



<Client>

Business models - Cost benefits

This document is the Ripose - Cost benefits for developing various business models

Contents

Preface.....	i
Management summary	1
Business models.....	4
Funding.....	12
Resources	15
Appendix.....	16
Index	21

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Preface

Purpose

This document is the Ripose - Cost benefits for developing various business models

Approach

This report has been created to present the costs, benefits and source of funding for developing a business solution to assist an enterprise remain sustainable.

The report identifies six models that an enterprise has to choose from and highlights the tangible and intangible costs and risks of each model.

Intended audience

Entrepreneur	<Name 1>
Business person	<Name 2>
Architect	<Name 3>

Document structure

This document is structured to provide all the facts to assist senior management identify the most sustainable business model, sections include:

Management summary	Outlines the findings. Contains a summary of the business models and recommendation
Business models	Defines the six (6) business models with their associated costs, benefits and risks
Funding	Defines the availability of funds, with their associated benefits, and risks
Resources	Highlights the personnel and plant & equipment
Appendix	Provides assumptions, deliverable activity steps, an agreement summary and a glossary of terms

Associated documents

- Business objectives - Internal and external
- Proof of concept - Knowledge and strategies

Caveat

Due to the time constraints not all areas of the business were explored, hence there will be gaps in the findings. However, these could be completed if more time was available - see Completed steps on page 2

Outstanding items

There are sentences in *italics* throughout this document. They are generic statements and may need further refinement if time permits.

Management summary

Introduction

'A place for everything and everything in its place'.

One of the biggest misconceptions of our age is the hackneyed expression 'If you fail to plan, you plan to fail'. Everyone in every enterprise plans.

Therefore the two major problems of planning are

- Not the planning itself but rather the business model one uses to develop the plan
- Keeping everyone in the enterprise 'happy'

To reduce the risks associated with poor planning, and to keep everyone 'happy' it is imperative that sufficient detail about the enterprise be exposed and explored prior to carrying out the activities of the plan.

Using the Ripose Technique supported by the Caspar engine, the following deliverables will be produced:

Phase	Deliverable	Hours
Concept	Strategic business plan - Objectives document	24
	Strategic business plan - Business strategies document (proof of concept)	42
	Strategic business plan - Business statements	10
	Business models - This document	5
	Business plan	10
Logical	Proof of logical	~50
Physical	Computer code	Proof of logical dependent

The Objectives document will reveal the passion, benefits, values, needs (heart) and wants (head) of all stakeholders. This in turn will assist with keeping the individual stakeholder 'happy' and focussed on the tasks ahead.

The proof of concept will enable the major stakeholders:

- Select the right business model for the enterprise
- Develop the ideal business plan

Happiness

Happiness is based on the benefits and values each individual stakeholder brings to the enterprise and how well the individuals needs and wants are satisfied.

Management summary

Business models summary

The following business models have been analysed. For details please refer to the specific sections contained within.

Model	Benefits	Costs	Risks	
1 - Status quo	No additional costs			
2 - Maintenance	Additions and problem fixes			
3 - Purchase a solution	No development			
4 - In house development	1. Tailored solution 2. 100% ownership			
5 - Out source development	1. Tailored solution 2. 100% ownership			
6 - Joint venture development	1. Tailored solution 2. Shared risk			

Recommendation

Model x is the most sustainable approach.

Executive interviews

Proposed interview list

Executive	Title

Completed steps

The following steps were completed on the *dd Month yyyy*

1. A verbal agreement was reached between Ripose Pty Limited and the <Client> enabling Ripose to undertake producing the <Client> - Strategic business plan - Objectives.
2. Ripose together with at least one senior <Client> manager produced a tentative assignment plan detailing the dates, participants and duration of the assignment. *As this task was completed over a 2-hour period on the 8 September, this step was not considered necessary.*

Next steps

In order to deliver the benefits of the Ripose Technique (see the brochure on our web site at <http://www.ripose.com/WhatisRipose.pdf>) - What is Ripose?

