Idea Generation

Class Two

Bill Aulet

Howard Anderson

MARTIN TRUST
CENTER FOR MIT
ENTREPRENEURSHIP

Massachusetts Institute of Technology

15.390 – Class #2

Idea Generation
or
"How do I get a good idea to start a company … and how much does it really matter?"

MARTIN TRUST
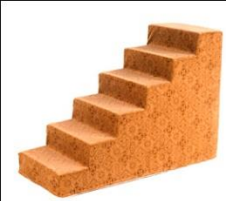CENTER FOR MIT
ENTREPRENEURSHIP

MIT Massachusetts
Institute of
Technology

Mini-Case Study

- Idea Generation
- Susie S will be _____
- Tommy T will be _____
- Bonnie B will be _____
- Freddie P will be _____
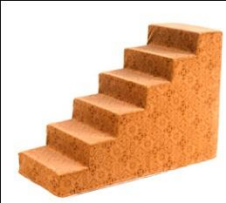
Profiles

- Susie S (S=Suit)
  - ▸ Represents personal & financial drive
  - ▸ Good later but need much more for idea generation
- Tommy T (T=Technology)
  - ▸ Represents "technology push"
  - ▸ Good or bad depends on how handled & specific scenario
  - ▸ Can you find a good match?
- Bonnie B (B=Balance)
  - ▸ Looking for customer need to meet
  - ▸ Domain expertise is important
  - ▸ Passion matters
  - ▸ Looking at trends
- Freddy P (P=Propulsion)
 - ▸ You must iterate an idea

Susie Suit

- You must have passion about the idea
- You must be able to execute it
- You must see a path to make money to justify the effort and make it sustainable
- Because you want it & you have succeeded in class room setting, does not mean you will succeed no matter what the idea
- The market is a tough & unrelenting place
- "Chance favors only the prepared mind," Louis Pasteur
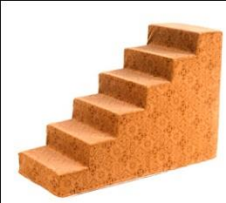
15.390 New Enterprises
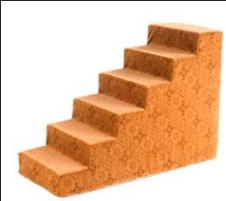
Tommy Tech

- Innovation = Invention + Commercialization
- 90% of companies started by MIT alum are not from technology in the labs
- You have to find a customer who can use your technology to make substantially more money
- Technology Push has it advantages but it is a higher risk exercise
- To optimize success, need to have a systematic way to evaluate markets & then choose one to start and focus on it

MARTIN TRUST
CENTER FOR MIT
ENTREPRENEURSHIP

Massachusetts
Institute of
Technology
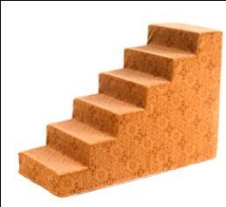
Bonnie Balance

- Empathizes with customer
- Market pull
- Looking for trends as well to anticipate new opportunities
- Google/Travel Company example raises question of timing
- Considering personal fit
- Lack of focus is concerning but can come

In Summary …

- Three ways to start a new venture
  - ‣ *I have a technological breakthrough!*
  - ‣ *I have an idea!*
  - ‣ *I have a strong desire and drive!*
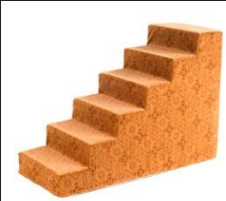
Freddy Propulsion

- Bias to Action – "JFDI"

- Represents the need to iterate on idea to determine viability

- Engage directly with customers

- Show them prototype, screen shots & discuss value proposition

- Thomas Edison's measure of success – how many times he could iterate on an idea in first 24 hours

- "Ideas are cheap, implementation is expensive," Michael Schrage

Getting Started

Images removed due to copyright restrictions.

Seeing the Future Opportunity

Technology Push vs. Market Pull

	Technology Push	Market Pull
Risk	**-**	**+**
Unit Profitability	**+**	**-**

Types

Type	Market Pull - Personal	Market Pull - General	Tech Push - Personal	Tech Push - General	Megatrends	Other
How You Can Tell	"I have this problem"	"I have seen this problem"	"I have this tech"	"I have found/seen this tech"	"There is a huge wave coming & I want to have a surfboard"	
Examples	Julia Hu	Kevin & Gihan	Thomas Massie	Vanessa Green	Pedro Santos - OsComp	
	Fatma Yalcin - Curisma	Student Microloans/FB	Tony Sagneri, Justin, George	Fan Fuser		
	Tim Fu – Home Team Theraphy					
	New Dog Grooming Tool					
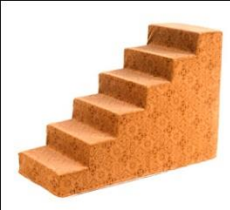
Well, Are Ideas Important Then?

