Entrepreneurship: Successfully Launching New Ventures

Sixth Edition, Global Edition

Entrepreneurship
Successfully Launching New Ventures
SIXTH EDITION
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GLOBAL EDITION

Pearson

Chapter 2

Recognizing *Opportunities* and Generating Ideas

What is an Opportunity? (1 of 2)

- An opportunity is a **favorable set of circumstances** that creates **a need for a new product, service, or business**.

- An opportunity is different from an **idea**, which is just a thought, an impression or a notion.

- Opportunities can be
  - **recognized** externally ("window of opportunity") and grabbed
  - **created** internally starting from a need or a problem to be addressed

What is an Opportunity?
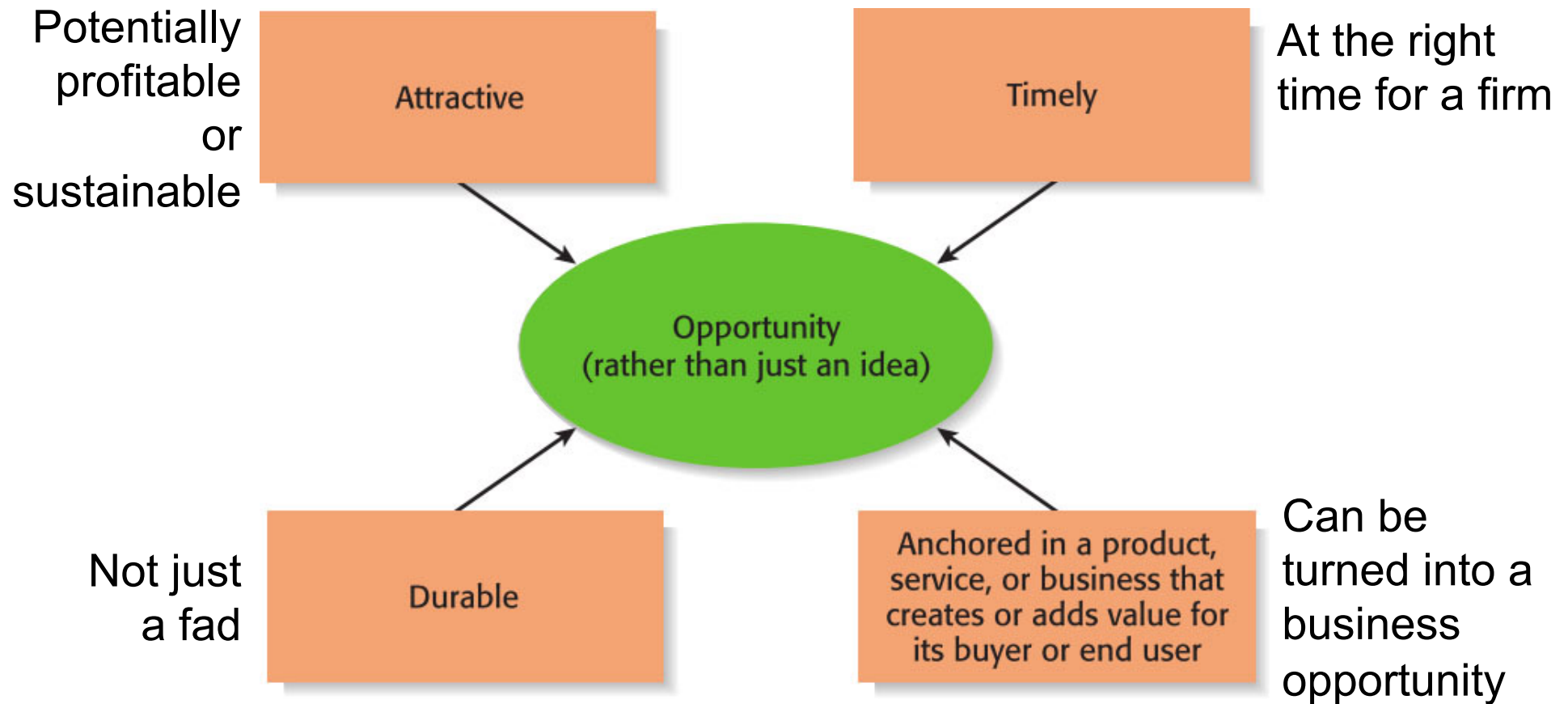
Figure 2.1 Four Essential Qualities of an Opportunity

