, state, and zip code); contact information (telephone numbers, emails, website address); main contact person or persons including their titles.²

¹ Guidebook for Financing New and Renewable Energy Projects. Available at:
http://www.apec.org/~media/Files/Groups/EWG/98_ewg_guideproj.pdf

² Covello & Hazelgren. 2006. The complete book of business plans – Simple steps to write powerful business plans. p. 129

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3. Executive summary

Executive summary provides a summary of the entire plan, more specifically an overview of business concept, key objectives, ownership structure, management team, strategies, target markets, product/service, financial projections etc. It is aimed to include highlights from each section of the plan in order to explain the basics of the business. It is the first part of a business plan that people will read (in many cases the only thing that reader will read), therefore it has to grab the readers' attention.

Main advice for the writing the business plan's executive summary is as follows:

- Keep it short - no more than two pages long and use concise language
- Focus on providing summary and brief answers to questions: What? Where? To whom? Why?
- Clearly explain what the company does
- Grab a potential investor's interest and get them to read the rest of the business plan or meet with you
- Avoid writing your business plan as an outline, a list of elements or as a table of contents
- Avoid using exaggerations

What should be included in the executive summary?

- Business goals, mission, vision and core values
- Legal status
- Product/Service description and differentiation
- Target market
- Marketing plan
- Projected financial state and financial funds
- The team

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4. Business summary

4.1 Company summary

This section should provide an overview of the mission and vision statement and clarify core values, entrepreneurial culture, corporate identity and start-up summary (if applicable). It states type of business and sector and summarizes any relevant history and the characteristics of the organisation. It should also highlight the reason for starting the business and its potential impacts, e.g. economic impact on the local economy, community benefits, support on the national innovation process, energy conservation, water preservation, reduction of greenhouse gas emissions etc.

4.1.1 Business vision, mission, core values

Vision and mission statement help an organization to focus on the important issues and show a snapshot view on an organization and what it intends to do. If vision and mission statements are easily visible, they can be a valuable tool for communicating and people can easily learn about organization.

- Vision statement: “What is your preferred future?”

A vision statement should define the organization’s capabilities and image of itself. It gives shape and direction to the organization’s future. It should be clear, concise, catchy, inspirational and memorable. The length of the vision statement ranges from a couple of words to several sentences. The following criteria should be considered:

- It should draw people to common work;
- It should give hope for a better future;
- It should inspire community members to realize their dreams through positive, effective action;
- It should provide a basis for developing the other aspects of your action planning process.

- Mission statement: “What business are you in?”

A mission statement should provide a clear, concise description of an organization's overall purpose and philosophy. It is an excellent opportunity to briefly demonstrate organization’s commitment to innovation environment. It explains how the business will reach the destination defined in the vision statement. Meaning that, a mission is one or several of the many practical paths that inspire people to action and help to bring the vision into reality. A mission statement should meet the following criteria:

- It should describe what your organization will do and why it will do it;
- It should be outcome oriented;

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- It should be inclusive of the goals and people who may become involved in the organization.³

- Core values: “What do you stand for?”

Defining and understanding core values is a foundation to design a business mission statement and to create a business plan. They help to set goals, inform customers about what the company is about and clarify its identity.

4.1.2 Company overview and business objectives

Business plan should provide an answer to the following core fundamental questions:

- **WHAT?** e.g. Technology searches (patent searches or non-patent searches); or A broader range of services to users including: the process of protecting innovation e.g. using patents; advice on the whole innovation process, from conception of an idea to the commercialization of the product.
- **WHERE?** e.g. Technology and Innovation Support Centres should be strategically located close to users; or be also spread out throughout the national territory.
- **WHY?** e.g. To strengthen the local technological base (by building up local know-how); To assist local users to create, protect, own and manage their intellectual property rights; To increase technology transfer.
- **FOR WHOME?** e.g. Individual inventors; Small and medium enterprises; Industry, Researchers in technology centres and universities; Academia; IP professionals etc.⁴

This part of the plan should also present objectives and goals of the business plan. Goals and objectives make the purpose of the business clearly comprehensible and help recognize necessary actions. Goals refer to general statement of what a business want to achieve and can involve areas such as profitability, growth, customer service, innovation environment. A goal should be stated simply and easy to understand; it should fit with the values, the vision and mission of the company; and can be adapted and changed as needed. Additionally, goals should be designed in a way that they do not contradict and interfere with each other. They should be aimed on the important properties of the business. While setting objectives, it is important to specify which will be achieved within one year, which in the period of 3-5 years, and which in the long-term period. Objectives are milestones along the path of achieving a company’s goals and SMART objective should meet the following criteria:

³ Proclaiming Your Dream: Developing Vision and Mission Statements. Available at: <http://ctb.ku.edu/en/table-of-contents/structure/strategic-planning/vision-mission-statements/main>

⁴ Road map for establishing Technology & Innovation Support Centers (TISC). Available at: <http://www.wipo.int/export/sites/www/tisc/en/doc/roadmap.pdf>

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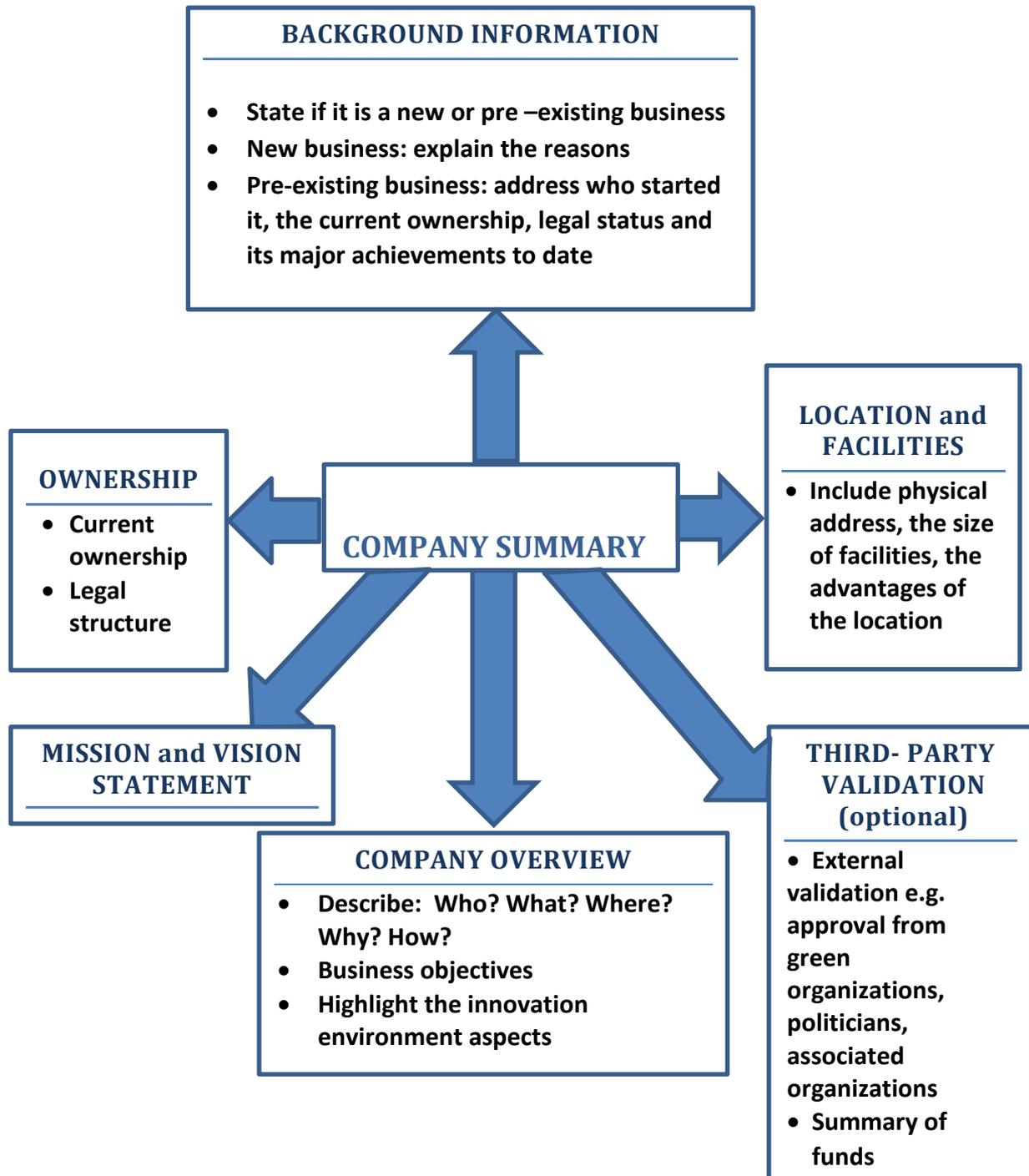
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- Specific: What will be achieved?
- Measurable: Is this objective quantifiable?
- Achievable: Is it possible to achieve desired outcome within the given resources for the project?
- Relevant: Will this objective have an effect on the desired goal or strategy? It should be relevant or aligned with goals or strategies.
- Timed: When will this objective be accomplished?

