You don’t need to come up with the idea for a story yourself to be an effective startup CEO, but you do need a sense of which stories could come true—and which ones most likely won’t. When you find that story, you have to tell it, shape it as you go and make sure it comes to life as a real business.

I hear from people all the time who say that they can’t be entrepreneurs because they aren’t creative. I used to say it about myself. As a case in point, I didn’t have the original idea to build an email change-of-address service. My original co-founder, James Marciano, did. Nor did I come up with the idea for an email deliverability business. My colleague George Bilbrey did. Nor did the idea for an inbox organizer consumer application occur to me. That was my colleague Josh Baer’s idea. All of these ideas are part of the Return Path story and I’ve led the organization that either brought these ideas to life or shaped and turbo-charged them to scale.

It takes a lot of creativity, a significant amount of business acumen and great communication and execution skills to get from an idea to a business—or from a small business to a big one.

Many great companies begin with a wildly new invention, but sometimes the best ideas are borrowed from others or combined from sets of existing things. There’s nothing wrong with that! After Steve Jobs died, Malcolm Gladwell wrote an article claiming that he’d built the world’s largest company
by doing exactly that: tweaking other people’s ideas, from the graphical user interface (from Xerox PARC) to the digital music player (do you remember the Diamond Rio?). This might not seem all too glamorous, but, Gladwell points out, it is essential to real growth:

In 1779, Samuel Crompton, a retiring genius from Lancashire, invented the spinning mule, which made possible the mechanization of cotton manufacture. Yet England’s real advantage was that it had Henry Stones, of Horwich, who added metal rollers to the mule; and James Hargreaves, of Tottington, who figured out how to smooth the acceleration and deceleration of the spinning wheel; and William Kelly, of Glasgow, who worked out how to add water power to the draw stroke; and John Kennedy, of Manchester, who adapted the wheel to turn out fine counts; and, finally, Richard Roberts, also of Manchester, a master of precision machine tooling—and the tweaker’s tweaker. He created the “automatic” spinning mule: an exacting, high-speed, reliable rethinking of Crompton’s original creation. Such men, the economists argue, provided the “micro inventions necessary to make macro inventions highly productive and remunerative.”

Inventors create solutions without precedent—often to problems nobody had noticed before. The stories they tell and bring to life require an enormous imaginative leap, like the one Samuel Crompton made when he envisioned an automatic process for spinning cotton. Business builders flesh those stories out. Most often, the biggest detail they include is the main character: the customer.

Where Crompton focused on the technical challenges of the original spinning wheel, Stones imagined workers diligently smoothing out the fabric coming out of the spinning mule, and added rollers. Hargreaves imagined them struggling to deal with a jerky mechanism that accelerated and decelerated too rapidly and smoothed the transitions. Kelly imagined the muscle power required to run the current models and added water power. Keep the whole story in mind: customer, problem, product, solution.

“A FASTER HORSE”

One of the first things my co-founders and I did when we started Return Path was to stand outside of our offices with clipboards and Starbucks gift
cards. We asked people walking by to take a survey in order to get a free coffee. It was our first bit of customer research and the foundation of our first strategic plan. I still have the clipboard in a drawer somewhere and smile every time I come across it.

We haven’t done anything exactly like this in years and we won’t do it again. Our company has grown beyond that stage but that doesn’t mean strategic planning is a one-time exercise. You should do it throughout the life of your company, even when things are going well. It would be excessive to undertake this exercise with every major product release, but you should do it at least every three years. This planning exercise should always begin with your most important stakeholders: your customers.

The purpose of any business plan is to find new and better ways of serving your customers. You can do that in one of two ways:

1. Come up with a new set of assumptions about what your customers need and want and test those assumptions with customers.
2. Ask your customers what they need and want.

Either way, there’s a pretty straightforward rule of thumb when taking ideas and turning them into a company: listen to your prospective customers! Of course there are thoughtful objections to this approach—including one from the most successful entrepreneur of all time. Here’s Steve Jobs, from Walter Isaacson’s 2012 biography:

Some people say, “Give the customers what they want.” But that’s not my approach. Our job is to figure out what they’re going to want before they do. I think Henry Ford once said, “If I’d asked customers what they wanted, they would have told me, ‘A faster horse!’” People don’t know what they want until you show it to them. That’s why I never rely on market research. Our task is to read things that are not yet on the page.

There’s always a tension between listening to customers and innovating for them. Great companies have to do both and know when to do which. That said, as my colleague Hanny Hindi has pointed out, Ford’s quote about “a faster horse” isn’t really a definitive debunking of market research. Look at it again. Ford’s customers didn’t say that they wanted a “safer” horse or a “more comfortable” horse. They said that they wanted a faster horse. They were perfectly clear about what they wanted: speed.
Jobs is right: “Our task is to read things that are not yet on the page.” Very often, those things are clearly written in between the lines. If you don’t speak with your customers, you’ll miss those subtle—but crucial—insights. When we started Return Path with the idea in mind to create a centralized service for capturing people’s change of email address online, no prospective customer said, “I want a system called ECOA that looks like the post office’s NCOA system.” They did say, “I don’t know what to do when I get a bounce. I just delete the email address from my database.”

