

Idea Generation, Networking, and Seed Money

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An experiential program was performed in an undergraduate class of entrepreneurship during spring and fall 2004 consisting of three elements: *Bugs*, to generate ideas; (b) *Networking*, to connect with the local business community; and (c) *Seed Money*, to create a real-life startup exercise. The objective of this program was transferring the “load” of teaching from a conventional lecturing method to a series of practical assignments in which students had to generate business ideas, begin contacts with the local entrepreneurs, and actually start a business. These activities at the start appeared as detached and unrelated efforts. However, as the class progressed, these activities proved to be interconnected. Major results of this program were, (a) after three rounds of sieving and refining, students compiled an extended list of business ideas; (b) some of the local entrepreneurs, among whom many expressed their willingness to be guest speakers, established links with the students and the University; and (c) many students who had never experienced how a small proprietary business operates realized mechanics of starting and managing an enterprise.

Learning from experience is a fundamental philosophical and theoretical idea in adult learning (Crosby, 1988). For Dewey (1938) and other progressive educators, experience was to be used deliberately to develop distinctive qualities from an otherwise imprecise and felt impression. Experience was to help us learn about and function more effectively in our world. David Kolb (1984) describes learning as a four-step process: (a) watching, (b) thinking, (c) feeling, and (d) doing. He delineates primarily on the works of Dewey, who emphasized experience, Kurt Lewin, who stressed the importance of a people being active in learning, and Jean Piaget, who described intelligence as the result of the interaction of the person and the environment. Although modern-day theorists of adult learning (Knowles, 1990, and Mezirow, 1991) differ regarding several important issues related to adult learning, they all place considerable emphasis on the importance of the learner’s experiences in the learning process.

To be effective learners we must (a) perceive information, (b) reflect on how information affects some aspect of our life, (c) compare how information fits into our own experiences, and (d) think about how this information offers new ways for us to act. Learning requires more than seeing, hearing, moving, or touching. We integrate what we sense and think with what we feel and how we behave. Without that integration, we are just passive participants and passive learning alone does not engage higher brain functions or stimulate our senses to the point where we integrate our lessons into our existing schemes. “Learning by doing” is actually a conversion of the explicit knowledge (theory) that is transmittable in formal, systematic language into tacit knowledge (practice) that is personal, and context-specific. As stated by Nonaka and Takeuchi (1995), when we internalize experiences as technical knowledge, they become valuable assets.

Education can be fun, but Pine and Gilmore (1999) express that there is a significant distinction between education and entertainment. In education, students absorb the information while they are “actively” engaged in the process of learning. A student inside a lab during a physics experiment is immersed more than when he just listens to a lecture. Here, the student absorbs the events unfolding before him. To inform a person and increase his knowledge and/or skills, educational events must actively engage the mind and/or body. In entertainment processes, however, absorption through the senses is accompanied by “passive” participation of the students. This type of experience occurs when we view a performance, listen to music, or read for pleasure.

Description of the Program

The “Integrated Program” engages students in learning and turns theories into practices. The three components of this experiment are as follows: an idea generation track, or *bugs*; a networking track, or *networking*; and a real business operation, or *seed money*. In composing this program, three ideas merged. Specifically, finding bugs came from the work of Marcie Sonneborn (2005), Syracuse University; the networking idea flowed from David Newton (2003), Westmont College; and the start-up exercise originated with Robert Peterson (2004), University of Portland.

The author is unaware if a colleague has put the first two works into practice, but the seed money project has been carried out before. These activities were totally separate and unrelated works developed by different persons. Integration and expansion, however, came later.

In this article, specifics of the program are illustrated. Any reproduction of the experiment, though, has to be customized to echo the local conditions and

preferred goals. For instance, universities have different calendars and the length of terms vary. Some schools, particularly those located in large urban areas, may have access to more resources as well as a larger pool of entrepreneurs. These situations permit different approaches. For example, the instructor may desire to invite entrepreneurs as guest speakers to her or his class, and the class size may influence the arrangement of groups.

Components of the “Troika”

The following section gives details of the three elements of the program—the bugs, networking, and the seed money.

