

## STUDY GUIDE FOR MODULE NO. 2

### RECOGNIZING OPPORTUNITIES AND GENERATING IDEAS



#### MODULE OVERVIEW

This module discusses about the importance of understanding the difference between ideas and opportunities. While ideas are interesting and can intrigue us as possibilities, not every idea is in fact the source of opportunity for an entrepreneur to pursue. In addition, it also discusses approaches entrepreneurs use to spot opportunities as well as factors or conditions in the external environment that may result in opportunities.



#### MODULE LEARNING OBJECTIVES

At the end of this module, you will:

- Explain why it's important to start a new firm when its "window of opportunity" is open;
- Explain the difference between an opportunity and an idea;
- Describe the three general approaches entrepreneurs use to identify opportunities;
- Identify the four environmental trends that are most instrumental in creating business opportunities;
- List the personal characteristics that make some people better at recognizing business opportunities than others;
- Identify the five steps in the creative process;
- Describe the purpose of brainstorming and its use as an idea generator;
- Describe how to use library and Internet research to generate new business ideas;
- Explain the purpose of maintaining an idea bank;
- Describe three steps for protecting ideas from being lost or stolen.



#### LEARNING CONTENTS (Recognizing Opportunities and Generating Ideas)

##### What is an Opportunity?

- An opportunity is a favorable set of circumstances that creates a need for a new product, service or business.
- An opportunity has four essential qualities:
  - Attractive
  - Timely
  - Durable
  - Anchored in a product, service, or business that creates or adds value for its buyer or end user.

## Three Ways to Identify an Opportunity

### 1. Observing Trends

- Trends create opportunities for entrepreneurs to pursue.
- It's important to be aware of changes in these areas.
- The most important trends are:
  - ✓ Economic forces - Economic trends help determine areas that are ripe for new startups and areas that startups should avoid.
  - ✓ 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.
  - ✓ Technological advances - Advances in technology frequently create business opportunities. Once a technology is created, products often emerge to advance it.
  - ✓ Political action and regulatory change - Political action and regulatory changes also provide the basis for opportunities. Company created to help other companies comply with a specific law.

### 2. 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 trends and through more simple means, such as intuition, serendipity, or change.

### 3. Finding Gaps in the Marketplace

- A third approach to identifying opportunities is to find a gap in the marketplace.
- A gap in the marketplace is often created when a product or service is needed by a specific group of people but doesn't represent a large enough market to be of interest to mainstream retailers or manufacturers.
- Product gaps in the marketplace represent potentially viable business opportunities.

## Personal Characteristics of the Entrepreneur

- Characteristics that tend to make some people better at recognizing opportunities than others:
  - ✓ Prior Experience
    - Several studies have shown that prior experience in an industry helps an entrepreneur recognize business opportunities.
  - ✓ Cognitive Factors
    - Studies have shown that opportunity recognition may be an innate skill or cognitive process. Some people believe that entrepreneurs have a "sixth sense" that allows them to see opportunities that others miss. This "sixth sense" is called

entrepreneurial alertness, which is formally defined as the ability to notice things without engaging in deliberate search.

✓ **Social Networks**

- The extent and depth of an individual's social network affects opportunity recognition. People who build a substantial network of social and professional contacts will be exposed to more opportunities and ideas than people with sparse networks. In one survey of 65 start-ups, half the founders reported that they got their business idea through social contacts.

✓ **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:

1. Preparation
2. Incubation
3. Insight
4. Evaluation
5. Elaboration

## **Techniques For Generating Ideas**

### **1. Brainstorming**

- Is a technique used to generate a large number of ideas and solutions to problems quickly.
- A brainstorming "session" typically involves a group of people, and should be targeted to a specific topic.

### **2. Focus Groups**

- A focus group is a gathering of five to ten people, who have been selected based on their common characteristics relative to the issues being discussed.
- These groups are led by a trained moderator, who uses the internal dynamics of the group environment to gain insight into why people feel the way they do about a particular issue.
- Although focus groups are used for a variety of purposes, they can be used to help generate new business ideas.

### **3. Library and Internet Research**

- **Library Research**

- ✓ Libraries are an often underutilized source of information for generating new business ideas.
- ✓ The best approach is to talk to a reference librarian, who can point out useful resources, such as industry-specific magazines, trade journals, and industry reports.
- ✓ Simply browsing through several issues of a trade journal or an industry report on a topic can spark new ideas.

- Internet Research
  - ✓ If you are starting from scratch, simply typing “new business ideas” into a search engine will produce links to newspapers and magazine articles about the “hottest” new business ideas.
  - ✓ If you have a specific topic in mind, setting up Google or Yahoo! e-mail alerts will provide you to links to a constant stream of newspaper articles, blog posts, and news releases about the topic.

### Encouraging New Ideas

- **Establishing a Focal Point for Ideas**
  - Some firms meet the challenge of encouraging, collecting, and evaluating ideas by designating a specific person to screen and track them—for if its everybody’s job, it may be no one’s responsibility.
  - Another approach is to establish an idea bank (or vault), which is a physical or digital repository for storing ideas.
- **Encouraging Creativity at the Firm Level**
  - Creativity is the raw material that goes into innovation and should be encouraged at the organizational and individual supervisory level.

### Protecting Ideas From Being Lost or Stolen

- **Step 1**
  - The idea should be put in a tangible form such as entered into a physical idea logbook or saved on a computer disk, and the date the idea was first thought of should be entered.
- **Step 2**
  - The idea should be secured. This may seem like an obvious step, but is often overlooked.
- **Step 3**
  - Avoid making an inadvertent or voluntary disclosure of an idea, in a manner that forfeits the right to claim exclusive rights to it.



## SUMMARY

- ❖ Once an opportunity is recognized, a window opens, and the market to fill the opportunity grows. At some point, the market matures and becomes saturated with competitors, and the window of opportunity closes.
- ❖ An idea is a thought, an impression, or a notion. An opportunity is an idea that has the qualities of being attractive, durable, and timely and is anchored in a product or service that creates value for its buyers or end users. Not all ideas are opportunities.
- ❖ Observing trends, solving a problem, and finding gaps in the marketplace are the three general approaches entrepreneurs use to identify an opportunity.
- ❖ Economic forces, social forces, technological advances and political action and regulatory changes are the four environmental trends that are most instrumental in creating opportunities.
- ❖ Prior experience, cognitive factors, social networks and creativity are the personal characteristics researchers have identified that tend to make some people better at recognizing business opportunities than others.
- ❖ For an individual, the five steps in the creative process are preparation, incubation, insight, evaluation and elaboration.
- ❖ Techniques for generating ideas include brainstorming, focus groups, and library and internet research.
- ❖ The three main steps that can be taken to protect ideas from being lost or stolen are putting the idea into tangible form, securing the idea and avoiding making an inadvertent or voluntary disclosure of an idea.

## REFERENCES

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