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Key Investor Readiness Skills

MODULE 4: Embrace and Resolve Problems



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4.1 Embrace and Resolve Problems: Introduction

As you search for and negotiate risk capital, you'll probably encounter a problem or two along the way. Are you ready to solve them? Most people are quite capable of solving 90 percent of the business problems they encounter — it's the other 10 percent that will test your skills says Morgan D. Jones, author of *The Thinker's Toolkit: Fourteen Skills for Making Smarter Decisions in Business and in Life*.

When these tougher situations arise, simply learning more about the subject won't take care of the problem. Instead you need to know techniques that will help you explore the issues and make better decisions. We'll show you techniques that will help bring you closer to the best possible solution.

In This Module

You'll learn what questions to ask to find out if you really have a problem and what techniques you can use to discover the true cause of the problem. You'll also discover how to come up with creative alternatives and learn how to choose the best solutions to your problems. Finally you'll explore ways to implement your solutions that will keep you moving forward.

- Don't Avoid Problems; Conquer Them
- Identify and Define Problems
- Determine Root Causes
- Generate and Select Alternatives
- Implement Solutions
- Capabilities Check

The New Tech Story

Follow the fictional company New Tech Distributors Corp. (New Tech) as it pursues venture financing. This case example gives you a feeling for the "real" data and strategic decisions you'll be facing.

4.2 Don't Avoid Problems; Conquer Them

As an entrepreneur, you identify and solve problems every day. And chances are, you're the one responsible for coming up with solutions. Knowing how to make the right decisions is crucial for your company's growth and future success. If you're seeking risk capital and are in the process of developing an investment proposal, you may face problems at each step of the process. Your ability to resolve those problems efficiently and effectively will be critical to successfully acquiring capital.

Your goal shouldn't be to ignore problems or to steer clear of opportunity just because problems may occur. Drysdale and Blau, authors of *Creative Problem Solving for Entrepreneurs: A Creative New Approach to Overcoming Your Business Problems*, state:

"Your business will not grow if you arrange your actions around the attempt to avoid all problems. Acting out your fear of problems will only make them

worse, as will ignoring them. The entrepreneur's goal should be to learn to approach problems in a way that allows the best possible benefit from each solution."

In other words, the growth of your business depends on the risks you take. Fear of failure isn't a good enough reason to stop taking risks. The probability of success and growth will increase with every risk you take and with every problem you solve and conquer. Think back to when you decided to start your own business. Wasn't that the biggest risk of all? It was the first step in the growth of your company. Now look at yourself - seeking risk capital and still growing. Learning to deal with and resolve problems is an important skill if you want to continue to be successful

Tip

A problem exists when there is a difference between the way things are and the way you would like them to be.

4.3 Identify and Define Problems

Visualize the Solution

Here is a good place to begin solving your problem: Try defining the problem in terms of the expected solution. In other words, how is the situation different from what you want or expect? What's happening that shouldn't be happening and what isn't happening that should be happening?

To help you define your problem, ask yourself questions to explore it from a variety of angles. Here are some questions that help focus on the situation. Notice how they help to clarify and define the sample problem.

Questions to Explore the Problem	Sample Problem
What is happening? (Describe the nature of the problem.)	The investor isn't returning my voicemail messages.
Where is the problem taking place? (Specify the location of the problem.)	My office and the investor's office.
When is the problem occurring? (Mention the time frame of the problem.)	During office hours.
Is the problem measurable? (Give details as to the extent or size of the problem, i.e. numbers, percentages.)	Yes, four messages left with no response.

Look at the sample answers in the right-hand column. While we're not ready to develop a firm solution yet, don't they begin to suggest a better direction? If the investor isn't returning voicemails left in his or her office during business hours, perhaps another time and method of communicating would be more effective.

Understand the Other Side

If the problem exists between you and another person, be sure to define the different sides of the problem. Put yourself in the other person's shoes and try to understand his/her point of view. Understanding the investor's needs, for example, might play a key role in solving a problem you might be faced with during the investment process.

Once you understand both points of view and have flushed out all the issues, you'll need to determine why each person believes the issue is a problem. If you listen carefully to the other person's explanation, you'll get a better understanding of where those thoughts are coming from. And as you are clarifying your understanding, you will also be showing your willingness to address the problem fairly.