Several reasons exist for engaging in renewable energy; therefore it is important to carefully assess the company's goals that will provide a base for easier decision-making later. Goals will determine e.g. what kind of installation is wanted (solar or wind, grid-tied or off-grid etc.); meaning that, for instance if profit is the main goal, it is necessary to know that certain technologies may be more financial promising than others and that support structures may exist to make specific technologies more attractive.⁵

⁵Guide to Developing a Community Renewable Energy Project in North America. 2010. Available at: <http://www3.cec.org/islandora/en/item/3610-guide-developing-community-renewable-energy-project-in-north-america-en.pdf>

Figure 1 Sections included in the company summary



4.2 Management summary and personnel plan

The management summary section in the business plan defines the founder and the managers who will be responsible for overseeing all day-to-day operations. More specifically, it gives an overview about business structure, outlines external/internal management resources, human resources needs (job descriptions and job specifications) and explains the management of the business. It should also provide information concerning the job titles of managers, their compensation rates, any consultants/managers that the company intends to hire at a later date, the management structure and management style. It is important to mention the owner's experience that is essential to his business plan and to emphasize owner's specific responsibilities, positions and previous successes. Structure should be accompanied by a graphic diagram to make it clear who will have what function and responsibility. Regarding to personnel, the job responsibilities and skills (or needed skills) of employees should be described. Cast of individual positions can be planned in stages following the short, medium and long-term goals. Recruitment issue and what training might be needed should be explained as well.

Figure 2 Sections in the Management summary

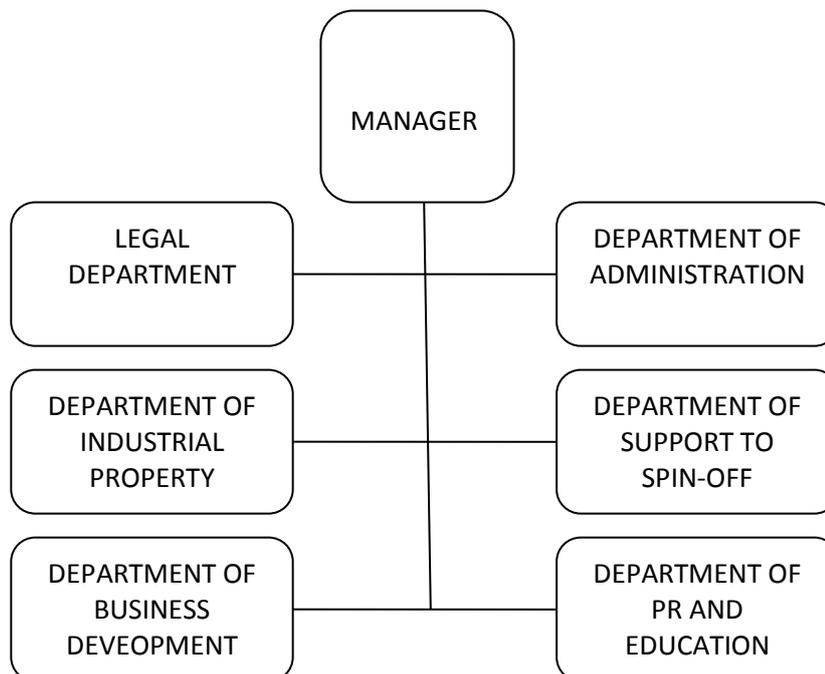


Source: General guidelines for developing a business plan. CIP Eco- innovation First Application and Market Replication Projects. 2012

While taking into consideration TTC it should be noted that TTC should have its organizational rules regardless of the form in which it operates and should be developed to gradually cover the following six areas in order to provide support to organisation in the field of IP protection:

- Legal protection (intellectual property and licensing);
- Protection of Industrial Property (support patenting);
- Development of business (trade);
- Public Relations (PR) and education;
- Administrative support;
- Encourage the establishment of spin-off

Figure 3 Organisational structure according to different areas covered by TTC's departments



Source: Brighton; Ďurovčiková; Mulerová. *Methodological procedure for the establishment and operation of technology transfer centers at universities, including the draft of the standard model.*

Legal department is responsible for the preparation of legal documents, provides consultancy and legal advice in the field of industrial and intellectual property. The representative of the legal department participates in the contract preparations and contract negotiations in order to ensure effective protection of industrial property.

