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Investment Advisor to International Financial Institutions  
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**‘Path to Commercialization,’<sup>©</sup> an IVI Master Class in Mentoring  
Executive MBA Program, Kazan, Russia, Colorado State University**

**Objective:** Russia made \$ billions of investment in incubators, technoparks, accelerators, venture funds and countless other projects to diversify its economy, generate more technology, innovation and investment, with the Russian Venture Company & Rusnano taking the leadership role. With these assets in place, how do we leverage them to do more, faster?

**The Investment Issues in Russia:** Obstacles still remain that impede the success of these initiatives & the ability of start-ups and SME business models to do more, faster. Until we attack these issues, progress in attaining more innovation, investment, entrepreneurship & new business is slowed unnecessarily; since these barriers are what impede modernization, let’s attack these issues head-on or circumvent around them to ‘Scale-Up.’

It is these obstacles that this Master Class discusses openly with solutions to overcome. ‘Path to Commercialization’ is Part II in Nastas’ participation in Colorado State University’s Executive MBA program, with Nastas Part I, ‘Scaling Up Entrepreneurship’ delivered to CSU students in Kazan, Russia, October 2010. Students work for the President Administration of Kazan, various Ministries of the Kazan Gov’t & SOEs.

**Organization & Timing:** The program is 17 contact hours, 8 modules-small group discussions, delivered over three (3) days (see page #5, the schedule). Day #1 Thursday is held from 18:00-20:00. Day #2 Friday is held from 13:00-20:00. Day #3 Saturday is conducted from 09:00-16:00.

**DAY 1, Thursday, 3 November 2011, 18:00-20:00: Introductions & Review of Topics from Part I, ‘Scaling Up Entrepreneurship’**

1. Introductions & discussion:
  - What is happening in the lives & work of CSU Executive Education students? Their job responsibilities (old & new), challenges, struggles & issues
  - Successes & Work that Remains for Russia
2. Organization & Topics for this Course
3. Review: ‘Entrepreneurship & Financing Innovation: the Engines that Power an Economy Forward.’

Topics:

- Entrepreneurship, how it works, the traits and characteristics of entrepreneurs
- The business of venture capital, how it works, and its role in enterprise creation
- Building a management team of glory

- Elements of ideas & business models as 'viruses' to spread more innovation & technology uptake in an economy
4. Discussion: The upcoming tender for the Armstrong plant in Russia. Strategies to win this tender for Kazan.

**DAY 2 Friday, 4 November 2011: 13:00-20:00**

5. Module subject: 'Financing Innovation, From R&D to Grants through Series A.' Innovation starts with an idea to do something different, to improve the lives of customers, to make work that matters. Each step of the innovation process requires different forms of \$ & different institutions to provide this \$ to drive ideas forward.

Topics:

- From idea to commercialization, sources of finance, from R&D, grants, angel through series A investment and uses of capital
  - Issues & solutions in financing early technology, from proof-of-concept through 1<sup>st</sup> customer sale
  - Confusion of inventors, scientists, entrepreneurs & investors to what is a proof-of-concept model, a 1<sup>st</sup> prototype, a manufacturing prototype and final product design. How to fund, with grants and venture investment
6. Module subject: 'Start an Entrepreneurial Revolution in Tatarstan.' Staffers in the Kazan Government have deep responsibilities to create more innovation, stimulate entrepreneurship and attract investment to the region, yet they have limited power, control and access to capital to make this happen. In this module we discuss solutions to make the ecosystem responsive to your objectives, to advance modernization goals in the Oblast, with entrepreneurs and investors.