The following steps are required:

Ripose will produce the <Client> - Business models - Cost benefits document, see Deliverable activity steps 1 through 15 on page 16 for full details on the steps required to produce this document.

1. The <Client> senior management will reach agreement on the findings. A further agreement will be drawn up enabling a <Client> - Proof of concept to be produced with Ripose, see Deliverable activity steps 5 through 11 on page 16 for full details on the steps required to produce this document

Business models

A business model is a blueprint the enterprise uses to assist its stakeholders develop an appropriate business plan. The following models are offered for consideration:

- 1 - Status quo
- 2 - Maintenance
- 3 - Purchase a solution
- 4 - In house development
- 5 - Out source development
- 6 - Joint venture development

Each model will contain the following sub-sections:

- Costs
- Benefits - tangible & intangible
- Risks- Tangible & intangible

1 - Status quo

Continue to operate without change

Costs

Nil

Benefits

- Tangible
 - ◊ Issues fully understood by all major stakeholders
 - ◊ Optimal use of resources - includes
 - Skills
 - Experience
 - Capabilities
 - ◊ Strategies fully aligned and understood
 - ◊ Business information technology fully aligned and supporting the business objectives
- Intangible
 - ◊ Goals fully understood by all major stakeholders. Namely
 - Purpose
 - Benefits
 - Values

Risks

- Tangible
 - ◊ Hidden agenda
 - ◊ Unknown strategies
 - ◊ Business information systems not supporting business objectives
- Intangible
 - ◊ Hardships
 - ◊ Deficiencies
 - ◊ Redundancies

Conclusion

A viable model as long as the risks are well known

2 - Maintenance

Approach the developers of purchased solutions and get them to make the required changes by adding either missing features or repairing defects

Costs

Nil

Benefits

- Tangible
 - ◊ The developers may improve their market share and reputation
- Intangible
 - ◊ The 'fix' may deliver a tangible benefit

Risks

- Tangible
 - ◊ Maintenance fails to support the business needs
- Intangible
 - ◊ Developers may take too long to achieve the desired result

Conclusion

A viable model as long as the risks are managed

3 – Purchase a solution

Seek out, buy, install and train personnel in the use of a product that will automate the mundane and difficult tasks of maintaining the enterprises needs.

Costs

Between \$650 and \$5 million

Benefits

- Tangible
 - ◊ No development costs
 - ◊ Package becomes an asset of the enterprise
- Intangible
 - ◊ Already working

Risks

- Tangible
 - ◊ Purchase cost if the package fails to live up to expectations
 - ◊ Upgrading current hardware and software platforms
- Intangible
 - ◊ Aligning the enterprise processes to the package functionality
 - ◊ Business manager's reputation if the package fails
 - ◊ Finding experienced trainers
 - ◊ Business manager not being able to concentrate on the core business due to project management commitments to the programmer - at least 50% of their time to begin with
 - ◊ Maintaining the asset in-house may prove difficult

Conclusion

A viable model if the objectives are met.

4 - In house development

Hire resources to do all the development work.

Costs

\$

Benefits

- Tangible
 - ◊ 100% ownership of the solution
 - ◊ Complete control of the funds
 - ◊ Solution becomes an asset
 - ◊ Solution could be packaged and sold to the market
- Intangible
 - ◊ Business manager gets the kudos

Risks

- Tangible
 - ◊ Loss of money if the package fails to live up to expectations
 - ◊ Number of sales -The project would have to deliver sales of at least a set number of copies to break even.
- Intangible
 - ◊ Getting the requirements right
 - ◊ Getting the data base design right
 - ◊ Selecting the right software development platform
 - ◊ Business manager's reputation if the venture fails
 - ◊ The cost of hiring a new resources for a set period
 - ◊ Business manager not being able to concentrate on the core business due to project management commitments to the programmer - at least 50% of their time to begin with

Conclusion

A viable model if the objectives are met.

