



AN ENTREPRENEUR ACADEMY WORKBOOK

IDEATION

Lesson 1: Ideation

“Everything has been thought of before, but the problem is to think of it again.”

- Johann Wolfgang von Goethe

A business is only as good as its ideas. In this workbook, you'll learn how to harness the power of ideation, using proven tools and techniques to increase your chances of success.

Nick Woodman wasn't planning to change the world when he came up with the GoPro. He just wanted to film himself surfing and couldn't find a camera that could take the punishment. Sara Blakely didn't set out to conquer the world of fashion either when she cut the legs off her pantyhose. She loved the support but not the way the toes looked in open-toed shoes. With the snip of a pair of scissors, Spanx was born.

The annals of entrepreneurship are filled with similar stories. Ordinary people who came up with extraordinary ideas.

In most cases, a great idea came about over time. Those 'aha' moments where a lightbulb appears over your head are more fiction than fact. Speaking of the lightbulb, when Thomas Edison was asked about the thousand times he failed to create the lightbulb, he famously replied, "I didn't fail 1,000 times. The lightbulb was an invention with 1,000 steps. Many of life's failures are people who did not realize how close they were to success when they gave up."

Indeed, some of the most incredible ideas in business have been incremental improvements rather than a sudden epiphany in the dead of night.

Three paths to ideation

Let's start with that legendary lightbulb moment.

You're in the shower, driving down the road or doodling during a meeting that's more boring than usual. Then BAM! All the dots dancing connect at once and that big idea bubbles to the top. You really can't believe no one has thought of it before.

Doing a little research, you find out that someone has thought of it before. Maybe they

didn't go any further with the idea because the market was too small or it was hard to pull off as the technology wasn't quite there yet. So you decide to noodle it some more. Perhaps you have a new viewpoint or some expertise that serves as the missing link.

That's how it happened for Jim Bodden. He knew that people hated to surrender their homes to a painting crew who took a week to do a job. Then it hit him! If two painters can paint 10 rooms in five days, why can't 10 painters paint the same rooms in just one day? Voila! He had a business - Wow 1-Day Painting.

The next path comes from your current job. Your company may be engaging in activities that are inefficient, costly or time-consuming. You may see an opportunity to create a new product or service that will fill that need, not only at your current employer but other businesses or even entire industries. So you decide to fill the gap.

The third way is the most common. A new idea takes shape because the individual – the entrepreneur – made a deliberate decision to focus on creating a new enterprise. The product or service may not even be clear yet. The business is the idea and the goal is to create a successful one either through innovation (improving on something that already exists) or invention (creating something entirely new).

Having the right attitude and changing behaviors will put you on this path toward ideation and entrepreneurship. As you explore what you're passionate about, study the world around you to identify problems that need solutions – gaps that can be monetized – learn more about human behaviors, desires and needs, and ask "What if...", an idea will start to form.

The Ideation Process

1. What is your primary goal or motivation?

Starting a business is hard work. It is not for the faint of heart and will take a lot of time, money and resources. You may fail many times before you get it right. Before you jump in with both feet, ask yourself: "Why do I want to do this and at what level?"

- *Do I just want to turn a hobby into an extra revenue stream?*
- *Do I want to create a part-time business that could become full-time?*
- *Do I want to do a startup that has an exit strategy where I sell it five years down the road?*
- *How about a high-cash positive business with low overhead and fast turns?*
- *Or do I have a particular talent that I could turn into a permanent, paying gig?*

A lot to think about already, right?

There are lots of ways to get started. You can start by making a list of things you like to do that may be business-worthy. After all, you're going to be spending a lot of time on your business, so why not love what you do? Don't feel rushed to move through this or any other step. Take your time to think about your goals and motivation for striking out on your own.

A good way to get the ideation process started and to bring focus to your desire to be an entrepreneur is to use a technique a lot of creatives use. It's called "morning pages," which was popularized by Julia Cameron in her book *The Artist's Way*.

A lot of times, we can't create – or in this case, ideate – because we are trapped by uncertainty, scarcity or fear. We may be afraid of change or think we don't have enough time or money to make our dreams a reality. We look so far down the road that we aren't willing to take the leap of faith that a great idea requires.

If you are struggling with the idea of starting a

business, you need to get rid of all the clutter in your head that is preventing you from thinking with clarity, focus and purpose. We all carry a lot of stuff around with us – fears, hopes, grief, sadness – things that happened in our past or in our relationships. This clutter can keep you from moving forward and being open, which is essential to ideation. You need to believe you can create great ideas. You need to believe in yourself.

The idea of morning pages is simple enough. You get up in the morning and open a notebook. Write three full pages. No more. No less. There is no theme. There is no right or wrong. This is stream of conscious stuff. Write about whatever comes into your head. The goal is to empty your mind of the things that hold you back and commit it all to paper. That way, your brain is ready to create and ideate.

