Introduction to Entrepreneurship and Innovation

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CHAPTER 2

Recognizing Opportunities and Generating Ideas

Chapter 2: Identifying and recognizing Opportunities

An **opportunity** is a time or set of circumstances that makes it possible to do something.

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

An **idea** is a thought, an impression, or a notion. An idea may or may not meet the criteria of an opportunity.

There are bad ideas and good ideas, but not every good idea is a business opportunity. After all, everyone stumbles upon an idea at some point — maybe even several times a day! But how much potential lies in it?

entrepreneurs recognize an opportunity

https://airfocus.com/glossary/what-does-idea-versus-opportunities-mean/

Which one will you experience?

Ventures start in two ways

Externally stimulated
- Decide to start a business
- Search for opportunity
- Recognize opportunity
- Start a business

Internally stimulated
- Recognize problem or opportunity gap
- Creates a business

How can I identify an opportunity?

1. By observing trends
2. By thinking of a problem and finding a solution for it
3. By looking for a gap in a market and filling that gap

What is a window of opportunity?

A window of opportunity is a short time period during which a desired action can be taken. Once the window closes, the opportunity may never come again.

The term window of opportunity is a metaphor describing **the time period in which a firm can realistically enter a new market.** Once the market for a new product is established, its window of opportunity opens. As the market grows, firms enter and try to establish a profitable position. At some point, the market matures, and the window of opportunity closes.

**Yahoo! the first search engine
1995**

**Google
1998**

**Bing
27% of market share**
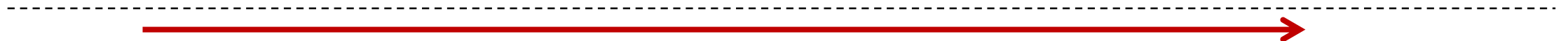
Qualities of an opportunity

1. **Attractive** – is there a large market that can earn profit?
2. **Timely** – is it needed now? Is it relevant to the prevailing environment
3. **Durable** – will the need for the product / service continue or <u>is it a fad?</u>
4. **Adds value for the end user**

Fads tend to start up suddenly and are short-lived.

A trend, on the other hand, starts slowly, grows slowly, and has more staying power than a fad. It also generally involves more than one industry or demographic.

How can I identify an opportunity?

1. By observing trends

- Trends create opportunities for entrepreneurs to pursue.
- The most important trends are (PEST):
  - Political and regulatory changes
  - Economic forces
  - Social forces
  - Technological advances
- It's important to be aware of changes in these areas. Entrepreneurs can purchase customized forecasts and market analyses from independent research firms.

1. Observing trends

An example of how trends can affect an industry. In the following example trends are extended to (PESTLE) and are affecting the pharmaceutical industry. This can lead to new ideas and opportunities, and can affect existing businesses at the same time

P Political	E Economic	S Social	T Technological	L Legal	E Environmental
• Increasing political focus on healthcare • Global governments look for healthcare savings • Britain voted to leave Europe causes political turmoil	• Increasing labor cost • Inflation • Consumer confidence is low • Low fuel prices and interest rates helps promote growth in market capacity	• Hello World Pharmacy was fined $450m for pollution issues • Increasing attention in healthcare	• Opportunity: Advertise through social media	• Hello World Pharmacy was fined $450m for pollution issues	• Adverse weather condition causes the temporary suspension of some factories • Growing attention to environmental protection

1. Observing trends

There are two caveats to keep in mind.
1. First, it's important to distinguish between trends and fads. New businesses typically do not have the resources to ramp up fast enough to take advantage of a fad.

2. Second, even though we discuss each trend individually, they are interconnected and should be considered simultaneously when brainstorming new business ideas.

1. Observing trends:

Trend 1- Political Action and Regulatory Changes

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

Specific Example

Evolv Technology is a start-up that has assembled a multidisciplinary team of experts to identify, invent, and apply new technologies to meet current terrorism-related threats.

XPLOSAFE
TECHNOLOGIES FOR A SAFER WORLD

Trend 1- Political Action and Regulatory Changes ... cont.

Regulatory changes can also create new business and product opportunities, or affect existing businesses. So an entrepreneur should be careful not to build a business on a regulations that may not be stable.