Bugs. The bugs are the first component of the troika. The bugs’ function is to produce ideas with the potential of becoming new products and services. Innovation begins with identifying the outcomes customers want to achieve; it ends in the creation of items they buy. The most successful products are responses to problems or needs that someone has. Many entrepreneurs get ideas for new products from needs that they have themselves, or they identify when speaking with someone. Leo Gerstenzang invented the cotton swab in the 1920s. His wife had used a toothpick with cotton stuck on the end to clean their baby’s ears, and Leo invented cotton swabs to replace her “invention.” George de Mestral, a Swiss engineer, invented Velcro in 1948. While hiking, he had noticed that burdock seeds stuck extraordinarily well to his clothing. The seeds had extensions that attached themselves firmly to clothing. Mestral used this same model to develop Velcro.

It is often a long road from invention to commercialization. Chester Carlson developed the photocopier process and patented the process in 1942. Haloid Xerox introduced the invention to the market in 1960. Inventions follow a path that is not dissimilar to that of “natural selection.” Some ideas may work well in a laboratory experiment but not in the marketplace. Many good ideas and inventions fail to succeed, even after being financed, because companies do not have the well-rounded business knowledge necessary to place all areas of their company on solid grounds. Only about 6 percent of inventions develop by independent inventors actually reach the marketplace (Astebro, 1998).

Networking. The second element of the program, networking, is the other side of the invention. While the invention is the tale of the “hero,” the one who can solve problems, networking deemphasizes the power of one. Here, the hero acts within and with the help of a network of friends, associates, and acquaintances. There is more to success than having a good idea and

raising money. Entrepreneurs launch and build a network of partners who work with them to achieve the new venture’s goals. This partnership will include suppliers, customers, complementors, and often competitors. The advocates of this line of reasoning propose that networks are the “most significant resource of the firm” (Johannisson, 1990, p. 41), and the contacts with the network are often a source of new venture ideas (Christensen & Peterson, 1990). Other research indicates that network entrepreneurs recognize greatly more opportunities than “solo” entrepreneurs (Hills, Lumpkin, & Singh, 1997).

Seed money. The third building block of the program, the seed money project, begins with the argument that people learn in different ways. That is, some people are visual learners, some are verbal learners, and others are tactile learners. Using only one teaching method may help some students, but may leave others neglected. Students need opportunities to show their talents and learn in ways that work for them. This hands-on activity, starting up a business with a nominal amount of capital, provides a conduit for practical students and acts as an extra tool of learning.

Semester Activities

Bugs. For the bugs project students need to assemble a list of 50 or more things that really aggravate them. In the bug exercise students must reflect on their own lives, their personal needs, activities in which they are involved, things they like to do, relationships that they have, and things that they observe in their everyday world. Students are reminded that when they record the bugs, it is important for them to notice whether a certain solution solves the problem or makes an improvement. They should contemplate possible advantages of their solutions over those that are presently available. Moreover, they should be aware what it takes to realize a particular solution, for example, is the time right to propose the idea and is the market ready for it.

Table 1 demonstrates a sample of irritating things that students presented as bugs. In the same table, we also observe suggested solutions, potential products. As the items in Table 1 exhibit, some of the proposed solutions are directed at immediate and local concerns. Yet, a number of others look at broader problems.

This bugs project consists four phases. In the first phase students assemble a list of 50 bugs. In the second phase, students organize their bugs into various categories such as social, personal, environmental, and legal. The purpose of this classification is to organize

TABLE 1
 A Sample of Bugs and Suggested Solutions

Bugs Suggested	Solutions
<ul style="list-style-type: none"> Dogs bark incessantly Forget what side the gas tank is on when pulling up to a gas station A light bulb burns out without warning and there is no light in the room Alarm clock needs to be set every night Golf-balls that are lost after they are hit into the woods Headlights shine in from side mirrors Leaving blinkers on when not turning 	<ul style="list-style-type: none"> Make a collar that lets out a very high pitch tone to stop the dog, similar to a dog whistle Develop a device that lights up with an arrow that points which side the gas tank is on Create a sensor that senses the life of the light bulb and beeps when it is about to replace the bulb Make an alarm clock that can be programmed for different days of the week Install RFIDs on the balls Create a translucent film to cover the side mirrors that reflects light outwards Develop a device that turns the blinkers off after a certain time

bugs into clusters that may have similar solutions, and thus redundancy of the same resolution is avoided. Here, they know that their main purpose is to find reasonable solutions that may lead to creating certain products or services. In the third phase, students need to filter their bugs and select the 10 most promising concepts for future business enterprises. The project ends after appending some additional information related to marketing issues. Here, we have a list of the 10 most promising bugs and their solutions that echo market deficiencies suggesting various business opportunities.