Separate Fact From Feeling

Defining what is fact, as opposed to what is someone's opinion and feeling, is important when identifying problems. It's easy to mix up the way you feel with the facts because emotions often run high during the investment process. Don't act on an issue until you know for sure that it's a fact. Be sure to clarify any issues and confirm your understanding with others.

4.4 Determine Root Causes

Find Out Why It's a Problem

How many times have you identified the cause of a problem and fixed it, only to find out the following week that the problem is back? That usually happens because although you may have identified a cause, you probably didn't identify the root cause. To solve a problem you first need to find out why it's a problem and then make changes that will correct it.

Root cause analysis is a method used to determine the cause(s) of a problem. "The Five Whys" in the Tools section is a root cause analysis technique that will make it easier for you to identify possible solutions that may correct the real cause(s) of your problems.

Two Kinds of Remedies

There are two strategies for dealing with problems: you can find a temporary remedy or search for a permanent solution. And while permanent solutions are what you ultimately want to find, don't overlook the possibility that temporary remedies may buy you the time to look for the right long-term strategy. Just don't forget that the quick fix is only temporary. Otherwise the problem will most likely return, perhaps with even bigger repercussions depending on the stage/growth of your company.

Temporary Remedies

Here are three approaches to finding quick, temporary remedies. Think about each approach, and consider whether you have used it to solve an urgent problem with your business. How long did you allow the quick fix to continue before finding a more permanent approach? Are there any temporary remedies that have become entrenched in your business? Is this likely to cause difficulties in future?

Temporary Remedy	Example
	<i>If you owned a water-bottling company...</i>
Rework your problem.	If your machines are only filling some bottles halfway, you could decide to have those bottles refilled.
Reject your problem.	If the half-filled bottles are also being chipped for some reason, you may simply choose to throw them away and take the losses until you can deal with the problem.
Patch your problem.	If the bottles are only filling halfway because of a leak in a hose, you might decide to tape the hole.

As you can see, each type of action will fix your problem temporarily but won't provide the best long-term solution. That is, these actions will do until you take more thorough corrective action.

Permanent Solutions

Corrective action is a permanent change that will eliminate the root cause(s) of the problem. This action is the best solution because it will prevent the problem from recurring. Let's look, for example, at those bottles that weren't filling properly because of a leak in the hose (root cause). If you replace the hose (corrective action), the bottles will fill up; and you've solved your problem.

4.5 Generate and Select Alternatives

Once you've defined your problem and identified its root cause(s), it's time to come up with possible solutions and then evaluate your alternatives carefully before you choose a course of action.

Generate Many Ideas

When people are faced with problems, they often grasp at the first reasonable idea that presents itself. But the first idea may not be the best or even one that will work out at all. The key is to generate as many alternatives as you can — go beyond the obvious solutions and come up with many ideas.

Brainstorm With Others

A quick way to gather many alternative solutions is to conduct a brainstorming session with your management team. With more people involved, it's more likely that the best solution will emerge. Because different people have different perspectives, they may come up with alternatives that would never have entered your mind. You can also encourage your group to build on each other's suggestions and work together to come up with very creative solutions to the problem. But remember that you reserve the right to make the final decision.

Who Should Be Involved in Problem Solving?

Who should be involved in the problem solving/decision making process? Involve all the people whose opinion you value. Leverage the experience and knowledge of others, as much as possible. If applicable, use your partners, your advisor, your best friends or your family members.

Know that your advisor is on your side. This will be a key person during the investment process and his/her knowledge is priceless. The experience that the advisor brings to you will help you understand what's needed for you to get the risk capital needed for your company's continual growth.

Your potential investor may also be someone who can help out with problems, perhaps indirectly. Listen closely when you meet. Do you remember when your teachers used to say that the answer is in the question, right in front of you? Your investor may just give you the answer to a problem. When you listen, try to look for information that the investor might not want to give you directly.

If you have a good working relationship with your investor, you might decide that being open and honest about an issue or problem is the best way to come up with a solution. Your investor may be willing to help directly as well as indirectly.

Avoid These Mistakes

Here are some common mistakes that happen during brainstorming sessions, along with suggestions for avoiding them.