General Example

This happened with the passage of the affordable Care Act in 2010. The provisions of the act yielded opportunities for entrepreneurs to launch electronic records start-ups, apps to help patients monitor their medication, and similar companies.
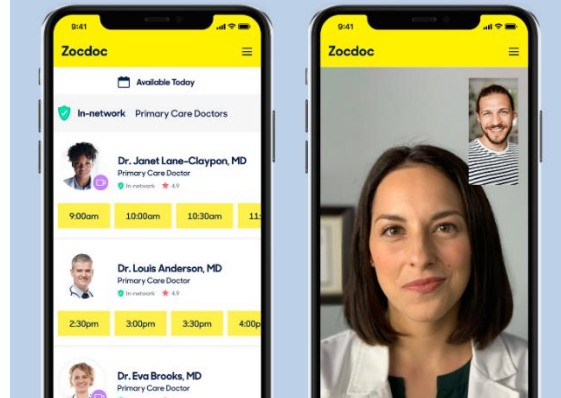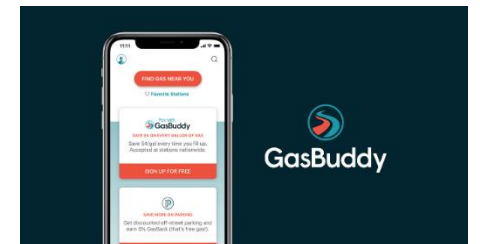
1. Observing trends:

Trend 2- 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

When the economy is **strong** , people have more money to spend and are willing to buy discretionary products and services that enhance their lives.

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

- **An example is GasBuddy.com, a company started to help consumers save money on gas.**

1. Observing trends:

Trend 3- 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

Aging of the population. **Baby Boomers** currently 57-75 years old

- The increasing diversity of the population.

- Millennials entering the workforce.

- Growth in the use of mobile devices.

- An increasing focus on health and wellness.

- Increasing interest in "green" products

- Emphasis on clean forms of energy

- The proliferation of fast-food restaurants isn't primarily because of people's love of fast food but because people are busy and often don't have time to cook their own meals.

- Facebook and Twitter aren't popular because they can be used to post information and photos but because they allow people to connect and communicate with each other.
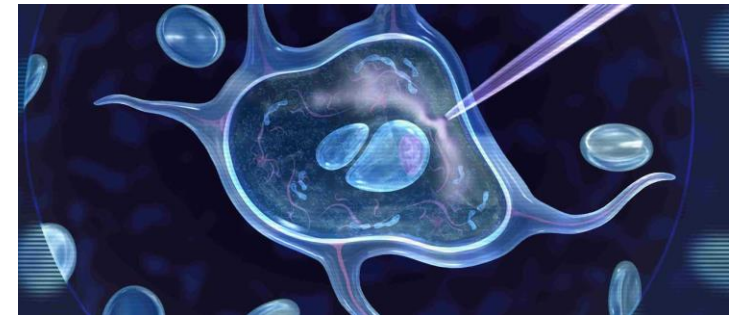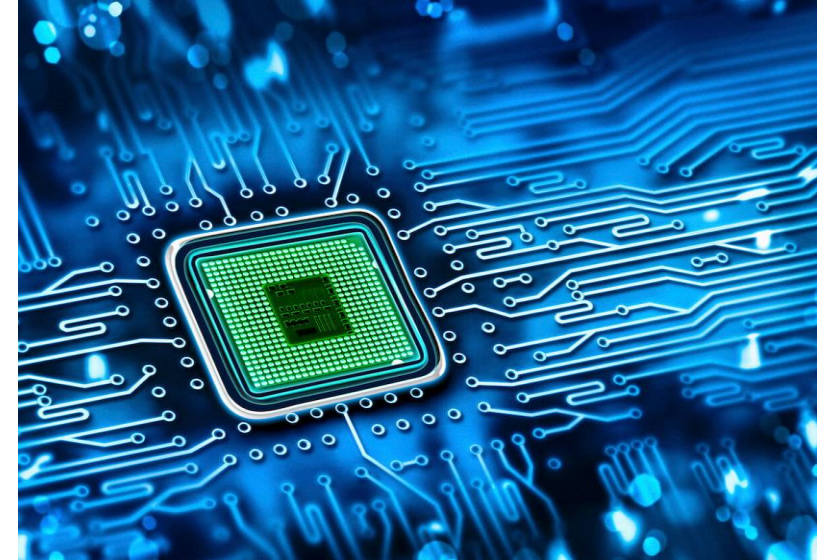
greenJO
home cleaning products

1. Observing trends:

Trend 4- Technological advances

Advances in technology frequently create business opportunities.