Company Success

Horse	Jockey	Race
↓	↓	↓
Technology *or* Innovative Idea	Management Team	Market Selected
10-15%	**65-75%**	**15-20%**
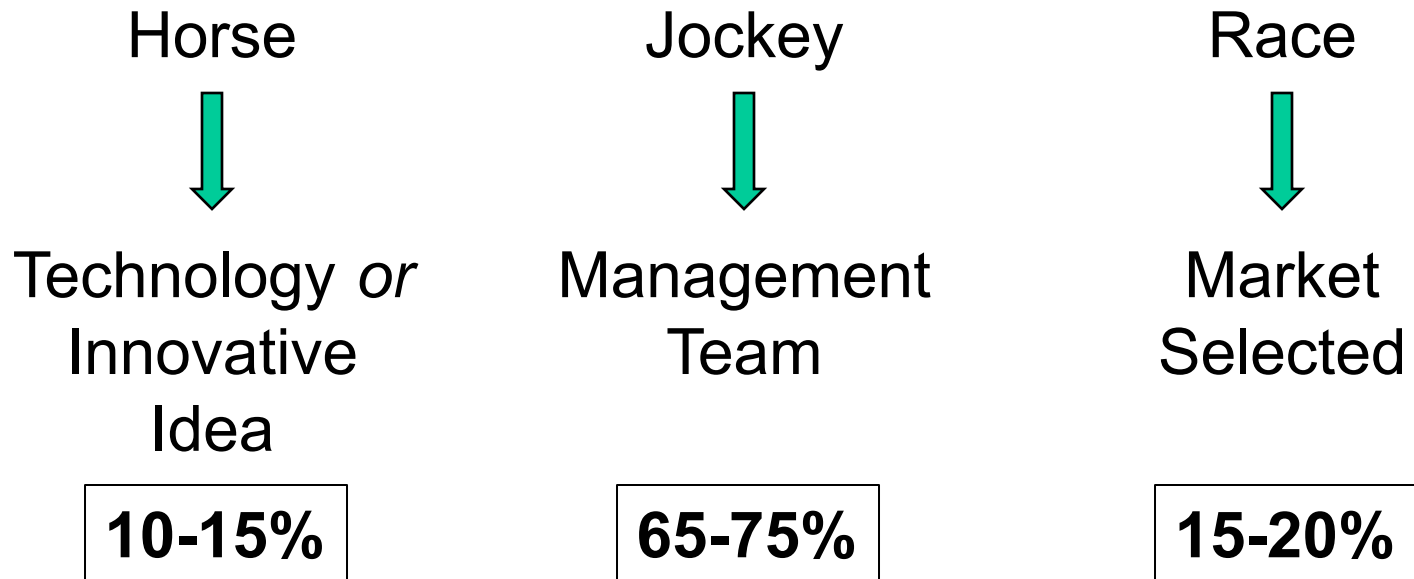
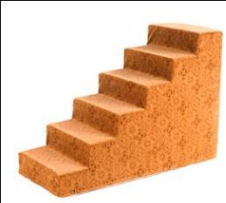*Source: David Morganthaler, Morganthaler Ventures*
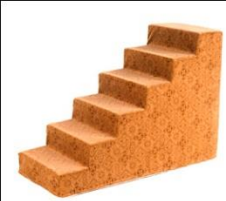
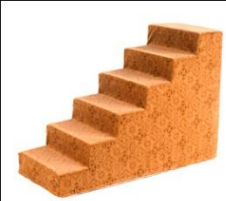# The Importance of a Good Idea to Start a Company

- Is this important?

- Yes
  - ‣ If you are not over a good target, your efforts are much, much less effective
  - ‣ Your ability to recruit & motivate people
  - ‣ Your ability to put your head down & focus on execution
  - ‣ Credibility in the longer term with customers & others
  - ‣ Build your expertise that makes you unique

- No
  - ‣ It will change; the concept of pivoting
  - ‣ You get 1-2 major adjustments (e.g., A123)
  - ‣ Don't use as an excuse not to do the job properly up front

Homework

- Watch video on how to do Improvisation and take notes

- http://www.youtube.com/watch?v=MUO-pWJ0riQ

- Then watch the IDEO video "Deep Dive" parts 1 & 2 on YouTube and especially focus on the beginning of part 2 - the brainstorming part

  ‣ Part 1: http://www.youtube.com/watch?v=JkHOxyafGpE

  ‣ Part 2: http://www.youtube.com/watch?v=pVZ8pmkg1do&feature=relmfu

But How Do We Generate New Ideas?

