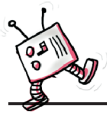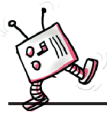# DISCIPLINED ENTREPRENEURSHIP
WORKBOOK

BILL AULET

**MANAGING DIRECTOR,
MARTIN TRUST CENTER FOR MIT ENTREPRENEURSHIP**

WILEY

DISCIPLINED ENTREPRENEURSHIP

WORKBOOK

DISCIPLINED ENTREPRENEURSHIP
WORKBOOK

BILL AULET

Illustrations by
Marius Ursache

Edited by
Chris Snyder

WILEY

I DEDICATE THIS BOOK TO ALL MY STUDENTS WHO MAKE MY SO-CALLED "JOB"
THE GREATEST ONE IN THE WORLD. YOU GIVE ME ENERGY EVERY DAY. THIS ONE IS FOR YOU.

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PREFACE

THE ORIGINAL *DISCIPLINED ENTREPRENEURSHIP* book laid out a rigorous but practical pedagogy for innovation-driven entrepreneurship. It has fundamentally changed the course of entrepreneurship education from a storytelling approach to a toolbox and systematic framework. But there is only so much that can be accomplished in a single 250-page book. This workbook builds off *Disciplined Entrepreneurship* to provide a way to more easily engage with the 24 Steps.

Our goal at the Martin Trust Center for MIT Entrepreneurship is to develop high-quality entrepreneurship education and make it accessible, not just to MIT's full-time students but also to millions of people worldwide. That is why I wrote *Disciplined Entrepreneurship*, taught several online courses on edX, and with my colleagues write online articles and tools to help clarify key concepts about our methodical approach to entrepreneurship.

The demand from entrepreneurs and instructors for additional materials to help them implement the 24 Steps has been simultaneously rewarding and overwhelming. There needed to be a more scalable solution, and that is the purpose of this workbook.

In this book, I provide templates and additional advice on how to implement each of the 24 Steps. You can use these templates on your own startup or as classroom deliverables to assess your students' understanding of the topics. This workbook is not a replacement for *Disciplined Entrepreneurship* but rather a complement to it. It is expected that you will go back and forth between *Disciplined Entrepreneurship* and this workbook in order to gain a full understanding of each step.

The 24 Steps is an iterative process, so always make sure you are proactively revising your work as you go through the steps. Something that you do in Step 23 is likely to affect Step 11, or Step 9 will affect Step 5, and so on. Also, do not feel confined by these templates if you need to make some modifications to better suit the needs of the industry or specific characteristics of your startup.

The 24 Steps approach is a toolbox of the best methodologies available for entrepreneurs, and I continually evolve it and survey the landscape to take in new and/or better tools to improve the framework. You'll see two new chapters in this workbook, one on primary market research and another on windows of opportunity and triggers. I hope that many others around the world will continue to test and contribute to the 24 Steps to make the framework even better over time. The collective wisdom of the community is better than any individual—plus many hands make for lighter and faster work.

Since the time I first published *Disciplined Entrepreneurship*, it has become even more clear that we need high-quality, rigorous entrepreneurship education and training sooner rather than later. The critical need for a serious body of knowledge on innovation-driven entrepreneurship has never been greater—and it will only get more so in the future. Please "lean in," as Sheryl Sandberg would say, and help us with this cause.

Additional materials, including electronic versions of some of the worksheets herein, will be available at www.disciplinedentrepreneurship.com.

INTRODUCING THE DISCIPLINED ENTREPRENEURSHIP CANVAS

THIS IS NEW MATERIAL that was not covered in *Disciplined Entrepreneurship*. The Canvas is a tool you will fill out as you go through the 24 Steps.

WHAT IS THE DISCIPLINED ENTREPRENEURSHIP CANVAS, AND WHY IS IT IMPORTANT?

The Disciplined Entrepreneurship Canvas is a one-page overview of the Disciplined Entrepreneurship approach to entrepreneurship. The Canvas functions like a synopsis of your current status so you can see what you have done and what you have not done, across 10 major areas that map to the 24 Steps.

I have seen the value in life of having a concise visual that gives a team feedback on their progress in the midst of the battle. I have also seen entrepreneurs building workarounds for just this function when trying to use the Disciplined Entrepreneurship approach, so there is clearly value in tracking your progress on the long journey through the 24 Steps.

The Disciplined Entrepreneurship Canvas will allow you to quickly assess the big picture of where you stand, and where your strengths and weaknesses are, so you can make adjustments.