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Department of industrial property is responsible for ensuring intellectual property protection, provides administrative support to the process of initial assessment of the feasibility of intellectual property protection. Its primary task should be supervision during the process and it also should provide all the necessary documents and data for patent agents, who will carry out the actual protection. *Department of business (trade) development* is responsible for the commercialization, the sale of licenses and know-how. The role of this department is to build relationships with key players from academic and the commercial environment. It is a communication channel between the inventor and external experts to assess the commercial potential. The department is actively engaged in finding a partner/ candidate, and it carries out the steps responsible for the flow of information about the current status of the case. *Department of PR and education* is responsible for creating and updating web sites, blogs, issuing electronic magazine and for the appearance of materials presented to the potential partners, and the public. It should also provide surveys required by Department of business development. This department is also responsible for developing and implementing training programs. *Department of administration* provides economic reports and administrative work.

The following principles should be applied for the creation of organisational structure of TTC:

- The employees involved in the legal protection provide support to all TTC's departments;
- The contact person of TTC is the director of TTC in the initial stages. The director of TTC should be from the field of intellectual property protection or business development;
- The employees of TTC should be professionals who have experience in the scientific environment and commercial sector, and have knowledge in the field of intellectual property and commercial law.⁶

4.3 Products and services

The Products and services section gives a description of different types of products/services including brief description of each, their uniqueness, costs and vendor details/delivery (how they will be made, delivered, developed; internal/external services). While describing product/service, it is important to address its key innovation environment features and impacts. Do not forget to specify the ways the product/service will promote innovation environment, energy efficiency, and secure clean energy. It should state what makes the product/ service different, what benefits it offers. The section should contain information concerning competitive advantage, potential patents, trademarks or design registrations as

⁶ Brighton; Ďurovčíková; Mulerová. Methodological procedure for the establishment and operation of technology transfer centers at universities, including the draft of the standard model.

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well. It must also clearly define the technology in use, the way of procurement, sources such as raw materials and other inputs, and production capacity.

The fundamental questions are as follows:

- What are the key milestones in the research and development process? At what stage is a company in that process? When will a product/service be ready to sell/provide?
- How does a company plan to develop its products or services?
- How much is a company spending on research and development?
- How are new products for research and development selected?
- Does a company have any intellectual property?
- Is a product or product name registered with appropriate governmental bodies? If the business is expected to be global, have you taken into account international patent, intellectual property and other legal influences?
- Will a company build a product in house or subcontract out a portion of the production process?
- What type of capital equipment will a company require? What impact will changing technology have on its equipment needs?
- Are any parts or supplies difficult to get, or do they require long-lead times? How reliable are key suppliers?
- Are there any parts that can be obtained only from a single source or only from overseas?
- How will a company monitor quality? How can customers contact a company if they have comments or problems?⁷

4.4 Intellectual property or other protection

IP assets should be always a key part of a business plan in case of owning patents or patentable technology, industrial designs, trademarks, trade secrets or holding the economic rights to copyright works. In order to adequately integrate IP assets into a business planning process, it is essential to answer the following questions:

- What IP assets do you own?
- What is the status of your IP portfolio?
- How do you plan to protect your IP assets?
- How important are IP assets to the success of your business?
- Do you own all IP assets that you need, or do you have to rely on IP assets owned by others?

⁷ Delloite & Touche LLP. 2003. Writing an Effective Business Plan. p. 23

- Do you know enough about your competitor’s IP strategies and IP portfolios?
- Do you have any IP policy and IP strategy for your enterprise.⁸

5 Market analysis and marketing plan

Before launching a business, it is required to have a strategic and targeted marketing plan. Marketing plan includes generic strategies and strategies for pricing, distribution, promotion, advertising and market segmentation. While composing the marketing strategy, it is necessary to focus on the way the company will address the competitive advantage, will support the day to day operations and will raise awareness about product/service. Therefore, the marketing plan must provide an answer to the following questions: “Who are your target customers?” and “Who is your major competition?”