In these two phases the following questions are to be answered:

- What is the problem (write one problem on each line)
- What solution are you suggesting to resolve the problem?
- How are you going to implement the solution? You need to suggest a very specific service/product that would solve the problem
- Do you need to protect the idea (intellectual property issues)?
- What is the name of the product/service?
- Who will be the potential buyer of this product? Explain the target market: What is the profile of your typical customer
- Why do these buyers buy your product?
- How much does your typical customer would pay for this product?
- How are you going to promote your product?
- Where are you going to sell your product?

Networking. The networking project requires a group of students to progressively fill a binder with particular information. The entries include business cards, clipped articles about exciting entrepreneurs, telephone numbers for referrals, web URLs or email

addresses for related products or services, brochures picked up at trade fairs or exhibitions, firm owners cited in various publications in the state, and cold call referrals secured during the semester. Students have to keep adding value to their binders. In each round they must submit a progress report to the instructor and the class, and follow-up with the business card owners. This implies that during the semester, students will increase their professional contacts, and thereby augment their awareness. There are four rounds of this work. In the first round students collect business cards, brochures, newspaper clips, and handbills from a host of local businesses. In the second round, students interview ten local entrepreneurs. A sample of questions for these interviews is suggested in Table 2.

In the third round, teams provide detailed information drawn from the previous interviews. Finally, the previous round is finished with a self-analysis and finding possible fit between the group members and any of those entrepreneurs interviewed. The following questions facilitate this process of analysis and matching:

- Since you are working as a team, prepare a single résumé for the group and provide the following information:
 - What are your work experiences?
 - What are your skills and areas of your particular expertise?
 - What are your other interests and non-work-related activities?
- Is there a match between your capabilities and strengths and those of the persons you have interviewed?
- If you indeed liked one of the businesses you interviewed but felt you had some shortcomings (weaknesses), state how you may address the problem? (Outsourcing, hiring experts, and so forth)

TABLE 2
 Potential Questions for Interviews with Local Business Owners

1. How did you come up with your idea for a business?	6. Is there a trade association related to your business? If yes, what are its name, contact number, and benefits?
2. Did you start a new business, buy an existing business or buy a franchise?	7. How did you obtain your startup capital?
3. Has your produce or service changed since you started? If so, why?	8. What have been your primary financial challenges?
4. Who is your target market? How did you identify your customers? Who is your typical customer?	9. If you started over today, what would you do differently?
5. Is this a growing industry locally? Nationally?	10. Would you be willing to speak to my class? If yes, what is your telephone number or email address?

- From the selected magazines/newspaper/web articles, tabulate three characteristics of the successful entrepreneurs. Indicate if you possess any of the said characteristics. Write in detail.

Seed Money. The seed money project begins after the course withdrawal date. This delay in starting up the project allows non-business students to catch-up with the unfamiliar subjects of the course. By the time of the withdrawal date students are versed with the fundamentals of doing business and concepts of idea generation and preparation of financial statements.

To initiate the business, the instructor furnishes each student with \$20. Students understand that as long as their businesses are legal and ethical, their types are of no great concern. At the time of distribution of the seed money, the instructor and each student sign a contract. Students are free to form a partnership if their project requires more money to start. If students decide to form partnerships, they need to prepare a contract that has the partners' signatures. This document becomes part of each venture's portfolio. In the two semesters that the project was implemented, some students acted alone, but in one case, the "company" had 5 partners.

The assessment of students is based on the quality of the reports only. There is a possibility that a certain

business loses its initial fund. This itself is an exercise in entrepreneurship and students' responsibility to face the risks of starting a business. The seed money collected at the end of the activity. In these experiences none of the ventures lost any money, although some of the students lost points because they had badly prepared their reports. The most noticeable mistakes were related to balance sheets and income statements. A rubric for the seed money project is suggested in Table 3.

