

Freddie and Billie's New Business Adventure

Two Teenagers' Journey Creating a New Venture

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Sample Chapters

CHAPTER 8

Models, Schmodels, Doc - What's Really In The Box?

We finished our break and headed back to the study. Mitch looked happier than usual and Doc and I knew why. Part of Freddie's donut 'accidentally' fell to the floor and Mitch's 'donut radar' picked it up, probably before it hit the floor.



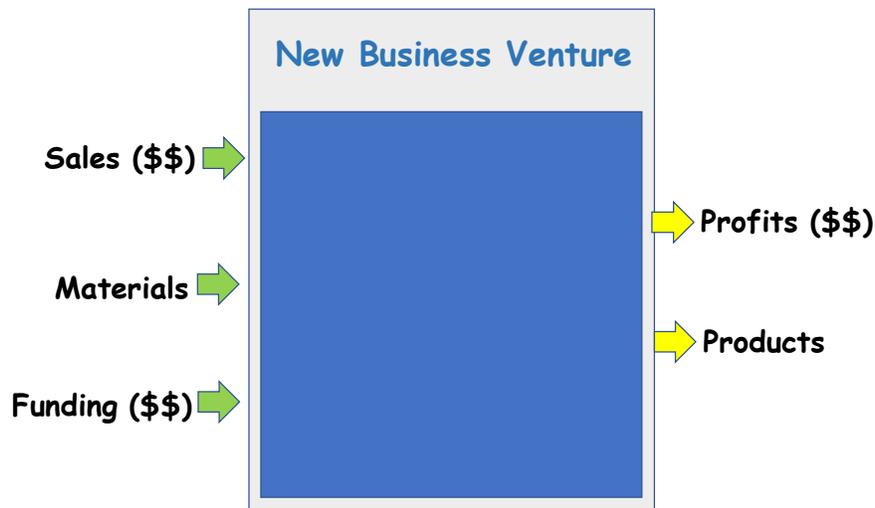
When Mitch looked at Freddie with that ‘...excuse me, are you really going to eat that look?’, we know what would happen next. Really great dog and amazing how he bonded with Freddie.

Freddie wanted to say something and clearly looked bothered. “Doc, I really appreciate you taking the time to work with us and help us plan and launch our *Zinger* venture, but I am feeling like ‘*models, schmodels*’, and we are drilling down on fruits and vegetables. Just hope this is not an academic exercise and sorry, but just don’t see how supermarket shopping relates to our *Zinger* business. See my concern, Doc?”

“Absolutely see your concern and understand,” said Doc.” I suggest just be patient - you will see how this all fits together and how we will use these techniques to plan and launch the *Zinger* business. Trust me,” said Doc.

As I said before, those were words Freddie and I would hear many times.

We settled back into the study and Doc pointed us to a flip chart in the corner of the room. Pulling the chart to the center of the room, he turned over the first blank sheet and the following large diagram covered the page.

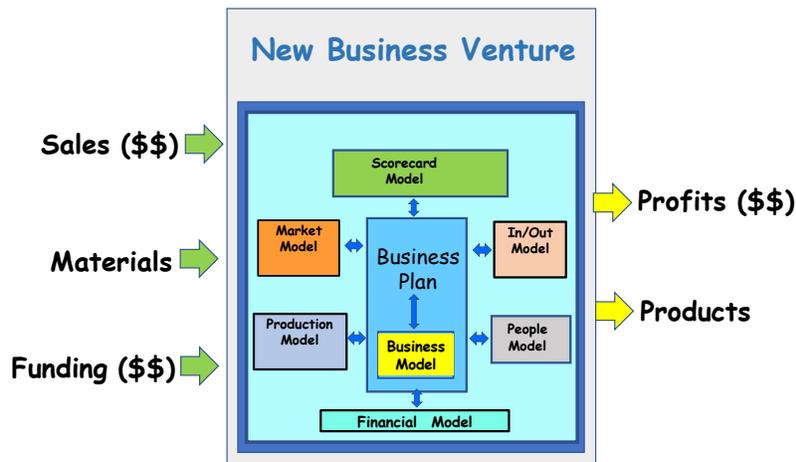


“So now step back and look at the box diagram. Here is our starting point. Materials come into the business ‘box’ with money to launch and support the business. Finished products come out with money coming back in from sales. And if you are successful, profits come out. And think about it - this simple *Business in a Box™* structure applies to all businesses.