HOW TO APPROACH THE DISCIPLINED ENTREPRENEURSHIP CANVAS

As Disciplined Entrepreneurship has been broadly deployed, a frequent question I get is how to integrate the 24 Steps framework with the Business Model Canvas made popular by *Business Model Generation* by Alexander Osterwalder and Yves Pigneur. In fact, before I wrote *Disciplined Entrepreneurship*, I used to use in my classroom the Business Model Canvas and then the Lean Canvas by Ash Maurya, but I did not find an easy, suitable way to integrate them with teaching the 24 Steps.

As nature abhors a vacuum, numerous people have constructed their own canvases for the Disciplined Entrepreneurship framework, led by Laurie Stach (MIT Launch), Floriano Bonfigli (Istituto Adriano Olivetti Business School—ISTAO Startup Lab), Patrick Kirby (Michelin—vice president of innovation and entrepreneurship), Johannes Mutzke (Michelin—Global Innovation Council), Mateo Nakach and Jorge Sanchez (Build-Your-Business Consulting Group), and Michael McCausland (Leadership Institute for Entrepreneurs).

They have pushed and inspired me to see the value of a one-page canvas that shows how you are doing. In sports, a coach often tracks progress in the game in a summary fashion and then conveys key information to his team on what they are doing well and what they need to focus more on if they are to win the game. A basketball coach's synopsis, for instance, will not only have the score but also the time left in the game, how many fouls each team and each player has, and other key indicators. Likewise, an entrepreneurship canvas gives you the big picture in one snapshot and allows you to see what you need to work on.

The simple summary does not capture the full richness of your situation, and as such it is not a perfect indicator of your success. Nor does the simple summary tell you why things have happened and how to fix things. So while it is limited in its usefulness, it does have the benefit of simplicity.

I have based the Disciplined Entrepreneurship Canvas off the Six Themes of the 24 Steps from *Disciplined Entrepreneurship*, expanding two of the themes and adding two more sections. The resulting Canvas maintains the specificity, logic, and rigor of the 24 Steps.

More so than other canvases, this canvas has a suggested initial sequential nature to it. You should start with Section 1 and then follow the arrows to move through the canvas. There should also be iteration, but providing a general prescriptive initial flow is helpful and an important part of the Disciplined Entrepreneurship approach.

Turn to page xviii to see the Canvas. Each section maps quite well to specific steps:

Section 1, Raison d'Être (aka Reason for Existing): Step 0

Section 2, Initial Market: Steps 1, 2, 3, 4, 5, and 9

Section 3, Value Creation: Steps 6, 7, and 8

Section 4, Competitive Advantage: Steps 10 and 11

Section 5, Customer Acquisition: Step 12, 13, and Windows of Opportunity/Triggers

Section 6, Product Unit Economics: Steps 15, 16, 17, and 19

Section 7, Sales: Step 18

Section 8, Overall Economics: Step 19 (parts)

Section 9, Design and Build: Steps 20, 21, 22, and 23

Section 10, Scaling: Steps 14 and 24

The fit between the steps and the Canvas is not perfect, but it still produces a framework that is useful and ties into the worksheets and additional information in this workbook.

When I used other canvases in my classroom, the frameworks were helpful, but they often needed to be customized. I would likewise encourage you to think of the Disciplined Entrepreneurship Canvas below not as a fixed edict, but rather as a framework that can be customized as appropriate. If it does not quite fit, that is okay. Go ahead and customize it, but it should at least give you a good start.

Note: Filling out the Disciplined Entrepreneurship Canvas fully requires expertise that you will gain from reading both *Disciplined Entrepreneurship* and this workbook. Do not be discouraged or frustrated that you don't know how to fill out all the sections at first. It will be a good guide for you to make sure you have absorbed all the material in both books. Fill out what you can and then continually update it as you learn more.

EXAMPLE OF USING THE DISCIPLINED ENTREPRENEURSHIP CANVAS WITH FEEDBACK

Old friend and master illustrator of this book, Marius Ursache, offered to test-drive the Canvas for his project, the Disciplined Entrepreneurship Toolbox (www.detoolbox.com). I should note that the 24 Steps framework has been used not just for startups but for projects/product design and development in large corporations, government organizations, investment situations, community organizations, educational institutions, religious groups, student clubs, and even creative arts groups. Once it was used for a piano concert. (Thanks for letting us know, Amanda von Goetz!)