Figure 4 A good marketing plan



Source: <http://greenforall.org/wordpress/wp-content/uploads/2012/06/Green-Business-Plan-Guide.pdf>

⁸ Practical IP Issues in Developing a Business Plan. Available at: http://www.wipo.int/sme/en/ip_business/managing_ip/business_planning.htm

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5.1 Industry background, market analysis and competitor assessment

This part of the business plan should illustrate industry and market knowledge. In this section it is important to describe factors and trends affecting the industry and consider their implications for a business. The section should present a view of the current status and prospects for the industry and it should provide description of the principal participants. Issues to think about include: demographic, social, economic, regulatory, technological, and environmental. This section should illustrate and present information about market where you intend to sell product/service including detailed overview of market size, market share, barriers to entry (e.g. changing technology, high investment cost, lack of quality personnel, patents and proprietary knowledge etc.), regulations, various market segments and buying patterns. It should also outline the possibilities for cooperation with other organizations (e.g. universities, public and state institutions, enterprises etc.) within clusters and networks or on other initiatives supported by national innovation systems. It must clearly describe target customers of the business (age, gender, income level, habits, occupation etc.). In order to gather necessary data, it is important to conduct surveys, questionnaires, or secondary research.

Possible customer segmentation criteria for the customer goods markets are as follows:

- Location: country, urban/rural
- Demographics: age, sex, income, profession, company size
- Behaviour: frequency of product use, product application
- Buying habits: brand preferences, price consciousness

Possible customer segmentation criteria for industrial goods markets are as follows:

- Demographics: company size, industry, location
- Operations: technology employed
- Buying habits: centralized or decentralized purchasing, purchasing criteria, supplier agreements
- Situational factors: urgency of need, order size⁹

Competitor analysis should identify your competition by product line or service and market segment. It is important to focus on the following issues:

- What markets or market segments are served by the competitors
- What are the product/service features
- What kind of benefits are offered by the competitors
- Why customers buy from the competitors

⁹ Structure and Key Elements of a Business Plan. Available at:
http://www.advantageoakland.com/ResearchPortal/Documents/bc_busplantech.pdf

- Other information e.g. pricing, promotion, distribution, length of time in business etc.

Figure 5 Some suggestions for determination of qualitative and quantitative aspects of demand and supply

DEMAND	SUPPLY
<ul style="list-style-type: none"> • Definition of the market segments • Customer decision criteria • Situation analysis and evolution of market segments • Typology, profile and buying behaviour • Changes occurred in demand • Competitors' performance analysis (segment competition and market share) 	<ul style="list-style-type: none"> • Situation of the relevant market (supply size, producers, market share etc.) • Supply /current competitors (number, profile, followed strategy, etc...) • Supply/potential competitors (substitute products, evolution of the sector) • Distribution and marketing channels (existing channels, past and future evolution)

Source: http://ec.europa.eu/environment/eco-innovation/files/docs/getting-funds/business_plan_guidelines.pdf

5.2 Pricing structure

Pricing strategies are based on the perceived value of company's products and services, cost of doing business, goals, and expected competitive actions. The following principles should always be the foundation of pricing decisions:

- Understand your true direct/indirect costs
- Know your own company and its goals
- Know your primary customers, their needs and willingness to pay
- What kind of cost savings might interest customers
- Do not underprice
- Do not overprice
- Know your competition and market.

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Table 1 Pricing strategies

Cost - Plus Pricing Strategy: Adding a percentage onto the actual cost of product/service
Competition –Based Pricing Strategy: Charging a similar price to its immediate competitors
Skimming: Charging a high price for an amount of time in case of a unique product/service
Loss Leader Pricing Strategy: Pricing a product/service at /or below cost
Penetration Pricing Strategy: A product/service at a lower price than a normal price
Version Pricing: Creating Lines of Products at Different Price Levels

Source: <http://www.marketingplan.net/pricing-strategies/>

5.3 Marketing communication and public relations

Marketing communication is a tool that an organization uses to deliver a range of promotional messages to its target markets in a way that provided information encourages positive or buying response to its target audience. Therefore, it is important to communicate effectively and choose marketing communication strategy which will help to utilize one or more components used for dissemination of the organization’s outgoing message. Before developing the message that will be disseminated to the target audience it is essential to take into consideration the following steps:

