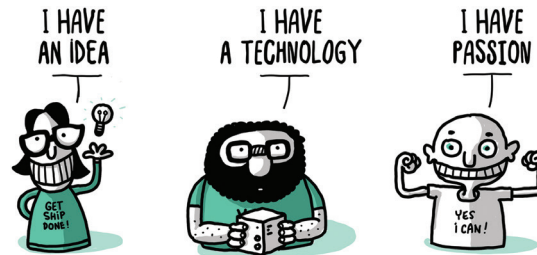




STEP 0

Getting Started

START HERE



Three Most Common Ways to Start a New Venture

When I listen to my students, I hear a diverse range of reasons as to why they are interested in entrepreneurship. Some students have worked in industry for years and want a change. Some want to be their own boss. Some hold patents and are interested in the different ways they can commercialize them. Some have an idea about how their own life could be improved, and they wonder if that idea is interesting to others. And there are many more.

All of these reasons can be synthesized into three distinct categories (Figure 0.1):

- **Idea:** You have thought of something new that can change the world—or some small part of it—in a positive way.
- **Technology:** There is a technological breakthrough and you want to capitalize on it, or simply expedite its deployment to have a positive effect on society.
- **Passion:** You are confident and comfortable pushing for change in the world, and you believe that being an entrepreneur is the way to have the biggest impact. You may simply want to work for yourself but you don't have an idea or technology yet. Read on to learn how to find a good idea or technology aligned with your passion. I don't mean to scare you, but you will need more than passion. However, let's start with "passion" and develop it into something you can carry with you into the subsequent steps.

What does it sound like to have an idea versus a technology versus a passion?

You should be able to sum up your idea, technology, or passion in one succinct sentence.

Idea:

“I want to start a company in Africa that will create a sustainable business model to improve life for the people there and empower them with jobs.”

Here, the idea is that a sustainable business model will reduce poverty in Africa more effectively than charitable contributions to the poor. This sentence is enough to move on to the first of the 24 steps, Market Segmentation, though as you will see, you will have to be much more specific before you can turn the idea into a business.

Technology:

“I have a robot that allows the user to feel objects rendered by a computer.”

This statement radiates with potential. How could someone benefit from being able to have a three-dimensional object on their computer screen and still be able to feel it, in some way, in physical space? I co-founded a company, SensAble Technologies, around this very technology, and throughout the book, I share the SensAble story.

Passion:

“I have a master’s in mechanical engineering and I can quickly prototype almost any technological gadget. Now I want to put my skills to use in the most impactful way possible, and be my own boss.”

This person has identified a personal competitive advantage, the ability to prototype gadgets quickly, which can help a business go through product iterations faster. The person may want to consider a hardware-based business because it would line up well with the competitive advantage.

Figure 0.1: Three most common catalysts for a new venture.

I am frequently told that an entrepreneur cannot start without knowing a “customer pain,” a problem that bothers someone enough that they would be willing to pay to alleviate the problem. That approach is one very good way to enter into entrepreneurship but it is not the only way. It can discourage some who would otherwise be interested in entrepreneurship. Furthermore, it discounts the importance of something even more essential. Starting a new venture is very, very hard—whatever it is that you are going to do—but gets you very excited. Accepting that fact is every bit as important as finding a problem to solve.

Raison d'Être: Internal Motivations Must Be at a Higher Level

Please don't try to start a company because you simply have an idea or technology. That is choosing to run in a marathon because you thought it was a nice idea to go for a run on a sunny day. You won't last.

You must have a driving passion and commitment for what you are thinking about doing. Entrepreneurial thought leader Brad Feld says that it is more than passion, it is "obsession."

This is what I refer to as the *raison d'être* (French for "reason for existence") for your new venture. If the response to the question "Why are you starting this company?" is "to make money," I reject this as not being an acceptable answer. That is profiteering, not entrepreneurship. You will not build a great company, nor will you and your team last through the inevitable ups and downs any new venture is destined to go through. To me, entrepreneurship is an ethical activity to make the world a better place, which is *not* simply profiteering. The *raison d'être* is fundamental to this.

