

GETTING TO NO



**How to Find
Great Business Ideas
(By Killing Most of Them)**

MICHAEL GIRDLEY

There are **two steps** to coming up with a **great business idea**:

- 1. Brainstorm freely.**
- 2. Eliminate ruthlessly.**

Here's my guide to both those steps.

Use these methods to waste less time on bad ideas.

You still have to go out and build the business — this is just one step of my business building process — but without the right idea, you don't have anything to build.

—

First, you have to understand this: ***Great businesses don't have to reinvent the wheel.***

One of the greatest cash-flowing businesses I've ever seen? The parking lot next to the San Antonio airport. The least original idea in the world, but that guy's rich as hell.

Copy the successful players and learn from the failed ones.

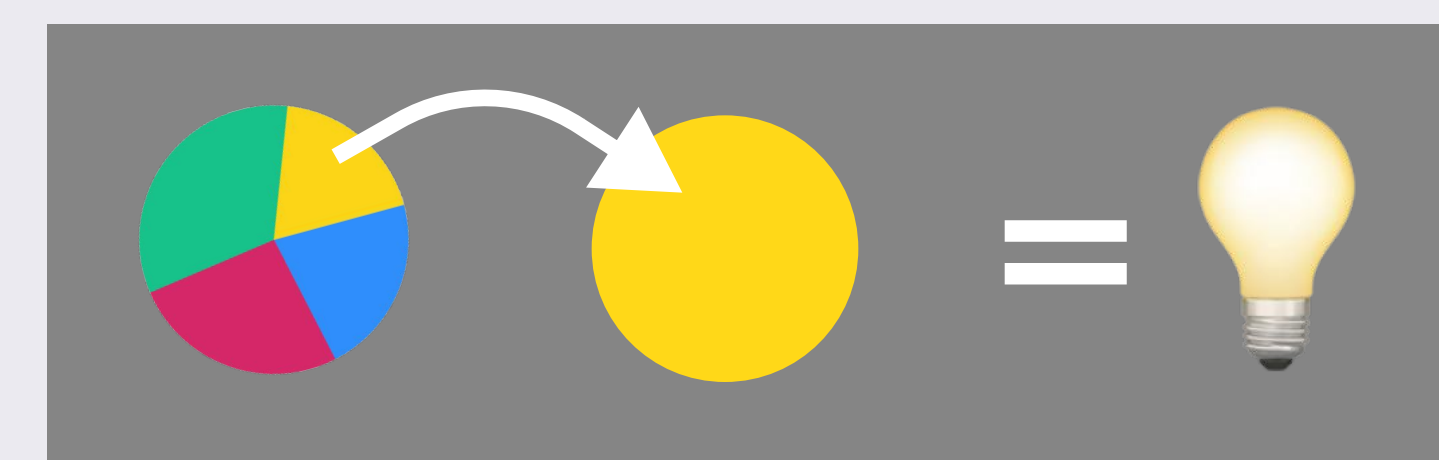
Because there's no copyright for *business ideas*. Bill Gates didn't invent spreadsheets. McDonald's didn't invent the hamburger.

Ideas are overrated. Execution is what matters.

STEP 1. BRAINSTORM

1. The Pareto Pivot

This is the idea that 80% of outcomes come from 20% of causes.