- Determine to whom will be communication delivered- select target audience and identify the media an audience is likely to use (specific magazines, websites, mailshots etc.);
- Create unique identity, or “positioning”;
- Identify specific objectives that will be stated by marketing communications plan;
- Set an appropriate budget and determine the amount of money that will go toward advertisement, online social media etc.
- Decide what to say about business or product/service; The message should secure customers’ attention, keep them interested, generate desire, encourage them to action.¹⁰

There are many marketing tools that can be used, ranging from simple product brochures to complex broadcast media advertising to get the intended message across the target audience. Marketing tools include:

- Descriptive product or service brochures
- Advertising in print, broadcast or electronic media
- Direct mail
- Premiums and advertising specialties e.g. items imprinted with a company name/or message

¹⁰ <http://www.cim.co.uk/files/marcomms.pdf>

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- Sampling programs
- Public relations (PR) often obtained at little or no out-of-pocket cost.¹¹

Social networking sites such as Facebook, MySpace, and YouTube etc., and blogs represent popular and inexpensive form of mutual communication with the environment comparing to a web page that mainly provides information with a minimum possibility to obtain feedback. Additionally, professional social network LinkedIn can help to communicate specific output, meaning that, employees should set up an account in this network through which they can actively communicate e.g. research results, available patents, utility models etc. or create interest groups. Electronic journal could be also powerful marketing tool for promotion of results and a good way to create awareness for a company. Especially, issuing electronic journal in the field of technology transfer is highly desirable.

5.4 SWOT analysis

SWOT analysis examines key factors that are internal (strengths, weaknesses) and external (opportunities, threats) to a business. Internal factors refer to core competencies and areas in which a business has a competitive advantage and in which a business has a lack of certain strengths. Examination of external factors helps to detect new areas in which the business can grow and niche markets can be pursued in order to gain greater profit. It also identifies change and trends in the market place that may influence company's business operations.

¹¹ Delloite & Touche LLP. 2003. Writing an Effective Business Plan. p. 24

Figure 6 Strengths, Weaknesses, Opportunities and Threats Analysis



Source:

http://www.academia.edu/4941025/THE_MARKETING_PLAN_IMPROVING_YOUR_COMPETITIVE_EDGE

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6 Operational plan

Operational plan is an overview indicating the activities related to operating the business: producing the products or delivering services to customers, and/or manage personnel to achieve company's triple-bottom-line objectives. Due to the fact that the business plan should undoubtedly define how operating activities will support innovative and environmental mission and initiatives, it is necessary to consider partnership with government agency programs or non-profit organizations that may help to achieve environmental innovation goals and the way of reporting environmental initiatives. Important elements to consider also in an operational plan are:

- End-user financing (e.g., fee for service, credit, or purchase);
- Transaction costs;
- Method for collection of fees and payment levels;
- Policy to handle defaults on loans and terms of repossession;
- Local financial intermediaries that could be used to manage end-user financing;
- Mechanism for sales and service, quality assessment;
- Description of physical infrastructure and IT infrastructure, management information systems;
- Training, employee education program, networking;
- Plan for procurement, terms of conditions of sale; inventory control systems, physical space locations and sources of supply;
- Definition of sub-contractors: include a list of sub-contractors; activities of sub-contractors, a list of alternative sub-contractors;
- Overview of companies, organizations and networks for cooperation;
- Details of consumer protection measures including warranties, service, and education.¹²

¹²Guidebook for Financing New and Renewable Energy Projects. Available at: http://www.apec.org/~media/Files/Groups/EWG/98_ewg_guideproj.pdf

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7 Financial plan

Financial planning means a challenge to cope with, especially in respect of renewable energy project. Financial plan is based on an estimation of the costs incurred and the income generated by a business. Therefore, it is crucial to clearly specify the assumptions that lie behind the projection of figures, both in terms of costs and revenues. This section should state what will be the source of revenue and income, how much funding will be needed from external sources and include estimates of interest repayments on loans. The following three main financial statements could be used in business planning:

- The Profit and Loss forecast refers to statement of sales, costs and profit (or loss) over an accounting period (usually one year).
- The Cash Flow budget gives a forecast of money inflow and outflow over a specific period of time. The main difference in comparison to profit is that it does not include notional costs such as depreciation but does include capital payments, private drawings and tax.
- Starting Balance sheet shows investors the items the business anticipates to own at the beginning and end of each forecasted year and whether proposed business provides an opportunity

