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Technology valuation strategies of Iranian startups

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Abstract

The purpose of this research is to identify the dimensions and explain the technology valuation strategies of Iranian startups. The research method was applied in terms of purpose and based on the method of data collection, with a qualitative research approach. The statistical population of the research included experts, policymakers, consultants and CEOs active in Iran's startup ecosystem, 10 people were selected using the purposeful sampling and available method, and it was also analyzed using the interview content analysis method. Based on the findings of the study, 7 subcategories were identified in the main category of strategies. These sub-categories include the development and promotion of the technology valuation discourse, the transformation of existing knowledge in the field of technology into desirable and valuable knowledge, leadership and idea management, comprehensive technology evaluation system, culture building, regulation and regulation in the technology market, and the localization of technology valuation. Therefore, these strategies, while paying attention to Iran's environmental and cultural issues, can help the development and progress of Iranian startups in the technology valuation process and play an important role in the country's economic development.

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Extended Abstract

Introduction

Startups are created as small, new, and independent businesses by individuals for self-employment (Birley & Westhead, 1994). Granlund et al., (2005) provide a definition of a start-up considering fast growth or fast growing companies operating in ICT businesses and the biotechnology (life sciences) industry (Granlund & Taipaleenmäki, 2005). In general, new businesses that have started from scratch are referred to as startups (Audretsch, Belitski, & Caiazza, 2021). However, the valuation of startups is a vital issue that must be addressed in order to attract capital and provide the necessary financial resources for their growth and development. The importance of correct startup valuation is directly related to the importance of this type of company in today's economy (Akkaya, 2020). Also, in recent years, the economic value of startups has been increasing (Stangler, 2019). In addition, startups are the main actors promoting technological innovation (Montani, Gervasio, & Pulcini, 2020).

Valuing technology in startups is one of the main challenges in the development and sustainability of these companies. The correct valuation of technology as one of the most fundamental components of decisions related to investment, development strategies, and attracting financial resources can help startups to be more productive of their resources and experience more sustainable growth.

Therefore, considering the expansion and importance of startups in the economy, it is important to understand the correct methods to measure their value (Sander & Kõomägi, 2007). Over time, it became clear that traditional valuation methods (cost approach, income approach, and market approach) are not enough to assess the value of a startup and other things should be considered. In addition, start-up companies typically have almost no track record, meaning that venture capital must "rely on a subjective evaluation method, based on the business plan provided by the investment management." Therefore, it is natural to assume that management is interested in providing a high equity value in order to prepare well for its exit (Hoffmann, 2023).

Considering the importance of technology valuation of Iranian startup companies and also the mentioned cases, the present study introduces and examines technology valuation strategies in Iranian startups. So the main issue here is how to choose and implement appropriate strategies for technology valuation in these companies. In this regard, the main question of the study is raised as follows: what are the effective strategies in valuing technology in Iranian startups?

Literature

Valuing technologies and innovations is difficult due to high uncertainty in commercialization (Kim, Ahn, Kwon, & Lee, 2019). Valuing technology is an illogical goal, and this means reversing the relationship between the means and the goal. This inverted valuation is harmful to the cultivation of mental culture (Gunderson, 2017). Access to information improves efficiency in valuation. The role of the Internet and Internet searches is important in disambiguating or moderating valuation bias (Chang & Kwon, 2018). Technology evaluation based on price adjustment by the transferor is a model for technology valuation that has three stages: first, the technology price is set in negotiations, and in the second stage, the price range is gradually limited, and in the last stage, the time interval for bargaining is determined to ensure a scientific and reasonable price (Ma, 2015). Business team, opportunity size, marketing, sales channels, partners, competitive environment, product strength, intellectual characteristics, idea implementation time, investment periods, and rules and regulations have the most impact on the value of oil startups in Iran (Ghanbari, Hoseini, & Moradi Esfanjani, 2019). To calculate the value of technology, the three components of the costs incurred for it in different stages (laboratory, prototyping, semi-industrial, etc.), analysis of the future

revenues of the technology and the impact of its special features can be used (Fakour, 2017). At the strategic level of ecosystem innovation, performance is considered in the form of environment and infrastructure preparation (Javidaneh, Jafari, & Vazidedoost, 2021). The possible distribution of the project value and the percentage of the obtained profit are the most important for making decisions in investing in venture projects (Hernandez-Garcia, Guemes-Castorena, & Jaramillo, 2017).