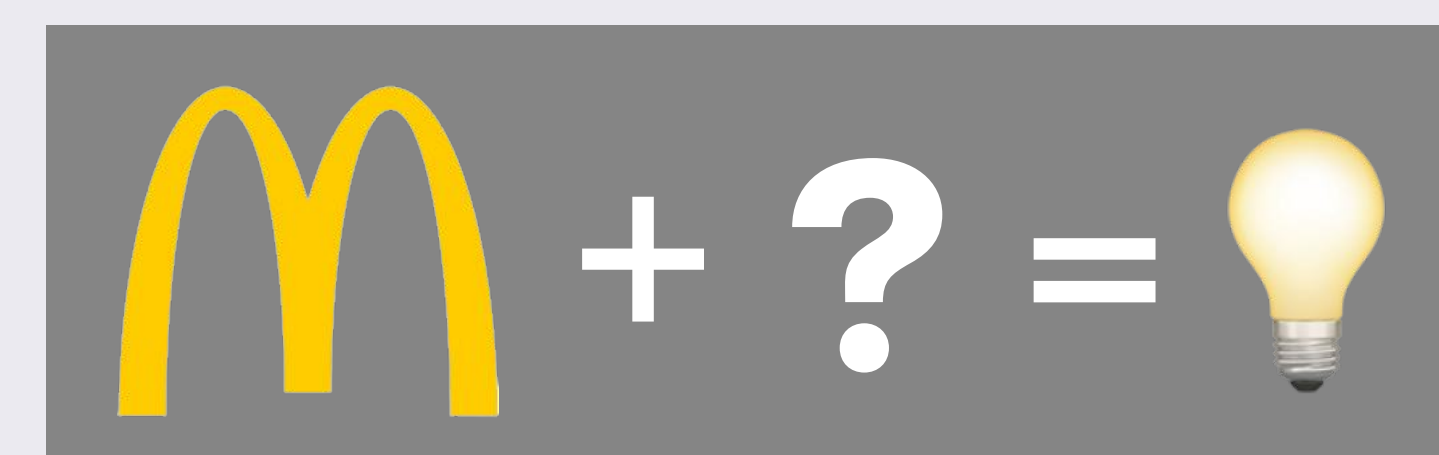
Look at successful business models you're interested in emulating. Identify the 20% of features or customers that drive 80% of the value.

Can you build exclusively on that high-value segment?

- **High-end gyms** make most of their money from personal training. *What about a gym that only offers 1-on-1 training?*
- **Fiverr is flooded with generalists.** *What about a freelance platform that caters to just one lucrative niche, e.g. B2B sales copywriters?*

2. Same but different

Take a successful business and tweak it just a little.



- McDonald's but it's healthy
- Planet Fitness but with VR
- Barnes & Noble but with co-working spaces

First, identify a successful brand with a clear business model.

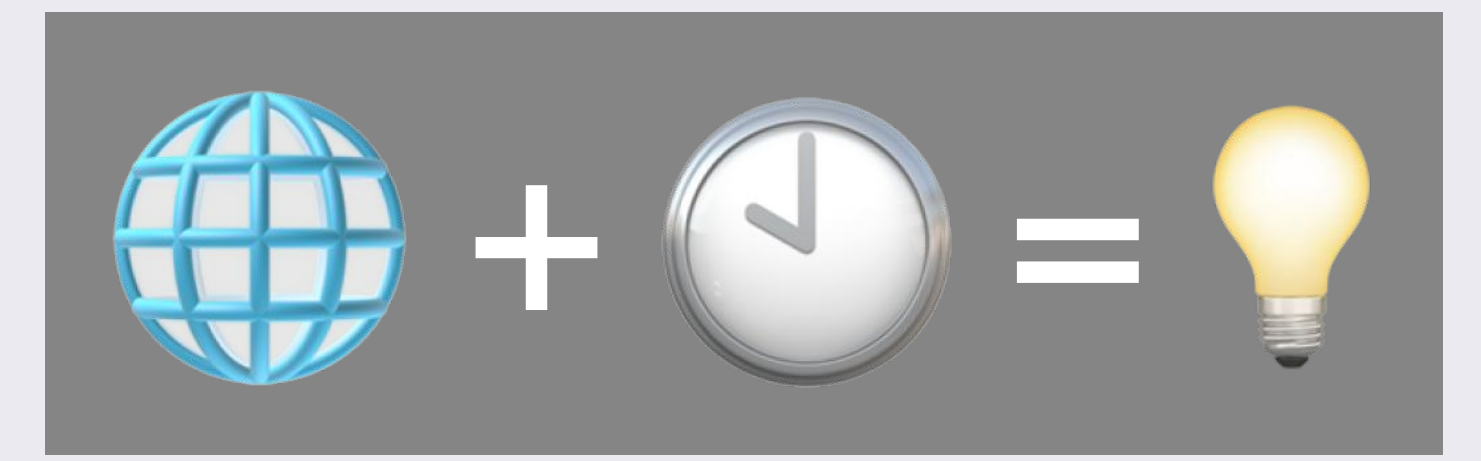
Then, isolate what makes it work (e.g., convenience, affordability, community).