Topics:

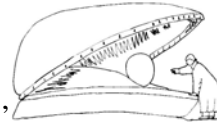
- Building an entrepreneurial community in Kazan, the role of leaders and feeders. Why feeders always emerge 1<sup>st</sup> & actions to encourage more leaders (entrepreneurs)
  - Overcome weaknesses of the ecosystem to build an innovative economy. The Colorado, Michigan & Utah experiences to build more leaders & accomplish their growth and diversification objectives in their states; the applicability of their solutions to accelerate modernization in Kazan
  - Certainly benchmark to Silicon Valley, but follow the economic development model of States with more commonalities to Russia and its economy vs. California or Massachusetts
  - Solutions Michigan & its universities executed to overcome its single employee-employer industry & supply chain business model to diversify & modernize its economy. Lessons for Kazan
7. Module subject: 'Building a Team of Glory When Talent is Scarce.' Investors universally state that the quality and competence of the management team is more important than the quality of the idea as investment criteria for financing. Yet many of the start-ups are low on talent as the company grows beyond the skills of the initial founders & they must attract experienced CEOs & COOs to expand beyond their 1<sup>st</sup> success. Where can founders recruit senior managers when such people are in short supply in Russia, and how can Russia deepen the talent pool?

Topics:

- How entrepreneurs form teams, examples

- Leaders vs. feeders
  - Densities required for more entrepreneurial teams to emerge
  - How mentoring accelerates creation & success of 1<sup>st</sup> time entrepreneurs & models for Russia
  - Issues in attracting expat CEOs & COOs to Russia and solutions to overcome-the job bank
8. Discussion: The Armstrong tender in Russia. Ideas to win this tender for Kazan, jobs-to-be done.

**DAY 3, Saturday, 5 November 2011, 09:00-16:00**



9. Module subject: 'Sell Risk, then Opportunity.' US entrepreneurs sell opportunity to attract investors, raise \$. This works 200% in the USA since investors are comfortable with risk, ambiguity and uncertainty, and willingly pay the costs of failure when business models don't work, founders pivot or evolve into something different.

Except for a few, Russian investors approach risk differently. They invest in known & understandable risks, the risks of execution since these are the uncertainties they have dealt with as businessmen and investors, and have the experience to help entrepreneurs to solve-avoid. The risks of execution are more than enough for them with the risks of innovation, opportunity, i.e., achieve promised performance, will demand develop & how generate money is just too much for them; the result is that increasing wealth in Russia is not as big a source of \$ as predicted, resulting in tech start-ups going unfunded, entrepreneurs frustrated & Government wondering what to do next.

Topics:

- Why investors buy opportunity while others buy risk
- The challenges of execution in Russia and why opportunity must be assured
- It's easy to spot successful business innovations. But it's more difficult to spot the best opportunities & the rationale for investment before they've proven themselves. How to demonstrate that risks are overcome and behind the venture
- Encouraging deal flow that circumvents opportunity risk, where the market is assured. Seek & encourage creation of digital media & social networking SMEs to start the revolution. Why & how it works.
- Training entrepreneurs to 'sell risk, then opportunity'
- Transform the unknown risks of venture-technology SMEs to risks that Russian investors can understand and evaluate to speed investment. Discussion: Reader's Digest, Starbucks, iPad & companies created with no revenue model (initially).



10. Module subject, 'Paying for Failure.' It's great to talk about the need for failure, how great business models evolve from failed attempts and the need to encourage more failure. The question is who pays for this learning? Investors in Russia, as in Kazakhstan, S. African, Croatia & other emerging countries label a failed entrepreneur a loser for life, never to raise \$ again with failure an embarrassment that frequently spills onto their family; such fallout creates an environment where entrepreneurship is discouraged as a career path vs. a 'safe job, e.g., working for Government, a SOE or a large corporation. Even Spain is not immune from such behavior; debts are [transferred back to the founders](#) if start-ups should fail.

