



S.E.E.D.

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UtahStateUniversity

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What is SEED?

Lesson Purpose

1. Explain the history and mission of the SEED Program
2. Explain why loans are helpful and how they work
3. Explain the 5 C's of lending
4. Explain to the students their responsibilities as a participant in this program

SEED

The Mission of the SEED Program is to provide Utah State University students with a hands-on, once-in-a-life time learning experience while simultaneously educating people in developing economies in new business creation and development skills.

The SEED Program is an exciting and innovative way of capitalizing on the unique skills of our students, providing them with a life changing learning opportunity, while also providing meaningful and lasting impact in the areas we operate. SEED was initially conceptualized in the fall of 2006 as a component of The Huntsman School's first summer (2007) study abroad program to South America. Early thoughts were centered on the creation of a micro-loan program. However, as successful as some of these programs are at giving people independence they are not as successful at actually lifting the participants out of poverty. Based on this, it was determined that small enterprise development would have a more meaningful financial impact for the native participants and would lead to sustainable economic growth.

Simultaneous to delivering the educational programs our interns are working hand in hand with existing loan recipients in building and running their businesses. This is, perhaps, the most important part of the program as our interns deal directly with issues of leadership, motivation, cash management, and culture. These interns serve as valuable cultural mentors and help participants empower themselves to economic success. Our interns work side by side with participants to not only teach business principles but help enlighten them to their potential.

The fact that SEED makes a year round commitment to putting student mentors (interns) on the ground sets the Huntsman School apart in the eyes of our partners and participants. We are able to gain the trust and confidence of the people. We are perceived as permanent players. Furthermore, our interns are fluent in the local language.

The student interns have access, via the web (email and skype) to USU faculty for advice and instruction. But the efforts on the ground are predominantly student driven. Interns are required to submit weekly reports that are then cataloged. Those reports are made available to the next set of interns as well as a briefing/debriefing session between sets of interns. These interns return with a wealth of experience that, we believe, is second to none.

Because 65% of the students at the Huntsman School speak a second language, representing a vast number of tongues, we are able to consider offering programs in many areas of need across the globe, including domestically. We believe SEED capitalizes on the unique skills of our students and combines

the four pillars of the Huntsman School (Entrepreneurial Spirit, Global Vision, Ethical Leadership, and Academic Rigor) into one outstanding, unique program.

Story time: how do microloans help lift someone out of poverty?

Ben inherited a small farm from his parents after they both passed away. He was able to grow enough food to feed his wife and three children each year but his family did not have much else besides enough food to eat each day. New clothes, costly medicines and improvements to the mud brick house they lived in were simply out of the question.

Ben grew plantains on his farm and sold them to vendors that then sold them at the local market. When Ben and his wife had extra plantains they would fry them as a special treat for them and their children.

One day, Ben got an idea. He knew that the villagers in the town close to his farm enjoyed fried plantains as much as he and his family did. He thought that if he could open a stand in the village he could fry plantains there and sell them to the villagers to earn extra money. With that extra money they could expand their house, send their children to a good school, or any other number of exciting possibilities.

Ben was very excited about his prospects until he realized how much it would cost to open such a stand. He would have to buy the stand, by a small gas burner, a frying pan, pay for propane, cooking oil, and pay for a small business license. He knew that on his simple income there was no way he could ever afford all of the costs it would take to start his business idea.

A week after Ben had given up hope on starting his new business he heard of a microfinance program in the village that helped poor people like himself start small businesses. Ben approached the manager of the program and asked him for more information.

The manager explained that their program *loaned* money to poor individuals to start small businesses. The program didn't *give* money to them, but rather loaned it to them and expected it to be repaid with interest. The manager explained to Ben that he could loan him the \$120 Ben needed to start his business. With this money, Ben could pay all of the costs required to get up and running. In return, Ben would pay the microfinance program \$10 a month in *principal*, and \$2 a month in *interest* for 12 months. In all, Ben would end up paying pay \$144 to the microfinance program.