Examples of Entire Industries that

Have Been Created as the Result of

Technological Advances

- Computer industry

- Internet

- Biotechnology

- Digital photography

MONOJO

الشركة الأردنية لمضادات الأجسام م . م

JORDAN COMPANY FOR ANTIBODY PRODUCTION

AMAL
GLASS

1. Observing trends:

Trend 4- Technological advances… cont.

How Advances in technology create business opportunities?

1. Think how to harness technology to help satisfy basic or changing needs.
2. Once a technology is created, products often emerge to advance it.
3. Opportunities to help people perform everyday tasks in better or more convenient ways.

OpenTable®
part of Booking.com

Example: Rokit Boost

An example is Rokit Boost, a high-end mobile accessories company that makes smartphone cases, headphones, portable USB device chargers, and Bluetooth speakers. Rokit Boost wouldn't exist if it weren't for the advent of the smartphone.

H20Audio, a company that makes waterproof housings for the Apple iPhone and iPod.

How can I identify an opportunity?

2. By thinking of a problem and finding a solution for it

- Sometimes identifying opportunities simply involves noticing a problem and <u>finding a way to solve it.</u>
- These problems can be pinpointed through observing trends and through more simple means, such as intuition, serendipity, or chance.

Sometimes people aren't able to access energy to recharge their smartphones for a period of time. A number of companies have solved this problem in innovative ways. An example is Eton BoostTurbin 2000, which is a device that weighs less than four ounces. It combines a battery with a hand crank that provides enough power to fully charge a typical smartphone.

1991, Jay Sorensen:
He stumbled upon a problem by chance when he spilled his coffee because the disposable cup was hot for his hand

How can I identify an opportunity?

2. By thinking of a problem and finding a solution for it… cont.

Usually Entrepreneurs frame a problem differently than it's been thought of before, and then propose an appropriate solution. The solution is often easier and less expensive than traditional fixes.

Some problems are associated with emerging trends.

SafetyWeb

Advances in technology often result in problems for people who can't use the technology in the way it is sold to the masses

How can I identify an opportunity?

2. By finding a gap 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._

- A gap in the marketplace is often created `_when a product or service is needed in a certain place but isn't available at all (a new target market)._

- A gap in the marketplace is often created _when taking an existing product or service and create a new category by targeting a completely different customer segment._
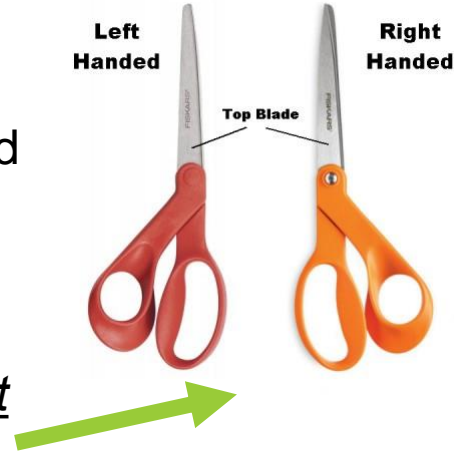
How can I identify an opportunity?

2. By finding a gap in the marketplace…. Cont.

Product gaps in the marketplace represent potentially viable business opportunities. These gaps can be hard to identify but can be potentially very rewarding. This is the world where the "niche market" exists.

A niche market is a place within a larger market that represents a narrower group of people with similar interests.

Specific Example

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.

