

🕒 2021.04.05

The New Business Road Test by John Mullins

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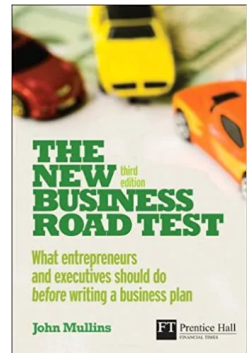
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Category: Value-Creation & Testing

(34 von 100)

Why: I do not know how to evaluate my business plan.

Goal: learn how to validate the business opportunities.



Action: Road Test 7 Opportunity Domains.

3 Key Concepts

1. All businesses aren't created equal. Don't treat them so.
2. You must look at both macro and micro-level.
3. These tests are your due diligence, skip it at your own risk.

Summary

This book helps us to avoid the impending disaster of pursuing faulty dreams that won't fly. It acts as a map to assess opportunities and as a foundation of your business plan. I must be honest that I did not even scratch the surface of what the book offers.

After dozens of notes, I found myself swimming in a pool of never-ending knowledge. Here are some parts of the surface I have touched upon.

Daily Question of Entrepreneurship

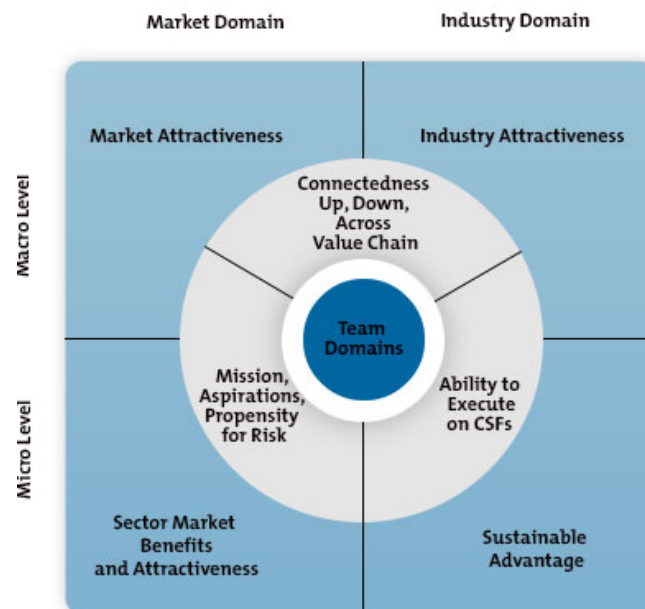
Why will or won't this work?

“Most opportunities are not what they appear to be, as the business failure statistics demonstrate.”

3 main elements of entrepreneurship

1. Markets: buyers
2. Industries: sellers
3. Your team

By differentiating markets and industries into macro and micro-level, we capture the characteristics of opportunities with higher resolution. In addition, we consider 3 attributes of our teams as follows: mission, ability, network.



Reference:

<https://www.mindtools.com/pages/article/mullins-seven-domains.htm>

Below is merely the questions that we should be asked to identify the flaws of our assumption about business opportunities.

1: Micro Market “Will the fish bite?”



“ The customer... is the ultimate reason for whatever the organization produces.

Peter Drucker

- What customer pain are you curing?
- Who own this pain, who they are, where they live, what they do for living?
- What differentiated your offer from others?
- Evidence that they will buy?
- Evidence that market will continue growing?
- Other existing segments that benefit from your offer?
- Can you transfer capabilities to other segment?

. . .

2: Macro Market “Is this a good market?”

“ There is a tide in the affairs of men, which, taken at the flood, leads on to fortune... we must take the current when it serves, Or lose our ventures.

William Shakespeare

- Did you decide on which market to pursue: huge one or niche one? It affects all other assessments.
- How large you want to serve? how many customers? countries?
- How fast it has grown in the last 1/ 3/ 5 years?
- How fast it will grow in the next months or years?
- What economic, demographic, sociocultural, technology, affect your market?

. . .

3: Macro Industry “Is this a good industry?”

“ When a management with a reputation for brilliance takes on a business with a reputation for bad economics, it's the reputation of the business that remains intact.

Warren Buffett



Below are mainly **Porter's 5-forces model**. It helps determine the strengths and weaknesses of the industry.

- What industry will you compete in?
- Easy or difficult for rivals to enter this industry?
- Suppliers set terms and conditions?
- Buyers set terms and conditions?
- Easy or difficult for substitution?
- If the industry is performing poorly, why wouldn't you?

. . .

4: Micro Industry “How long will your advantage last?”

“ Best beats first.

Jim Collins

Remember this: most industries aren't like the pharmaceutical industry.

- Is your advantage protected with some kind of patents, trade secrets, etc.?
- Do you employ superior organizational processes?
- Is your business model economically viable? Proof that it won't run out of cash quickly?

