

Exercise Book

ACE

Innovation Month®

Innovation Month[®] Exercise Book

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Ideation, Fact Finding and Value Proposition

LEARNING OBJECTIVES:

- The first step is to generate ideas.
- The second step is to start the creative problem solving process starting with the fact finding. The purpose of fact finding is to form a detailed model of a problem or challenge.
- The third step is to prepare Value proposition. The goal of every innovation is to create and deliver Customer Value that is clearly greater than the any one of the competitors'. The difference must be compelling to the customer.

FIRS STEP (ideation)

Practical exercise NO: 1

1. Make a list of your skills and competencies.
2. Where are you good at?
3. What skills you need to improve?
4. Make a list of your hobbies.

Practical exercise NO: 2

1. Watch videos and make notes.
2. After every video write some comments.
3. Make conclusion from your comments.

"David Lynch, Ideas are like Fish"

<http://www.youtube.com/watch?v=hQGb3WFEhLQ>

"How to Stimulate the Creative Process"

<http://www.youtube.com/watch?v=kPC8e-Jk5uw&feature=related>

"How NOT to brainstorm"

<http://www.youtube.com/watch?v=ttWhK-NO4g8>

"Innovation Man"

<http://www.youtube.com/watch?v=MudaxA80eI4>

Practical exercise NO: 3

Choose one topic and write down all the ideas that came to your mind.

- What niche (a niche is the subset of the market on which a specific product or service is focusing) **stuff** you could and would like to **manufacture** and sell?
 - What kind of a (niche) **service** you could and would like to **develop** and sell?
 - What kind of a (niche) **knowledge** or **art** you could and would like to **create** and sell?
 - What kind of a specific (society related) problem you would like to be solving as a volunteer?

Practical exercise NO: 4

- Think and write down your ideas.
- Choose one or two ideas from your list.
- Define a problem you have recognized (description of chosen ideas).

Practical exercise NO: 5

Brainstorming warm-up exercises. (Workbook chapter III)

Choose one problem

- You should design a new kind of two-week intensive "Road Trip" course in Finland. What would be the course content? Benefits? Etc.
- What would be a new, interesting and better flea market? Benefits?
- What would be a new and improved 21st century education structure in the university of applied sciences or university?

Write a conclusion what makes a good Brainstorming?

SECOND STEP (Fact Finding and Problem Definition) (Workbook chapter III)**Practical exercise NO: 6**

How and where would you start searching for more information and facts?

- You want to start a new health food restaurant in your hometown.
- You want to create a bike rental service for exchange students.
- You want to create a scooter road trip tour for summer tourists.
- You want to launch an organic vegetable garden service for private home owners.

Practical exercise NO: 7

1. Watch videos about Problem Definition and Modeling, please make notes.
2. After every video write some comments.
3. Make conclusion from your comments.
4. What factors you need to consider.

“Edvard de Bono, On Creative Thinking”

<http://www.youtube.com/watch?v=UjSjZOjNIJg>

“Expedition on Everest”

<http://www.youtube.com/watch?v=0F2SJS6B1wQ>

“IDEO Shopping Cart”

<http://www.youtube.com/watch?v=M66ZU2PClCm>

“Business plan”

<http://www.youtube.com/watch?v=hbysbP7Q0aM>

Practical exercise NO: 8

Write down all the ideas that came to your mind.

- Higher education graduates have difficulties in finding a job. Why is it so?
- Entrepreneurship is not popular amongst higher education graduates. Why?

Practical exercise NO: 9 (refers to the practical exercise NO: 4)

- Do you still have the same idea and what can you add to this idea? In case if you changed your idea could you describe your new idea?
- Make a list of people, their work position, study field or hobbies that can be useful to develop your idea or ideas in the future.

THIRD STEP (Value Proposition) (Workbook chapter IV)**Practical exercise NO: 10**

1. Watch videos and make notes.
2. After every video write some comments.
3. Make conclusion from your comments.

“Matti”

<http://www.youtube.com/watch?v=clq8eLgmRDk>

“The path to Quirky”

http://www.youtube.com/watch?v=GqYeWg7igkU&feature=player_embedded

“Out of Poverty”

<http://www.youtube.com/watch?v=kSEGN-EJHh0>

“IDEO Shopping Cart”

<http://www.youtube.com/watch?v=M66ZU2PCl0M>

Practical exercise NO: 11 (Workbook chapter III)

Think about Critical Evaluation.

- Based on critical facts (all information could be found in the studies or reports).
- Based on logical facts (feedback based on logical consequence or logical false).
- Based on intuition (something is felt or seemed wrong or especially good).

Write down three weak and strong points of your idea?

How to get rid of the weaknesses and improve strengths?