Topics:

- Fear of failure is ingrained in our psyche, yet failure is a badge well-worn by American entrepreneurs and an entry ticket into the USA VC world (& one reason for its success).
- The logic of reimburse vs. advance \$ to finance innovation; the negative impact on experimentation, entrepreneurship & deal flow, events that Government seeks to encourage
- Examples, how failure leads to success: J. Dyson (worth £920 million), Evan Williams (Twitter) & Andrew Mason (Groupon, company with fastest growth to \$1 billion in sales).
- Creating a culture for failure, who pays, and how Gov't can reduce failure-to-success role models: Solutions to make failure acceptable & how to leverage failure into success.
- Integrate technology, 'freemium,' imaginative product design, crowd sourcing, customer selection & viral marketing as business model elements to reduce failure
- Tools to speed experimentation, trial and error at low cost until the business model is proven, business models within the money limitations of entrepreneurs
- Business models that circumvent many of the costs and risks of failure

11. Module topic 'Networks & Network Creation.' It's profitable (& sexy) to partner and sell into international markets, but execution is expensive, fraught with big risk. When is international partnering the 'right' strategy vs. an internal domestic partnering strategy and what are the ways to extract maximum value? International partnering also includes attracting foreign investment since the support sought from foreigners is a partnering commitment to it by the Russian or Kazan Government.


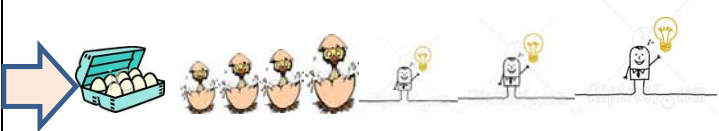
Topics:

- Why partner vs. do all work internally; how Boston's Route 128 lost the innovation race to Silicon Valley
- Necessity of shared benefits to all parties
- Holes left remaining with Rusnano investing in international projects
- Case analysis: Rusnano, Universities of Colorado, Michigan & Utah & IVI: Jobs to be done

12. Group discussion: 'Let's Win the Business of Armstrong.'

Topics:

- Execution tasks and risks facing Armstrong
- Jobs-to-be-done by Armstrong to achieve build-out, on time & to budget, risks & uncertainties
- What the Kazan Gov't & ecosystem participants can do to reduce 'jobs-to-be-done' by Armstrong as your contribution to the project, solutions of Kazan to improve the efficiency and effectiveness of 'jobs-to-be-done' by Armstrong
- Ongoing 'jobs-to-be-done' in factory operation; Kazan Gov't & ecosystem participants contribution to reduce the # or improve efficiencies
- Solutions to build a more experienced labor pool of senior managers for Armstrong in Kazan, solutions to help Armstrong recruit strong candidates for plant operation
- Effective communications to demonstrate your winning strategy, to win the business of Armstrong

	<b>Master Class-Mentoring Objectives: ‘Path to Commercialization’</b> <b>1). Leverage the assets made by Gov’t in incubators, technoparks, accelerators, venture funds and fund-of-funds to do more, faster</b> <b>2). Overcome the obstacles that impede more entrepreneurship, investment, and innovation</b> <b>3). New ideas &amp; strategies to pursue to win the business of Armstrong</b>		
	Day 1, Thursday 3 Nov. 2011	Day 2, Friday 4 Nov. 2011	
09:00			Module/Small Group Discussion: ‘Sell Risk, then Opportunity’
10:00			Coffee Break
11:00			Module/Small Group Discussion: ‘Paying for Failure’
12:00			Lunch
13:00		Module/Small Group Discussion: ‘Financing Innovation: From R&D to Grants through Series A’	Module/Small Group Discussion: ‘Networks & Network Creation’
14:00			
15:00		Break	Small Group Discussion: ‘Let’s Win the Business of Armstrong’
15:30		Module/Small Group Discussion: ‘Start an Entrepreneurial Revolution in Tatarstan’	
16:00			Drinks & buffet
16:30			
17:00		Dinner & Informal Discussion	
17:30			
18:00	Welcome, Course Intro, Objectives & Expectations	Module/Small Group Discussion: ‘Building a Team of Glory When Talent is Scarce in Russia’	
18:30	Review from Part I:		
19:00	‘Entrepreneurship & Capital: the Engines that Power an Economy Forward’	Informal discussion over drinks & food, Win the business of Armstrong	
19:30			
20:00	Informal discussion, Armstrong & brainstorming to win the business		