Below are my comments on it so that you can see what you should be considering when you fill out your Canvas. Marius's draft is quite good, so I will focus my comments on where it could be improved, as well as how the Canvas will help Marius discover where he should focus his attention next:

1. **Raison d'Etre**: The founder passions, values, initial assets, and initial idea are good and can be refined, but the real area I would focus on is the mission. It is too general and is not really unique or inspiring. Having a clear mission is valuable for two reasons—it shows why the world will be a better place thanks to your venture, and equally important, it tells you what you will *not* be doing. This guidance on what you will be not doing will help you to get the right people on your team. To build a successful team you need three things: a common vision, shared values, and complementary skills. As you can see, it starts with common vision, so clarity on why you are in business is fundamental to your success in an environment that will be fraught with failure and other discouraging moments. That common vision keeps you marching on.

2. **Initial Market**: Again, there is lots to like in the End User Profile, TAM, and Next 10 Customers. The Beachhead Market and Persona draw my attention and concern. First, I worry that the Beachhead Market is two different markets. There cannot be a plural of Beachhead Market. Second, I worry even more that there is no Persona. I know picking a Persona can be a bit

The Disciplined Entrepreneurship Canvas

1 **Raison d'Être**
Why are you in business?

Mission:

Passion:

Values:

Initial Assets:

Initial Idea:

4 **Competitive Advantage**
Why you?

Moats:

Core:

Competitive Positioning:

5 **Customer Acquisition**
How does your customer acquire your product?

DMU:

Process to Acquire Customer:

Windows of Opportunity:

Possible Triggers:

8 **Overall Economics**
Does your product make money?

Estimated R&D Expenses:

Estimated G&A Expenses:

LTV/COCA Ratio High Enough:

9 **Design & Build**
How do you produce the product?

Identify Key Assumptions:

Test Key Assumptions:

MVBP:

Tracking Metrics:

2 **Initial Market**
Who is your customer?

Beachhead:

End User Profile:

TAM:

Persona:

First 10 Customers:

3 **Value Creation**
What can you do for your customer?

Use Case:

Product Description:

Problem Being Solved:

Quantified Value Proposition:

6 **Product Unit Economics**
Can you make money?

Business Model:

Estimated Pricing:

Short Term LTV:
Short Term COCA:
Medium Term LTV:
Medium Term COCA:
Long Term LTV:
Long Term COCA:

7 **Sales**
How do you sell your product

Preferred Sales Channel:

Sales Funnel:

Short Term Mix:

Medium Term Mix:

Long Term Mix:

10 **Scaling**
How do you scale your business?

Product Plan for Beachhead:

Next Market:

Product Plan beyond Beachhead:

Follow-on TAM:

The Disciplined Entrepreneurship Canvas

PRODUCT: DE Toolbox   **REVISION:** 1.0   **DATE:** October 20, 2016

1 Raison d'Être
Why are you in business?

Mission: Help more startups around the world to become successful, and improve lives, fix unemployment, and grow economies. Help more people to invest in startups in a smart way.

Founder passions: Startups and innovation, teaching, interacting with smart people.

Values: transparent, competitive, fair play.

Initial Assets: Team (Marius & Vlad), connections (Bill Aulet, MIT, accelerators), current users (5,000+ for current product).

Initial Idea: Online tool to help startups accelerate and get funded.

2 Initial Market
Who is your customer?

Beachhead Market:
A. Early-stage founders who want to improve their startup's chances to fundraise.
B. Accelerators outside Silicon Valley who want to improve their process and outcomes.

End User Profile:
A. Tech founders outside major US startup hubs with an idea or product but no revenue.
B. Smaller accelerators who have trouble getting good deals and accelerating them properly.

TAM: 1M tech founders outside US ($100M). 5,000 smaller accelerators ($30M).

Persona: TBD

10 Customers: MVP Academy (RO), NUMA (FR), MITEF Poland (PL), IncubatecUFRO (CL), UDD Ventures (CL), Magical Startups (CL), Eleven (BG), HUStart (IL), MadeInJLM (IL), AccelerateKorea (KR).

3 Value Creation
What can you do for your customer?

Use Case:
A. Learn about the biz side of your startup, apply it using a vetted process (DE24) & online tools.
B. Recruit better startups, engage more mentors, accelerate startups faster, get them funded.

Product Description: Process & toolbox for founders & accelerators→marketplace.

Problem:
A. Founders lack guidance and tools to help them be more disciplined on the business side.
B. Accelerators' "spray and pray" strategy does not yield too many successful startups.