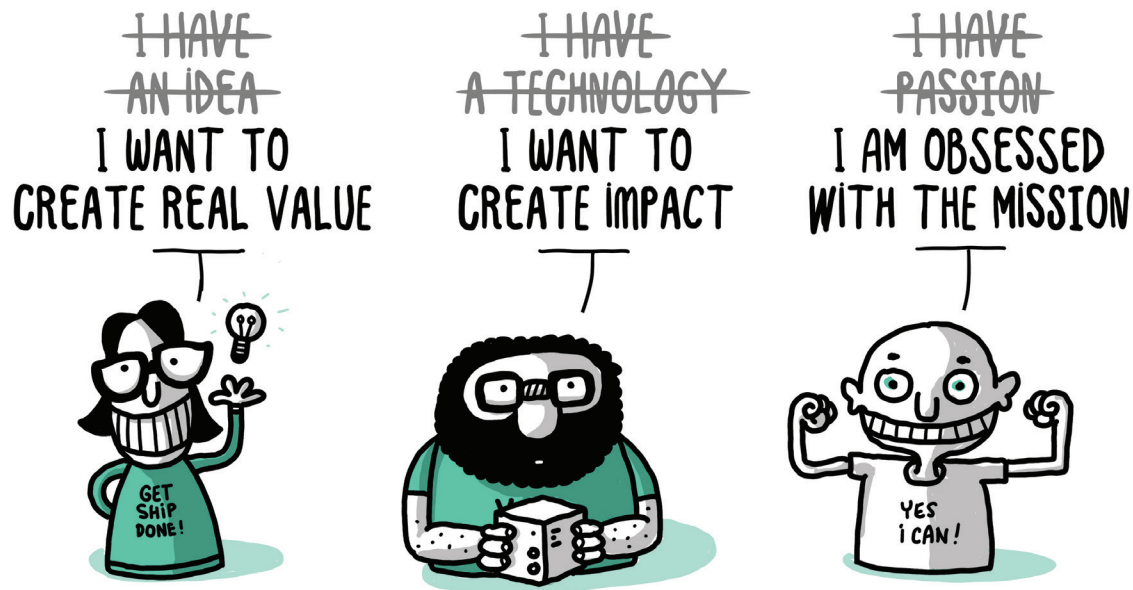


Figure 0.2: You need a *raison d'être* for starting a new company that is more than profiteering.

As you can see from Figure 0.2, there needs to be a higher calling than simply making money or solving a problem, and more commitment than just passion. This will be a long, hard journey and you must have a high level of motivation to sustain it through these trying times and to recruit and retain others to do the same.

To be clear, making a profit on what you do is not inherently bad; in fact, producing positive cash flow from operations is necessary to create a sustainable organization. But it *supports* the primary mission; profit itself is not the primary mission.

Figure 0.3 is a simple test to see if you are actually ready to start a new company.

Passion => Commitment Checklist

I understand that . . .	Yes	No
1 . . . founding a company will be really, really hard and I still want to do it.		
2 . . . it will be a lengthy process loaded with humiliating failures along the way, and I must learn from them and not take them personally.		
3 . . . I cannot do it alone.		
4 . . . the path to success is not an algorithm with set rules to follow, but an iterative process where I can only increase or decrease the odds of success. I cannot guarantee anything. Even if I achieve success, it is only temporary and I must keep iterating to continue succeeding.		
5 . . . as such, the goal is to make an “anti-fragile” organization—one that gets stronger over time when faced with problems, failures, uncertainty, and surprises.		
6 . . . when others provide advice, I will listen, but I will also recognize that it is up to me to choose which advice to implement, and how to implement it, since only I own the final results and accountability.		
7 . . . I will have to leave my comfort zone every day to grow and continue to be successful.		
8 . . . I am doing this for more than the money. I believe in my cause and my team.		

Figure 0.3: Gut check and setting expectations questions before starting a company.

You want to be clear on the nature of the journey you are about to go on before you start. The goal is to gauge whether you meet the minimal level of “informed passion/obsession” that is required to start a company.

If you did not answer “Yes” to all of these questions, it is certainly not the end of the world. You are being honest! Answering “No” to some of those questions does not disqualify you from being an entrepreneur at some point, and this book will still be useful to you. On the other hand, to give you honest advice, don’t start a new company today. The time is not right.

