

1-Day Business Development: Navigate from the start to finish

A Road Warrior Group (RWG) Whitepaper by Doug Lyons

Abstract: *An innovative Customer Relationship Scorecard is described including a case study involving companies on both sides of the Atlantic. It was initially used to determine the geographic expansion viability of a Swedish company including sales, marketing, and business development planning. Three years later it was used to evaluate M & A options that ended in the successful buyout by a Silicon Valley, NASDAQ company. This versatile tool is built on a model that describes your business relationship with your customer and your customer's customer. It is developed interactively with facilitators from RWG.*

The Starting Line - Geographic Launch: It was a cold, damp evening in the historic, university town of Lund, in southern Sweden in early December of 2006. The Hardi Electronics CEO, his VC (Malmohus Invest AB) and I settled into a quiet restaurant. They told me they were ready to sell the company and had a minimum figure in mind. Six months later we sold the company to our preferred target for nearly twice that amount – but I am getting ahead of myself.

We met the VC for the first time three years earlier. The CEO had engaged the Road Warrior Group to do a business development analysis to see if expanding their European based business into North America made sense, and to develop and test a

Hakan Nelson, President, Malmohus Invest AB: “The scorecard analysis clearly illustrated a window of opportunity in North American for us. It brought all the dynamics of evaluating investment opportunities together. We later had the Road Warrior Group present the concept to all our portfolio companies, which include technology and life sciences. Doug’s 3-year revenue and cost projections of the implementation plan for Hardi turned out to be remarkably accurate.”

Malmohus Invest, founded in 1979, is the oldest VC in Sweden. They have invested in more than 100 companies.

lean implementation plan. The analysis had identified a window of opportunity, and our recommendation was that they should not only enter the North American market, but they should do it ASAP. The CEO wanted me to go through my analysis and the plan with his VC. This time we met in a Silicon Valley restaurant, and by the end of the meeting they had decided to move ahead.

2-Dimensional Model including the Customer and the Customer's Customer:

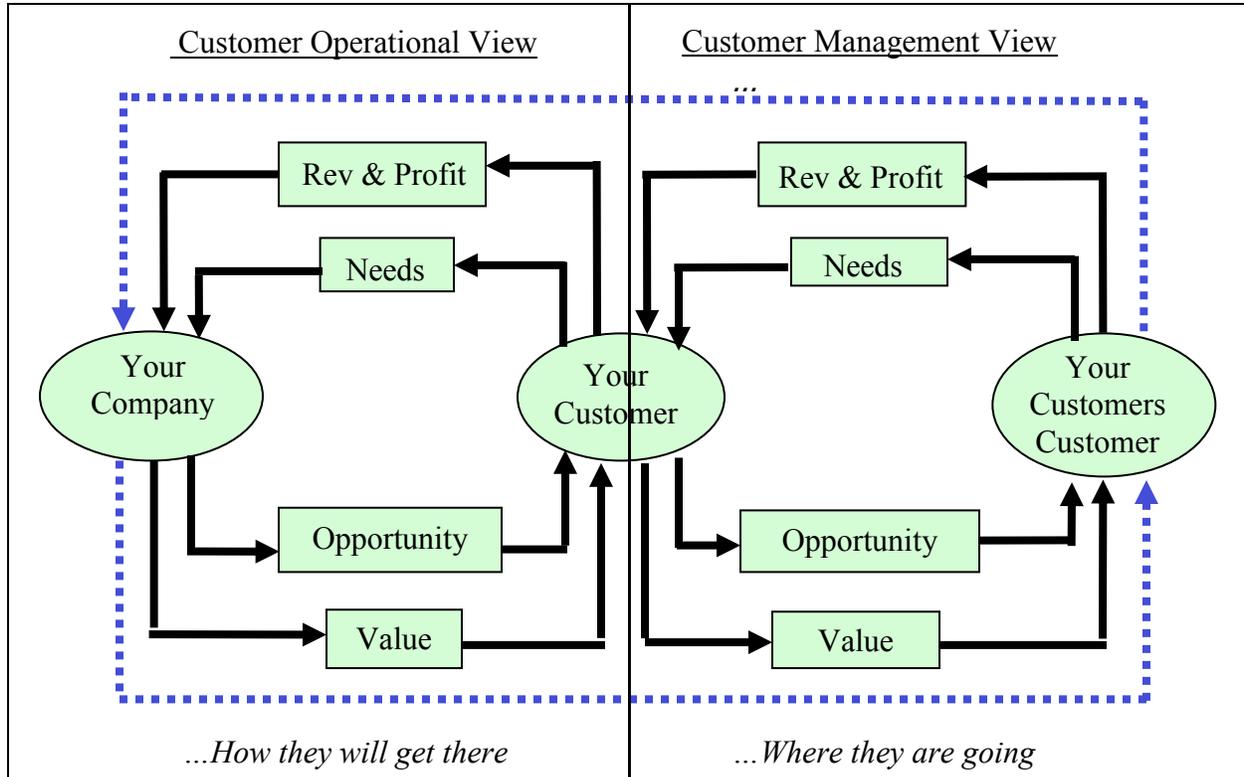
The business development analysis was done using a tool that condenses to one page everything I have learned in a 35-year career in high tech sales, marketing, and business development in a variety of high-tech companies, including a decade of consulting.