It sounds easier than it is. At first, you may find you're being critical of yourself and what you wrote. That's O.K. Eventually the clutter will start to clear and you'll start writing about your ideas, hopes and dreams. Nuggets will begin to appear. You'll start to see themes and patterns. As you do, ignore all the earlier stuff you wrote. You don't need to ever look at it again as it will just re-clutter the mind you just cleared out.

2. Frame the problem

Inventing the next Pet Rock is relatively easy. Starting a lasting business is hard. Businesses that stand the test of time identify a problem and solve it. This is where the listening portion of ideation comes into play. You want to listen to others about what problems they face.

If you just jot down ideas without doing any research, you're going to end up with a long list of dead ends, in part because the ideas will be based on your own predispositions and biases. Yes, you could luck out and hit on the big idea doing it this way. But you may miss out on an even bigger or better idea because you didn't take the time to listen to the needs of the marketplace and gather feedback. Using the goals you created above as a

springboard, think about different audiences in the marketplace that may be interested in something you may be able to offer. Use general descriptors for your prospective customers or audience that are facing a challenge or have a need that you could potentially solve. Start with those that are the most obvious, then move outward to those that may be less obvious. If you're having trouble visualizing your customers/audience, go broader and think about the industry itself.

This may seem counterintuitive since one would typically think that they should come up with a business idea first and then find customers for it. But this sets you up for failure as you may discover a solution that doesn't have enough customers to be profitable. That's why you want to keep the potential customer base broad. You will narrow the audience down later on as you refine your idea.

Also, if your idea is targeted to a specific geographic area, include that as part of your customer description.

An excellent way to do this is to use Excel or Google Docs. Put all the potential customers/audiences down the left side. We'll go across the idea board next as we look at business models and pricing.

Don't get too hung up on getting this all correct. This is supposed to be a sloppy, inexact process. Remember, you're in ideation mode, not operational mode. You will be refining this all as you go forward. If you're lucky, you'll find a few gems on the first attempt. But you may end up doing several of these frameworks until you start to see the thread that will lead to ideas that you can build upon.

Now that you have a list of customers/audiences, you can go across the top and put business or pricing models into the cells. Examples are subscriptions, product bundling, outsourcing non-core functions, after-sale care, daily deals, lead generation, or even

more exotic models such as collaborative consumption (think Airbnb), or rapid evaluation/matching (think Match.com or EHarmony), etc. If you need more, TechCrunch has a good list.

An example of the grid in action...

Let's take a single idea for a spin and see how *this grid would work*.

Let's say you love skydiving. It's your passion. You would skydive every day if you could. But as you know all too well, skydiving is a seasonal pursuit, as the marine layer loves to cover the Washington State with low clouds, the bane of skydivers everywhere.

As every skydiver knows, the fun of the sport isn't in the long airplane ride to altitude or the ride under the parachute. The fun is in the falling. To fall just 60 seconds, you need to reach an altitude of 12,500 feet, which means a 20 minute airplane ride, not including loading and taxiing. It also doesn't include the time you have to wait on the ground to get a spot on the plane. So, at best, you get four minutes of actual freefall time over the course of an eight hour day. And that's when it's sunny.

There must be a better way, you think. Now, controlling the weather isn't possible. Building a giant dome of glass over the state would seriously disrupt air travel and who wants to clean it? You could dig a really deep hole in the ground for people to jump into, but how do you get them back out? You recall the time you tried to dig a hole to reach China and decide that would be too much work anyway.

One day, it's particularly hot outside and you're stuck at home with the kids. You wish you could be skydiving, but instead you're sitting in front of a box fan wishing there was way more air so you could at least feel like you are freefalling. And you think to yourself, "Hey, could this be an idea for a business?"

At this stage, that's all you know. You don't even know how or if a fan of any size would work. But

that's not important at this moment. It's just an idea.

That's why you start with customers, enough customers to make it worth pursuing. It could be technically feasible, it could solve a problem, but are there enough customers to keep the doors open.

After doing a little research, you discover there are roughly 500,000 skydivers in the U.S. Given that the U.S. has 328 million residents, that's a pretty small market. So you think, would anybody else want to experience the thrill of floating in the air, especially if they could do it for more than a minute.

Adrenaline junkies, bucket listers, celebrants, families, grandparents, belongers, corporate trainers, adventurers get added to the list down the left side of your spreadsheet. You can always add more later, but this will get you started. Now, how are you going to bring them in and how are you going to keep them coming back? This is where your business/pricing models kick in. List all the ways you could engage customers – memberships, special events, promotions, loyalty and referral programs, loss leaders (buy 1, get 1 or heavy discounts), etc. – across the top of the grid.