And that’s okay. I estimate that over half of my students fall into the category of what I call the “curious/exploratory entrepreneur.” These are people who are interested in learning about how to start a company, but they’re not ready to quit their job tomorrow and pour their lives into a fledgling company with high levels of uncertainty and chaos. Some of these students end up being very interested in corporate entrepreneurship, or in being an “entrepreneurship amplifier,” where they work to increase interest in entrepreneurship and build up resources that will support startups.¹

All of these people benefit from going through the 24 Steps with some idea or technology so that they better understand the level of detail that goes into starting a company. And someday if they become ready to start a company, they will have a much stronger set of skills and knowledge ready to apply to the challenge. Even if you are not ready to start a new venture, I think you should still be very interested in developing an entrepreneurial mindset, skill set, and way of operating for your own personal development. I encourage you to go through this book and the online resources and think about the principles involved in making your existing organizations better. You’ll learn a lot that will benefit you in any sort of new product development, even if it is not at a startup. Also, who knows what could happen by the end of this book? You might even find that you have developed the passion necessary for success.

But if you don’t have the requisite passion today, you won’t be ready for the short-term and long-term challenges that starting a new company will bring you. If you want to do this in a corporate environment, you need to have a lot of passion, but it just won’t be at the obsessive level you need to do a startup. And that’s okay! We need entrepreneurs everywhere, as I talked about in the introduction.

No matter how you have become interested in entrepreneurship, you need to start by first answering the following question: *What can I do well that I would love to do for an extended period of time?* This means you will be motivated for the good days as well as the bad days, and there will be a lot of both.

Once you have answered this question, you will be prepared to narrow your focus down to an idea or a technology.

¹ I discussed different levels of interest in entrepreneurship, and their resulting personas, as part of my keynote speech to the United States Association for Small Business and Enterprise 2016 Conference. You can view slides from the speech at <http://www.slideshare.net/billaulet/past-present-and-future-of-entrepreneurship-education-presentation-at-usasbe-conference-jan-10-2016>

How to Go From “I Have a Passion” to “I Have an Idea or Technology” Good Enough to Start the 24 Steps

If you don't have something to start with, then you should find a problem that needs to be solved that you are especially passionate about solving. But what does this mean? Let's drill down and make this advice more actionable.

The best type of starting point for a new venture in terms of initial success is a “market pull” where you identify an unfilled yet meaningful need to fix some “customer pain,” something for which there exists some group of people who are willing to pay money for a solution. It is called “market pull” because you are being pulled by the customer to satisfy an already defined general market demand.

The most common way to come up with an idea is from personal experience. For what problem have you seen a clever solution or workaround (i.e., hack) that impressed you? What problem have you experienced firsthand that you feel is significant and could be solved to great benefit for you and others like you? Often these problems are all around you if you look. Many entrepreneurs make an idea journal and fill it with ideas like this.

The most important thing for now is to be open to the ideation process (see below) and come up with ideas that your team thinks are worth pursuing. Step 1, Market Segmentation, is where you will start to rigorously test your idea against the market.

Another valid starting point can be a “technology push” based on some new-to-the-world concept that has the potential to create new market opportunities. It could be a technological breakthrough out of a lab. Or it could be taking a technology-enabled business model or process to a new market. Think of an Uber-like business model that builds a platform between underutilized assets (cars) and disaggregated demand (rides) to create more efficient markets—such a business is much more viable when every customer has a smartphone in their pocket. Generative AI, robotics, Software as a Service (SaaS), blockchain, or data analytics are other good examples. In this approach, your team has a competitive advantage or early passion about an exciting invention and is searching for a market to apply it to in order to create value and impact. It is a solution looking for a problem.

It can be challenging to take a technology and apply it to a true customer pain. Some teams get too enamored with the technology and they don't focus on understanding how to get paying customers.

Regardless of whether you choose a market pull or technology push, there is a lot you won't yet know about this initial identified customer problem. How urgent is the problem? How many people have this problem? How much will the customer pay for a solution? What does the competitive landscape look like? What will be your unfair (to your competitors) competitive advantage? How profitable a business can be built solving this problem?