Ben thought long and hard about this. When he sat down and looked at how much he thought he could sell he decided he could make \$30 a month off of his business after covering the cost of buying more propane and cooking oil each month. That would mean he would pay \$12 to the microfinance program and get to keep \$18 for him and his family. And, Ben realized, that after his loan was paid off in one year he would get to keep the full \$30 he earned each month from his fried plantain sales.

How loans work

As the story about Ben explained, a loan involves several different components.

First, there is the *lender*. A lender is an individual or institution that allows someone else to use their money for a certain period of time. In return, the person borrowing the money (the *borrower*) agrees to pay the lender back all of the money they borrowed from them, plus some additional amount of money. The original money the borrower receives from the lender is called the *principal*. The money they pay to the lender in addition to the principal is called *interest*.

Whenever a loan is given, the lender and the borrower agree to certain terms that will govern how and when the loan is paid back. This agreement usually specifies how much money the borrower is receiving, how long the loan will last for, how often the borrower will make payments on the loan, and how much they will pay in principal and interest each time they make a payment.

An easy way to summarize the information contained in the loan contract is to prepare a payment schedule. Like the loan contract, a payment schedule shows how much the lender is borrowing, for how long, how often they will make payments, and how much those payments will be. Below is an example of a payment schedule for a \$60 loan at 10% interest over 6 months:

Pay Period	Principal	+	Interest	=	Total Payment	Balance
Month 1	\$10.00		\$1.00		\$11.00	\$50.00
Month 2	\$10.00		\$1.00		\$11.00	\$40.00
Month 3	\$10.00		\$1.00		\$11.00	\$30.00
Month 4	\$10.00		\$1.00		\$11.00	\$20.00
Month 5	\$10.00		\$1.00		\$11.00	\$10.00
Month 6	\$10.00		\$1.00		\$11.00	\$0.00
Totals	\$60.00		\$6.00		\$66.00	

Some loan contracts have the borrower pay more interest for the first payments of the loan and less on the later payments. These loans are called *amortized loans*. For simplicity's sake, our loans are not amortized.

One other thing that a loan contract states is what will happen if the borrower fails to make the payments as promised. When a borrower fails to make payments there are serious consequences. Historically, people who failed to pay off their loans could be thrown in prison, sold into slavery or even killed. Today, the consequences of failing to pay on time are obviously less severe but there are still serious consequences.

Most loan contracts ask the borrower to offer *collateral* to back their loan. Collateral is some asset in the borrower's possession that they agree to hand over to the lender in the event they can't make their loan payments. Examples of commonly used collateral include houses, vehicles, land and other valuable assets. Once a loan is paid off the lender no longer has any claim on the collateral of the borrower.

The Five C's of Lending

While lending money to other people can often be a very lucrative way to make money, it is also very risky. Often times, borrowers are not seriously committed to paying off their loans. And, even if a loan is backed by collateral, seizing the assets of another individual is often very difficult to do. Also, once those

assets are seized the lender has to go to the trouble of selling the assets to recover their money. Many times they end up losing money instead of making money.

Accordingly, lenders are very careful about who they agree to lend money to. They only want to lend money to individuals that they truly believe will faithfully pay back their loans as specified in the loan agreement.

As a lending institution, the SEED Program has developed a set of standards we use to judge whether we think someone will faithfully pay back their loan. Some of these standards evaluate the person receiving the loan and some of them evaluate their business idea. It is important that you understand what our standards are so you can work hard to measure up to them. Our standards are known as *The 5 C's of Lending*. They are *Character*, *Conditions*, *Capacity*, *Capital* and *Collateral*. In the following section we give a brief description of each and explain how we will evaluate our students in each area.

Character

The willingness of a debtor to pay imputes a level of ethics, integrity, trustworthiness, and quality of management. Much of this quality will come from class attendance records, participation, time taken to complete homework, and time spent outside of class with SEED Advisors. Also, interviews with you, supervisors, family members, and co-workers may be considered. You will receive one of the following grades

A – The applicant has demonstrated high character, commitment, dependability, and integrity.