5 - Out source development

Hire a commercial firm to produce the package and pay commercial rates.

Costs

The following table contains indicative costs to develop a solution to meet the enterprises needs and wants. See Assumptions point 2 on page 16.

Phase	Release 1	Release 2	Release 3	Release 4	Release 5	Release 6	Totals
Design work							
Development							
Testing							
Totals							

Benefits

- Tangible
 - ◇ 100% ownership of the solution
 - ◇ Complete control of the funds
 - ◇ Solution becomes an asset
 - ◇ Solution could be packaged and sold to the market
- Intangible
 - ◇ The solution may fit the requirements

Risks

- Tangible
 - ◇ Between \$ and \$ if the package fails to live up to expectations
 - ◇ Number of sales - The venture would have to sell sufficient packages of release 1 to break even. The following table shows the number of release 1 sales:

Sales price	Volume

Business models

- Intangible
 - ◇ Getting the requirements right
 - ◇ Getting the data base design right
 - ◇ Getting the release plan right
 - ◇ Reputation if the venture fails
 - ◇ Trusting that the developer is reputable
 - ◇ Copyright issues
 - ◇ Plagiarism by unscrupulous developers
 - ◇ Business manager not being able to concentrate on the core business due to project management commitments to the programmer - at least 50% of their time to begin with

Conclusion

Viable models if the objectives are met and sufficient sales are generated.

6 – Joint venture development

Enter into a joint venture with Ripose Pty Limited.

This model brings together at least three individuals with very different skills. These skills should help reduce the risks associated with developing better solutions, more than comparable to those currently on the market. The required skills being:

- Entrepreneurial
- Business acumen
- Technical development

Costs

The following table shows the indicative costs of developing a solution - See Assumptions point 2 on page 16.

Phase	Release 1	Release 2	Release 3	Release 4	Release 5	Release 6	Total
Concept							
Design							
H/W							
S/W							
Coding							
Testing							
Packaging							
Marketing							
Total							

Benefits

- Tangible
 - ◊ Savings of between \$ and \$ over outsourcing
- Intangible - None at this juncture

Risks

- Tangible
 - ◇ Between \$ and \$ if the package fails to live up to expectations
 - ◇ Number of sales - The venture would have to sell sufficient packages of release 1 to break even. The following table shows the number of release 1 sales:

Sales price	Volume

- Intangible
 - ◇ Getting the requirements right - all parties in the joint venture must agree on all requirements
 - ◇ Joint venture partner's reputation if the venture fails

Conclusion

Less risky than model 5.

Funding

The following sources of funding are available:

- Self funding
- Share issue
- Lending institution loan
- Government loan
- Venture capital

Self funding

The individual or the enterprise provides all money.

Benefits

- Tangible
 - ◊ Full control over funds
- Intangible
 - ◊ Own boss
 - ◊ Self responsibility

Risks

- Tangible
 - ◊ Loss of funds
- Intangible
 - ◊ Loss of self esteem
 - ◊ No one else to blame

Share issue

The enterprise raises the necessary funds through the issue of shares in either a private or public float.

Benefits

- Tangible
- Intangible

Risks

- Tangible
 - ◊ Loss of funds
- Intangible
 - ◊ Loss of self esteem

Lending institution loan

The enterprise raises a business loan through a lending institution

Benefits

- Tangible
- Intangible

Risks

- Tangible
 - ◊ The time taken to secure the loan
- Intangible
 - ◊ 'Red tape'
 - ◊ Type of loan being applied for
 - Overdraft
 - Mortgage
 - Small business loan

Government loan

The enterprise avails itself of money set aside by the various levels of government.

Benefits

- Tangible
- Intangible

Risks

- Tangible
 - ◊ The time taken to secure the loan
- Intangible
 - ◊ 'Red tape'
 - ◊ Type of loan being applied for
 - Development
 - Marketing

Venture capital

The enterprise approaches a venture capitalist that has access to privately placed funds.

