From ‘great idea’ to ‘great business’ in 5 steps

Entrepreneurship is taking advantage of opportunities by taking a non-insurable risk (1). Therefore, the question a successful entrepreneur should answer is what opportunities would he have to take advantage of (and which he wouldn’t) and how to control the accompanying risks. How can an entrepreneur accomplish this if he has a '*great idea*' and the ambition to turn that into a '*great business*'? Especially when a '*great idea*' is new in the market and requires substantial investments, which is usually the case with ideas for consumer products? So, how can one achieve product innovation as an entrepreneur?

Innovation

Innovation is creating new value. Value is the monetized measure of scarcity. Scarcity is the area of tension between needs and available resources and is therefore reflected in needs that remain unfulfilled. The needs of people are unlimited; What this basically means is there is infinite room for innovation (2). Nevertheless, people only come into action when the gap between the current and desired situation has become too large and when the effort to bridge this gap is considered well worth it. Therefore, not every unfulfilled need forms a foundation strong enough to build a business on.

Unfulfilled needs lead to frustration (2). This means searching for solutions to frustrations can be a fruitful activity to find opportunities to innovate. In addition to such conscious needs, there are unconscious or latent needs. Needs you never knew you had, until someone offers a product or service that fulfills it. Therefore, the assessment criterias for a 'great idea' are as follows (see Figure 1):

Desirability	: Does it fulfill an unmet need?
Profitability	: Can it turn a profit?
Feasibility	: Is the solution practically feasible?

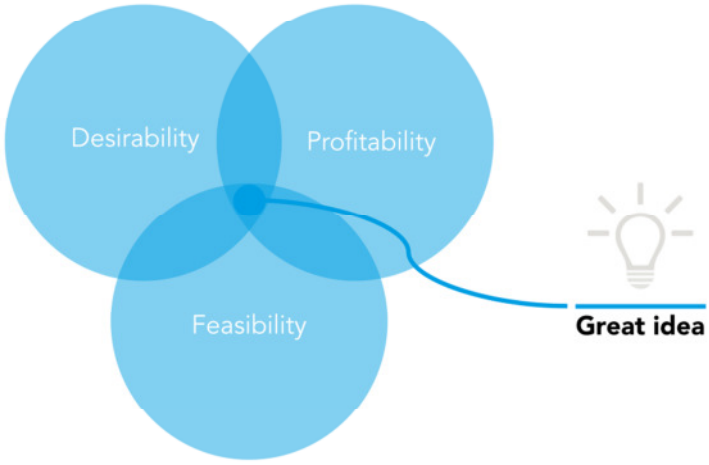

Figure 1: Venn diagram of a *‘great idea’*

The challenge for an entrepreneur is to balance these criteria during the trajectory from 'great idea' to 'great business'. Keeping the right balance is not an art, it’s simply a craft, a learnable trade. Since entrepreneurship is taking advantage of opportunities by taking a non-insurable risk it is a craft that originates from creativity and risk management.

Uncertainty

An entrepreneur who has a *'great idea'* but has not yet demonstrated that it fulfills an unmet need, whether it is practically feasible and can be turned into a profit, lives in an extremely uncertain environment. In this situation, an industrial product developer can be of help by providing the entrepreneur with creative solutions and direct supervision for a fast and reliable product development process.

According to Eric Ries, the fundamental activities during product development under uncertain conditions are to translate ideas to products (or services), in order to survey the reactions of customers and to start the next experiment based on the customer feedback (3). Idris Mootee states that this can best be achieved by using rapid prototyping and minimal viable products. This means continuously developing, manufacturing, testing and improving products (or services) that only include the minimal required functionality to deliver the intended proposition, until the viability of the idea is proven (4). According C.K. Prahalad and Ramaswamy Vinkat, the industrial product developer must do this by providing an entrepreneur with direct supervision, by giving access to available knowledge and resources, and engage in an open dialogue on risk assessments (5). This approach leads to minimization of risks under uncertain conditions in an efficient way.

Risk-assessment

Considering entrepreneurship is taking a non-insurable risk, the question that an entrepreneur has to ask is what risk he is willing to take. To take this into consideration the risks have to be made clear first. By applying the Design Verification process (6) in co-creation with an entrepreneur, the industrial product developer can help to identify, classify and systematically reduce risks. To identify risks, risk-assessment starts with a Failure Mode and Effects Analysis (FMEA) (7). To monitor identified risks, a Risk Tracking List (8) is used. In order to provide insight into progress, a Maturity Grid (9) is used. The basic principle of an FMEA is 'risk = possibility of occurrence x effect'. The three assessment criterias': desirability, profitability and feasibility can be used to appoint a variety of risks. For instance: the 'great idea' might cannibalize on another product of the entrepreneur that fulfills a similar customer need (profitability-risk). The functionality may be too burdensome in relation to the unmet need it fulfills (desirability-risk). Or, it stretches technical capabilities allowing for one working product but not zero faulty products in production (feasibility risk).