Potentially profitable or sustainable

Attractive

At the right time for a firm

Timely

Opportunity (rather than just an idea)

Not just a fad

Durable

Anchored in a product, service, or business that creates or adds value for its buyer or end user

Can be turned into a business opportunity

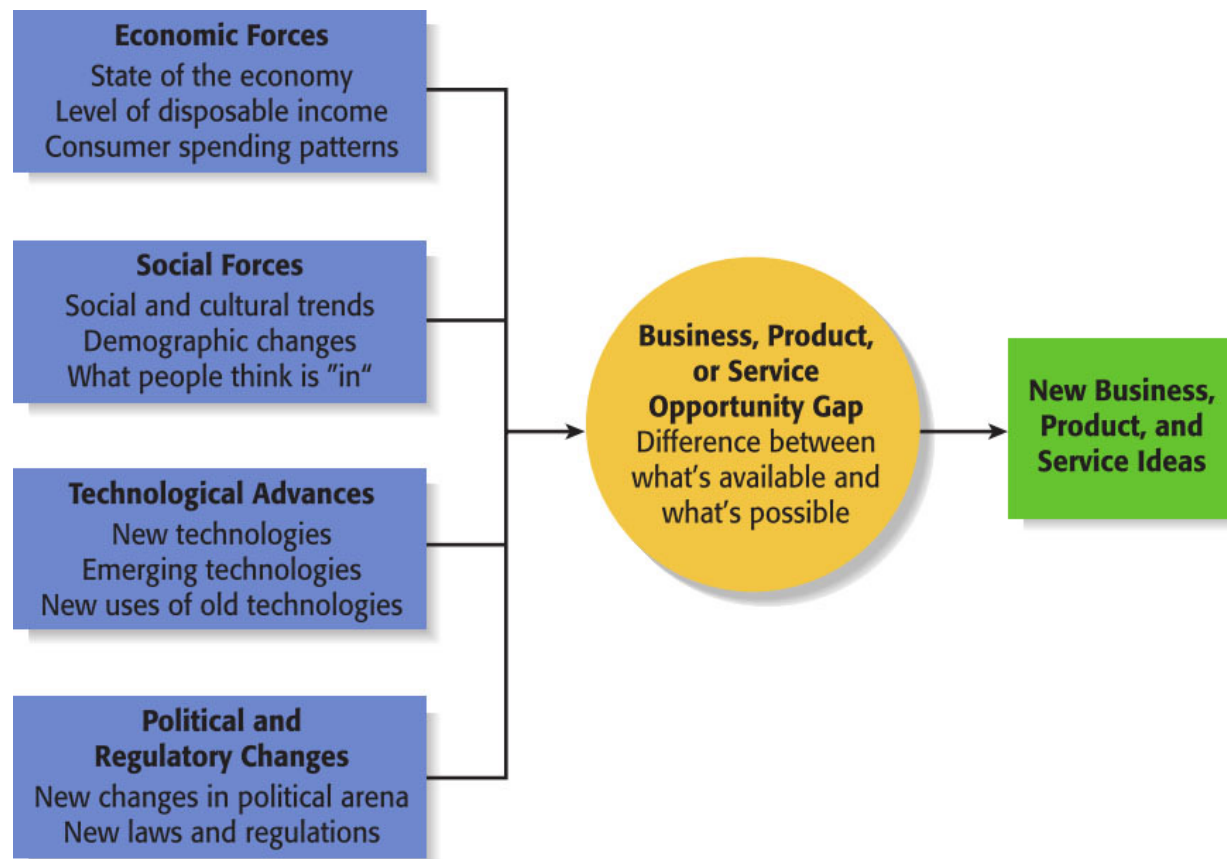# Figure 2.2 Three Ways to Identify an Opportunity

Observing Trends

Solving a Problem

Finding Gaps in the Marketplace

First Approach: Observing Trends

Figure 2.3 Environmental Trends Suggesting Business, Product, or Service Opportunity Gaps

Economic Forces
State of the economy
Level of disposable income
Consumer spending patterns

Social Forces
Social and cultural trends
Demographic changes
What people think is "in"

Technological Advances
New technologies
Emerging technologies
New uses of old technologies

Political and Regulatory Changes
New changes in political arena
New laws and regulations

Business, Product, or Service Opportunity Gap
Difference between what's available and what's possible

New Business, Product, and Service Ideas

Trend 1: Economic Forces

Economic trends help determine areas that are ripe for new start-ups and areas that start-ups should avoid.

