

LECTURE SESSION SEVEN

ENTREPRENEURIAL BEHAVIOUR

Lecture Outline

- 7.1 Introduction Learning Outcomes
- 7.2 Learning Outcomes
- 7.3 Business Ideas viz. Business Opportunities.
 - 7.3.1 Reasons for Generating New Business Ideas.
 - 7.3.2 Characteristics of a Good Business Opportunity.
- 7.4 Sources of Business Ideas.
- 7.5 Summary
- 7.6 Review activity
- 7.7 References and Further Reading

7.1 Introduction

This is our seventh lecture in Entrepreneurship Skills. In this lecture, we shall look at Business idea and Opportunity; We shall also look at how we generate business ideas. Finally we look at the sources of business ideas.



7.2 Learning Outcomes

- i. At the end of this lecture, you should be able to:
 - Differentiate between a Business Idea and a Business Opportunity
- ii. Outline reasons for generation of business ideas.
- iii. Discuss the characteristics of a good business opportunity.
- iv. Explain the sources of business ideas
- v. Identify a viable business Idea.

7.3 Business Ideas versus Business Opportunities.



Business Idea Concept

Let us start our discussion by asking ourselves this question.



Intext Question 1: Is there a difference between a business Idea and a Business Opportunity?

Well done. Let us pick our discussion from this point.

A business idea is the response of a person or persons, or an organization to solving an identified problem or to meeting perceived needs in the environment (markets, community, etc.) Finding a good idea is the first step in transforming the Entrepreneur's desire and creativity into a business opportunity.



Take Note

Two things should however be noted:

- a) Although it is a prerequisite, a business idea is only a tool;
- b) An idea by itself, however good, is not sufficient for success.

In other words, notwithstanding its importance, an idea is only a tool that needs to be developed and transformed into a viable business opportunity.

A business opportunity may be defined simply as an attractive investment idea or proposition that provides the possibility of a return for the person taking the risk. Such opportunities are represented by customer requirements and lead to the provision of a product or service that creates or adds value for its buyer or end-user.

However, a good idea is not necessarily a good business opportunity. For example, you may have invented a brilliant product from a technical point of view and yet the market



Business Opportunity: Best Idea to turn into an investment

may not be ready for it (read Samantha). Or the idea may be sound, but the level of competition and the resources required may be such that it is not worth pursuing.

Sometimes there may even be a ready market for the idea, but the return on investment may not be acceptable. It is therefore important for all ideas and opportunities to be well screened and assessed. Identifying and assessing business opportunities are not an easy task. Yet it is necessary to minimize the risk of failure. It involves, in essence, determining risks and rewards/returns.

So, what turns an idea into a business opportunity? A simplified answer is when income exceeds costs profit. Let us first examine the reasons for coming up with new business ideas.

7.3.1 Reasons for Generating New Business Ideas.

There are many reasons why entrepreneurs or would-be entrepreneurs need to generate business ideas. Here are just a few:

- i. You need an idea – and a good one for business. As indicated earlier, in looking at the rationale for this topic, a good idea is essential for a successful business venture – both when starting a business and to stay competitive afterwards.
- ii. To respond to market needs, Markets are made up essentially of customers who have needs and require their wants to be satisfied. Those people or firms that are able to satisfy these requirements are rewarded.
- iii. Changing fashions and requirements provide opportunities for entrepreneurs to respond to demand with new ideas, products and services.
- iv. To stay ahead of the competition. Remember, if you do not come up with new ideas, products and services, a competitor will. The challenge is to be different or better than others.
- v. To exploit technology



Drone Technology: Example of new technology

Do things better. Technology has become a major competitive tool in today's markets, with the rate of change forcing many firms to innovate.

There are several companies in the world, operating in the

electronics and home appliances industries, which come up with dozens of new products every month. For these and many others in today's global markets, generation of business ideas is crucial.

- vi. Because of product life cycle. All products have a finite life. As the product life cycle chart shows, even new products eventually become obsolete or outmoded. Thus, there is a need to plan for new products and the growth of these. The firm's prosperity and growth depend on its ability to introduce new products and to manage their growth.
- vii. To spread risk and allow for failure. Linked to the product life cycle concept is the fact that over 80 per cent of new products fails. It is therefore necessary for firms to try to spread their risk and allow for failures that may occur from time to time by constantly generating new ideas.