With those caveats in mind, customer interviews are invaluable. In addition to questions specific to your company and business, be sure to cover the following broad areas if you’re an existing company diving into new areas and refreshing your business direction:

- What are the major problems your customers are facing today?
- What new products and services could you provide to address those problems?
- Are they looking for an upgrade to a current solution or something completely new?
- What would it be worth for them to solve this problem (i.e., how much would they be willing to pay to solve it)?

A former mentor of mine used to say that people buy things either out of fear or out of greed and that there is a fear/greed continuum where you can actually plot out the behavior of particular buyers. Find out which button your product presses and make sure you orient your questions, development, and sales and marketing around that.

Aren’t all great companies founded on that one great idea? “Great ideas” are exciting, inspiring and often life changing. The Model-T. The telephone. The personal computer. Some entrepreneurs will say that you can create a system for generating ideas like these. Thomas Edison’s 1,093 patents suggest that they might be right—but I think it’s a bit like lightning striking.

What I think you can create is a system for vetting ideas. We all have a limited amount of time on this planet—figuring out what problem area you want to operate in is an incredibly important first step in starting a business or even expanding one. In its broadest strokes, this kind of idea vetting system
is simple. You can build it in Excel in a few minutes (or you can download my template at www.startuprev.com). On the y-axis, list all of your ideas. On the x-axis, list the (weighted) criteria you will use to judge those ideas. These are the criteria we have used at Return Path:

- **Customer pain** (30%). Does the market need your idea?
- **Market opportunity** (10%). How many people need your idea? Today (Size)? Tomorrow (Growth)?
- **Can we win?** (20%). Are there already competitors in your chosen space (Competitive Positioning)? If so, will you beat them (Feasibility)?
- **Strategic fit** (10%). Is this a problem you can solve? Do you have the right expertise, networks, and so on?
- **Economics** (30%). Can you afford to solve this problem?

Score each idea between 1 and 5. (Don’t try to be more specific: this isn’t about calculating specific market sizes or investment opportunities.) Multiply by your weighting criteria. Consider the scores. You might be surprised which one wins.

One thing should be clear from the weighting: a huge “market opportunity” isn’t a good enough reason to ignore all of the other factors. You may have a billion-dollar idea, but if you don’t have a team that can execute on it (“Can We Win?”) or the funding you need (“Economics”), it won’t matter. You don’t have to go with the highest-scoring idea. But you need to have a good reason for choosing another one. “This could be huge!” isn’t good enough.

As Simple as the Wheel

There are lots of ways to evaluate startup ideas. One of the most popular for technology entrepreneurs is to identify what Jerry Colonna, a CEO coach in New York City and former venture capitalist at Flatiron Partners, first called the “the analog analogue.” The concept is that figuring out how a digital idea mirrors an offline idea is a better way of handicapping future success than understanding pure technology analogs.

At Return Path, nearly every business we’ve been in has a clear analog analogue. Our email change-of-address business was analogous to the postal change of address. Email list rental was analogous to post list rental. Email market research was analogous to telephone market research. And so on.
Every one of those ideas has been the result of real brainstorming processes and complex, nuanced thinking.

Innovation doesn’t have to be complex. One of my favorite examples of this is luggage: for decades, we all carried around suitcases and garment bags and totes that gave us pinched nerves and bad backs as they hung from our shoulders or strained our grips. We sprinted through airports in extreme discomfort, and we assumed that there was no better way.

Then someone decided to put wheels on luggage. Wheels, for goodness’ sake. Not electric cars. Not the Human Genome Project. Not cold fusion. Wheels! Those wheels changed the luggage industry and the way we travel for the better.

What’s the “wheel” that your industry needs? Don’t search for an analog analogue if there’s something simpler staring you in the face that can explode your market.
Management Moment

Be Passionate about the Substance of Your Business

When Terry Semel was CEO of Yahoo! in the early 2000s, one of his employees described Terry’s method of communication: “sitting in between Terry and the Internet is a secretary and a printer.” He had his emails printed out, wrote his responses longhand, and then had the secretary type them in. He didn’t use the Internet. Seriously.

Can you imagine Twitter CEO Dick Costolo not tweeting? Or the CEO of General Motors driving a Mercedes? Or the CEO of American Airlines being afraid of flying? I’m not saying that an overweight middle-aged white guy can’t be the CEO of a company that makes beauty products for hip, young Latina women, but it sure is tough to have a high degree of credibility within your organization if you are that personally disconnected from what your company does.