Example of Economic Trend Creating a Favorable Opportunity

- A weak economy favors start-ups that help consumers to save money.

A popular business strategy originating from an economic opportunity

Rolls-Royce manufactures engines, and for some years has offered a service package whereby customers pay by the hour according to the amount of time an engine is in flight.

Trend 2: Social Forces

Social trends alter how people and businesses behave and set their priorities. These trends provide opportunities for new businesses to accommodate the changes.

Examples of Social Trends

- Ageing of the population.

- The increasing diversity of the population.

- Millennials entering the workforce.

- Growth in the use of mobile devices.

- An increasing focus on health and wellness.

Aging population: a project by IBM
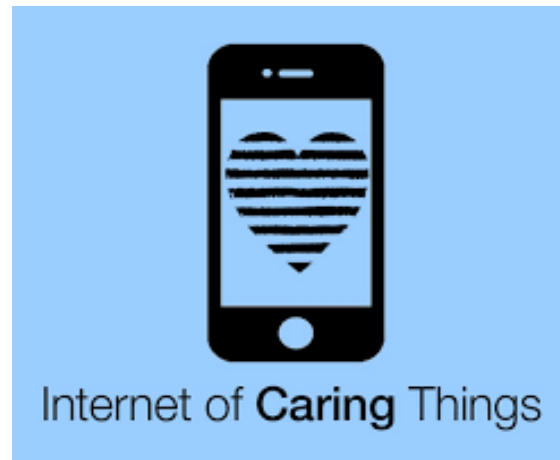
Can you find any interesting start-ups addressing such theme?

Trend 3: Technological Advances

Advances in technology frequently create business opportunities.

Entire Industries Have Been Created as the Result of Technological Advances

Think at the impact of:

- Artificial intelligence

- IoT and Big Data

- Biotechnology

A.I. plus…everything! An example from Trieste

Trend 4: Political Action and Regulatory Changes

Political and regulatory changes also provide the basis for opportunities.

Political change also engenders new business and product opportunities. For example, global political instability and the threat of terrorism have resulted in many firms becoming more security-conscious.

Tools for mapping trends: a trends map

https://www.wedesignthinking.com/en/

Brainstorm with trends: innovation

Mobile payments

Smaller smart products

Ubiquitous computing

Technologies accelerate new innovations

Nanotechnology impacts most industries

Gaming drives innovation

Webapps and cloud services

Domotica & communication between devices

Simplistic / flat design for products and interfaces

Technology will get closer to / inside the human body

Big data

https://www.creatlr.com

Brainstorm with trends: economy

Social media & reviews empower consumers

Partnerships are essential to succeed

Back to basics, eco & green

Everybody broadcasts. User-generated content

Co-creation: Organizations & CONSUMERS collaborate

Industrial economy shifts towards services

Service and experience get more important

Relevant information based on location, time or big data

Bring your own hardware 2.0

Startups as rolemodels drive lean and agile

Brainstorm with trends: people

The network economy

The experience economy

Less difference between men and women

Everything should be quick and simple

Immaterial things more important

Privacy concerns

We want to know what we eat or buy

Everybody is always online

Fear of extremism

https://www.creatlr.com

Brainstorm with trends: regulations

Privacy laws become more strict	Governments obtain more rights to monitor online	Governments embrace big datA	Focus on tech industry and ICT
Organizational reform in fast changing world	Influence of emerging economies and conflicts	The power of the tech and ICT industry	Focus on prevention instead of reaction
Social security under pressure			

Exercise (work in groups)

Randomly pick a card from each of the 4 groups.