B – The applicant has demonstrated character but doesn't always demonstrate commitment and dependability to the full extent. We still have confidence nevertheless.

C – The applicant has good character but we are unsure that the applicant has the commitment and drive to succeed. This could also indicate that, if part of a group, some applicants have the necessary commitment but others may not appear to be quite so determined.

Conditions

External events, occurrences, factors that may interrupt or disturb the normal flow of the business. National, regional or local economic factors; government regulations, weather or other calamities. Experience teaches us that conditions beyond our control can have an impact, i.e. health, divorce, embezzlement. Business regulations can also impact the business. Market conditions such as competition and demand for a product must also be considered when assessing conditions. Conditions will be considered and assigned a grade if the business is subject to a lesser or greater extent by outside conditions, regulations or markets.

A – the proposed business has a somewhat unique position in the market; limited competition, unique qualifications and limited regulations. The business is not greatly impacted by market or economic condition changes.

B – the proposed business has some competition but factors such as location or management capability provide competitive advantage. Market conditions might have impact but other factors will aid the business in addressing these challenges.

C – the proposed business has a great deal of competition but there appears still to be a market. The applicant can distinguish itself somewhat but for the most part must rely on location to set it apart from its peers. It is susceptible to weather, disease, or other economic conditions outside the control of the business owners (such as agriculture or live animal related business)

Capacity

The ability of the business to operate profitably; ability to pay trade creditors, employees, installment creditors. The ability of the business owners to manage the varied aspects of the day-to-day operations of the business. Are they in the business now? Is this the logical expansion of an existing business or a startup new business? What education or prior work experience does the business owner have that will assist in the capacity to successfully operate the business. Do we have credible and reliable financial records that demonstrate the business owners know how to successfully run this business?

A – the business is an existing, profitable business as demonstrated by credible financial records/statements, and can service the proposed debt largely from existing profits

B – the owner(s) has/have recent experience in the same industry as the applicant, either as owners or employees but are not currently in the business. OR – education that provides support for the proposed business enterprise.

C – owner is industrious, teachable and a hard worker but has no direct experience as the owner of a business – Start Up Business

Capital

This has to do with the financial strength of the proposed business. It also deals with the business owner's contribution to capital from their own personal resources. This could be either in the form of cash or collateral.

A – Business owners have already purchased assets for business use or own property that will be contributed for business use. These assets will be pledged for loan collateral. In excess of 10% of the proposed project financing.

B – Business owners have some of their own capital which will be contributed for business use, however, it is less than 10% of the proposed project financing.

C – Business owners are not able to contribute capital of their own; we are being asked to finance 100% of the proposal.

Collateral

A secondary source for loan repayment. We would expect the assets being financed by our funds would ALWAYS be pledged as collateral for our loan. For loans of 10,000 Soles or more, we would also expect a pledge of other personal financial assets that might be available.

A – Assets being financed have a variety of uses; are readily marketable, and tend to hold value. An example would be real estate, heavy equipment, retail furnishings not attached to a facility. For larger loans, additional collateral is available and is being pledged.

B - Assets being financed are multi-purpose, but might be of more limited value or marketability. Applicant is unable to pledge more than the assets being financed.

C – Assets being financed are limited use or are ALIVE.

Your Responsibility as a Student

Participation in the SEED program is an amazing opportunity. You'll be joining an international effort to change lives. Much of the money that funds businesses and pays program expenses has been donated in hopes of contributing to that purpose. Each proposal will receive hours of attention by many people. Not only will they review the business plan, but they will be asking about the person in charge. You. You are the single most important part of making a new business run. During long days and extra hours, they will expect you to continue working hard as a part of SEED. You will be required to continually meet with advisors, make monthly payments, keep meticulous records, and meet or exceed goals. Even after your loan is paid off, you will still be part of an important organization, working together, to create a meaningful impact in your area.