For example, by ranking all devised risks on a scale of 1 to 4 on the effect it will have when it occurs, it is easy to determine what presents the greatest risk, because risk = possibility of occurrence X effect. Due to the fact that the three assessment criterias: desirability, profitability and feasibility differ significantly, professionals from multiple disciplines are needed to obtain a proper risk-assessment. Discussion on these topics provides insight into each other's positions and provides a shared focus to the team that wants to develop the 'great idea' to a 'great business'. This underlines the importance of co-creation, open-dialogue and transparent communication about risk-assessment. The eventual decision whether or not to accept a risk is the responsibility of the entrepreneur, because he is the one who is taking the non-insurable risk.

From 'great idea' to 'great business'

A business plan for a product or service that is new in the market consists out of little more than a set of non-validated presumptions. The development from 'great idea' to 'great business' can be made controllable with the support of the toolset used for Design Verification by following a project based approach to systematically validate these presumptions. Osterwalder, Pigneur, Bernarda and Smith describe a process for this project based approach that consists of three steps. Pezy Group has expanded this process to five steps, by placing a step in front and a step afterwards. This process has proven itself successful for more than 20 years.

The five-step process Pezy Group uses to support entrepreneurs to get from a 'great idea' to a 'great business' is presented below (see figure 2).

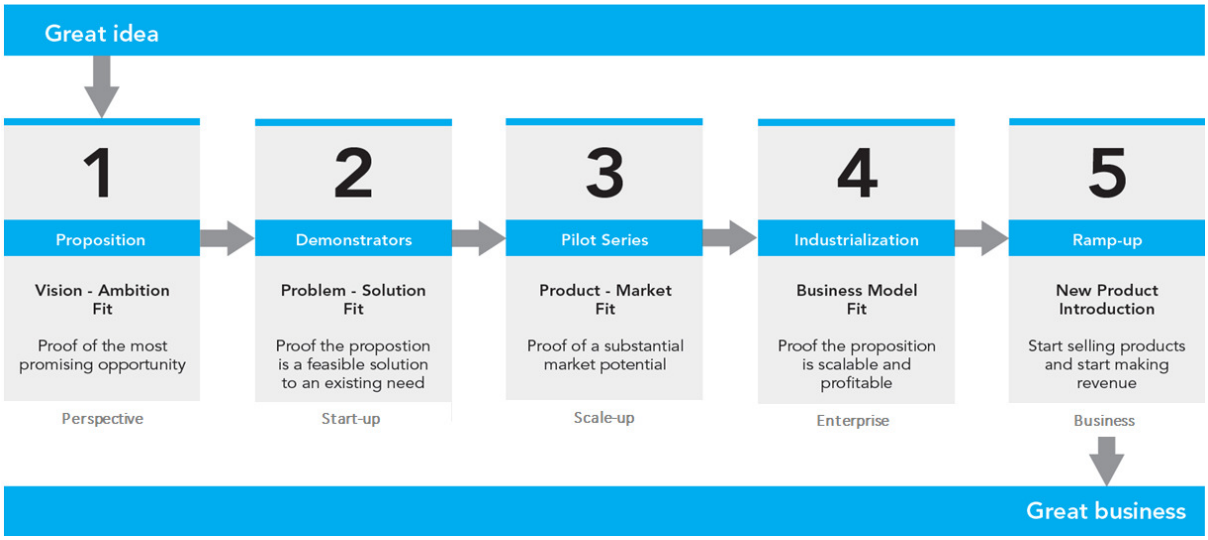

Figure 2: 5-step process 'from Great idea to Great business'

In step 1, multiple concept sketches of propositions are developed from which the most promising is chosen. This decision is made based on short exploratory research and 'mature intuition'. At that instance nothing has been proven, there is only a supported 'vision ambition-fit' in the form of an appealing perspective. An example of this is an idea of Buzzoek that Pezy Group developed to a perspective. Buzzoek wants to fulfill the need of shop owners in city centres to stop their customers from shopping online. Buzzoek's idea to achieve this is by rewarding customers that buy actual products in shops with OV-Kaart credit (Public transport card). Based on a short exploratory research and mature intuition, the most promising variant to fulfill the unmet needs to 'keep customers loyal to physical stores' is presented below (see figure 3).

Figure 3: Vision – Ambition Fit; proof of the most promising opportunity

Figure 3 clearly indicates the danger that occurs when the 5 step process is not being followed correctly. The figure gives the impressions that the product is already for sale, while, in reality it is merely a misleading good rendering of a set of non-validated presumptions. Startups that raise funds via crowdfunding during this stage of the development commit to the accompanying delivery obligation to their backers and demonstrate the desirability of their 'great idea'; however they are at

risk of running into problems in regards to feasibility, which will bring down profitability. In that case, the crowd funding activity itself is considered a success, but the possibility that their 'great idea' will not evolve into a 'great business' has increased by venturing into delivery obligations too early. Before the product can actually be sold, four steps have to be taken. When crowdfunding is unavoidable, it might be better to do this after step 2.