- Brainstorming
- Open Environment – Flat & Heterogeneous
- Flexible & Environment Matters
- Medium Sized Group (3-6)
- But Still Important to Have a Process
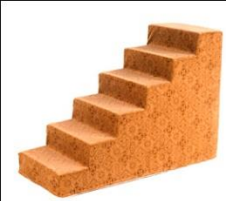- IDEO is a Master at This …

The Key Rule of Improv

YES, and …

- ❑ We can make it better by …
- ❑ I see it and this person will want it because …
- ❑ I can add my perspective to make it real by …

IDEO's Process

- Time bracketed
- Stages
- Facilitator
- Brainstormers
- At Some Point, Adult Supervision
- Prototyping
- Fail Often so We Can Succeed Sooner
- Funnel

IDEO's Culture

- Failure and Trust
- Sharing and Respecting
- Simple Rules
  - ▸ Enlightened trial and error
  - ▸ Fail often to succeed sooner
  - ▸ If a picture is worth a thousand words, a prototype is worth ten thousand
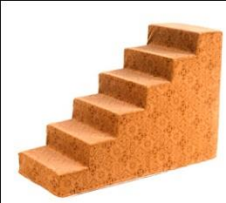
IDEO's Rules in Brainstorming

- One conversation at a time
- Stay focused on topic
- Encourage wild ideas
- Build on the ideas of others
- Defer judgment

MARTIN TRUST
CENTER FOR MIT
ENTREPRENEURSHIP

Massachusetts
Institute of
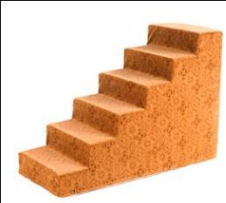Technology

IdeaStorm Commandments I

- Thou shalt love thy neighbor and her ideas
- Thou shalt not crap on others' ideas
- Thou shalt not hog the floor
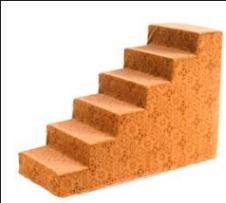
Rules of MIT IdeaStorm

1. Withhold judgment of ideas
2. Encourage wild and exaggerated ideas
3. Quantity counts, NOT quality
4. Build on the ideas of others
5. Every person and every idea has equal worth

MARTIN TRUST
CENTER FOR MIT
ENTREPRENEURSHIP

Massachusetts
Institute of
Technology

Today: IdeaStorm

- Focus on the process – that is what we are trying to teach you
- Like Improv …

Potential Topics

- Megatrend: Smart phones
- Megatrend: Mobility
- Megatrend: Social Media
- Megatrend: Big Data
- Tech Push – Sensors
- Tech Push – GPS
- Tech Push – Voice Recognition
- Tech Push – Graphene
- Market Pull – Personal: Fitness
- Market Pull – Education
- Market Pull – Personal: Aging Population
- Market Pull – Arts
- Market Pull -- Sports

MARTIN TRUST
CENTER FOR MIT
ENTREPRENEURSHIP

**Massachusetts
Institute of
Technology**
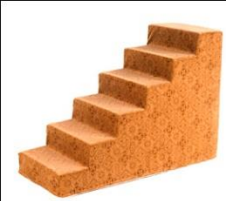
Exercise Now ("Ideastorm")

- Now going to form teams based on them
- No more than 10 per team
- Everyone should be involved but you need to appoint a facilitator immediately for the group
- Prize for the most ideas & the the craziest idea
- Facilitator should set up a schedule, rules and a process
  - ‣ Suggest you discuss topic for 5 minutes
  - ‣ Generate lots of ideas for 25 minutes
  - ‣ Return to class room
- Remember the Improv lesson and the IDEO lessons

Summary

1. The Idea for the Company is Important – Even if it Will Morph Over Time
2. Personal Drive is Not Enough
3. Tech Push is One Option to Start
4. Market Pull is Another
5. Each Move Towards Each Other Quickly
6. Let the Ideas Flow Now & Don't Get Too Hung Up on How Great They Are to Start
   - ❑ Quantity over quality to start and encourage crazy ones
7. Suggest You Revisit the Videos to Fully Grasp Process
8. Brainstorm with a Heterogeneous Group
9. Consider If You Have Some Special Advantages
10. Look for Personal Impedance Match & Diverse Team
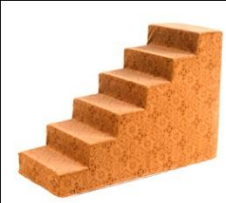
Wednesday