Pretty simple concept to understand - important first step to understand how business works,” said Doc.

“Now let’s move on to answer the question ‘What’s In The Box?’,” said Doc, as he turned to the next flip page chart and showed the following:



“What you see are seven models all linked together as shown. Think of these models as parts of a ‘business machine’ which shows how all parts of the business work and fit together.

And what you see on the board applies to all companies, large and small, established companies and new ventures. For some businesses, such as the *Zinger* business, we may not use all the models shown initially, but may need more as the business grows.

Here is a summary of what you see here:

- The Business Model
- The Market Model
- The Financial Model
- The Scorecard Model
- The Production Model
- The IN and OUT Model
- The People Model



When we are done, you will understand these models; how they work, how they relate and link together - you will also be well equipped to develop your *Zinger* business and address the many business decisions you will need to make.”

I could see Freddie was getting agitated - known him long enough and can see an “Uh-Oh” moment coming. And it was.

“Doc, with all due respect, ‘models, schmodels’ - this looks awfully complicated - we are just making a fishing jig and seems to me like a basic business: buy parts, assemble, sell, and make a profit. Here is how I see the model of our business, simple:

Sales-Costs = Profits

Our strategy is to grow sales, keep costs low and create profit for us. So, what’s wrong with my thinking Doc, what am I missing here?”

Doc’s response to Freddie consisted of words he had delivered many times before. I know because I looked up several of his many publications - same message.

It is seductively simple to believe that launching and growing a new sustainable and defensible business is as simple as following the above three-line formula. Statistics show half of all new ventures fail within three years and two-thirds fail within five years. Much easier to start a new business than to keep it going.

The seven model structure shown is a powerful tool to review the basics and help you plan and launch a sustainable and defensible new business.

Note the two words I slipped in. First - ‘sustainable’, meaning there is a path to create more sales beyond initial orders; suppliers can meet increased demand as business grows; your production facilities can expand to support growth - many businesses often fail due to inability to meet growth targets while managing costs. And that takes planning.

And the second word I slipped in was ‘defensible’ - how do you respond to competitive challenges; if a competitor offers a similar product priced at 20 percent below the *Zinger*, can you respond while maintaining a profit? What are your plans to move beyond the initial *Zinger* product to grow and establish a market niche, maybe develop a *Zinger* jig ‘product family’, tie in with other fishing tackle manufacturers, etc? These and similar questions are typical of what you need to address, particularly in high-growth competitive markets. ‘Sustainable and defensible’ mean survival - really critical point here.



Both Freddie and I were impressed - didn't know exactly where we were heading in our 'entrepreneurial journey' but we obviously had a solid navigator and we were willing to work hard to flesh out the new *Zinger* product, launch and grow the business. I felt better about the 'trust me' words.

But Freddie still had a questioning look, usually meaning '... I think I understand what someone is saying, sort of, sounds interesting, let's see where this goes.

Doc continued. "Before we go further here, I'd like to share with you what I call the *golden rule* for launching a new business."

"I know that one, Doc," said Freddie - "... *he who owns the gold rules.*" Freddie was pleased with his answer.

"Very good Freddie, but that's not the golden rule I am talking about - this is:

The traditional laws of business are not repealed for new ventures. Understanding and applying these traditional rules and avoiding the 'paralysis by analysis' challenge can help launch a new business and improve probability of success.' We will talk more about this in a future session.

And answering the *What's In The Box?* question will give you a good start helping you follow the 'golden rule'."

Next week we will drill down on the Financial and Market Models, two of the most important *Business in a Box*TM models for understanding the *Zinger* business.