Failure is not acceptable. It not only means that we have lost your business opportunity, but we have also taken that opportunity away from someone else to create a business. With that being said, failure is not hard times in a business. Failure is when the participant stops participating. Excuses, low sales, short hours, and avoiding meetings with SEED advisors are all clear indicators of a failing project.

If you are having a hard time, don't be afraid to ask for help. SEED Advisors have been specifically chosen because of their ability to help solve problems. The more information you are able to give them about the problems, the better they will be able to help. Be honest and open to new ideas.

Keep the ultimate goal in mind. It may be to buy a nicer house, to send your kids to a better school, or to not have to stress about money as much. Whatever your personal reason for participating, you are part of a team. Every person in the SEED program is here to help you succeed and accomplish your dreams.

Welcome to SEED!

Key terms

Lender - A lender is an individual or institution that allows someone else to use their money for a certain period of time.

Borrower – A borrower is someone that borrows money from a lender and agrees to pay the lender back all of the money they borrowed from them, plus some additional amount of money.

Principal – The original money the borrower receives from the lender.

Interest – The money the borrower pays to the lender in addition to principal.

Amortized loans – A loan where the borrower pays more interest for the first payments of the loan and less on the later payments.

Collateral - Some asset in the borrower’s possession that they agree to hand over to the lender in the event they can’t make their loan payments. Examples of commonly used collateral include houses, vehicles, land and other valuable assets. Once a loan is paid off the lender no longer has any claim on the collateral of the borrower.

Questions for Comprehension¹

1. How can a loan help an individual expand their wealth?
2. What is interest?
3. What is collateral?
4. What can a lender do to recover his money when a borrower ceases making payments on their loan?
5. What are the 5 C’s of lending? Please explain briefly what each one means.

Understanding Your Position

Story time: the market research left undone

Mark returned home from his brother’s guinea pig farm in a small village eight hours away brimming with excitement and energy. He had spent six hours with his brother touring the farm, asking questions

¹ Students should be able to answer each of these questions in some detail after studying and attending this lesson. Sit down with each student and take the time to evaluate their understanding of these five questions. Work with them one-on-one in the areas they struggle in. When you have finished, record a letter rating for each student on each of the questions and include it in your weekly teaching report. The letter ratings you should use are:

- A – Complete comprehension of the topic and its implications
- B – Some understanding of the topic and its implications.
- C – Inadequate understanding of the topic and its implications.

and listening to his brother talk about his success. His brother had started the farm just two years ago and already he had made enough money to pay off his land and expand his farm. Everyone in the surrounding villages loved eating guinea pigs and was willing to pay premium prices for them. Mark was sure that if his brother could be successful at the project he could be as well.

Thinking of nothing else besides his future profits and what he would spend them on, Mark spent his life savings of \$6,000 buying land and building fences to house his new guinea pig farm. He then talked his parents and friends into lending him money to fund what he thought would be the rest of his startup costs.

Early on Mark ran into problems. First, there was not a guinea pig supplier anywhere near the big city Mark lived in. Eventually he was forced to travel three hours to get the first 20 guinea pigs necessary to start his farm. Because it was so far away, the travel costs were much higher than Mark had anticipated and two of the guinea pigs died on the way home. Feed was also difficult to acquire in the big city. His brother had ready access to all sorts of feed in the countryside but there was nothing like that in town. Again, Mark was forced to import food from the countryside at much higher costs than he had anticipated.

Managing the guinea pigs was also harder than Mark thought it would be. Try as he might to keep the animals healthy, they continually got sick. Mark spent hours on the phone with his brother listening to him try to explain how to properly care for the guinea pigs. Mark thought he had understood all of that after his six hour tour of his brother's farm but it turned out there was more to guinea pig husbandry than he had ever imagined.