Quantified Value Proposition:
A. Move faster. Get funded faster.
B. Get better deals. Get better follow-on investments for startups.

4 Competitive Advantage
Why you?

Moats: Network effect (both startups/ accelerators use it).

Core: We match the best startups with the best accelerators/investors, and help them work smarter together.

Competitive Positioning: Better productivity than AngelList, F6S. Focused on process more than Visible, FounderSuite, Gust.

5 Customer Acquisition
How does your customer acquire your product?

Decision Making Unit:
A. Founders & Chief Product Officers
B. Sponsor: CIO/CTO or Managing Director of accelerator. Decision: managing team.

Decision Making Process:
A. Start trial, share with team, add data, discuss with team before trial expiration.
B. Analyze features & cost for tools, contact suppliers, negotiate & sign (4-6 mo).

WoOs:
A. Apply to accelerator, prepare for fundraising
B. New generation/new fund (twice per year) or change in leadership

Possible Triggers:
B. Discounts, sales rep meetings or events.

6 Product Unit Economics
Can you make money?

Business Model: Subscription model for both startups & accelerators.

Pricing: $15/mo per startup

Short term LTV: $200 / $15,000
Short term COCA: $10 / $2,000

Medium term LTV: $250 / $25,000
Medium term COCA: $7 / $1,750

Long term LTV: $275 / $32,000
Long term COCA: $5 / $1,500

7 Sales
How do you sell your product

Preferred Sales Channel:
A. Website
B. Direct sales

Sales Funnel:
A. Search online→Read features & testimonials →Create trial→Add data in app→Receive trial end email→Discuss with team→Buy.
B. Search tools/get referrals→Analyze features→Discuss with sales reps→Discuss with team→Negotiate→Sign contract→Buy.

Short Term Mix: Email newsletter, event presentations, inbound, direct sales.

Medium/Long Term Mix: Event presentations, inbound, direct sales.

8 Overall Economics
Does your product make money?

Est R&D Exp: $50,000

Est G&A Exp: $24,000

LTV/COCA Ratio: 20:1 / 7:1

9 Design & Build
How do you produce the product?

Key Assumptions:
1. Startups will use the tool recurrently.
2. Accelerators need a better tool to source startups (than F6S/AngelList/Google Forms) and manage the acceleration process (than Google Docs/Slack/Email).

Assumption Tests:
1. Simplify tool (not linear, iterative/depth)
2. Try selling a prototype/slideware.

MVBP:
1. Current product with subscription
2. Presentation/prototype for accelerator features

Tracking Metrics:
1. Retention for startups
2. Number of paying startups
3. Number of paying accelerators

10 Scaling
How do you scale your business?

Product Plan for BHM: ???

Next Market: Universities, Angel groups

Product plan beyond BHM: Marketplace

Follow-on TAM: 100,000 angels ($1B).

uncomfortable and you will not find the perfect one to start, but Marius should pick the best one he has and then execute the process with it and look to upgrade the Persona over time.

3. **Value Creation**: There is a great deal of information to be summarized in this box and it is a real challenge. I worry that the very important use case is so truncated that it is not clear how well this has been developed. Likewise, the other three items have to be summarized in such a compact way, so while they seem encouraging I have a lot of questions. I definitely want to see the product brochure. But all in all, good. At this point, I am starting to see that the two Beachhead Markets defined in the Initial Market section *may* be intractably linked, and rather than two separate markets, they could *possibly* be seen as a two sided-market. This would be an area I would ask a lot of questions about.

4. **Competitive Advantage**: In the moats section, Marius lists "network effect," but I think that is actually the Core. What Marius lists for the Core definitely is not a Core, but rather is the benefit that customers will get. A Core is an internal capability you will have that is unique or much stronger than anyone else. I worry when I see network effect as a Core because while it can be a great one, it is rarely achieved. And if is not achieved, then the company has no defensible advantage over others, who will be able to follow you into the market at a lower cost by learning from the first mover's mistakes.

5. **Customer Acquisition**: The Decision-Making Unit (DMU) seems to be to be too simplistic (although I like that he has identified the chief product officer). Who are the DMU's primary influencers? The Decision-Making Process is too simplistic and does not address creating awareness with the target market enough. The windows of opportunity are a good start, but the possible triggers section is not developed in any creative way. This section, like much of the Canvas (and like what I'd expect for a first pass on any canvas), is too general and lacking in specifics to this situation.