Practical exercise NO: 12

Choose criteria and weight them (1 = not important, 5 = very important)

Example criteria:

1. **Customer** (1 = not clear who is the paying customer, 5 = customer is perfectly identified).
2. **Need** (1 = no clear customer need, 5 = strong, proven need).
3. **Customer Benefits** (1 = it is unclear how customers' situation will change, what benefits they will get, 5 = customer benefits are logically demonstrable).
4. **Competition** (1 = very hard competition, 5 = no competition).
5. **Solution** (1 = feasibility of the solution very uncertain, 5 = feasibility is proven or trivial).
6. **Producer Benefits** (1 = big risk, 5 = practically no risk at all).
7. **Production Capability** (1 = out of our skills and resources, 5 = fully doable by us).
8. **Excitement Level** (1 = not excited at all, 5 = super excited!).
9. **Individual criteria score = weight x points.**

Practical exercise NO: 13

Make your own Value Proposition.

Need

- Who is the customer? What is his or her problem, need or goal?

Competition

- What options your customer currently has? What is missing from them? (Substitutes, also services, doesn't have to be similar products. Free time activities also can be classified as a competitor)

Solution

- What is your solution? What does it require from your customer? What does it require from you?

Benefits

- What will be different for your customer after buying from you?
- Is it profitable for you?

Practical exercise NO: 14

Write a five-page report about the all stages of you learning process, idea development and results.

II Interview

You have to find and interview a company or entrepreneur from the same or related field as your business idea. Remember that you need to have a questionnaire of at least 12 questions in it (maximum 20). The questionnaire should help you to understand the situation in the industry and the kind of companies working at this field. Below you can find some questions that will assist you with building your own questionnaire.

- What do you see ahead for your company in the next five years?
- How do you see the future for this industry?
- How is the economy affecting this industry?
- What do you consider to be your firm's most important assets?
- What can you tell me about your new product or plans for growth?
- How does the company make use of technology for internal communication and outside marketing? (Use of e-mail, Internet, intranets, video conferencing, etc.)
- How do you rate your competition?
- What is the organization model of the company?
- How would you describe a typical week or day in your company?
- Discover what kind of management style is essential for a company?
- How many people work in this company?
- Is there a basic philosophy of the company or organization? If so, what is it?
- How has your job affected your lifestyle?

Practical exercise NO: 15

Write a three-page report based on your interview. Summarize and describe in the report how you can use the company information to develop your idea. What do you think you would have done differently if you were general manager? What will be the ideal organization model and management style from your point of view?

III Sales, Marketing and Finance Calculations

FIRS STEP (Sales)

Practical exercise NO: 16

1. Watch videos and make notes.
2. After every video write down some comments.
3. Make conclusion based on your comments.

"The Art of selling"

<http://www.youtube.com/watch?v=0IKLDJAvLd0&feature=related>

"The Art of selling by Alec Baldwin"

<http://www.youtube.com/watch?v=zCf46yHIzSo>

"The Best Salesman Ever"

<http://www.youtube.com/watch?v=V4O5qFnEF3Q&feature=related>

"Robert de Niro selling a car"

<http://www.youtube.com/watch?v=7BYhERBS5Rs>

Practical exercise NO: 17

Prepare and practice your Sales Speech.

- Choose the target group (customer).
- Imagine the audience as a target group or customer. Speak to your customer!
- You can use any presentation technique and equipment you want.
- Decide roles carefully in the group: is everybody presenting or not?
- Maximum time limit is 5 min
- Record your presentation if you have got the equipment. Watch it, observe and make some comments. In case if you have no equipment, you can use help of your friends or a mirror. One other option is to write down your speech and read aloud, make some corrections and rewrite your speech.

SECOND STEP (Marketing)

Practical exercise NO: 18

Target: Sales.

Describe your marketing mix:

- Product (core product, extension products, standard or differentiated products).
- Price (Pricing basis, is the price standard or does it vary depending on content, season of the year, customer or quantity?)
- Place (How can the customer buy your product or service? What are the main distribution channels? Do you have an outlet of your own or do you use retailers or dealers or agents? What about the online distribution?)
- Promotion (advertising, communication and PR, other promotional needs e.g. promotional events, business gifts etc.).

How are you going to organize the distribution of your product or service?

- Describe the channels you are going to use. What about linking and integrating with other products or services which are already on the market? Define distribution responsibilities for staff and partners.

Find out if there are any existing users or customer (web) communities that could support your innovation. What could be the extra value for you provide by these communities?

Practical exercise NO: 19

Make your own marketing plan. (Workbook chapter VII)

THIRD STEP (Financial Calculations)

If you can estimate your expenses and incomes, calculating a Break-Even Analysis is a matter of simple math. You have broken even when your total sales or revenues equal its total expenses. At the break-even point, no profit has been made. This calculation is important for any business owner, because the break-even point is the lower border of profit when determining margins.