Finally, Mark began to have enough full sized guinea pigs to start selling them. He excitedly approached super markets, butchers and minimarkets and exhibited his wares. To his surprise and dismay, none of them were interested. They told him that guinea pigs were a cultural dish preferred in the countryside but in the big city nobody ate them. With the arrival of supermarkets and processed foods people now preferred ground beef and other prepackaged products. By talking to his friends and family, Mark was able to find a few villagers that had moved into the city and they bought his meat but no one else was interested.

After just eight months of continual work and worrying Mark admitted defeat and sold his land. He was able to pay off the loan his friends and family had given him but his life savings were gone. As he contemplated his brother's wild success and his tremendous failure he repeatedly asked himself where he had gone wrong.

Market research

Mark's story of both his excitement and failure are sadly a recurring theme for many startup businesses. Many people see a successful business, assume that it can't be too hard to be successful at, and bury themselves in the project without doing any substantial research into whether or not they can really be successful at it.

There is a simple way to avoid this result. It's called doing *market research*. Simply put, market research is investigating the market you will be doing business in to see if an opportunity really exists for the business you want to start. Market research can be broken down into three basic parts which we will explain in the rest of this chapter. They are, *Access to market*, *Access to Supply*, and *Access to Capital*.

Access to Market

Determining whether you have access to market for your business idea means finding out if there is a market for the goods or services you wish to provide and if you have what it takes to compete in that market. As you can see, the question is not only about the market for what you would like to sell but also about you and your resources. Think back to Mark's story. Since very few people in the big city ate guinea pig meat there was little or no market for his products. And, since Mark had no experience or expertise in raising guinea pigs, it would have been very difficult for him to participate in the market even if it did exist.

Determining whether you have real access to market is a difficult and long process. But, as Mark's story shows, it is worth it to do it *before* you invest all of your time and hard earned money. The best way to determine if you have access to market is to ask yourself a series of questions about your market and about yourself and your resources. Those questions are listed here:

Questions about your market:

1. Is there a large and readily identifiable market?
2. Is the industry growing?
3. Are there high barriers to entry?
4. Are there high market demands and market pressure in this industry?
5. Is the business price driven or service/quality driven?
6. Is there one dominant player that controls the market?
7. What developments could make the business obsolete?
8. Does the product or service meet a core need or a discretionary need for consumers?
9. Are there opportunities for repeat business?
10. Will you be paid in advance with deposits or payments, or will you have to wait for payments and carry receivables from your customers?
11. Are customers easily identified and motivated to buy?
12. Is it expensive to find your prospective customers?
13. Will it be difficult to attract prospective customers?
14. How long will it take to close a sale? Is it a fast or a time-consuming process?
15. Is there some lifestyle or demographic force pushing or creating the need? If so how long is that force likely to continue?
16. Can you identify a variety of sales channels through which you can sell your product or service?
17. Is the market timing right for the introduction of your product or service?
18. How many competitors are offering the same product or service? Who are they?

Access to Supply

Even if there is a market for your business idea and you have the skills and resources to enter that market, if you don't have proper access to supply your business will not be successful. Asking whether you have access to supply means asking whether there is a readily available supply of the items necessary to make your product and if you have what it takes to get and manage that supply. Again, think back to Mark's story. Even if he had found individuals that wanted to buy guinea pigs in the city, getting the guinea pigs and the feed for them was so difficult and expensive it made his business impractical.

Another important aspect of access to supply is asking yourself if you have the ability to maintain a supply. While bricks may be an easy product to store and maintain, perishable items like food, or expensive items like computer that require security are difficult to maintain. Again, we have another series of questions to help you determine whether you have adequate access to supply for your business idea.

Questions about your supply:

1. Are there various sources or suppliers?
2. Is a large inventory required?
3. How often you turn your inventory? In a year? Month? Week? Day?
4. Is your product perishable? Trendy? Will it become obsolete?
5. Do you have the funds available to purchase sufficient inventory to start this venture?
6. Is your business idea wrapped up in one single product or idea rather than a service or a bundling of products?
7. Are there large margins between cost and selling price?
8. Does the business have large fixed costs that could hurt you if business slowed down?

