

Chapter 3. Deciding What to Do with Your Life

As a founder, you're trying to decide what to spend the next few years of your life working on. The reason you want to be lean and analytical about the process is so that you don't waste your life building something nobody wants. Or, as Netscape founder and venture capitalist Marc Andreessen puts it, "*Markets that don't exist don't care how smart you are.*"^[11]

Hopefully, you have an idea of what you want to build. It's your blueprint, and it's what you'll test with analytics. You need a way of quickly and consistently articulating your hypotheses around that idea, so you can go and verify (or repudiate) them with real customers. To do this, we recommend Ash Maurya's Lean Canvas, which lays out a clear process for defining and adjusting a business model based on customer development. We'll discuss Ash's model later in this chapter.

But the canvas is only half of what you need. It's not just about finding a business that works—you also need to find a business that you want to work on. Strategic consultant, blogger, and designer Bud Caddell has three clear criteria for deciding what to spend your time on: something that you're good at, that you want to do, and that you can make money doing.

Let's look at the Lean Canvas and Bud's three criteria in more detail.

The Lean Canvas

The Lean Canvas is a one-page visual business plan that's ongoing and actionable. It was created by Ash Maurya, and inspired by Alex Osterwalder's Business Model Canvas.^[12] As you can see in **Figure 3-1**, it consists of nine boxes organized on a single sheet of paper, designed to walk you through the most important aspects of any business.

PROBLEM List your top 1–3 problems 1	SOLUTION Outline a possible solution for each problem 4	UNIQUE VALUE PROPOSITION Single, clear, compelling message that turns an unaware visitor into an interested prospect 3	UNFAIR ADVANTAGE Something that can't be easily copied or bought 9	CUSTOMER SEGMENTS List your target customers and users 2
EXISTING ALTERNATIVES List how these problems are solved today	KEY METRICS List the key numbers that tell you how your business is doing 8	HIGH-LEVEL CONCEPT List your X for Y analogy (e.g., YouTube = Flickr for videos)	CHANNELS List your path to customers 5	EARLY ADOPTERS List the characteristics of your ideal customers
COST STRUCTURE List your fixed and variable costs 7			REVENUE STREAMS List your sources of revenue 6	

Figure 3-1. You can describe your entire business in nine small boxes

The Lean Canvas is fantastic at identifying the areas of biggest risk and enforcing intellectual honesty. When you're trying to decide if you've got a real business opportunity, Ash says you should consider the following:

1. **Problem:** Have you identified real problems people know they have?
2. **Customer segments:** Do you know your target markets? Do you know how to target messages to them as distinct groups?
3. **Unique value proposition:** Have you found a clear, distinctive, memorable way to explain why you're better or different?
4. **Solution:** Can you solve the problems in the right way?
5. **Channels:** How will you get your product or service to your customers,

and their money back to you?

6. **Revenue streams:** Where will the money come from? Will it be onetime or recurring? The result of a direct transaction (e.g., buying a meal) or something indirect (magazine subscriptions)?
7. **Cost structure:** What are the direct, variable, and indirect costs you'll have to pay for when you run the business?
8. **Metrics:** Do you know what numbers to track to understand if you're making progress?
9. **Unfair advantage:** What is the "force multiplier" that will make your efforts have greater impact than your competitors?

We encourage every startup to use Lean Canvas. It's an enlightening experience, and well worth the effort.

What Should You Work On?

The Lean Canvas provides a formal framework to help you choose and steer your business. But there's another, more human, side to all of this.

Do you want to do it?

This doesn't get asked enough. Investors say they look for passionate founders who really care about solving a problem. But it's seldom called out as something to which you should devote much thought. If you're going to survive as a founder, you have to find the intersection of demand (for your product), ability (for you to make it), and desire (for you to care about it).

That trifecta is often overlooked, withering under the harsh light of data and a flood of customer feedback. But it shouldn't. *Don't start a business you're going to hate.* Life is too short, and your weariness will show.