Identify a potential opportunity connecting 2 out of the 4

Now ask ChatGPT or OpenAI to solve the challenge

Second Approach: Solving a Problem

- Solving a Problem
  - Sometimes identifying opportunities simply involves **noticing a problem** and finding a way to solve it.
  - These problems can be pinpointed through **observing people,** and through more simple means, such as **intuition**, serendipity, or **chance**.
  - Many companies have been started by people who have experienced a problem in their own lives, and then realized that the solution to the problem represented a business opportunity.

Experiment (work in group)

- 1. Observe people around you in different life situations

- 2. Try to identify at least 1 practical problem they experience in their everyday life

- 3. After identifying the problem, think to a possible solution (a good or a service)

- 4. Present the results of your experiment during **the next lesson** through a short presentation

Third Approach: Finding (market) Gaps in the Marketplace

- Gaps in the Marketplace
  - A third approach to identifying opportunities is to find a **gap** in the marketplace (**an existing product that could be further differentiated**).
  - A gap in the marketplace is often created when a product or service is needed by a specific group of people (market niche and "focus on differentiation" strategy) but doesn't represent a large enough market to be of interest to mainstream retailers or manufacturers.

DAISY ROCK DRG PINK SPARKLE

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Tish Cirovolo realized there were no guitars on the market made specifically for females. To fill this gap, she started Daisy Rock Guitars, a company that makes guitars just for women and girls. Daisy Rock guitars are stylish, come in feminine colors, and incorporate design features that accommodate a woman's smaller hand and build.

Creativity

- Creativity
  - Creativity is the process of generating a novel or useful idea.
  - Opportunity recognition may be, at least in part, a creative process.
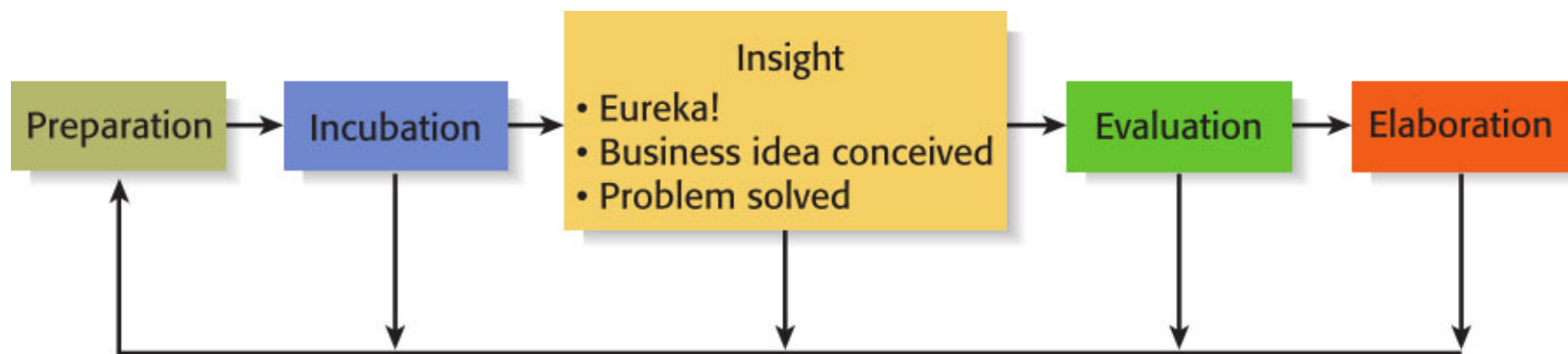 - For an individual, the creative process can be broken down into five stages

Preparation → Incubation → Insight
- Eureka!
- Business idea conceived
- Problem solved
→ Evaluation → Elaboration

Figure 2.4 Five Steps to Generating Creative Ideas

The five steps of idea generation

- **Preparation** consists in the background, knowledge experience in possess of a wannabe entrepreneur and that makes easier to identify, grab or to create an opportunity. It is the phase where entrepreneurs accumulate the so called "absorptive capacity".