Access to Capital

The final step of your market research is determining whether or not you have adequate access to capital to get into the business. Some businesses simply require a lot of capital to get into. Think of a car dealership for example: you may be an excellent car salesman and there may be a high demand for vehicles but to start a car dealership costs so much money that few people would be able to finance such a project on their own. It is important to mention that simply "getting a loan" is not a solution to this problem. Lenders are very careful about who they loan money to and will not give out large sums of money to you just because you see a good opportunity. The larger the amount of money you are asking for the less likely you are to get it.

Key strategies for gaining access to capital are saving money of your own that you can contribute to the project and starting out small. When you contribute money of your own to a project it shows the lender that you are truly committed to the success of the project. And, as explained in lesson two, starting small requires less capital and allows you to learn from your mistakes with smaller consequences.

Questions about your capital:

1. Does it require a large investment of money to get into this industry?

2. Where will you get your needed startup money?
3. What are you personally able to contribute to the project?

Key terms

Access to market – The existence of a market for the goods or services you wish to sell and your ability and resources to compete in that market.

Access to supply – The existence of a supply for your product and your ability to get and manage that supply.

Access to capital – Your ability to get the necessary capital to start and carry out the project.

Questions for comprehension

1. What is access to market and why is it important?
2. What is access to supply and why is it important?
3. What is access to capital and why is it important?

Homework

Have your students pick ten questions from the access to market section (five from each part), five questions from the access to supply section and the three questions from the access to capital section and spend the next week investigating them in relation to their business. They should report back to you on the answers to these questions in depth. Don't worry that your students aren't answering all of the questions right now. As you help them prepare their business plans they will answer the rest of the questions.

Finding a good business idea

Idea Generation

Start small, think big

Most business owners enter a business to fulfill a dream. They dream of a large business with lots of employees, and lots of revenue. Although high revenue is a common denominator, what the owner can do with that revenue is often the motivation to keep going during the hard times that a business owner will inevitably face. New business owners often feel that to be big, they need to start that way. Although a large business should be the ultimate goal, trying to get there too quick can be dangerous.

As you begin your small business and eventually begin trying to increase its size and profitability, part of your experimentation process might include asking questions about your product, service, and business. Will customers like the product? Is the location of the business the right one? Or might I be able to sell

more products somewhere else? Do I have the right mix of products? Do the products or services complement each other?

Making an effort to start small but dream big will allow you to naturally transition into a growth phase instead of forcing it prematurely. A good business plan will identify your growth plan and the steps necessary to reach your goals. As you reach your goals, growth will happen naturally. You will eventually reach a point where you have too much work to do on your own – too many customers, too many clients, or too small a store.

You should continually work to grow your business. If you plan on starting your business and then leaving it alone, you may find yourself disappointed when revenue opportunities come and you are not in a position to take advantage of them.

When thinking of your business plan, it's a good idea to think of your initial loan as a starting point. This will be less risky and consequently less expensive than overestimating an idea and watching it fail.

Think of planting a seed in the ground. Can you force it to grow? Will it give fruit before it is ready? What happens if you give it too much water?

Think outside the box

Successful businesses are ones that can do something different or better than others. This means that you will have to think differently about your product or service than others do. You will need to identify what will set your business apart from the rest. Assumptions are dangerous in business. Question everything.

Activity

Complete the following activity by drawing straight lines through all the dots without picking up your pencil.

Use 4 Lines	Use 3 Lines	Use 1 Line
● ● ●	● ● ●	● ● ●
● ● ●	● ● ●	● ● ●
● ● ●	● ● ●	● ● ●

You probably made some assumptions while trying to complete the activity. You probably assumed that you had to stay inside the square or even that you had to use a certain width line. You assumed these things because you have seen others trying to do it this way.

Business ideas can be treated the same way. Challenge your assumptions. Just because everyone else makes a product one way, doesn't mean that you have to do the same. As a matter of fact, making your product or service just like everyone else often leads to price based competition and consequently lower revenues.