Bud Caddell has an amazingly simple diagram of how people should choose what to work on, shown in **Figure 3-2**.



Figure 3-2. Bud Caddell's diagram belongs on every career counselor's wall

Bud's diagram shows three overlapping rings: what you *like* to do, what you're *good at*, and what you *can be paid* to do. For each intersection between rings, he suggests a course of action:

- If you want to do something and are good at it, but can't be paid to do it, *learn to monetize*.
- If you're good at something and can be paid to do it, but don't like doing it, *learn to say no*.

- If you like to do something and can be paid to do it, but aren't very good at it, *learn to do it well.*

This isn't just great advice for career counselors; when launching a new venture, you need to properly assess these three dimensions as well.

First, ask yourself: *can I do this thing I'm hoping to do, well?* This is about your ability to satisfy your market's need better than your competitors, and it's a combination of design skill, coding, branding, and myriad other factors. If you identify a real need, you won't be the only one satisfying it, and you'll need all the talent you can muster in order to succeed. Do you have a network of friends and contacts who can give you an unfair advantage that improves your odds? Do you have the talent to do the things that matter *really* well? *Never start a company on a level playing field—that's where everyone else is standing.*

These same rules apply to people working in larger organizations. Don't launch a new product or enter a new market unless your existing product and market affords you an unfair advantage. Young competitors with fewer legacies will be fighting you for market share, and your size should be an advantage, not a handicap.

Second, figure out whether you like doing this thing. Startups will consume your life, and they'll be a constant source of aggravation. Your business will compete with your friends, your partner, your children, and your hobbies. You need to believe in what you're doing so that you'll keep at it and ride through the good times and the bad. Would you work on it even if you weren't being paid? Is it a problem worth solving, that you'll brag about to others? Is it something that will take your career in the direction you want, and give you the right reputation within your existing organization? If not, maybe you should keep looking.

Finally, *be sure you can make money doing it.*^[13] This is about the market's need. You have to be able to extract enough money from customers for the value you'll deliver, and do so without spending a lot to acquire those customers—and the process of acquiring them and extracting their money has to scale independent of you as a founder.

For an intrapreneur, this question needs to be answered simply to get approval for the project, but remember that you're fighting the opportunity cost—whatever the organization could be doing instead, or the profitability of the existing business. If what you're doing isn't likely to have a material impact on

existing business. If what you're doing isn't likely to have a material impact on the bottom line, maybe you should look elsewhere.

This is by far the most important of the three; the other two are easy, because they're up to you. But now you have to figure out if anyone will pay you for what you can and want to build.

In the early stages of a startup, you'll be dealing with a lot of data. You're awash in the tides of opinion, and buffeted by whatever feedback you've heard most recently.

Never forget that you're trying to answer three fundamental questions:

- Have I identified a problem worth solving?
- Is the solution I'm proposing the right one?
- Do I actually want to solve it?

Or, more succinctly: *should I go build this thing?*

Create a Lean Canvas

Go to <http://leancanvas.com> to create your first canvas. Pick an idea or project you're working on now, or something you've been thinking about. Spend 20 minutes on the canvas and see what it looks like. Fill in the boxes based on the numbered order, but feel free to skip boxes that you can't fill out. We'll wait.

How did you do? Can you see what areas of your idea or business are the riskiest? Are you excited about tackling those areas of risk now that you see them described in the canvas? If you're confident, share your Lean Canvas with someone else (an investor, advisor, or colleague) and use it as a discussion starter.

[11] <http://pmarca-archive.posterous.com/the-pmarca-guide-to-startups-part-4-the-only>

[12] <http://www.businessmodelgeneration.com/canvas>

[13] Not everyone is hoping to make money with his or her startup. Some people are doing it for attention, or to fix government, or to make the world a better place. If that's you, replace "money" with "produce the results I'm hoping to achieve" as you read this book.