6. **Product Unit Economics**: I like that these are general estimates and that they do not try to convey a level of precision that is not attainable at this point. The short-term Cost of Customer Acquisition (COCA) of $10 seems absurdly low to me and I am confident that upon closer evaluation, Marius will find this number to be much higher, which is expected in the short term. It would be extremely unusual to see a short-term Lifetime Value (LTV) of $200 with only a short-term COCA of $10, or a short-term LTV of $15,000 with a short term COCA of only $2,000. This immediately makes me discount the medium term and long term where I am confident that the COCA is still too low. But if the LTVs are to be believed, the business will be able to handle the actual COCA. Notice how easy it is to get a sense of the business from just a few numbers!

7. **Sales**: Oh my goodness! With the very low COCA from the previous section, I expected to see no direct sales channel utilization in this section (forgoing direct sales is risky in the short term), but there it is as the second option. He'll really need to think about how to minimize use and cost of direct sales (likely use inside sales instead of field sales, for starters) and to use other sales methods to keep COCA down. Maybe he can do online chat sales early on so that inside sales is more affordable. I think "robo-sales" using big data analysis and preference engines is probably the way to go. I am feeling even less confident about the COCA calculations now, and I would dig deeper to make sure the unit economics model gets refined. The mentality of the organization needs to be more focused on designing the sales process to have no human interaction from the company's side in the near future, so that the COCA does not grow out of control.

8. **Overall Economics**: The R&D expense and the G&A expense items seem reasonable since the work is being done in Romania, not the United States, but the LTV/COCA ratio still bothers me because I think the actual COCA is higher. However, this part of the Canvas shows me that if the LTV is accurate, there is room for the COCA to be higher and still have an economically sustainable and attractive business entity.

9. **Design & Build**: The key assumptions are too few and too general. The assumption tests do not yet line up with the key assumptions. The Minimum Viable Business Product (MVBP) is already up and running, so there is valuable information that can be gained from this investment so far. The tracking metrics are generally correct, but are also more general than I would like to see; for example, they do not have a time frame indicated.

10. **Scaling**: What Marius put here is very general, but that is not as much a problem as it would be in the other sections, because you won't have much clarity this early on. That being said, Marius should keep an eye on this section going forward and update it quarterly based on new information, which will be coming in as he engages in the market and learns from iterations on earlier steps.

STEP 0

How Do I Get Started? Should I?

Before you start this 24-step journey, you first want to know two things:

1. Do I want to start a company?
2. Do I have an idea or technology that I can do a Market Segmentation on (Step 1)?

Starting a company is not easy—it's the exact opposite. It will be really, really difficult and humbling throughout the journey. So do you really want to start a company? How do you optimize your chances of reaching a satisfying reward at the end? What kind of preparation do you need so that you start out with your eyes wide open, fully understanding what a startup entails and having done everything you can to increase your odds of success?

By the Book: See pages 15-21 of Disciplined Entrepreneurship for basic knowledge on this step.
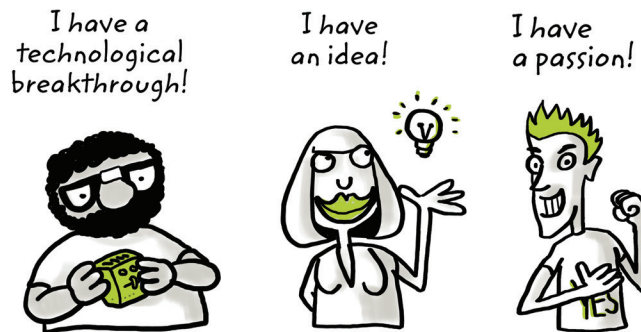
Three ways
to start a new venture

In Step 0 of *Disciplined Entrepreneurship*, I said that people interested in entrepreneurship typically either have an idea, a technology, or a strong interest in entrepreneurship. I discussed how someone without an idea or technology can think about what knowledge and skills they have and what ideas/technologies might flow from there.

Here, I emphasize unequivocally that if you're looking to radically impact the world, you need not just an idea or technology, but you also need a passion to keep going through good times and bad. You'll also need cofounders who can help round out the skills and knowledge leading the company. MIT's research shows that solo founders struggle compared to startups with founding teams.[1]

In this workbook, I'll first walk you through exercises to assess and define your starting point so that you are better equipped to determine whether and how you want to proceed.