- Analyzing Ideas and Inspirations
- Systematic Way to Sort Out Good from Bad

Logical Flow of Course

BP+
- Logical Flow
- Scaling
- Presentation

Finance
- Financial Statements
- Investor Strategy & Pitch

Execution
- Go to Market
- Sales
- Marketing

Plan to Capture Value

Biz Model
- Where to Extract Rent
- Pricing

Plan to Create Value

Product
- Value Proposition
- Competitive Advantage
- Development Plans

Market
- Segment
- Direct Validation
- Competition

People
- Team Composition
- Values
- Setting Expectations

Idea
- Generation
- Analysis
- Testing on Key Stakeholders

MARTIN TRUST
CENTER FOR MIT
ENTREPRENEURSHIP

MIT Massachusetts Institute of Technology
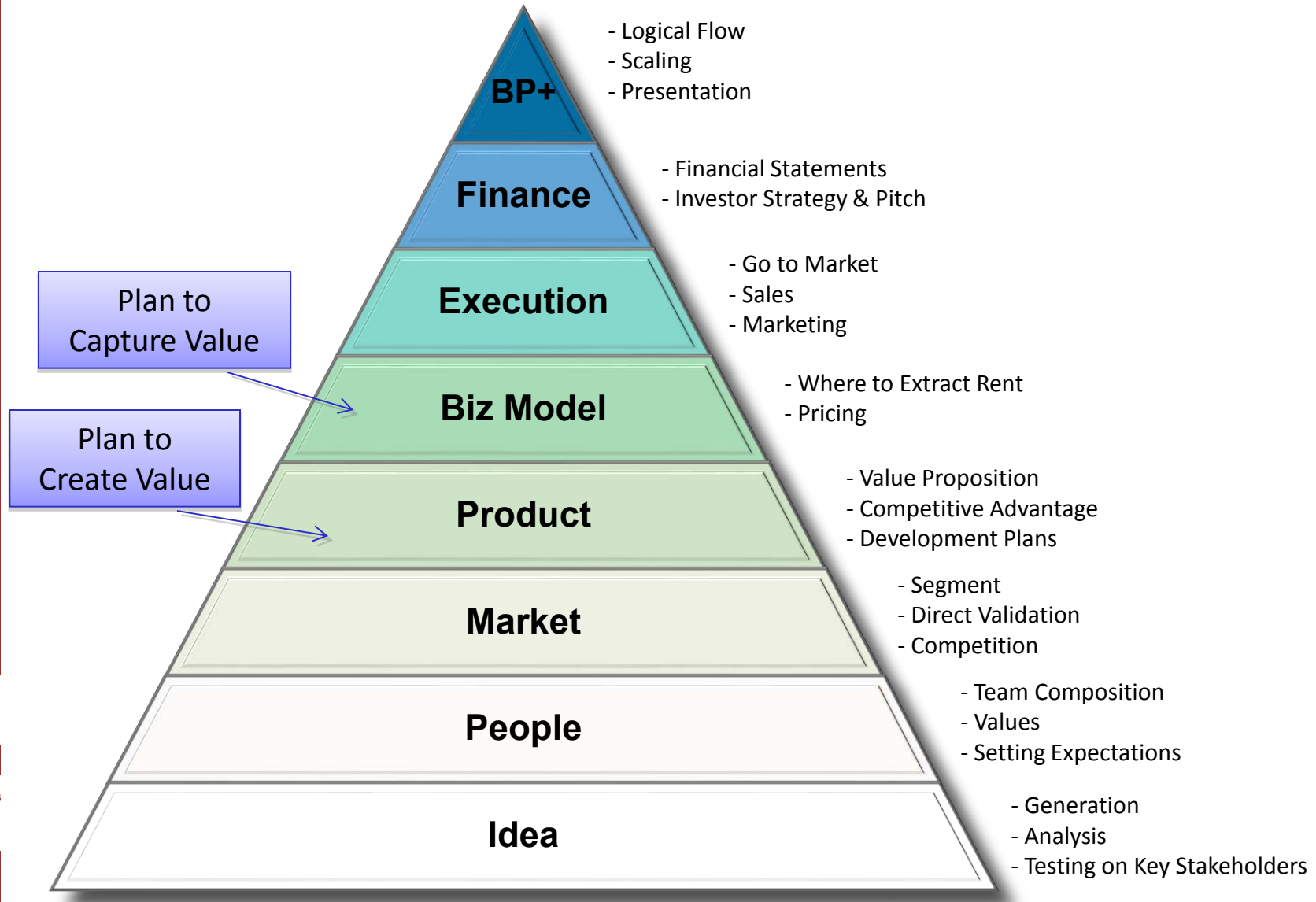
The Turtle Analogy?

Courtesy of USFWS/Southeast on Flickr. License: CC-BY.

To start, we need to produce some eggs that could grow into big turtles

~~The truth~~ Action
will set you free.

Figure removed due to copyright restrictions. The truth/action will set you free. See Aulet, Bill. *Disciplined entrepreneurship.* Wiley, 2013.

15.390 New Enterprises
Spring 2013