Mistake	Suggested Approach
Too few alternative solutions are generated.	<ul style="list-style-type: none">• Keep brainstorming until people have genuinely run out of ideas.• Be a positive force, with comments like, "great stuff," "let's keep going," and "this is a big help."• Make sure every idea, no matter how far-fetched, is listened to and written down.
Ideas are evaluated as they are generated; this may lead to good ideas being rejected too quickly.	<ul style="list-style-type: none">• At the start, tell the group that you're looking for every possible idea, no matter how silly or unlikely it may seem at first.

	<ul style="list-style-type: none"> • Ask the group to hold off on commenting, either negatively or positively, until lots of ideas have been generated.
A dominant person takes over and inhibits other people from suggesting alternatives.	<ul style="list-style-type: none"> • Don't criticize a dominant person, as that will discourage other quieter people from speaking up. • Call on a quiet person by name, asking for his or her ideas. • Have each person speak in turn.

For more information see (in the Appendix):
Brainstorming Tool for a step-by-step process for working with ideas; and
Analogy Tool to help you look creatively for alternatives.

Evaluate Your Alternatives

Once you've generated a good range of ideas, you can proceed to evaluate the alternatives. Begin by developing some criteria to ensure each possibility receives equal consideration and scrutiny.

In a business environment, the criteria usually involve:

- Time — can we implement this action within the available timeframes?
- Cost — can we afford to do this, and is the cost in line with the seriousness of the problem?
- People — do we have personnel available, and do they have the knowledge and skills needed?
- Risk — what could go wrong if we take this action, and how likely is it to happen?
- Other Ramifications — what effect will this action have on all the other parts of our operation?

Before you make a decision, ensure that you understand what all the alternatives mean. And don't let an aggressive team member force you into a compromise or rush you into making a decision you're not sure about.

When you feel you've arrived at the best solution, it's wise to have your advisor review the evaluation. This person's perspective and experience will help you confirm you've chosen the proper solution.

Tip

The first solution is not always the best solution.

Entrepreneurs are very time conscious, and their first solution is often the one they decide on. They tend to jump in with both feet before they have given themselves a chance to review their options.

4.6 Implement Solutions

Well, the hard part is finished. You've identified your problem and determined its root cause, you've generated numerous alternative solutions with the help of your advisor and others, and you've chosen the best alternative, making it your best solution.

Prepare an Action Plan

If your solution is complicated, or if it requires a lot of work to implement, you might want to prepare an action plan outlining the necessary steps to be taken. This plan should indicate who is responsible for each action and the target date for completing it. You might want to include the resources the person responsible will have and any other information that will be helpful when implementing your solution. Here's how your plan could take shape.

What Action?	By Whom?	By When?	What Resources?
1.			
2.			
3.			

Revisit the Action Plan

One final point: make sure you revisit the action plan to ensure that the people responsible are carrying out the actions. Whether you're the single person responsible or you have a few people helping out, revisiting your action plan will be a helpful reminder of what needs to be done to implement successfully the solution to your problem.

4.7 Capabilities Check

Problem Solving Capabilities Check

A = Highly Capable B = Need Some Assistance C = Need Expert Help

Can You...	Rate Yourself
<ul style="list-style-type: none">Recognize that it's quite possible you will encounter problems and react positively when they arise?	
<ul style="list-style-type: none">Go beyond the surface to identify the real problem and define it accurately?	
<ul style="list-style-type: none">Dig deeper into your problem, so as to discover the root causes and underlying issues?	
<ul style="list-style-type: none">Use creative techniques to generate a range of possible solutions to consider?	
<ul style="list-style-type: none">Weigh the alternatives objectively and base your chosen solution on sound reasoning?	
<ul style="list-style-type: none">Implement the solution and follow up to ensure it's working?	

Appendix

"The Five Whys" Tool (see section 4.4)

"The Five Whys" technique is a form of root cause analysis that breaks down a problem area in a step-wise fashion until the final root cause(s) is found. Its name stems from the Japanese management belief that asking "why" at least five times gets to the root cause of a problem.

The following steps are involved in "The Five Whys" technique:

1. Ask "why is this situation occurring?" and note the response(s).
2. For each response given, again ask "why is this situation occurring?" and note these responses below the first response.
3. Repeat step 2 five times or until you can no longer answer the question "why."

Asking "why" elicits information. By refusing to be satisfied with an explanation you try to look at a problem in a different way. This will increase the possibility of identifying the cause(s).

Example

Problem: I am being turned down for risk capital.

Q: Why am I being turned down?

A: Because no investor wants to back my business.