Research methodology

The current research is applicable in nature, and has been implemented in the framework of qualitative method. The statistical population of the research is made up of 10 policy makers, and managers of startups, knowledge centers, accelerators and activists in the country's start-up businesses. The method of data collection was done by conducting face-to-face, in-depth interviews with open questions between 30 and 60 minutes. To ensure the validity of the research, the central coding stage was reviewed by the participants and their views were applied in the central coding stage. Also 3 management professors reviewed the findings and commented on the central coding stage. At the end, the participants helped the analysis and interpretation of the data at the same time.

Findings

According to the conducted interviews and analyzes done to extract the components and dimensions of the model, the main and subcategories or indices were identified. Based on this, 7 subcategories have been identified for the main category of strategies. Based on this, the results of the present study showed that in order to design and implement the most successful technology valuation model in Iranian startups, adopting strategies such as 1. Developing and promoting the technology valuation discourse, 2. Converting existing knowledge in the field of technology into desirable and valuable knowledge, 3. Idea leadership and management, 4. Comprehensive technology evaluation system, 5. Cultivation, 6. regulation in the technology market, and 7. Localization of technology valuation can be the way forward.

Conclusion

The functioning of the results of the present study is influenced by the economic-infrastructure, cultural-social, and legal-political background conditions of Iran. These strategies, while paying attention to Iran's environmental and cultural issues, can help the development and progress of Iranian startups in the technology valuation process and play an important role in the country's economic development.

Also, interfering factors such as conflicts of interest and technology brokers can also influence the aforementioned strategies and technology valuation in Iranian startups. If the strategies mentioned in the findings of the study are implemented correctly, it can be hoped that in the future, start-up businesses and the entire innovation ecosystem in the country will benefit from the profits of calculating the real value of startup technology and the profits of the technology valuation process itself, regardless of the outcome of this process.

In this regard, Fakour (2017) presented a framework for valuing technologies in the early stages of development, which included three components: costs incurred for technology in different stages (laboratory, prototyping, and semi-industrial), analysis of future revenues, and the impact of specific technology features. In this study, the role of factors such as the type of business, technology brokers, the bubble of startups claiming technology and innovation, the necessary requirements for valuation, culture making in this field, etc., are not mentioned. khatami firoozabadi et al. (2017) also presented a model for valuing electronic services

(information technology) in large non-profit organizations. In this study, the researchers presented strategies for electronic services in their own model. Based on the results of the study, the researchers state that the opinion of customers is one of the factors that determine the value of electronic services. Also, the costs of providing systems hardware is one of the variables that determine the value of electronic services in the public sector, but in non-profit institutions due to the lack of legal requirements, extract of system hardware costs from financial books is not easy, and due to the multiple use of hardware to provide different electronic services, it is not easy to measure the cost share of each software or system. Menville & Kraemer (2004) developed a resource-based model for IT business valuation that includes IT resources and complementary resources that affect business processes, which in turn affect organizational performance. Also, Chow et al. (2007) argue that the value of information technology is the value provided as a result of the use of information technology. Researchers propose a three-dimensional classification that includes four main levels of user satisfaction, individual impact, organizational impact and social impact (Chau, Kuan, & Liang, 2007). Kohli and Grover (2008) also developed a framework for defining intermediate value (e.g., business process improvement), output value (e.g., better customer service), and competitive value (e.g., first to market) of business information technology (Kohli & Grover, 2008).

According to the results of the present study and the positive effect of the strategies proposed in the design and implementation of the technology valuation model on Iranian startups, it is suggested that organizations and startups in Iran take advantage of these strategies. Therefore, it is suggested that the officials and policy makers in the field of entrepreneurship and productivity take the necessary measures regarding the importance of valuing technology in the media and social networks. In this regard, it is important to hold conferences and seminars with the participation of elites and experts in the field of technology to create a valuation discourse. Also, encouraging cooperation between universities and industry in order to exchange knowledge and commercialize university technologies, create mechanisms and standard criteria to evaluate and measure the value of technology in startups and industry, amend laws and regulations related to technology in order to facilitate the process of valuing and commercializing technology, and adapting strategies and Valuation models with Iran's local and cultural conditions can be helpful in this field.