Benefits

- Tangible
 - ◊ Money available to get the job done
- Intangible

Risks

- Tangible
 - ◊ Outsourcing senior management positions (CEO, CFO, CTO, CIO, and COO) to people recommended by the venture capitalist.
 - Hidden agendas
- Intangible
 - ◊ Original source of funds may be 'tainted'

Resources

This section deals with the following components:

- People
- Plant and equipment
- Projects

People

- Needs
 - ◊ Happiness
 - ◊ Survival
 - ◊ Benefits - Fulfillment
- Wants
 - ◊ To live
 - ◊ Success
- Issues
- Skills
 - ◊ Task oriented
- Experience

Plant and equipment

To be completed

Projects

To be completed as this depends on the proof of concept

Appendix

This section contains the following topics:

- Assumptions
- Deliverable activity steps
- Agreement summary
- Glossary of terms

Assumptions

1. All business objectives are fully understood by all major stakeholders
2. The cost price of buying a packaged solution is \$ and \$
3. The sale price of release 1 of a commercialised solution is between \$ and \$.
4. The release costs resulting from the work done during the objective setting and proof of concept stages are as accurate as the amount of effort the various stakeholders put into the conceptual design work. At the time of writing this document the hours effort are outlined in the following table:

Stakeholder	Objectives	Proof of concept	Business Model	Business Plan	Totals
Entrepreneur	8	15	1	5	29
Business person	8	15	1	5	29
Architect	24	42	5	10	81
Totals	40	72	7	20	139

Deliverable activity steps

The Ripose Technique steps will produce the following major deliverables

- Conceptual
 - ◇ Strategic business plan - Objectives document
 - ◇ Strategic business plan - Business strategies document (proof of concept)
 - ◇ Business models
 - ◇ Business plan
- Logical
 - ◇ Proof of logical

Strategic business plan – Objectives document

1. All senior managers attend a half-day Goal setting seminar to align their views. Ripose will provide a grade 1 architect to facilitate.
2. All managers participate in an individual 1-hour goal ranking session. Ripose will provide a grade 1 architect to facilitate.
3. A Ripose grade 1 architect will prepare a document similar to this document as well as a presentation for senior management to discuss the findings.
4. The <Client> senior managers will need to attend a half-hour presentation on the findings.

Strategic business plan – Business strategies document (proof of concept)

5. Ripose together with a senior a <Client> manager will produce an assignment plan detailing the dates, participants and duration of producing the <Client> - Business strategies.
6. Ripose together with a senior <Client> manager will produce an interview list detailing the dates, participants and duration of steps 7 through 11 (with the optional step 12 if required).
7. Senior and operational managers will need to participate in a 1-hour information modelling session to assist with the building of the corporate information model utilising the key performance indicators. Ripose will provide a grade 2 - Architect to facilitate.
8. Ripose will provide a grade 3 - Architect to identify the business activities/functions utilising the information model.
9. Ripose will provide a grade 3 - Architect to identify the prioritised systems utilising the business functions and the information model.
10. Ripose will provide a grade 3 - Architect to finalise the proof of concept deliverable.
11. The senior managers of <Client> will need to attend a 2-hour presentation to discuss the findings of the proof of concept.

Strategic business plan – Business statements

12. As an optional step, Ripose can provide a grade 1 - Architect to produce the business statement document. This may require further 1-hour sessions with each of the <Client>'s senior managers.