Idea Time

By now, you should have a nice grid to work with, one with customer/audience types down the left side and business/pricing models across the top. Now it's time to tackle each square where they intersect. What could you offer that will get them to come in and more important, come back. Some boxes won't have an obvious connect point. Others may have more than one.

This will help you match up customers with ways that you can meet their need and demonstrate a wide enough customer base to support a business. You may also discover additional businesses/offerings you could add to your model.

Research some businesses that use similar models so you can visualize how it works for a

particular customer/audience. Then test it on each customer or audience in your grid to see if there is a fit. What problem would the model solve or what need would it fill? If you get stuck, study up a bit on the audience.

Go back into listening mode and see what that customer segment is talking about. In the example above, maybe you'll find out that skydivers actually love the ride up in the airplane and there may be a better business opportunity there instead (an inflight drink cart service is probably not going to be one of them). Or perhaps you come to find that an audience segment would pay a premium to buy a high performance parachute that would let them do more once they pulled the ripcord. That could be another business idea on another spreadsheet to ponder.

As you mull these ideas, ask yourself who is already meeting the need? How are they doing it, and why are they in that space? What opportunities do they see that you also see? More importantly, what don't they see? Back to the skydiving scenario again.

As you look at your grid, you start connecting some dots. The box that intersects Skydivers (audience) and Memberships (business model) is an easy one. You could offer memberships that allow skydivers to buy freefall minutes in bulk. For a Loyalty Program, you could offer additional time blocks air as a perk after they reach a milestone (hours in the air, # of visits, etc.).

Memberships could also work with New Customers. While their adrenaline is still pumping, you could offer an Introductory Membership to a first timer at a discount to entice them to come back.

Keep doing this for all of the boxes in your grid. Again, don't worry about getting all the answers at this stage. The goal is to quickly formulate an idea and come up with some customers and models to see if it is even viable. You'll do a lot more research and testing in the next stages.

Need more ideas?

If you're stuck for ideas, you can use a technique that's called the "idea date." This is an uninterrupted block of time where you explore the world around you to come up with new ideas. The goal is to set aside any predispositions, observe things without the usual life distractions, and look for new ideas that are all around you.

Take a notebook with you on your idea date, which should take you somewhere you haven't been before or been to in a long time. Getting away from the familiar can get your creative juices flowing and help you see the world differently, which can often lead to amazing breakthroughs as you experience your environment in new ways.

As stated in the opening video for this module, this is a great time to listen, observe and be curious. Pay attention to what others see as problems, look at trends that are taking shape, and understand human needs and desires so you can start to see ways to help people achieve their objects of desire. Use your imagination to ask "what if..." as you wander about the environment you're in.

It may take you a few outings to get used to these dates. You may initially get nothing out of them or think they are a waste of time or worse, an indulgence. Don't be too hard on yourself. If you're stuck, these adventures will help unstick you. Eventually, you will start to form new ideas, ones that might even surprise you.

3. Time to narrow the field

With any luck you should have several spreadsheets by now, each covering a different idea that has its own goal, customers/audiences, business/price models and intersections.

Working with too many ideas from this stage forward is counterproductive. Ideally, you want to narrow your list to the three that are the most promising. Don't throw the others out

quite yet. They may come in handy down the road.

Start by asking yourself some questions related to each main idea:

- *Do you have relevant experience in the industry?*
- *Do you know people who are already in this space that can tell you the advantages and disadvantages?*
- *How well does the model/customer align with your original goal?*
- *What is the upfront capital cost to enter the space?*
- *Is it worth it in terms of the return on the investment?*
- *How big is the market?*
- *How unique is your approach compared to your competitors?*

A word about the competition: First, don't be put off by the fact that you have competitors. It's actually a good sign as it means that the model and customer mix is big enough and profitable enough to attract more than one business to the space. Also, there are plenty of stories about a new player that replaced a dominant one, and this is particularly true as the economy resets itself and is ripe for disruption. Does anyone remember MySpace or Altavista?

As you think about competitors, don't think too narrowly. If you want to open a Mexican restaurant, the other Mexican restaurant in town isn't your only competitor. Taco Time, Taco Bell, other casual dining restaurants and even home delivery, takeout and home cooking may also be your competitors.

When you're done with your initial ideation and have your top three ideas, test them with some friends or colleagues. See which ideas rise to the top and seem to be the most promising. If you want to, stack rank your ideas based on your own passions, goals and the feedback you receive.



Some additional help...

Washington's Department of Commerce has an excellent tool to help you assess your model and customers. With SizeUp you can run various scenarios to your heart's content using cost and revenue projections, location, customer segment and marketing strategies as variables. At each juncture, you can dive a bit deeper with associated resources or adjust the numbers until they meet your needs or align with regional and national averages.

SizeUp is located at:

<http://MyStartup365.com/tools/sizeup>

4. Time for a deep dive

Now that you have three solid ideas, it's time to perform additional research.