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YOUR PASSION

I start with passion because if you don't have this, you will never succeed. It is a necessary condition (you must have it) but not a sufficient one (you need other things, too). Without passion, when you hit those tough times—and you will, without question—you will not be able to fight through.

By definition, a startup is about doing something that has never been done before. You are experimenting every day in new terrain, and you and your team will be way out of your comfort zone. You and they must be. It is all so new. You hope to succeed, but you will fail, in ways big and small, and often. Failed experiments are part of the startup experience. Just like in sports, where no great player has ever made all the shots he takes nor won every game she plays, you will do a lot of things that don't work right away, or don't work at all. You have to have a passion to fight through these temporary setbacks.

Passion 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, but I cannot guarantee anything. Even if I achieve success, it is only temporary.		
5	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.		

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[1]Edward B. Roberts, *Entrepreneurs in High Technology: Lessons from MIT and Beyond* (New York: Oxford University Press, 1991), 258.

You may want to consider additional questions customized to your personal situation. The goal is to gauge whether you meet the minimal level of "informed passion" that is required to start a company.

If you did not answer "Yes" to all of these questions, don't start a company today.

And that's okay. I estimate that at least half of my students fall into the category of what I call the "entrepreneurial tourist" or "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. Some of my other students are 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.[2]

All of these people will 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 use. If you are interested in entrepreneurship, I encourage you to go through *Disciplined Entrepreneurship* and this workbook and iterate on an idea all the way through the process. You'll learn a lot that will benefit you in any capacity where you are doing something new, even inside existing companies.

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 company will bring you.

Once you have confirmed your level of passion, you are ready to consider your existing ideas or technologies or to determine, based on your interests, strengths, and skills, what ideas or technologies may be interesting starting points for you.

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YOUR TEAM

Entrepreneurship is not a solo sport. We've seen time and time again that teams of founders have a greater span of knowledge and skills, and they support each other when the going gets tough.

You may already have a team of founders, or you might be looking for people to join you on your journey. *Disciplined Entrepreneurship* lists some resources that are useful for team building, but how to select a team is a much broader topic than I have space for. In this workbook, start by listing out some key details about your existing team members. That will help you in coming up with ideas to pursue and in determining who else you want to join your team.

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[2] 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.

Name	How do we know each other?	Knowledge	Skills	Passions/Interests	Founding Team Potential

A simple way I think about balance, skills, and roles on a team is the 3H model—hacker, hustler, and hipster. While not perfect, it has the benefit of simplicity and raising the issue in a fun and easy to remember way.

1. Who on your team is your lead "hacker"? (Hacker is the one who will make the product.)
2. Who on your team is your lead "hustler"? (Hustler is the business person.)
3. Who on your team is your lead "hipster"? (Hipster is the one concerned with the customer experience and design.)

Note: If you are lacking significant capacity in any one of the 3 H's, then you need to have a plan to fill that gap in the short, medium, and long term.

COMING UP WITH AN IDEA OR A TECHNOLOGY

If you already have an idea or a technology that you want to use as the basis for your company, you may be tempted to skip straight ahead to Step 1, Market Segmentation. However, I encourage you to spend some time to fill out the Idea Mini-Canvas or Technology Mini-Canvas below. You may find that your idea or technology is not as "ready to go" as you thought. Or your teammates may have differing opinions, and a brainstorming session will result in a much better starting point that everyone is passionate about.

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

An excellent starting point for a new venture 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. We call it "market pull" because you are being pulled by the customer to satisfy an already-defined general market demand. Coming up with a good market pull is hard—otherwise, everyone would start a company. 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 rigorously test your idea against the market.

Another 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 hardware breakthrough out of a lab with significant intellectual property around it, as we often have at MIT. 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 and disaggregated demand to create more efficient markets—such a business is much more viable when every customer has a smartphone in their pocket. Software as a service 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 so as to create value and impact.

Often people refer to this approach as "a solution looking for a problem" or the metaphor "a hammer looking for a nail," which is an apt description. It can be challenging to take a technology and find a true customer pain. Some teams get too enamored with the technology, and they don't focus and drill down to understand how to get paying customers. Use "technology push" with caution, and pursue only if the knowledge, skills, and passions of your founding team are more inclined toward starting with a technology, and your team understands that paying customers are more important to a startup than cool technology.

Regardless of whether you choose a market pull or technology push, there is a lot you won't yet know about this general problem: How urgent is the problem? How much will the customer pay for a solution? How many people have this problem? What does the competitive landscape look like?