In case of financial projection it is essential to focus on the following areas:

- Human resources e.g. professionals of TTC who have specific skills and experience required for transfer of technology and knowledge from academia to practice in the field of efficient energy.
- Financial resources for e.g. establishment of the organization (administrative fees, office, equipment, computer facilities, software etc.); wages of employees; management and protection of IP; marketing (internal, external) and business development; training, literature, memberships in professional associations and information databases; legal advice and patent attorneys; establishment of spin-offs; activities that bring concept of technology or innovative product closer to the market, to potential investor or producer (e.g. prototyping, market research survey etc.); establishment spin-off etc.¹³

The other possible components of the financial section are as follows:

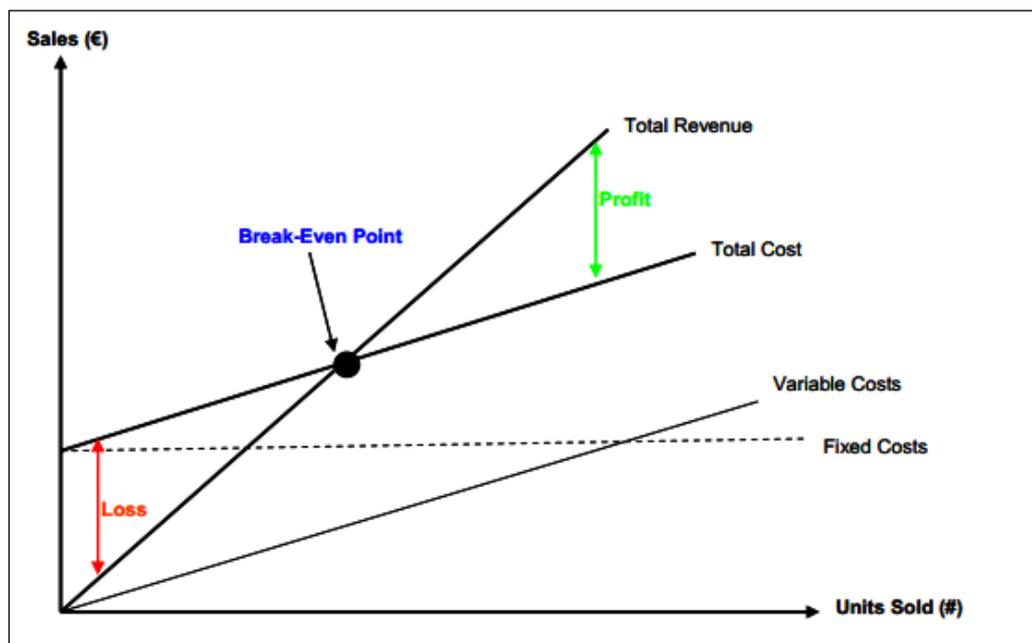
- Risk analysis: Alongside the financial forecasts it is good practice to point out that a company is aware of the risks it could be faced with, and that it looked at contingencies to cover such risks. The business plan should review the most

¹³ Brighton; Ďurovčíková; Mulerová. Methodological procedure for the establishment and operation of technology transfer centers at universities, including the draft of the standard model.

important ones and how management will reduce their impact on business operations. Risks can include:

- Competitor action
 - Commercial issues - sales, prices, deliveries
 - Operations - IT, technology or production failure
 - Staff - skills, availability and costs
 - Force majeure
- Break-even point analysis is a useful tool to analyse critical profit drivers of business including sales volume, average per-unit sales price, and average production costs.

Figure 7 Break-even point analysis



Source: http://ec.europa.eu/environment/eco-innovation/files/docs/getting-funds/business_plan_guidelines.pdf

- Net present value method is a method for evaluation of investments; the computation is based on a chosen rate of discount and the present value equivalents of all cash flows associated with the investment. These present-value equivalents are summed in order to obtain the present value of the investment.¹⁴

¹⁴ Greenwood, P. R. 2002. Handbook of Financial Planning and Control.