Business models

13. Ripose will provide a grade 1 - Architect to complete the <Client> business models document

Business plan

14. Ripose will provide a grade 1 - Architect to draft the <Client> business plan

Proof of logical

15. Ripose will provide a grade 4 and 5 - Architect to develop the <Client> proof of logical comprising:
- ◊ Data attributes/facts
 - ◊ Data base design - Technical
16. Ripose will provide a grade 6 - Architect to develop the <Client> proof of logical comprising
- ◊ Subject area overviews
 - ◊ Application/program specifications

Agreement summary

Clause	Summary
Parties	<ul style="list-style-type: none">• Ripose Pty Limited• <Client> Limited
Term	<ul style="list-style-type: none">• Start - <i>dd Month yyyy</i>• Finish - <i>The ideal would be 12 working days after start date</i>
Services	<ul style="list-style-type: none">• Ripose agrees to provide Charles Richter as consultant to <Client> to produce the deliverables (see deliverables below)
Fees	<ul style="list-style-type: none">• Fixed price of \$TBA (includes GST)<ul style="list-style-type: none">◊ Business objectives - Internal and external◊ Proof of concept - knowledge and strategies◊ Business models
Payment schedule	<ul style="list-style-type: none">• Initial payment of 50%• A second payment of 50% - on presentation of final deliverable
Payment terms	<ul style="list-style-type: none">• Nett 7 days
Deliverables	<ul style="list-style-type: none">• The <Client> Strategic business plan - Business model document containing:<ul style="list-style-type: none">◊ A management summary◊ The six business models◊ The availability of funds◊ Resources◊ A formal presentation outlining the findings

Glossary of terms

This section contains the definition of terms used in this document.

Term	Description
1-4-11	The Ripose Techniques anatomy of goals (see Goals), namely <ul style="list-style-type: none">• 1 purpose/passion• 4 mission/benefit statements• 11 critical success factors/values
Architect	An individual with the experience and skills to deliver the Ripose Technique
Benefit	The major gains an organisation stands to make by achieving their main goal - purpose. Also known as the organisation's missions (see Mission)
Business person	An individual with the experience and skills to further the aims of the stakeholders - especially the entrepreneur(s)
CASPAR	The Ripose computer assisted strategic planning and reasoning engine
Critical success factor	A critical success factor (CSF) is any crucial expression, which if adhered to, will lead to a favorable outcome - see Values
Entrepreneur	A person who organises, manages and assumes the risks of a business
Experience	Personal knowledge derived from participation or observation
Goal	A goal is any state a person wishes to achieve or a person has achieved. In the Ripose technique, goals represent the internal (rather than the external) view of the organization. See 1-4-11
Happiness	A state of contentment well suited for a purpose or occasion. See Passion
Issues	Something brought about by a cause. See Key performance indicator
Key performance indicator	A KPI is any important pointer, gauge, measure or component, which assists in the fulfillment of a task. See Issues

Appendix

Term	Description
Mission	<p>Aim set out in order to achieve the prime goal (purpose) - see Benefit.</p> <p>Generically all organizations can be viewed as having the following 4 sub goals or missions:</p> <ul style="list-style-type: none">• Prosperity• Robustness• Esteem• Perception
Needs	<p>A necessary value to help a stakeholder achieve benefits from the enterprises and in turn assist the enterprise achieve its benefits (delivers a maximum of 55% towards the enterprise's success in achieving its prime goal). A value from the 'heart'</p>
Passion	<p>The desire, ardor and enthusiasm of the organisation's personnel to survive - see Purpose/happiness</p>
Purpose	<p>The prime goal - To survive - see Passion/happiness</p>
Skill	<p>Natural or acquired facility in a specific activity</p>
Values	<p>The merits the enterprise will achieve through its benefits. See critical success factors</p>
Wants	<p>A desirable value which will assist a stakeholder achieve benefits from the enterprise and in turn assist the enterprise achieve its benefits (delivers a maximum of 45% towards the enterprises success in achieving its prime goal). A value from the 'head'</p>

Index

I

1-4-11..... 19

A

Architect..... 19

B

Benefit 19

Business person..... 19

C

CASPAR 19

Critical success factor 19

E

Entrepreneur 19

Experience 19

G

Goals 19

H

Happiness 19

I

Interviewees..... 2

Issues 15, 19

K

Key performance indicators19

M

Mission..... 20

N

Needs..... 15, 20

P

Passion 20

Purpose 20

S

Skill 20

V

Values 20

W

Wants 15, 20

Identification

General

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