You will explore those questions, and many more, throughout the 24 Steps, starting with Step 1, Market Segmentation. For now, your goal is to come up with *general* ideas that could be the basis of a scalable business that you will be excited about.

There are entire books, courses, conferences, and even companies focused on the “ideation” process,² so I will not try to comprehensively summarize it here. But I have a few key points related in general to brainstorming based on my research and experience:

1. **Diverse Perspectives:** Brainstorming is best done as a team with diverse perspectives. Without the whole team involved, some members may feel less invested in your success. Without diverse perspectives, your ideas may not be broad enough to find a truly great market opportunity.
2. **Use of Improv Mindset:** Use improv (improvisation) training techniques with your team. It’s effective at getting people to think in the “Yes, and . . .” mindset that fosters effective brainstorming.³ In this mindset you don’t look for weaknesses; rather, you build on each other’s ideas. Only after you’ve come up with a lot of ideas do you start a critical analysis.
3. **Early Test of Team:** Brainstorming and the subsequent filtering of ideas is also an excellent way to determine who should be and shouldn’t be part of your founding team. While not the express purpose of this exercise, this is extremely valuable and not to be overlooked. It is an easy way to see if you have a coherent and cohesive team that works well together.
4. **Take It Seriously but Realize the Idea Will Change:** Take brainstorming seriously, but understand that this is a small part of the overall process. An idea is necessary to start with, and it gets your team moving in the right general direction. Having an original idea is the single most overrated thing in entrepreneurship. The quality of your team, having a clear target market, and having a sound process for execution (like the 24 Steps) are much more important factors in ultimate success than your initial idea, which often changes dramatically over time.

² Readers are encouraged to view the video about the IDEO development process released on February 9, 1999, on ABC’s *Nightline* called “The Deep Dive.” This video is available in many places, including YouTube. While this video is now dated and the product is not important but rather a means to demonstrate a process, it provides good insights into a good brainstorming process.

³ My favorite and most efficient way to implement this step is to show the excellent video of a TED Talk given by David Morris in January 2012 for TEDxVictoria called “The Way of Improv,” <https://www.youtube.com/watch?v=MUO-pWJOrIQ>. Show the 11-minute video to the group and then talk about it for 5 minutes to get people in a good mood to brainstorm constructively. It works extremely well.

Which Comes First, the Idea or the Team?

The answer to this very relevant question is tricky. Both the idea and the team evolve in parallel and there is a connection between the two. That being said, in my experience, there has to be some general direction or idea to rally an initial team. The initial idea should not be fully formed, and no matter what, it will be flawed in so many dimensions to almost make it laughable.⁴ All this being said, the general theme of a problem is a way to catalyze like-minded people together to create a common vision. In that sense, the idea comes before the team, but they really develop together. That being said, people who join the team for the general initial idea and do not love the team, or people who join only for the team, will most likely create a team destined for mediocrity at best. It has to be a combination of the idea and the team, especially in the early stages.

What does not come first is the product. You should fall in love with the problem and the team but definitively not the product. That will evolve from the process and is not the starting point.

Finding a Founding Team: Entrepreneurship Is Not a Solo Sport

Once people are starting the process, one of the toughest questions I am asked is “How do I find a co-founder?” It is not easy and there is no simple formula. Finding your entrepreneurial soulmate is like finding your significant other in life. You have to get out there and hustle and use all means necessary. There is no algorithm or special site that will solve this challenge for you.

In the foundational entrepreneurship course I teach with other faculty at MIT, 15.390 New Enterprises, students who go through the 24 Steps must form teams in two weeks or less due to the time constraints of the academic semester. This process is not an optimal way to form teams, but it is enough for the student teams to gain experience in team formation and then have a team to proceed over the semester to implement (in an accelerated manner) the 24 Steps. From the ideas from the class that turn into businesses, some teams stay intact, but far more often teams undergo a healthy reconfiguration of their membership at the end of the semester to create a stronger, more unified team that is better suited to capture the business opportunity on a longer-term basis. This is an important evolutionary process.