7.3.2 Characteristics of a Good Business Opportunity.

- a) **Real Product demand**, - the product responds to unsatisfied needs or requirements of customers who have the ability to purchase and who are willing to exercise that choice.
- b) **Favorable Returns on investment**, - the product should provide durable, timely and acceptable returns or rewards for the risk and effort required. It is important to determine the level of investment required for the business opportunity and then compare with the expected returns. If the return on your investment in business is likely to be high, in such a business opportunity can be pursued further.
- c) **Be competitive**, the product should be equal to or better from the viewpoint of the customer than other available products or services.
- d) **Meet objectives**, the product benefits meet the goals and aspirations of the person or organization taking the risk.
- e) **Availability of resources and skills** - these should be within the reach of the entrepreneur in terms of resources, competency, legal requirements, etc.
- i) **Availability of raw materials**

Raw materials are a critical element in production of any items for sale. You should, therefore, assess and find out if the required raw materials are available..

ii) Skill requirements

Some businesses require certain specialized skills to start and run, for instance, a medical clinic, an accountancy or a law firm. If you have the skills then a business opportunity exists that can be exploited.



Activity

Distinguish between a Business Idea and a Business opportunity?

Now we can move ahead and talk about the sources of business ideas.

7.4 Sources of Business Ideas

There are millions of entrepreneurs throughout the world and their testimonies suggest that there are many potential sources of business ideas. Some of the more useful ones are outline below.

i) Training, Personal Skills and Experience

Over half of the ideas for successful businesses come from experiences in the work place, e.g., a mechanics with experience in working for a large garage who eventually sets up his/her own car repair or used car business.

Thus, the background of potential entrepreneurs plays a crucial role in the decision to go into business as well as the type of venture to be created. Your skills and experience are probably your most important resource, not only in generating ideas but also in capitalizing on them.

Take some time and Think



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- a) What training and experience have you had?
- b) What businesses have been started in your area of training? Make a list of them.
- c) What businesses could you start in your area of training? List as many as possible.
- d) Could you list ways in which you could improve some of the businesses you have listed in (b)?

ii) Hobbies



Hobby: Woman Climbing

A hobby is a *favourite leisure-time activity* or occupation. Many people, in pursuit of their hobbies or interests, have founded businesses.

If, for example, you enjoy playing with computers, cooking, music, traveling, sport or performing, to name but a few, you may be able to develop it into a business.

Do you have any hobbies or special interests? List them.

List as many businesses as possible that are in line with your hobbies or interests.

For example, a gardener can sell potted plants and flowers.

iii) Franchise



Franchise: Receive Exclusive Rights from Owner

A franchise is an arrangement whereby the manufacturer or sole distributor of a trademark, product or service gives exclusive rights for local distribution to independent retailers in return for their payment of royalties and conformity to standardized operating procedures.

Franchising may take several forms, but the one of interest is the type that offers a name, image, method of doing business and operating procedures e.g., “Kengeles” is a franchise name that was registered in Kenya by Bell, the current CEO of Africa Franchise.

Apart from buying a franchise, one can also develop and sell a franchise concept. There are many directories and handbooks as well as associations, including the International Franchise Association, which can provide further information.

iv) Exhibitions



Museum Exhibition: Example of Exhibition

Attending shows, exhibitions and any other fairs will expose you to innovative products and services that you could easily turn into a business idea. By visiting such events regularly, you will not only discover new products and services, but you will also meet sales representatives, manufacturers, wholesalers, distributors and franchisers.

These are often excellent sources of business ideas and information that will help in getting started. Some of them may also be looking for someone just like you.

v) Surveys

The focal point for a new business idea should be the customer. The needs and wants of the customer, which provide the rationale for a product or service, can be ascertained through a survey. Such a survey might be conducted informally or formally by talking to people:

a) Informal Survey

- i) **Personal Contacts:** when you next meet a friend or an acquaintance or relative, try to find out what they have observed about people's needs and what sort of opportunities they have noticed. Try to keep note of problems that they may mention. It is people's needs and the problems they face that supply you with opportunities. Make a note for every person you meet in a format such as the one below:

People's needs mentioned -----

Business ideas mentioned -----

People's problems mentioned -----

Can you find ways of converting needs into business opportunities?

- ii) **Observation:** Beside talking to people, you could also get information through observation. For example, in deciding whether to open a shop on a particular street, you can observe and count the number of people going past on given days and compare these to other sites. Or, if you are interested in an area frequented by tourists, you may be able to set up or market products from a craft business. Or you may have noticed that there is no decent restaurant or hotel on a tourist route or in a given town. Observing what goes on around you, the problems people face, their aspiration, their needs, and thinking about ways of doing things better can offer a large number of ideas. Try to develop sensitivity for people's discomforts, needs and others many businesses are started to supply comforts and satisfy needs.