- **Incubation** is the phase when an idea or a problem is identified and starts to be, consciously or not, elaborated

- **Insight** is the phase when a potential solution to the problem is identified or the potential of an opportunity is identified

- **Evaluation** is the phase when the idea is scrutinized and analysed for its (technological and market) viability

- **Elaboration** is the phase during which the idea is put into a final form and becomes business case, a concept or something else equally concrete

In the real world, the entire process of idea generation can move forward or back, interrupt, skip some steps, etc.

Techniques for Generating Ideas

- Brainstorming

- Focus Groups

- Library and Internet Research

- Other techniques

Brainstorming

- Brainstorming
  - Is the process of generating several ideas about a specific topic.
  - A brainstorming "session" typically involves a group of people and should be targeted to a specific topic.
  - Rules for a brainstorming session:
    - No criticism.
    - Freewheeling is encouraged.
    - The session should move quickly.
    - Leap-frogging is encouraged.

Tools for brainstorming: mind maps

https://mindwerx.com/

Let's mindmap

PROBLEM TO SOLVE
Inspire university students to be more entrepreneurial

Focus Groups

- Focus Group

  – Focus groups involve a **group of people** who are **familiar with a topic, a product or a problem**, and that are brought together to respond to questions, and who are able to shed light on an issue through the give-and-take nature of group discussions.

  – They involve a trained moderator. In marketing and innovation management, they frequently involve **everyday users** <u>or</u> **lead users**

  – They work best as a follow-up to brainstorming, when the general idea for a business has been formulated but further refinement of the idea is needed and/or for incremental innovations (new versions of existing products)

Library and Internet Research

- Library Research
  - Librarians can help to identify and narrow down the most useful information sources (such as industry-specific magazines, trade journals, industry reports) in a specific field.
    - Harvard Business Review
    - MIT Sloan Management Review
    - MIT Technology Review
  - Also browsing through several issues of a trade journal or an industry report on a topic can spark new ideas but it is time consuming. Smarter firms have search routines that apply systematically
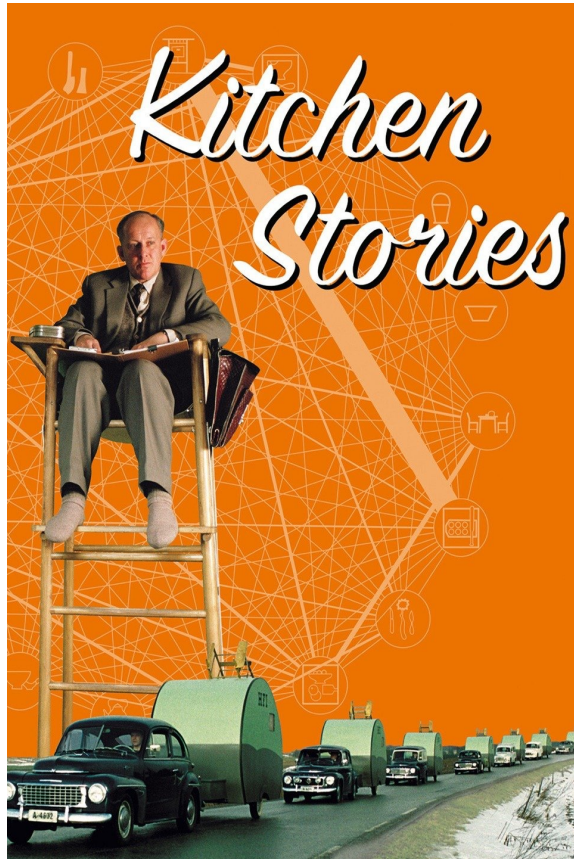
Library and Internet Research

- Internet Research
  - Online newspapers and **magazines** often publish articles about the "hottest" and "latest" new business ideas. Keeping an eye is mandatory
  - If you have a specific topic in mind, setting up a system of mail alerts will provide you with links to a constant stream of newspaper articles, blog posts, and news releases about the topic.
  - Targeted searches are also useful.

Other Techniques

- Customer Advisory Boards
  - Some companies set up customer advisory boards that meet regularly to discuss needs, wants, and problems that may lead to new ideas.

- Day-In-The-Life Research (ethnographies)
  - A type of anthropological research, where the employees of a company spend a day (or even more than one) with a customer.

About ethnographies

The «Adidas» method