Let's break for today. Look forward to seeing you both next week."

We said goodbye to Doc, petted Mitch, and headed home.

Doc had covered a lot of ground in that session and I had the feeling, now that he had introduced us to the *What's In The Box* basics, he would be ramping up and pushing us further. And I was right - as you will see, we were in for an exciting ride in the coming weeks with many ups and downs.

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A Message for Young Aspiring Entrepreneurs: This Book is Written For You

I created the Doc Larsen Business Adventure Series to introduce young adult readers like you to entrepreneurship. Helping you understand how you plan, develop, launch and manage a new business is my objective. So why is this important?

Many reasons - here are my top four:

1. Entrepreneurship teaches you valuable new skills; improves your creative thinking and problem-solving abilities; helps you identify opportunities and evaluate solutions; improves your understanding of how business works and how parts fit together to create sales and value for owners.
2. Entrepreneurial management skills provide you with tools that help you excel even if you never start a new business. Whether you major in business, engineering, art, healthcare, journalism, or any discipline, learning how to think entrepreneurially will help you in your career. Trust me on this one.
3. New business opportunities are growing exponentially fueled by new technology, new markets, and new ways of doing business. What is less well known is that many of these are pursued by small and emerging companies. Statistics today show companies with less than 500 employees account for 97 percent of all new jobs. Smaller, innovative companies not Fortune 500 companies, drive today's entrepreneurial revolution, offering high rewards for entrepreneurs. Having entrepreneurial skills provides you with a competitive edge entering the job market or seeking to advance your career.
4. Many of today's leading companies were started by young entrepreneurs. Apple® was started in a Cupertino, California garage by founders Steve Jobs and Steve Wozniak on April 1, 1976. And Dell®, Microsoft®, Home Depot®, Amazon.com®, Starbucks®, and many others were launched by younger entrepreneurs in the past 35 years. Many young entrepreneurs want to create new industries or disrupt existing ones to create wealth and do their own thing.



The Doc Larsen Business Adventure series is designed to spur young adult interest in entrepreneurship and provide new skills to help them evaluate business ideas and create successful new business ventures.

The first book in the Doc Larsen Business Adventure series, *Freddie and Billie's New Business Adventure*, introduces young adult readers like you to a streamlined, structured, easy to explain *Business In A Box™* planning system I developed to help young readers define a business opportunity and develop market, business and financial models and business plans to launch a new venture.

The *Business In A Box™* system includes seven integrated models. Each model is easy to explain, and it is easy to understand how these fit together to plan the business. Understanding how new ventures are developed typically demands a textbook approach, reviewing business models, marketing, and strategy, and this can be overwhelming. I have taught many entrepreneurship courses at both undergraduate and graduate levels using sophisticated modeling tools and is currently teaching a senior level entrepreneurship course at George Mason University. I created the *Business In A Box™* to help young adult entrepreneurs plan, develop, and launch a new business.

In *Freddie and Billie's New Business Adventure* you will be introduced to two teenagers, Billie Phillips and Freddie Lampert (Billie and Freddie), high school seniors, seeking to develop a new fishing jig but '*...knowing zilch about business*'. The teenagers learn how to plan, launch, and manage their new venture, and turn their idea into an opportunity - that is the journey you will take in *Freddie and Billie's New Business Adventure*. Weekly meetings with mentor Dr. Ralph Larsen, or '*Doc*', and his constant companion, Mitch, described as the '*droolingest*' St. Bernard they ever saw, and storytelling techniques are the vehicles I use to share the skills needed to plan and launch a new venture.

My views are shaped by four decades of senior management and management consulting experience, teaching entrepreneurship and strategy management courses to senior and MBA college students since 2002, and working with hundreds of early stage companies. I can assure you, entrepreneurship skills can be learned.

I hope you enjoy the adventure you will take with Billie and Freddie and that the book helps you on your entrepreneurial adventures wherever they may take you.

Paul B. Silverman
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