Idea Generation

One in a hundred ideas will be successful. That doesn't mean that your chances of succeeding are 1/100. It means that you will need to come up with many different ideas and then choose the one that works. Included is a list of activities that will help you generate a large list of very different ideas. At this point, no ideas are bad. Don't be afraid of listing any ideas. Even if your original idea is not a winner, it may spur a thought process that leads to one that is. Be brave and use your imagination when completing the following list of activities.

Brainstorming.

Often, you may come to a brainstorm with a list of ideas already in your head. These ideas can inhibit you from thinking of new ones. Start by individually writing all the ideas you can think of on a sheet of paper by yourself. Next, start the group discussion and share your ideas. Allow any member of the group to share any ideas that pop in their head. Any and every idea is welcome. No criticizing or evaluating is allowed during the session. Then, trade papers with a member of your group. Allow them to read over your list and write down their own ideas. Repeat that step at least one more time. After the session is complete, you should scan the list for high value ideas.

Oh BOYE!

(Bane of your existence). A large part of increasing your ability to generate entrepreneurial opportunities is to increase your overall awareness. This can be accomplished by consciously choosing to look for new innovations, trends, and problems faced by yourself and others. It will take some practice but set a goal to scan the news or talk to people with the purpose of increasing your awareness of these types of things. Carry a small notebook to write down every problem or inconvenience that you face in the course of your daily activities (e.g. a product breaks, poor customer service, difficult to find product/service, etc.). Look for ways to solve the problems (or at least reduce the pain) that you or others have faced.

Tweak.

Take existing products and tweak them to add new value. Create a new combination that is not currently offered in the market. For example, you may look for commodities that you can slightly change to make them unique. Or you may look for expensive niche items that you could simplify and make cheaper. Another option is to find a couple of different products that you can combine to make a new product. You may want to roam the aisles of a store and choose some products for which you can develop a new combination. Consider an existing industry and ask the following questions regarding that industry.

Eliminate: Which factors that the industry takes for granted should be eliminated?

Reduce: Which factors should be reduced well below the industry's standard?

Raise: Which factors should be raised well above the industry’s standard?
 Create: Which factors should be created that the industry has never offered?

The Buyer Utility Map.

In this technique you want to break down the complete buyer experience. There may be opportunities to create value in a particular piece of the buyer experience that is not currently being targeted by competitors. The following utility map is an example but the experience cycle and the utility levers may change depending on the industry. Create the map and determine where the current players are focusing their efforts. If there is a cell that is empty, consider an opportunity to increase the utility for that phase of the experience cycle.

The Stages of the Buyer Experience Cycle							
The Seven Utility Levers							
	Customer Productivity						
	Simplicity						
	Convenience						
	Risk						
	Fun and Image						
	Environmental friendliness						
	Cost						

Forced Combinations.

Make a list of 10 random objects that come to your mind. Have another person create a random list of 10 items. Try to combine items from your list with items from the other person’s list and see if you can create a product or service from your combination.

For example, if your lists include a taxi and paper, it probably isn’t feasible to create a paper car. It may be possible however to create a business that puts paper advertisements in taxis.

Assumption Reversals

Think of a situation, product or concept related to a challenge you are facing, and think about the assumptions associated with that situation. Write down your assumptions and then write down the reverse of your assumptions. Afterwards, try to create a product, service, or business that makes the reversals meaningful.

Example of one reversal: An assumption for a restaurant is that it has a menu. The reversal may be that it does not have a menu. A potential solution using the reversal is a restaurant where the waiter tells

the customer what fresh ingredients were purchased at the market that day, the customer picks ingredients and the chef creates a dish from them.

This technique is intended to help you break free from the mental barriers that we naturally place on ourselves.

Idea Box. Specify your challenge. Select the parameters of your challenge. List variations of each parameter. Try different combinations.