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Steps in financial planning are as follows:

- Estimate fixed asset requirements for the first year;
- Estimate any start-up or one-time expenses;
- Define each “unit” of your product or service and estimate the selling price and direct cost per unit;
- Estimate sales by month for at least one year;
- Estimate monthly Cost of Sales and Gross Profit based on the percentages of sales;
- Estimate and itemize fixed expenses by month for at least one year;
- Describe the amount of inventory (if any) required to support the sales forecast;
- Describe credit, sales, and collections policies;
- Describe how fast it is necessary to pay vendors;
- Estimate obligations for Income Taxes.¹⁵

In the financial planning, the following financial information are needed for evaluation of a project in a business plan:

- General Project Information (Rated capacity; Capacity factor or other standard measures of power output; Inflation; Start year; Project lifetime)
- Costs – Cash Outflows (Equipment costs including installation and site preparation; Balance of system (BOS) costs including all non-equipment; Capital costs, such as interconnection and civil works; Developer soft costs, such as developer planning, environmental studies, licensing and permitting and negotiation of power purchase agreements; Construction loan interest; Recurrent costs, such as equipment replacement; Operation and maintenance; Site owner rent or royalties; Property tax; Project insurance; Production insurance; Income tax on revenue)
- Revenue – Cash Inflows (Fuel or energy displacement savings; Additional products or benefits; Cost recovery – depreciation or expensing; Cost recovery – tax credits; Tradable renewable credits; Grants and incentives; Interest earned on debt service reserves; Power Purchase Agreement or other sales agreements)
- Financing Costs – Debt and Equity (Loan debt; Debt percentage; Loan interest rate and term; Equity; Equity financing fees; Initial working capital; Debt financing fees; Debt service reserve fund and other debt covenants; Discount rate that is used to calculate the net present value (NPV) of the project by discounting future cash flows to the start year.¹⁶

¹⁵ Writing a Business Plan. Available at: <http://www.va.gov/osdbu/docs/vepBusinessPlanOutline.pdf>

¹⁶ Guide to Developing a Community Renewable Energy Project in North America. 2010. Available at: <http://www3.cec.org/islandora/en/item/3610-guide-developing-community-renewable-energy-project-in-north-america-en.pdf>

8 Sustainability plan

A sustainability plan is developed in order to achieve goals that foster environmental, community, and financial sustainability. It should focus on definition and clearly explanation of the community's key sustainability challenges, sustainability goals, and the strategies to meet each goal. The scope of a sustainability plan is based on local challenges and needs. These challenges may cover the following areas:

Environment

- Natural Systems (ecosystems and habitat, water and stormwater, air quality, waste, and resource conservation)
- Planning and Design (land use, transportation and mobility, and parks, open space and recreation)
- Energy and Climate (energy, greenhouse gas emissions and other air pollutants, renewable energy, and green building)

Economy

- Economic Development (clean technologies and green jobs, local commerce, tourism, local food system)
- Employment & Workforce Training (green job training, employment, wages, youth skills)

Society

- Affordability and Social Equity (affordable and workforce housing, poverty, human services and race and social equity)
- Children, Health, and Safety (community health and wellness, health care, public safety)
- Education, Arts, and Community (education excellence, arts and culture, civic engagement and vitality).

For sustainability planning process follow the key steps:

- Develop a detailed description of what services and activities you want to sustain – creation of sustainability strategy. The key sustainability strategy is partnership with others with whom ideas, expertise, and resources could be shared. Through partnerships it is possible to leverage existing resources, increase a capacity, bring in new ideas, ensure, and learn from the experience of others.
- Which ones will be maintained? Which ones will change? It is not necessary to sustain all of organization's activities, focus on those that are intended to achieve desired outcomes. If needed add some new activities- developing of action steps for sustainability
- Organize the right management structure.
- Engage employees and stakeholders around sustainability and build collaboration
- Document and communicate sustainability success¹⁷

¹⁷ What is a Sustainability Plan? Available at: http://www.icleiusa.org/action-center/planning/ICLEI_What%20Is%20a%20Sustainability%20Plan.pdf

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9 Conclusion

The document presents step-by-step guide for the complete development of Business Plan in Innovation Environment. This document is designed to give an overview of essential components that should be considered while writing a business plan. It also provides practical advice and recommendations that will help stakeholders to understand elements of a business plan when starting a project and it also specifies the way of assessing the costs and benefits of the project no matter of the nature (research or industry). Business plan is one of the important issues of star-up, due to the fact that it serves as a roadmap to achieving company's goals and objectives. Effective business plan provides answer to readers' questions before they are asked.

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10 Literature review

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