Step 2 is delivering evidence of the most promising proposition: the delivery of evidence that the proposition is a feasible solution for the demonstrated unfulfilled need. In this phase, rapid prototyping of minimal viable products takes place(according to Idris MooTee) during which ideas are being transferred to products, customer reactions are being surveyed and customer feedback is used to design the next experiment (according to Eric Ries). This process of rapid prototyping eventually leads to a so-called 'demonstrator'. A Demonstrator is a model that 'looks, works and feels like the real thing' that is intended to prove practical feasibility and demonstrates desirability. An example of this is the Ola@Night freezer that Pezy Group developed for Unilever. This is the smallest freezer in the world. Pezy Group has developed and fabricated some demonstrators for this product, allowing Unilever to test whether the presumed customer needs truly exist (see figure 4).

Figure 4: Problem – Solution Fit; proof the proposition is a feasible solution to an existing need

The next step in the process is step 3: the delivery of evidence that there is a substantial market with the unfulfilled need that the promising proposition can solve. This can best be achieved by manufacturing a small series of several hundred or several thousand sellable products and study how fast these can be sold and what the customer feedback is. Selling these products, as an example, can be done via webshops, expositions or pop-up stores. If a multinational intends to introduce a product outside its own brand(s), this can be done under a white label.

An example of step 3 is the small series of sellable products Pezy Group developed and manufactured for IVECO. This was done after a promising solution was drafted (step 1) and some Demonstrators were fabricated (step 2). The product entails a navigation tablet of TomTom that is being offered as an integrated system of the Daily Electric Van of IVECO. It is intended to provide real time route-information to couriers in city centres where only electric vehicles are allowed (see figure 5).

Figure 5: Product – Market Fit: proof of a substantial market potential

In step 4, sustainability and profitability is proven and preparations are made to produce on a large scale. This is the phase in which the largest investment is needed, however financial risk is manageable, because from the results of step 3 you can demonstrate the need in the market as well as projected sales volumes and price feasibility.

Pezy Group has numerous examples of products that have been brought to mass production; Both for multinationals who already have access to the market, as well as for start-ups who still have to create their own channels in the market. This is the fifth and last step in the process, the actual manufacturing and selling of products. The Senseo-devices from Philips are a great example of a product Pezy Group contributed to significantly during the process of industrialization and its ramp-up to mass production. See figure 6.

Figure 6: Business Model Fit and Ramp-up; start selling products and start making revenue

A large pitfall in the development of a great idea towards great business is spending time and energy on issues that do not have the highest priority at that moment. This is due to the natural instinct to make progress in areas that feels comfortable. However, there is the possibility that in hindsight, this might be a huge waste of time and energy. Therefore it is important to discuss risk-assessment through a transparent open dialogue throughout the entire process and to apply the mentioned risk-assessment tools.

Figure 7: PEZY GROUP 5-step approach®

The Venn diagram from figure 1 can be combined with the 5 step process from figure 2, resulting in the PEZY GROUP 5-step approach® from figure 7. During all five steps, the three criterias are constantly being developed and balanced where-as during step 2, 3 and 4, one of the three assessment criterias is demonstrated.

In this way Pezy Group has helped to develop 'great ideas' to 'great business' for twenty years. We do this for entrepreneurs who want to take advantage of an opportunity by taking a non-insurable risk. It is therefore a powerful way to accelerate innovation and to fulfil a core need of many customers.

10 considerations for the entrepreneur

1. Entrepreneurship is taking advantage of opportunities by taking a non-insurable risk. That's why you should consider what risk you are willing to take in advance.
2. Always follow the PEZY GROUP 5-step approach, regardless the risk you are willing to take.
3. Always be clear about the maturity of your idea. Even the most premature idea can be presented as if it is already for sale, but that might put others, and yourself, on the wrong track.
4. Compose a team of multi-talents who together oversee desirability, feasibility and profitability and understand each other in doing so.
5. Make ideas tangible and survey how customers react. Use this feedback to create the next experiment (Eric Ries).
6. Use rapid prototyping of minimum viable products to test, optimize and validate your intended proposition (Idris MooTee)
7. Work in co-creation and communicate in an open dialogue about risk-assessment (Prahalad & Ramaswamy)
8. It's pointless to develop one fine product that works if your goal is to develop many zero-defect products. 'Begin with the end in mind' (Steven Covey).
9. Always balance desirability, profitability and feasibility as good as possible. It makes no sense to make progress on one aspect if another aspect lags behind.
10. The needs of people are infinite, but not all unfulfilled needs are strong enough to build and support a business.

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