The foundation of the tool is 2-Dimensional (2-D) Customer Model that provides a more complete view of the customer, including the customer's customer: a Management View that identifies *where the customer is going* as well as

an Operational View that tells *how they will get there*.

2-Dimensional Customer Model

Including both your customer and your customer's customer



Your Business Relationship with your Customer and your Customer's

Customer: The client's issue (e.g. should we expand into North America?) and all the dynamics of the 2-D Customer Model are mapped into a scorecard that describes the business relationship with your customer as well as your customer's customer. The scorecard is deceptively simple. While the four components of the scorecard are straightforward and highly intuitive, the interaction between the components adds complexity. Traffic signal colors are used to score the strength or weakness of the product for each component of the scorecard. Separate scorecards are completed for each product, each market, and for each class of competitor for a complete analysis.

We completed the Hardi scorecards for two markets and three classes of competitors. Rarely had we seen so many *green lights*. We developed a marketing/sales message for North America, and hired a highly customer-oriented sales team. Over the next three years our North American sales grew at least 2X per year, becoming the largest revenue generator for the company with a respectable profit margin. (January 17, 2007, [HARDI Electronics Doubles Sales for Third Consecutive Year](#))

Customer Relationship Scorecard

 Customer Needs	 Customer Pain	 Differentiation	 Customer Mgmt. Alignment
			
<p><i>Grow organizational understanding of Customer Needs:</i></p> <ul style="list-style-type: none"> •Life Cycle:  •Hierarchy:  •Methodology:  	<p><i>Pain prioritizes customer needs:</i></p> <ul style="list-style-type: none"> •How intense is the pain? Enough to make the customer take action is if a solution presents itself? •Enough pain to support your business plan? •Can you find more pain that you can impact? •What about 2-D pain? 	<p><i>Customers reward differentiated solutions with better margins:</i></p> <ul style="list-style-type: none"> •Do you have differentiation from all competitors or just some? •Do customers agree? •Do customers value your differentiation? •Can you find more? 	<p><i>Operational Value is not enough. What is your Value Message for Customer Mgmt.? i.e. 2-D Value Proposition:</i></p> <ul style="list-style-type: none"> •“I have lots of proposals with strong ROIs. Why should I look at yours?” •“Does your solution help fix one of our Management Issues?” •“What about risk?”

Customer Needs: There is “low hanging fruit” in having your organization better understand Customer Needs – e.g. Can your business flourish in just satisfying the needs of *Early Adopters* or do you need to *Cross the Chasm* and meet the needs of the *Early Majority* as well? How much of the customer organizational hierarchy does your product need to address? Is your product plug and play, or is it disruptive? How disruptive?

Pain: There are two types of customer pain – management and operational pain. Having everyone in your organization look for customer pain will give you better insights into customer priorities and opportunities.