Your choice of co-founders is extremely important. Research from MIT shows that businesses with multiple founders are more successful than those founded by an individual.⁵

⁴ See one of my favorite books on entrepreneurship, *That Will Never Work* by Marc Randolph, for a brilliant description of this phenomenon.

⁵ Roberts, Edward B, *Entrepreneurs in High Technology: Lessons from MIT and Beyond*, Oxford University Press, New York, 1991, p. 258.

Many resources go into more depth about finding good co-founders, as listed in the additional resources section at the end of this chapter. Probably the single best and most rigorous book for this topic is former Harvard Business School Professor Noam Wasserman's book *The Founder's Dilemmas*, where Noam covers this topic and more.

Ways to increase your odds of finding your entrepreneurial soulmate include:

1. **Get Out in the Entrepreneurial Community:** Attend entrepreneurial events and networking opportunities to meet potential co-founders, but understand the limitations of this approach. If you do not work with people in an intense way, it is hard to tell if you would be compatible co-founders. Simply attending events such as startup conferences and having casual conversations is really just the beginning. The more you can see of them in action, from pitch competitions to something even more challenging and chaotic like a hackathon, the more confidence you can have in your assessment.
2. **Co-Founder Matchmaking Platforms:** There are several online platforms that connect entrepreneurs with potential co-founders. These should only be the starting point; you have to really work together with deadlines and other pressure to know whether this is your true entrepreneurial soulmate or not.
3. **Business Incubators and Accelerators:** Business incubators and accelerators are a better place because you can see people in action with deadlines and find out about their reputations.
4. **Social Media:** Social media platforms such as LinkedIn, Twitter (now X), and Facebook can be useful tools to find potential co-founders. You can join groups or communities related to your industry and connect with other entrepreneurs. This just gives you leads, however, and you need to work together under some pressure to really know.
5. **Referrals and Personal Networks:** Don't overlook the power of personal networks when searching for a co-founder. Ask friends, family members, and colleagues if they know anyone who might be a good fit for your startup. Especially powerful would be alumni from your college or previous companies where you worked. These individuals will be able to give you an unvarnished perspective about the person, speak to their work, and attest to their values.

In the end, know that the decision of who your co-founders will be is one of the most important decisions you will make. You have to put the effort in and keep the bar high. If you want to build a great company, settling for good enough is never good enough. Interviews are overrated. There is a body of work on all of us out there if you dig enough. Find a situation where you can have a trial period before you buy. You shouldn't rush into a marriage, nor should you with a co-founder commitment.

Even if you make the most extensive, diligent efforts in the world to test out your co-founders beforehand, you should also understand that it still might not work out. Circumstances and people change. Stuff happens. My experience shows that even with a rigorous upfront process and the best intentions, it is the case that if you have four co-founders, the odds of all of them working out for

the long haul is extremely low. Doesn't mean you shouldn't try to get the best co-founding team you can, but you should just understand that even then it doesn't always work out.

You have to do your best but also be able to have tough conversations to keep your team strong, because if you start cutting corners on your core team and settling, you are destined to mediocrity at best, and probably worse.

The Next Step

Let's assume now you have an idea or technology and enough of a founding team to get started. Again, to set expectations, you will not have a perfect idea/technology, but it is enough to get going. And you certainly don't have a perfect team, but you have one that is strong enough to give you confidence and excitement to head into the process. Let the 24 Steps begin!

The 24 Steps are not about generalities but rather it will be "The Search for the Holy Grail of Specificity" (Figure 0.4). This is one of my favorite illustrations because entrepreneurship is not abstract; it is very real. It is all about the specificity you can achieve. Winners get the specifics right.

ADDITIONAL RESOURCES

There are additional resources for this step at www.d-eship.com/step0, including:

- Worksheets:
 - Worksheet 0.1: Framework for Ideating
 - Worksheet 0.2: Market Pull Mini-Canvas
 - Worksheet 0.3: Technology Push Mini-Canvas
 - Worksheet 0.4: Hybrid Mini-Canvas
 - Worksheet 0.5: Framework for Building a Well-Balanced Team
- Bonus Topic: Hybrid Market Pull and Technology Push
- Bonus Topic: Building a Founding Team

Additional resources will be added as new and updated examples and information become available.