Finally, change one key element to meet an unmet need (e.g., VR, healthier options, added functionality).

The key is to make a small, meaningful shift rather than overhauling the core idea. This keeps the original success formula intact while appealing to a new audience or niche.

STEP 1. BRAINSTORM

3. Look for trends



Boomers are retiring.

More people are working remotely or hiring overseas.

Weather is getting more intense as the climate heats up.

The landscape of society is constantly changing. The sooner you can spot where things are heading, the better you can position yourself for an easy tailwind.

Three ways to look for trends:

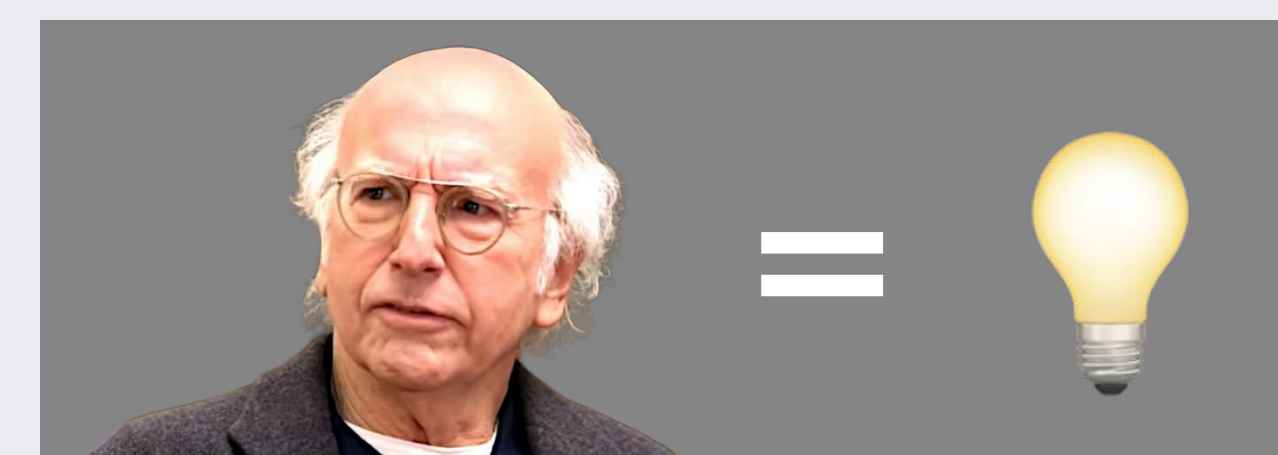
- **Observe shifting behaviors.** Look for changes in how people live, work, or spend their money. Pay attention to new habits becoming more common (e.g., remote work, electric vehicle adoption).
- **Follow the money.** Notice where investors and businesses are putting resources. Emerging industries or rapid growth areas (like AI or renewable energy) often indicate strong trends.
- **Study early adopters.** Watch tech-savvy or progressive groups (e.g., Gen Z or startups) for behaviors that might go mainstream in the next 5-10 years.

What changes are happening in your own industry or expertise? What problems are clients or colleagues talking about more frequently? What solutions are gaining traction?

STEP 1. BRAINSTORM

4. The Gripe List

There's three simple steps to this method:



1. List every inconvenience in your daily life you can think of. Go full George Constanza. Ask your friends what their pet peeves are.
2. Then brainstorm a variety of ways to solve each one.
3. Rank your solutions by feasibility and total addressable market.

A great followup to this exercise, courtesy of legendary investor Charlie Munger: invert your ideas.

Try to solve the opposite problem, and see where that gets you.