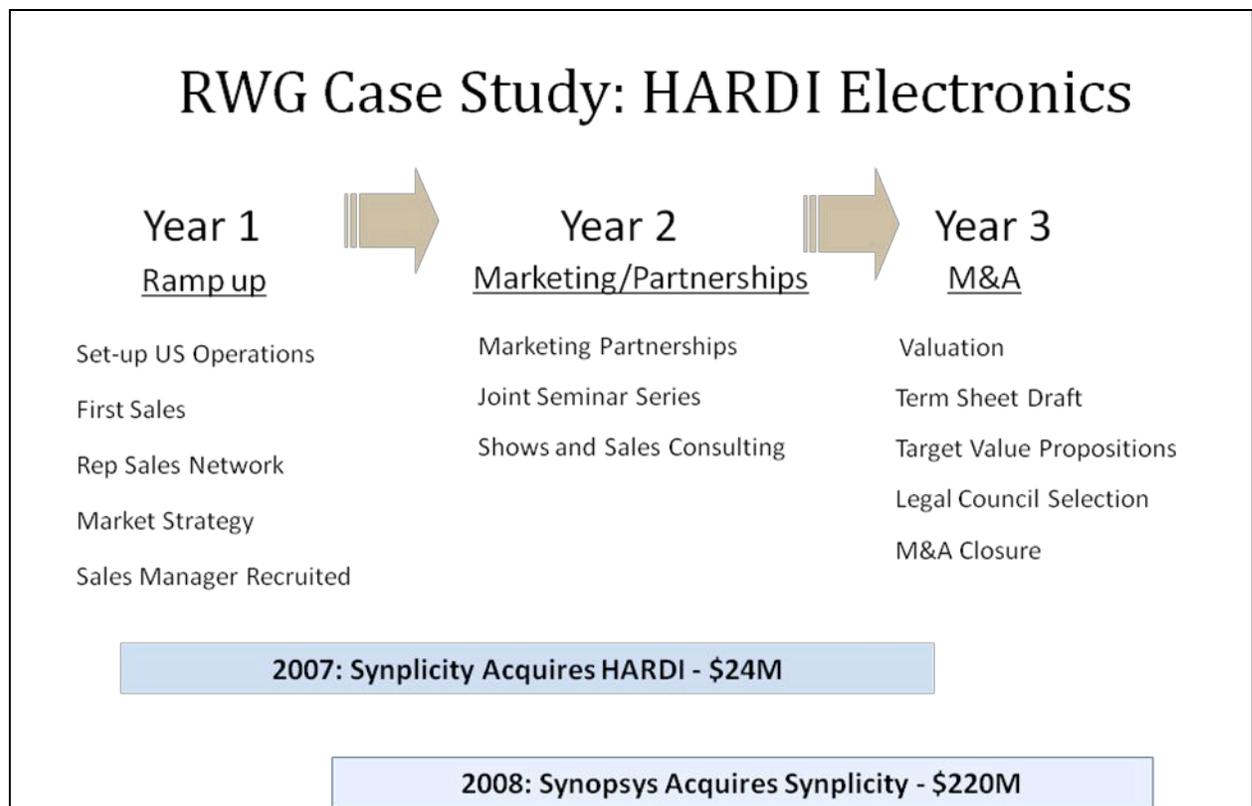
Differentiation: Does your product address the customers’ needs in a differentiated way? Differentiation enables you to protect your margins, and is the key to profitability.

Customer Management Alignment: Do you have a succinct, powerful value message for customer management that addresses their priorities, including risk?

The Finish Line - Cashing-in: I made a quick mental calculation of the cost of the lawyers sitting around the table for the final signature session on Sand Hill Road in Palo Alto. It was scary. The CEO of the acquiring company remarked how their due diligence had resulted in a very broad value range. I mentioned that the range was quite close to my original estimates with the difference being the degree of business leverage that the acquisition provided. I had used the scorecard to develop the leverage component of our value proposition for a variety of potential acquiring companies serving different markets. The scorecard helped us develop the synergistic value of the acquisition to their customers, as well as their customer's customer.

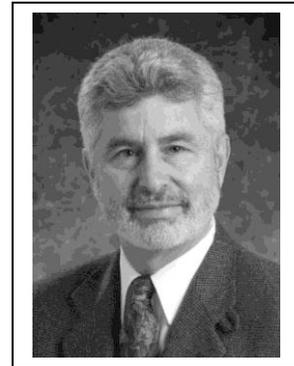
The sale of the company (June 1, 2007, [Synplicity Announces Agreement to Acquire HARDI Electronics AB](#)) was announced at the Design Automation Conference in San Diego in June 2007 where we had one final dinner meeting at a fine restaurant with the Hardi VC who was only too happy to pick up the check.

Less than a year later Synplicity validated our value proposition by selling the company at a healthy premium to Synopsys, leveraging the roadmap that the Hardi acquisition enhanced. ([Synplicity Announces Acquisition By Synopsys](#))



About Hardi Electronics: Founded in 1987, HARDI Electronics (now part of Synplicity, Inc.) was a pioneer in the field of advanced electronic design. The company's knowledge and experience ranged from SoC (Systems on a Chip) design using full custom ASICs (Application Specific Integrated Circuits) to a wide variety of programmable (FPGA) logic designs. HARDI introduced its first ASIC prototyping product in 2000 and today has many successful installations in North America, Europe and Asia. For more information, please visit the company's website at <http://www.synopsys.com>.

About the Author: Doug Lyons' experience includes marketing, sales, business development, strategic partnerships, mergers/acquisitions and angel investing (e.g. Trimble Navigation and Boschert). He has worked at Motorola Semiconductor, Daisy Systems, Mentor Graphics (VP of Worldwide Emerging Technology Sales) and numerous startups. His industry experience includes Semiconductor, Electronic Design Automation, IP, Wireless-Internet, Power, Enterprise Software, and Contract Manufacturing.



He has given 1-Day Business Development Seminars and Workshops at SBA-Cisco Systems-San Jose Entrepreneur Center, the Software Developers Forum, Santa Clara University MBA Program, Chinese Entrepreneur Association, VC Portfolio companies, and numerous High-Tech Companies in both North America and Europe. Doug received a BSEE from University of Buffalo and MBA from the George Washington University. He is a partner in the Road Warrior Consulting Group.

Contact: Doug@RoadWarrorGroup.com