

THE PAIN POINT ELIMINATOR™

Articulating Your Financial Vision

The Cost of Free!

What is an opportunity cost? Opportunity cost is the difference in return between a chosen investment and one that is passed up. It is also referred to as the shadow price.

There is opportunity cost when turning down services simply because of costs! The "free" business plan may have unintentional consequences by not representing your value proposition for an investor, forcing you to start over!

The opportunity cost of free information can be considerably more burdensome financially than the cost of paying a market research firm in the first place. Your own valuable time is lost, and delays in going to market give your competition an advantage!

At the other end of the spectrum are the costs of services that you may value for their price. These costs are more tangible and not as hidden. Most entrepreneurs have a good feel for when to engage in "above budget" expenses, IP protection being one example. Carefully weigh your costs and benefits!

Adhere to Your Strategy and Vision

A clearly defined corporate strategy and vision will give you focus. Keep both short-term (3-month) and long-term (12-month) goals for your company. Evaluate regularly how you are staying the course, and adjust accordingly. A financial strategy and a yearly budget are essential; stringent tracking is critical in controlling your cash burn. Opportunity cost increases when you divert from your path to profitability.

Know What You Don't Know?

Knowing what you do not know is not trivial; it is vital to running a successful business. In the early stages, you need support in getting from here to there, and understanding what you need is half the battle! Carefully evaluate your core competency. Running an efficient, effective and optimal entity means knowing what you don't know and then strategically filling in those voids.

Practice Ongoing Cost-Benefit Analyses

Incorporate your strategy and vision in performing ongoing cost-benefit analyses. What gets outsourced versus done in-house? What business portion is better carried out by a professional? What are the costs involved, including your time, in doing it now versus later? Continually assess your costs and benefits to keep opportunity cost in balance.



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We build financial and business models to articulate your business proposition and add value with our focused, strategic approach to move you forward both operationally and financially. We offer interim management for incomplete executive teams and position start-ups in life sciences and high tech for angel or venture capital.

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Loss of Time

Loss of time is another aspect of opportunity cost that entrepreneurs tend to overlook. It is difficult to quantify, but its effect is very real. This hidden cost begs the question, how and on what do you spend your time? How will you get to commercialization? Which corners do you cut, and which do you not cut? Are you micromanaging or delegating? Diversions are unavoidable, but try to focus on optimizing and delegate when appropriate.

Move Forward

Moving forward should be your goal at all times. This demands a tremendous amount of discipline and hurdle jumping. It is the typical paradox a CEO faces and can be extremely frustrating. Yet every decision not made and every diversion taken delays you from going to market!

You should never be so cash constricted that you cannot hire a lawyer to evaluate one of your contracts, or restrict yourself from hiring a consultant to add value to your strategy and goals. There are lots of service providers in this space who understand your cash constraints and share the passion of entrepreneurship.

Spending money wisely up front can save you oodles later. Always remember opportunity cost—it is real. Consider the hidden cost of free!