Considering the life span of this exercise (less than two months), the ventures created by a group of students who had very little or no business experience at all, showed impressive levels of achievement. The initial investment of \$440.00 (Spring 2004) generated net revenue of \$ 826.00. Another round of activities, with an initial capital of \$280.00 (Fall 2004) generated \$760.00. Students paid a 10% "tax". This tax is levied on the net profit demonstrated on income statement of each business formed by students. Some students "donated" extra money. In aggregate so far \$168.70 has been collected through these taxes. These small funds are deposited in a special account for our campus Entrepreneurship Club. Table 4 exhibits some useful information about the two runs of the seed money project.

TABLE 3
 A Rubric for Grading the Seed Money Project

Items	Points	% Multiplier	Your Points
1. A professional resume specifying skills/talents necessary to run a business.	5	100 75 50 25	
2. A list of marketing activities (10 points each) The type of product/service in the venture How the product was priced The way the business was promoted How the product/service was delivered	30	100 75 50 25	
3. The legal type of business (e.g., proprietorship, partnership, etc.). If a partnership, include a full contract with the partner names.	5	100 75 50 25	
4. A detailed financial report. Cash flow budget Balance sheet Income statement	30	100 75 50 25	
Total Points: 70		Your Points ->	

TABLE 4
Business Operations in Two Semesters of Conducting the Seed Money Activity

Semester	Initial Capital	Profits	Taxes	# of Students	# of Businesses	Types of Businesses
Spring 2004	\$440.00	\$826.07	\$88.90	22	11	Bakery, car detailing, t-shirts, haircutting, wood splitting, massage service, banner making, jewelry making, web page design
Fall 2004	\$280.00	\$760.71	\$79.80	14	10	Bakery, car detailing, home maintenance, concierge service, maid service, online e-bay® selling, gifts and goodies, construction, catering, landscaping

Weekly Activities

The first two weeks of the semester are allocated to a general discussion of entrepreneurial characteristics, as well as discussion of identifying opportunities and entry strategies. The assumption is that after covering these subjects, students are ready for the completion of the first round of the bugs and network reports. In addition, instructors can assign other exercises to their students.

From the third week through the sixth week, discussions revolve around business valuation and buying an existing business, management teams, legal forms of organization, and intellectual property. Again, additional homework activities that are related to these topics may be assigned. Here, students are prepared for the second round of both experiential exercises. The third exercise, the seed money project is to be introduced during this timeframe.

Weeks seven through ten is the period in which such topics as contracts and leases, how to protect business interests, government regulations, and analyzing the market are discussed. After these discussions, students should turn in their third round of bugs and network reports as well as the first report of the seed money project.

In the last four weeks of the semester students prepare themselves for the fourth and last report of the bugs and network projects. By this time they would have studied subjects such as pricing, market penetration, developing financial statements, and sources of capital. Since this is approximately the end of the semester, a final report of seed money project is also due at this time. Similar to the preceding phases, the instructor may require students to complete other exercises. These assignments are the type that will further assist students in gaining knowledge about the complex task of business management.

Conclusion

This integrated program achieved several goals, including the reviewing of the most important subjects of how to manage a business. In addition, the class was an exciting place of learning and playing. The students implemented a business concept and created opportunities to approach a network of experts, supporting group, and potential investors.

Buckingham and Coffman (1999) point out “through Gallup’s studies of great accountants, we have discovered that one of their most important talents is an innate love of precision” (p. 84). As this program progressed, a fact started to show itself to both students and teacher. We discovered that certain students, while completing various phases of activities, were demonstrating very clear signs of having such entrepreneurial talents as courage, determination, and tolerance for ambiguity, and accepting risks without much stress. The three exercises demonstrated to students that when the subject of entrepreneurship is taken seriously, it is not a course for everybody. All participants in the class learned skills necessary to manage a business. They also acquired awareness of rules of the game. As we moved on, we discovered the less talented students. Some were missing the deadlines. Some were shy in interviewing the local entrepreneurs. Still, others could not identify bugs, demonstrating their lack of recognizing opportunities. Almost the same individuals expressed an inability to start a business and were begging others to accept them as partners.

A direct result of this type of experiential exercise is “discovering” talents. While it is much easier to teach skills (how-tos) and knowledge (awareness), it is far more crucial and difficult to find hidden talents conducive to successful future business path. These exercises have the power of digging into the potential pool of human talents and expose the ones that are important in carrying out a business venture.

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