Take an idea from your gripe list, e.g. “The bus is always late”, and think about the opposite: What would make the bus always early? See if you find new solutions. (Dedicated bus lanes, schedules that update based on realtime traffic, threat of bus driver floggings?)

A warning: beware the sitcom writers room

Doing exercises like this is good for getting tons of ideas on paper. But it can lead to stuff that's out of touch with reality... and then you're jumping the shark.

The best antidote to writer's-room-itis: go out and talk to people.

Pick an industry you're interested in, reach out to people, and ask for 30 minutes of their time. What are they worried about? What problems are they trying to solve? What makes their job difficult?

STEP 2. ELIMINATE

Once you've got a big list of ideas, it's time to eliminate most of them. Run your ideas through the following gauntlets and see how many survive.

1. The Envelope Test — *is your idea too complicated?*



This is one of the simplest ways to tell if your business idea is good or not: can you explain how your business will make money on the back of an envelope?

What are your inputs (revenue), what are your costs (expenses), and what is your profit at the end?

If your business model is so complicated it takes a whole spreadsheet to explain, that's a red flag.

2. Moats — *is your idea defensible?*



An idea is only as good as it is defensible. If you start seeing success, what's preventing someone else from undercutting you?

The answer: moats. Defenses around your business that keep your competition at bay.

On the next page, I'll outline the **seven basic moats**. The more of these your idea has, or can grow into, the better.

(The definitive book on moats: 7 Powers, by Hamilton Helmer.)



STEP 2. ELIMINATE

2. Moats — *is your idea defensible?*



- **Economies of Scale:** The more the company grows, the cheaper it gets to run. If your idea gets easier as it gets bigger, that's a great sign.
 - *E.g. Walmart can buy so much product that they can get the best deals from suppliers, and then underprice their competition.*
- **Network Economies:** Value increases as more users join.
 - *E.g. Ebay. Every time a buyer or seller joins the community, it gets more useful, until it's the no-brainer place for private sales online.*
- **Counter-Positioning:** Adopt a business model that existing competitors can't replicate.
 - *E.g. Southwest Airlines: While others operate major hubs, they do point-to-point routing. That gives them higher utilization rates of planes. Incumbents can't compete on cost.*
- **Switching Costs:** When the cost of switching is prohibitively high.
 - *E.g. IBM invented room-sized computers called Mainframes 60 years ago. Banks loved them. Now the market is over \$2B/year and still used by the majority of US banks.*
- **Branding:** When a customer attributes higher value to an identical product just based on their opinion of the seller.
 - *E.g. Louis Vuitton bags are no better than competitors. But the brand power means people will pay \$15K for a bag.*
- **Cornered Resource:** Preferential access to a unique asset. This could be a tangible asset or an intellectual property.
 - *E.g. Disney owns the rights to Star Wars, so nobody else can make money off it.*
- **Process Power:** Having superior operations that are hard for competitors to replicate.
 - *E.g. Toyota. For decades, their culture of continual improvement means they can now produce more reliable and cheaper cars than competitors.*

STEP 2. ELIMINATE

3. Headroom — *can your idea grow?*



If scaling up isn't important to you (e.g. you're looking for a lifestyle business) then you can skip this section.

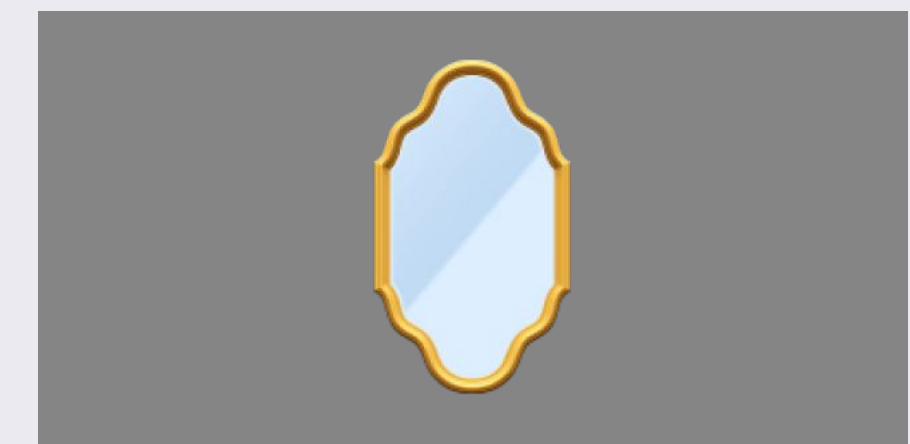
But if you're looking for something with headroom, check your ideas against these **5 factors that keep businesses small**.