Activity

Go out into the community and;

- Identify businesses operating there. Make a list of them;
- Identify and list unmet needs.
- Identify ways in which these businesses could be improved.

b) Formal Surveys

a) Questionnaire:



Checklist lists:Questionnaire

You may start by talking to your family and friends to find out what they think is needed or wanted that is not available. Or, for example, whether they are dissatisfied with an existing product or service and what improvements or changes they would like to see. You can then move on and talk to people who

are part of the distribution chain, which is manufacturers, wholesalers, distributors, agents and retailers. It would be useful to prepare beforehand a set of questions, which might be put on a questionnaire or used in an interview. Given their close contact with customers, channel members have a good sense of what is required and what will not sell.

- b) **Interviews:** Shortcomings in existing business can be identified through interviews. You should talk to as many customers as possible -both existing and potential customers. The more information you can get from them, the better. One way of ensuring that you are not negligent in this area is to be silent at all times to the needs and opportunities to do business. One that did not adequately fulfil its intended purpose another monitored the toys of a relative's children looking for ideas for a market niche.
- Surveys are very important to help you decide whether the idea is worthwhile. A survey is used to answer questions like:
 - i) What do the people need?
 - ii) When do they need it?
 - iii) Why do they need it?
 - iv) Which people need it?
 - v) Who decides what is to be bought?

vi) Complaints

Complaints and frustrations on the part of customers have led to many a new product or service. Whenever consumers or customer complain bitterly about a product or service, or when you hear someone say “I wish there was...” or “If only there were a product/service that could...”, you have the potential for a business idea. The idea could be to set up a rival firm offering a better product or service, or it might be a new product or service, which could be sold to the firm in question and/or to others.

vii) Brainstorming



Head Brainstorming: As a Person-Solo

Brainstorming is a technique for creative problem solving as well as for generating ideas. The object is to come up with as many ideas as possible.

It usually starts with a question or problem statement. For example, you may ask “What are the products and services needed in the home today which are not available?” Each idea leads to one or more additional ideas, resulting in a good number. When using this

method, you need to follow these four rules:

- a) **Do not criticize or judge the ideas of others.** Group members will tend to talk less if this happens. This means fewer ideas will be expressed. The group leader should discourage phrases such as: “that’s a dumb idea.”
- b) **Freewheeling is encouraged** – ideas that seem to be wild or crazy are welcome. The wider the range of ideas, the better. It is easier to tame down a wild idea than it is to think up another one.
- c) **Quantity is desirable** – the greater the number of ideas, the better the chance of getting good ones. The axiom is, “quantity helps breed quality”.
- d) **Combine and improve upon the ideas of others.** Group members should state their ideas. They should also suggest how the ideas of others could be turned into better ideas. Sometimes two or three ideas could be integrated to form another idea.



Take Note

Furthermore, all sides, no matter how seemingly illogical or crazy, must be recorded.

viii) Mass Media



Media: Social Media Apps

The mass media is a great source of information, ideas and often opportunity. Newspapers, magazines, television, and nowadays the Internet are all examples of mass media. Take a careful look, for example, at the commercial advertisements in a newspaper or magazine and you may well find businesses for sale. Well, one way to become an entrepreneur is to respond to such an offer.

Articles in the printed press or on the Internet or documentaries on television may report on changes in fashions or consumer needs. For example, you may discover a new concept for which investors are required, such as a franchise. Read stories or advertisements in several issues of newspapers, magazines and journals and identify five different businesses that interest you. In the space below, list the five businesses and tell why you selected each:

Types of business

Why are you interested in

it?

a) -----

-

b) -----

-

c) -----

d)

e) -

ix) Resources

If you find the following resources and wastes, e.g. minerals, agricultural, marine and other natural resources may signify the presence of a business opportunity.

x) Linkages



Linkages: Depicting Forward and Backward Linkages

The presence of manufacturing concerns may indicate possibility of business opportunity in supply of ingredients or distributing the products from those concerns.

xi) Export oriented/import substitution products

In a given area there is a possibility of some items either being imported from other countries or of items that would possibly be exported to other countries. Such items offer excellent opportunities to promote enterprises based in exports and imports.