. . .

5: Team Mission “What drives your dream?”

“ Vivre sans rêve, qu'est ce?
What is life without a dream?

Edmond Rostand

- **What is your mission?**
 - To serve a market
 - To change industry
 - To market product
- **What is the level of aspiration?**
 - To work for yourself



- To build something small
- To build something big
- **What sort of risk are you willing to take?**
 - a secure salary
 - employment
 - life

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6: Team Ability to Execute “Critical Success Factors”

“ In the People was my trust,
And in the virtues which mine eyes had seen.

William Wordsworth

- What are identified critical success factors in your industry? [Check out OKRs.](#)
- Can you demonstrate that your team can execute each and every one of CSFs?
- In not, which of CSF your team need help with? How would you outsource this?

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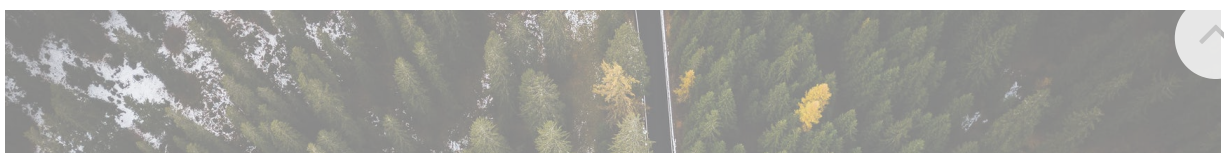
7: Team Networking “Which connection matters?”

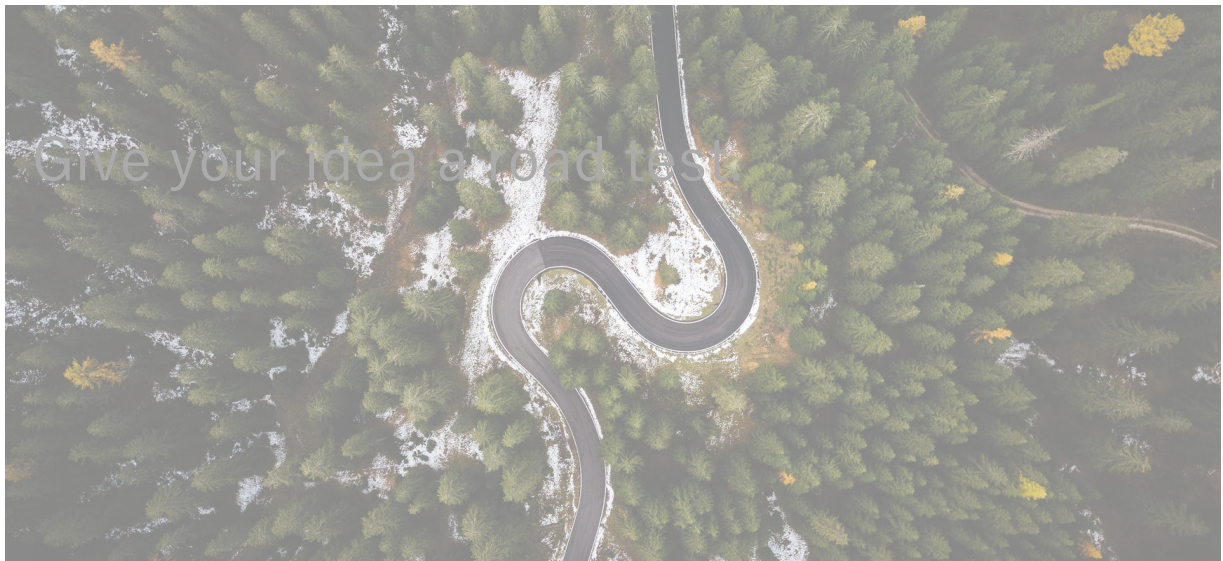
“ It’s not what you know; it’s who you know.

Business wisdom

- Up value chain: names and contacts info of your suppliers.
- Down value chain: names and contacts info of your distributors.
- Across value chain: names and analysis of your direct rivals and substitutes.

I realized how much more seriously I should do the home by writing all these test questions down. Practice asking these key questions will definitely save us time from chasing faulty ventures.





Goal check: I learned how to road test my business ideas.

Wasu's Review

(4.0 / 5.0)

Get this book on Amazon [here!](#)

[The New Business Road Test PDF Summary](#) FREE Download

Bonus: Want to go on and write a business plan for real now? Check out [“How to write a great business plan”](#) by Bill Sahlman 1997.

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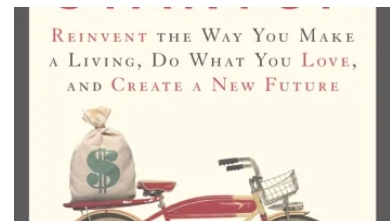
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