- **You have to do the work.** For example, a real estate agent only has so many hours in the day to sell homes. That's never going to be a billion dollar idea.
- **Scaling = hiring.** If the only way to grow is by hiring more people to do the work, you're building in a ceiling. It might work beautifully up to a couple of hundred people (or more!) but sooner or later you're going to struggle.
- **Capital-hungry.** Does your business rely on expensive equipment? Does scaling means you have to buy more and more of it? That's much harder to grow. Plus, your maintenance costs will only grow with time.
- **Competing on price.** If you win customers by undercutting your competition, you're in a race to the bottom. (Look up the Diapers.com story!)
- **Targeting a small market.** No business is going to get huge if you're only going after a tiny niche.

Businesses with these limits can still get huge. But consider these red flags that can make the journey more difficult.

STEP 2. ELIMINATE

4. Personal compatibility — *does this fit YOU?*



If a business goes well, it can be a long-term commitment. Make sure you're building something that fits with your big picture goals and values.

1. What sort of lifestyle do you want to create?

In other words, what's going to make you happy? What kind of life do you want to be living? You might put "\$X thousand in savings in 5 years," or "Weekends free to be with my family," or "Something I can run as a side hustle until I'm ready to quit."

2. What would you do if money or expectations weren't a consideration?

If you can find an idea that brings you real fulfillment, it will keep you getting up in the morning when things are tough. Maybe it's "help people navigate the medical system" or "write a novel." In my case, it's "Provide the most opportunities for the most people."

Finding an idea that shares at least some of your values helps you do it for the long haul.

3. What is your appetite for risk?

One of my businesses is a fireworks company. We make half our revenue on only two days of the year. So if something goes wrong on one of those days, that's a big problem. Are you ready to handle that kind of situation?

Answer these questions in bullet points, then run your ideas against them. Ask yourself honestly: ***is this idea compatible with me?***

Wrapping up: **Build a checklist**

Take notes as you work through this guide. Then put it all together in a checklist of what you're looking for in an idea.

Then, whether you're starting a business or buying one, you have a tool to get to a quick "no".

Here's a recent version of my checklist:

New Business Venture Creation Checklist

- ☐ Has market tailwinds
- ☐ Targets a large TAM
- ☐ Has a good answer for 'why now?'

- ☐ Quick path to revenue
- ☐ Recurring / reoccurring revenue

- ☐ Location/geography independent
- ☐ Independent of American labor
- ☐ Cash generative / or has external capital easily available
- ☐ Not really high degree of difficulty

- ☐ Fun and inspiring
- ☐ Ethical and moral
- ☐ Would be proud to mention I own at a cocktail party
- ☐ Helps people
- ☐ Reasonable stewardship of the planet
- ☐ I can be a board member and not create a job for me

- ☐ Independent of another platform that can capture all value
- ☐ Avoids exposure to commodity price fluctuations

- ☐ A product / service / marketplace
- ☐ Not a pure services business / selling human labor

- ☐ Patent or secrets sauce / impossible to catch / pricing power
- ☐ Can do \$100mm / revenue someday OR has outsized upside

What next?

By now you've built up a list of ideas, and crossed most of them off.

Hopefully you're left with a shortlist of ideas that pass the Envelope Test, have at least one moat, have room to grow, and match your lifestyle.

It's time to take the next step...

Start building, right?

Nope. It's time to **sell**.

And that's a whole other chapter!

Thanks for reading.

-Michael

P.S. If you want my whole low-risk business model, my team has packed the whole system into a [40-page ebook available here](#).

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