Between the two, import substitution items make more attractive enterprises. In such cases not only special incentives are available but the market is already established.

xii) Special products

You may see business opportunities existing in research and invention-assesed products

and skill/knowledge based products.

xiii) Service Sector

This includes household repair and maintenance and service establishments cater to industrial and household needs.

xiv) Research and Development

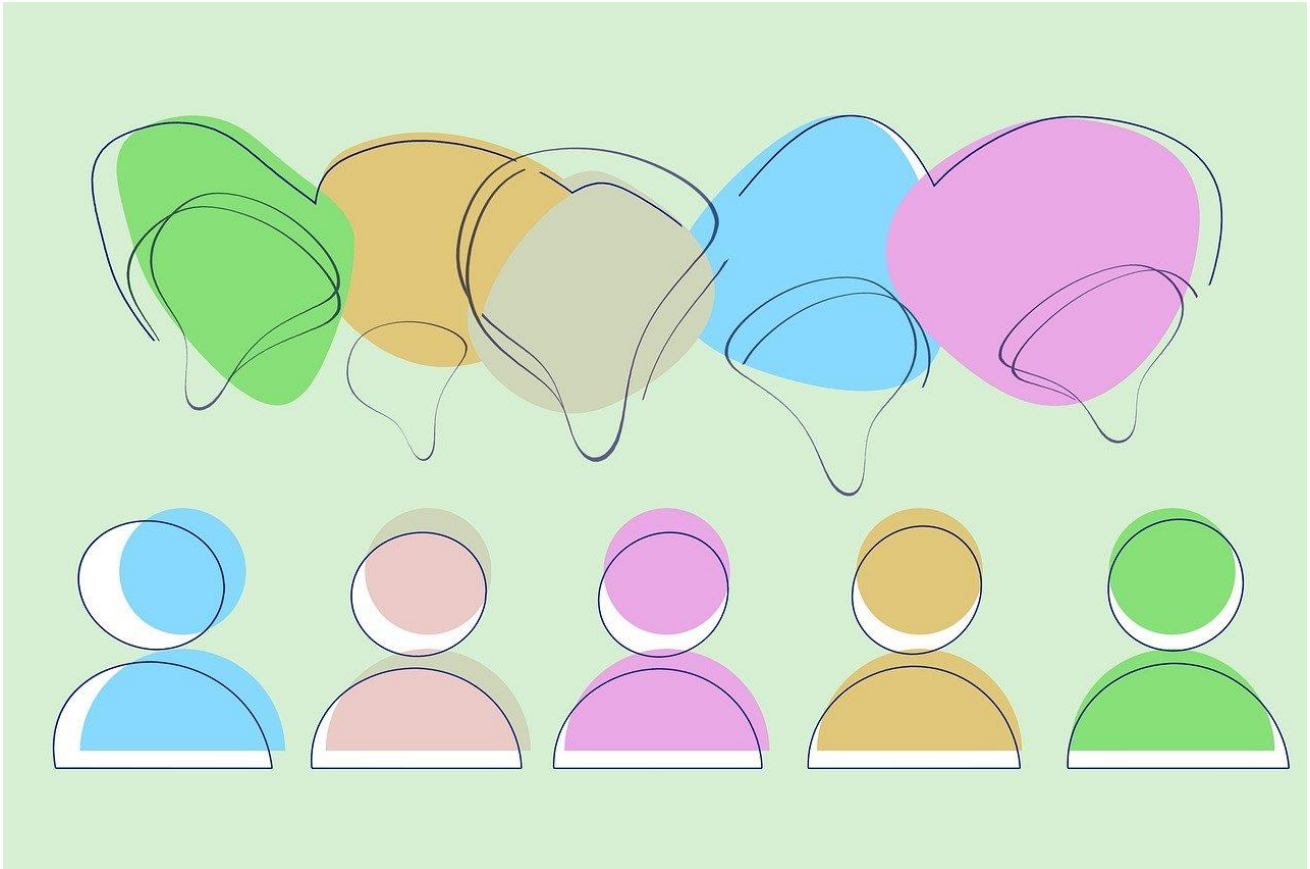


Knowledge Discover: Source of R & D

This is the largest source of new ideas through one own effort which can be formal endeavour contracted with one's current employment or an informal laboratory in the business.

xv) Focus group

This is a group of individuals providing information in a structured format. A moderator leads a group of people through an open, in depth discussion rather than simply asking questions to solicit participants response.



Feedback Focus Group: Together to Focus and Discuss

For a new product area, the moderator focuses discussion of the group in either a directive or nondirective manner. The group of 8 to 14 participants is stimulated by comments from other group members in creatively conceptualizing and developing a new product idea to fill a market need.

xvi) Problem Inventory

This is a method for obtaining new ideas and solutions by focusing on the problems. Consumers are provided with a list of problems in a general product category. They are then asked to identify and discuss products in this category that have the particular problem.

The method is highly referred because it is easier to relate known products to suggested problems and arrive at a new product idea than to generate an entirely new product idea by itself.



7.5 Summary

The session distinguished between a business idea and a Business opportunity. Thereafter we looked at the sources of a Business Idea.

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7.6 Review Activity

- i) Explain some of the attributes of the entrepreneur that propagate the Philosophy of entrepreneur.
- ii) Discuss how creativity can be enhanced in an organisation?



7.7 References and Further Reading

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