Phase 1: Plausibility

Can we take this business idea seriously?

Laying the Foundations

Phase 1 of the Founder's Playbook lays the foundation for planning a startup. Here, fundamental concepts are developed, whose effects will be felt throughout the entire project. This phase also serves as a plausibility check, because a business idea cannot be successful if the results of this phase are not convincing.

When is a Business Idea Plausible?

In order to have a good chance of success, a business idea for a startup must fulfil several criteria. However, as a first check it is sufficient to answer the following four questions:

- *What problem do the founders want to solve?*
  How urgently is a new and better solution needed?
- *Who are the customers that have this problem?*
  Are there enough such customers that it is worth developing a solution?

- *What is the planned solution?*
  What makes this solution innovative and advantageous?
- *How will the solution be made available to customers?*
  How can the founders make money by doing so?

Only when plausible answers for these questions have been found does it make sense to start working on more complex issues. For this reason, the four chapters of Phase 1 deal with exactly these four topics.

The Sources of Business Ideas

Ideally, business ideas come into being as a reaction to real customer needs. In established companies this is also usually the case: they know and understand their customers well and therefore have a reliable source of promising new offers.

By contrast, startup business ideas (which in fact are usually just product ideas) are often generated far from any market in university courses, idea workshops or from a hobby. For this reason, they have hardly any relationship with the real world – at least not at first.

Therefore, Phase1 of the playbook is intended to develop the basic requirements for a business idea and to test them for plausibility. Whether or not the assumptions that underlie these requirements are valid or not will be examined in Phase 3 *Validation*.

Passion? Yes – But For The Right Thing

One of the many personal qualities needed by startup founders is passion. Founding a company and making it successful requires – among many other qualities – energy, persistence and concentration. From experience, founders who possess only an average degree of motivation usually give up quickly.

Founders are often excited by their product idea and are also proud of it. However, their emotional attachment to their idea can be so strong that they are not prepared to adapt it to reality or even drop it altogether, if necessary. Nathan Furr calls this the *Entrepreneur's Paradox*: Founders only have the courage to begin their startup because they have a strong belief in their idea, but it is this same strong belief that makes them blind to the fact that it may be problematic or even doomed.

This is a significant danger, because the basis of a successful company is not a product that its creators are in love with, but a solution that helps a customer.

It is therefore better to fall in love with a customer problem. This motivates founders to study their potential customers intensively and it gives them the freedom to develop a convincing solution, regardless of what it ends up looking like.

> *Fall in love with the problem, not the solution, and the rest will follow.*
>
> Uri Levine

Phase 1 is also a plausibility check in this sense, because founders need to be mature and to be serious about their company in order to be able to answer the questions thoroughly and openly – even if the answers do not match their original ideas.

All Results Are Assumptions

The Lean Startup philosophy recommends that founders work on the assumption that they know nothing about their customers at the outset. From this follows that all customer-related factors created during the preparation phase must be treated as assumptions that must be tested carefully.

This is particularly true for the results from Phase 1: Almost everything that founders write down here is an untested assumption. In most startups, practically everything from Phase 1 changes as soon as the founders start talking to customers and test users start using their product.

The results from Phase 1 are therefore always temporary; even after many months founders return to these topics and adapt their answers to their new insights.

The Four Chapters of Phase 1

1.1 *Customer Need*: Which customer need will the startup serve with its offer?

1.2 *Target Market*: Who is this offer mainly intended for?

1.3 *Solution Concept*: What solution will the startup offer and what value will it provide?

1.4 *Business Model*: How will the startup make its offer available and make money with it?

Chapters 1.1, 1.2 and 1.3 are closely related and should be worked on together. When the founders have validated the assumptions made in these three chapters, they have reached *Problem-Solution-Fit* – the first major milestone in the life of a (Lean) Startup.

Link

- Phase 1 at founders-playbook.de:
  founders-playbook.de/plausibility/