Two books will be useful to reference throughout the 24 Steps that were written specifically for the Disciplined Entrepreneurship process:

1. Paul Cheek's *Disciplined Entrepreneurship Startup Tactics*: the most current and up to date, with invaluable tools, templates, scripts, and more to help you implement each step.
2. The *Disciplined Entrepreneurship Workbook* was released in 2018, and this new revised and expanded edition incorporates many elements of this book, but not all. This can be a valuable additional reference.

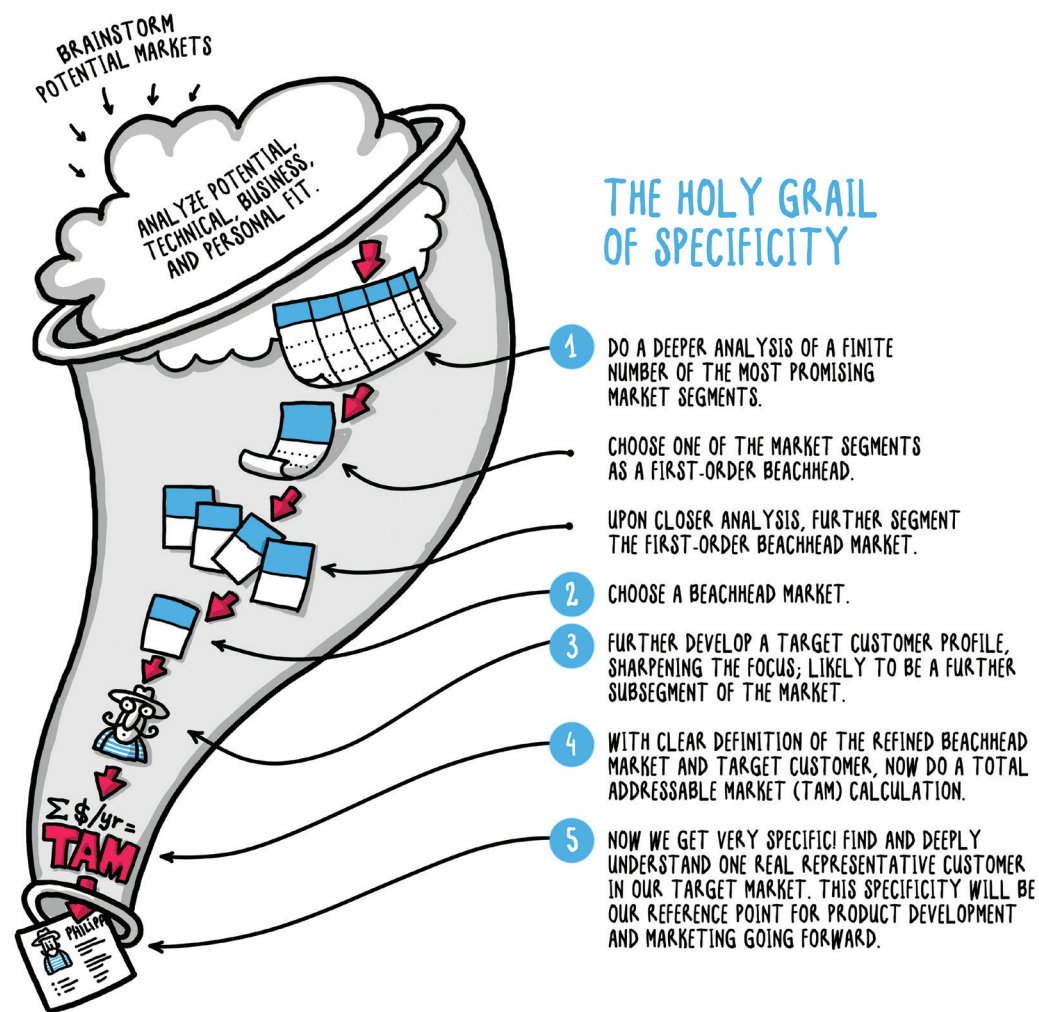


Figure 0.4: The Holy Grail of specificity.