Q: Why don't investors want to back my business?

A: Because they don't see the true potential in my business.

Q: Why don't they see the true potential in my business?

A: Because they aren't getting the proper information and facts about the business that they need in my investment proposal.

Q: Why aren't they getting the proper information and facts about the business that they need in my investment proposal?

A: Because my investment proposal isn't very effective.

Q: Why isn't my investment proposal very effective?

A: Because I don't understand the needs of the investors.

Q: Why don't I understand the needs of investors?

A: Because I haven't sought advice from someone with experience and knowledge who may be able to help me create an effective investment proposal.

Feel free to continue asking question until you can no longer come up with an answer. Your final answer should be your root cause.

Brainstorming Tool (see section 4.5)

Brainstorming is a good way to generate a large number of ideas or solutions quickly. It encourages creativity and produces many alternatives. Believe it or not, you have probably done this a million times. Brainstorming is actually done naturally and doesn't necessarily require planning. This technique is often done on the fly - in your car, in a meeting or while you're on hold. You can brainstorm alone, but it is more effective to do it with other people since the object of the game is to come up with as many alternative solutions as possible. The more alternatives you generate, the better chance you have of uncovering the best solution.

The following steps are involved in brainstorming.

1. Prepare to brainstorm.

- Make sure you understand the problem.
- Write down the problem.
- Generate a list of questions that could prompt your ideas.
- Remember that brainstorming is fast-paced and not a close inspection of ideas.
- Do not judge your ideas at this time.
- Ensure participants understand the ground rules for brainstorming.

2. Generate ideas.

- Be relaxed and open in your responses.
- No ideas are bad ideas.
- Stop the idea generation at designated time, unless it naturally stops.

3. Categorize ideas/next steps.

- Write the top alternatives on a piece of paper.

4. List pros and cons of top alternatives.

5. Select best alternative as your solution.

Ground Rules for Brainstorming

- Avoid evaluating or criticizing the ideas that are voiced. Evaluating too soon will reduce the effectiveness of idea generating because people will feel they are being judged and will shy away from sharing their ideas.
- Try to encourage a large number of ideas. The more ideas, the better chance you have of finding the best idea. et invitez les participants à formuler les idées et les solutions les plus farfelues. L'une d'entre elles pourrait bien être la meilleure!
- Encourage freewheeling. This means encouraging people to be uninhibited and to come up with the wildest alternatives and ideas possible. One of these outrageous ideas may be among the best ideas.
- Seek to combine and improve. By piggybacking on others' ideas, you will freely and creatively increase the quantity and quality of ideas.

Analogy Tool (see section 4.5)

Using analogies can help you to shift your perspective on an issue. Creating an analogy will help you come up with new ways of looking at your problem and new ways of generating creative solutions to it.

Throughout the investment process, your advisor will likely use an analogy or two to explain complex issues and to help you gain a better understanding of the problem. It is important that you tell your advisor about the problems you are having or the issues you are facing. Your advisor's past experience has provided him/her with previous situations, which he/she has survived. Advisors have seen many problems and will be able to assist you in the problem-solving process. Your advisor can help you compare your problem with a past problem that he/she has already solved.

The following steps are involved when using an analogy.

1. Determine the issue/problem and write it down.
 - For example: Ways to develop my company's marketing strategy.
2. Brainstorm a list of analogies to the problem (encourage off-the-wall analogies).
 - For example: Developing a marketing strategy is like installing air conditioning.
3. Select that top analogy (the one you like the best) and describe all aspects of the comparison in detail.
 - For example: Air conditioning vents should reach all rooms.
 - Employees should be able to increase the amount of cool air circulated in the rooms.
4. Refocus on the original problem "Ways to develop my company's marketing strategy," and apply the details that were generated in the previous step to the problem.
 - Marketing efforts should reach all customers.
 - Employees should be able to increase the amount of material to which they are exposed.
 - Marketing efforts should be maintained to provide consistent exposure.
5. Create a table illustrating the analogy.

ANALOGY	
Developing my company's marketing strategy is like installing air conditioning.	
1. Air vents should reach all rooms.	1. Marketing efforts should reach all departments.
2. Individuals should be able to increase the amount of air circulated.	2. Employees should be able to increase the amount of marketing material to which they are exposed.
3. System should be maintained for consistent performance.	3. The company should provide consistent marketing efforts.