Practical exercise NO: 20 (Workbook chapter VI)

Indicate the total of annual costs = variable costs + fixed costs (including depreciation).

Practical exercise NO: 21

Make your own Break-Even Analysis by putting the figures to the table.

Cost Description	Fixed Costs (€)	Variable Expenses (%)
Inventory or Materials	-	0,0
Direct labor (includes payroll taxes)	-	0,0
Other expenses	-	0,0
Other expenses	-	0,0
Salaries (includes payroll taxes)	-	0,0
Supplies	-	0,0
Repairs & maintenance	-	0,0
Advertising	-	0,0
Car, delivery and travel	-	0,0
Accounting and legal	-	0,0
Rent	-	0,0
Telephone	-	0,0
Utilities	-	0,0
Insurance	-	0,0
Taxes (Real estate, etc.)	-	0,0
Interest	-	0,0
Depreciation	-	0,0
Other (specify)	-	0,0
Other (specify)	-	0,0
Miscellaneous expenses	-	0,0
Principal portion of debt payment	-	0,0
Owner's draw	-	0,0
Total Fixed Expenses	-	
Total Variable Expenses		0,0
Breakeven Sales level =	-	

Practical exercise NO: 22

This exercise consists of two parts. In the first part you have to estimate all the possible sources of finance. You can make your own list or use list (Sources of Finance) from the page 13. In the second part you have to calculate your monthly payment of your loan. Loan terms and percentages can be made and built on your own estimation or use list (Loans List) from the page 13.

Example of loan calculation: Needed amount of the loan from the bank is 10000 EUR and interest rate per year is 10%. You agreed with the bank that in this case the total amount that you have return to the bank is 11000 (10000 EUR + 10%) and loan term is one year. This mean that every month you have return to the bank 916,66 EUR (11000 EUR / 12 months).

FIRST PART

SOURCES OF FINANCE	EUR
Equity (capital input by the owners that is you + partners)	- €
Loan from your relatives	- €
Loan from your friends	- €
Loan from the bank	- €
Investors, Business Angels (who are owners, too)	- €
Other (e.g. short term finance from suppliers)	- €
Possible Investment Subsidy and/or other Public Support (this reduces the need for loan)	- €
Sources of Finance (total)	- €

SECOND PART

LOAN LIST	Amount of Loan	Loan term (months)	Interest Rate	Monthly Payments
Loan from your relatives	- €	12	5,00 %	- €
Loan from your friends	- €	12	5,00 %	- €
Loan from the bank	- €	12	10,00 %	- €
Investors, Business Angels (who are owners, too)	- €	12	25,00 %	- €
Other (e.g. short term finance from suppliers)	- €	12	0,00 %	- €
Loans (total)	- €			
Monthly Payments (total)				- €

After you make your calculations (sources of finance and loan terms) please think:

- Is it possible to arrange the finance needed?
- If not, can you find ways of starting your business in a smaller scale?

Practical exercise NO: 23

Write a six-page report about all stages of your learning process, idea development and results (includes Sales Speech, Marketing Plan, and Financial Calculations). Please add a copy of Break-Even Analysis and Sources of Finance (not count as a page of report).

IV Risks and Operating Environment

Practical exercise NO: 24

What kind of risks could you face in the future? Describe the possible risks.

- Market Risks.
- Technical Risks.
- Personnel Risks (an expert or manager or other key person falling ill; key people resigning; fraud; errors in recruitment; etc.).
- Financial Risk.
- Business-model Risks.
- Other Risks, what? (fire, other accidental risk to equipment, premises, stock etc.; environmental risks: theft; infringement of patents, utility models, copyrights, trademarks, trade secrets or other types of IPR; etc.)

Practical exercise NO: 25

How can you be prepared for these risks and minimize the consequences? Describe the methods and actions.

Practical exercise NO: 26

How much does each risk affect the profitability of your innovation?

Practical exercise NO: 27

Write a three-pages report about your risks (visual analysis can be included).

V Future Plans, Learning Diary and Conclusion

Practical exercise NO: 28 (Future Plans)

- Describe how you are going to take the product or service or case forward. Short-term (one year) and long-term perspective (2-5 years).
- Create the action plan. Describe steps and timetable.
- Are you going forward into business or establish a company? How?

Tools for the Future Plans

- Mind Map.
- SWOT – Analysis, Internal and External aspect (Strengths, Weaknesses, Opportunities, Threats). (Workbook chapter VII)
- Simple process description.
- Remember the time scale – chronological steps.

Practical exercise NO: 29

Write a one page report about your future plans.

Practical exercise NO: 30 (Instructions, Innovation Month® Learning Diary)

Write a Learning Diary 3-5 pages and return it to the tutor at an agreed time.



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