SizeUp will do some of this work for you. You can use it for each of your ideas to refine your model and confirm the research you've done up to this point.

You will also want to talk to potential customers, suppliers and partners. You don't want to give up too much detail at this point. But you do want to share enough information that you can get some feedback. Talk to people informally, run some surveys and conduct a few informational meetings with key partners or suppliers. Visit some online forums that are aligned with your idea. See what people are saying and what they are complaining about. Learn what's hot and what's not and figure out how your idea can fill a void in the marketplace.

Here are some of the things you should ask:

- *What is the biggest pain point for your audience?*
- *Does your business, product or service address it or, better yet, solve it?*
- *What is the biggest problem with your idea?*
- *Do the people you talk to know anyone else who has a similar business, product or service?*

- *If so, what do they think about it? Where could it be improved upon? Where does it excel?*
- *Do they know anyone else you could talk to that could provide additional feedback?*

Spend a lot of time online. Thanks to the Internet, you can do vast amounts of research that was previously available only to large corporations.

Start by looking at potential competitors. Study them intently and remember that there may be additional competitors in addition to the obvious ones. Note who the established players are and the newcomers. What trends or market conditions are changing their respective place in the marketplace? Study the content on their website, watch their sales videos and read their blogs.

Become a good student of their journey as it can help you not only refine your new idea, but offer lessons learned, so you don't make the same mistakes. As Sun Tzu once said, "know yourself, know your enemy, and you shall win a hundred battles without loss."

For each idea, think about the necessary resources you will need:

- *Physical space requirements, short and long term.*
- *Machinery and equipment especially anything that isn't off-the-shelf.*
- *Local, county or federal inspections and approvals required.*
- *Initial workforce and long-term workforce projections.*
- *Specialists that would need to be hired near-term and their general availability in your locale.*
- *Capital required to start and maintain operations for specific periods of time*

None of these are deal-breakers. Highly successful companies have been started by a single person and \$1,000. By getting a bigger picture of what is involved down the road, you'll know more about what you're really

getting into and can either rescale or rethink your idea before a single dime has been spent. The resources and cost to pursue a specific idea may cause one idea to rise above another. Or it may cause you to change your idea and take it in another direction, one your competitor never thought of.

Don't get ahead of yourself.

At this point, some entrepreneurs are tempted to invest time and money creating the trappings of a business – setting up a business structure, picking a name, torturing over a logo and corporate colors and coming up with an impressive job title.

This is all “busyness,” not business. There is plenty of time for this down the road and we have an entire Small Business Startup Playbook that covers all the machinations of setting up and operating a business in Washington State.

Right now, you need to test your idea with real customers, meet your competitors face-to-face, perfect your business model, and validate your idea outside of your circle of friends and family who, while well meaning, may not tell you the absolute truth.

Is this solving a real issue for potential customers? Is the problem big enough or its duration long enough to create a profitable business that offers a solution? Would people be willing to pay for the product or service at a level that would let your business idea be profitable in a reasonable amount of time? We'll get even deeper into the weeds as we work on a Business Canvas in our next lesson and companion workbook, which offers you a different way to think about your business. Many of the things you've been doing up to now will be useful in the Canvas, so don't think you've been wasting your time in the Ideation Stage.

The goal at this point in the process is to whittle down the ideas from three to one. The more you know about your prospective

customers, the more you know about their spending habits, the places they spend their money, their pain points, etc., the more you will be able to make informed decisions about your idea and how to turn it into a successful business.

If you have competitors, experience their product, service and establishment first hand to identify their strengths and find their weaknesses. Attend trade shows that are aligned with your idea. Talk to vendors, attendees and your competitors. Talk with suppliers who will be more than happy to take the time to speak with you as a possible source of new business. Compare pricing and service models. Learn as much as you can about the market you're about to enter and all the players.

As you start on your Business Canvas, you will be grateful for the time and energy you put into the Ideation Stage of your business.

Assignments

1. Identify a solution for something in your life that bothers you. Create a problem journal.
2. Think about things you are passionate about that you could add value to by making it more efficient, cheaper and fun.
3. Survey your friends and family and ask them how would they change things in their world.
4. Pretend you are a manager in your current occupation and imagine how you would make it easier for your customers or colleagues.
5. Examine the product or service at an existing business and how it could be used for a different purpose or different market. Shift your perspective in a new light. Look beyond a product or services common function.
6. Review your work history and examine what you liked and disliked about the job.
7. Determine what it would take to turn your hobby into a money making career.
8. Attend startup weekends and see what ideas other entrepreneurs are proposing.
9. Observe economic, social, technological, political and regulatory trends and think about how you can address an issue related to them.
10. Ask your children what products they would like to change or have in the market. They are the targets for any future product or service.
11. Dedicate a notebook to ideas that you come across in your daily life.