Example: Assume you are looking for a new idea for a laundry hamper. Create an idea box with key parameters across the top. List a variety of options under each parameter. Look for interesting combinations.

Improve the Design for a Laundry Hamper				
	Material	Shape	Finish	Position
1	Wicker	Square	Natural	Sits on Floor
2	Plastic	Cylindrical	Painted	On Ceiling
3	Paper	Rectangle	Clear	On Wall
4	Metal	Hexagonal	Luminous	Chute to Basement
5	Netting	Cube	Neon	On Door

For example, you may select a combination of netting, cylindrical, painted, and on the door. This may be a laundry hamper that looks like a basketball hoop with a long net. This would allow kids to shoot their dirty laundry into the hoop and down into the netting that would be easily removable for transport to the laundry room.

Now create your own:

1				
2				
3				
4				
5				

Opportunity Checklist

Successful entrepreneurs invest serious effort searching for the best business opportunity before beginning. Not all business ideas are worth pursuing. The following questions will help you recognize the difference between an idea and a true opportunity.

GO or NO GO? What is a really Great Opportunity (GO)? Use the following criteria to evaluate the potential Impact and Feasibility of your idea. You should do appropriate research and provide JUSTIFICATION for each rating.

IMPACT Related Criteria	POTENTIAL
<p>Need – does your product or service solve a problem or fill a need?</p>	<p>1 2 3 4 5 6 7 8 9 10</p>
<p>Rarity – is it a new combination that cannot be found elsewhere?</p>	<p>1 2 3 4 5 6 7 8 9 10</p>
<p>Inimitability – would a competitor find it difficult to imitate it or to create a substitute for it?</p>	<p>1 2 3 4 5 6 7 8 9 10</p>
<p>Consumer demand – are there many or few customers who will pay for this product or service?</p>	<p>1 2 3 4 5 6 7 8 9 10</p>
<p>Margin – will the customers be willing to pay more than it costs to make?</p>	<p>1 2 3 4 5 6 7 8 9 10</p>
<p>Recurring – is it a one-time purchase or something that will be purchased repeatedly?</p>	<p>1 2 3 4 5 6 7 8 9 10</p>

Sustainable – is it a product or service that is a fad or is it sustainable over time?	1 2 3 4 5 6 7 8 9 10

FEASIBILITY Related Criteria	POTENTIAL
Technologically feasible – is the technology available and can you produce the needed quantity of the product or service?	1 2 3 4 5 6 7 8 9 10
Access to customers – is there a channel or business model that enables you to find customers, inform them, and deliver the product or service?	1 2 3 4 5 6 7 8 9 10
Window of opportunity – is it an opportunity that must be acted on immediately or is there time to develop a few iterations?	1 2 3 4 5 6 7 8 9 10
Low Level of Competition – is there a lot of competition now or is it likely that there will be in the near future? (10 = no competition and 1 = extremely competitive)	1 2 3 4 5 6 7 8 9 10
Low Level of Risk – what is the probability and size of the potential loss that could result from the opportunity? (10 = low risk and 1 = high risk)	1 2 3 4 5 6 7 8 9 10
Resource Availability – do you have access to the human, financial, technological, or	1 2 3 4 5 6 7 8 9 10

physical resources required?	
Opportunity fit – do you or your team have the skills, experience, or contacts needed for this opportunity?	1 2 3 4 5 6 7 8 9 10
Passion – are you passionate about this opportunity vs. other opportunities you might have?	1 2 3 4 5 6 7 8 9 10

IMPACT		OPPORTUNITY FEASIBILITY (OF)		PEOPLE FEASIBILITY (PF)	
Value		Technological Feasibility		Resource Availability	
Rarity		Access to Customers		Opportunity Fit	
Inimitability		Window of Opportunity		Passion	
Consumer Demand		Competition		PF Average	
Margin		Risk			
Recurring		OF Average			
Sustainable					
IMPACT Average		Overall Feasibility = (OF + PF) / 2			

GO or NO GO?