Personal Characteristics of the Entrepreneur

Opportunity recognition:
refers to the process of perceiving the possibility of a profitable new business or a new product or service
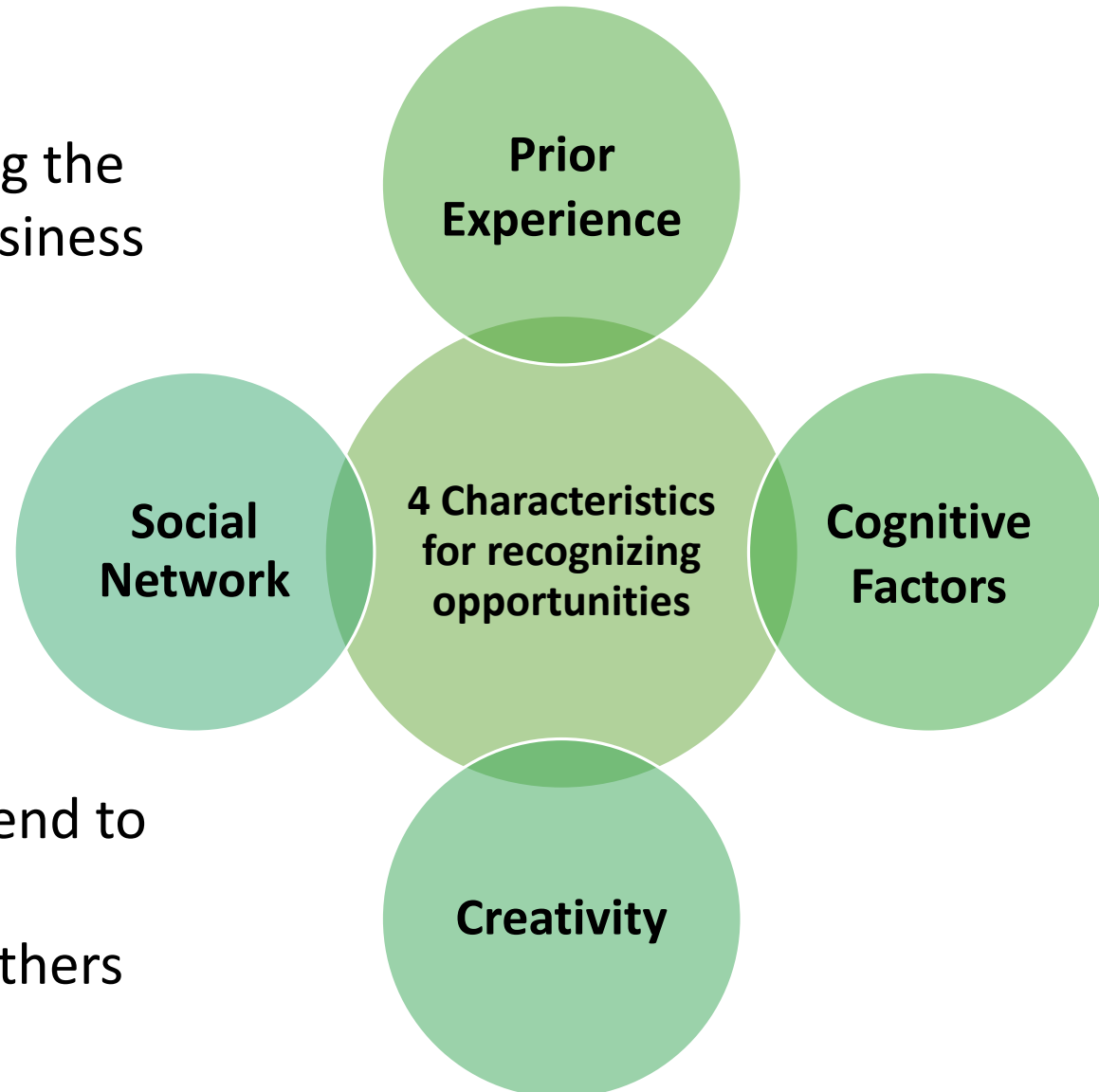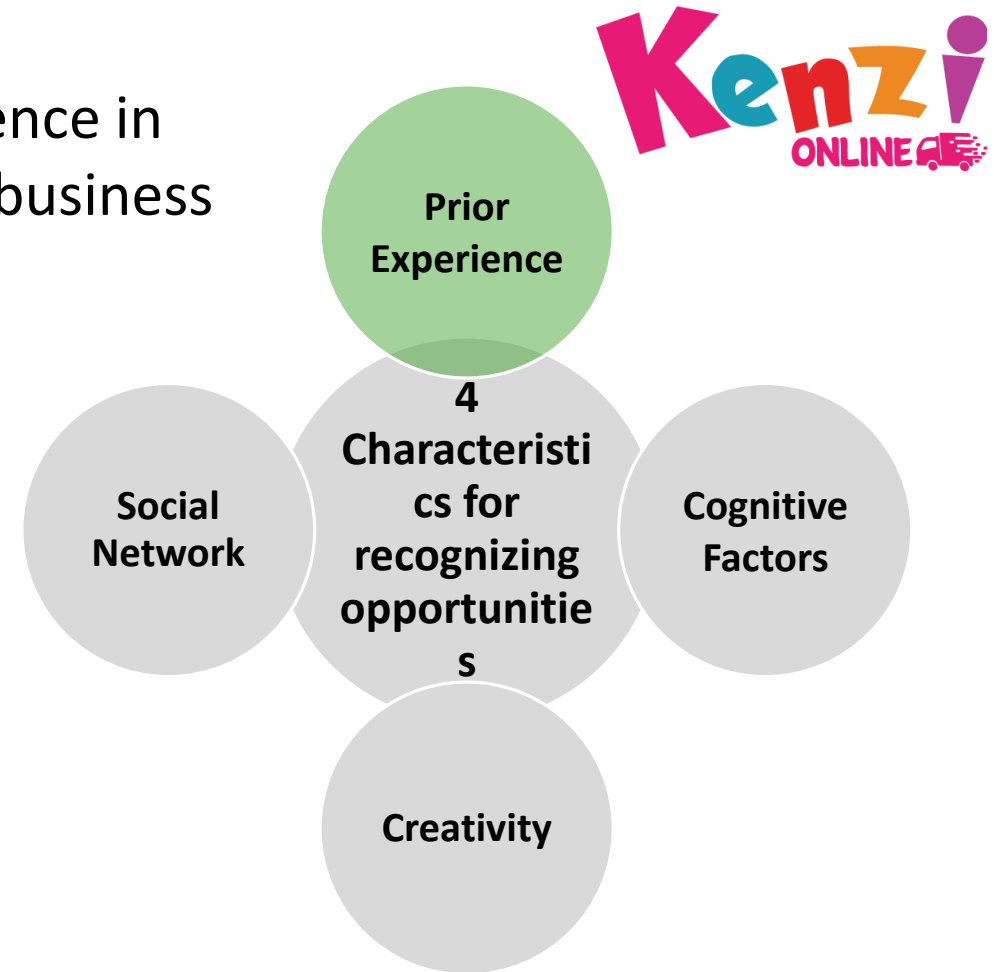
There are **4** characteristics that tend to make some people *better at recognizing* opportunities than others

Personal characteristics of Entrepreneurs

1) Prior Industry Experience
Several studies have shown that prior experience in an industry helps an entrepreneur recognize business opportunities.

- By working in an industry, an individual <u>may spot a market niche that is underserved</u>.

- It is also possible that by working in an industry, an individual <u>builds a network of social contacts who provide insights</u> that lead to recognizing new opportunities.

- Local Examples:
  - صلاح العقبي owner of Jordan Chalk
  - Sanal Kumar owner of Classic Fashion
  - Owner of Kenzi (toys stores)

Prior Experience

4 Characteristics for recognizing opportunities

Social Network

Cognitive Factors

Creativity

1) Prior Industry Experience

- It is also important to note that anecdotal evidence suggests that people outside an industry can sometimes enter it with a new set of eyes, and as a result innovate in ways that people with prior experience might find difficult.
  - For example, Elon Musk, the founder of Tesla, had no prior experience in the auto industry.
  - Debbie Fields, the founder of Mrs. Fields Cookies, had no prior experience in the food industry.
  - Locally:
    - Shaima Bishtawi, an architect, opened a business in education
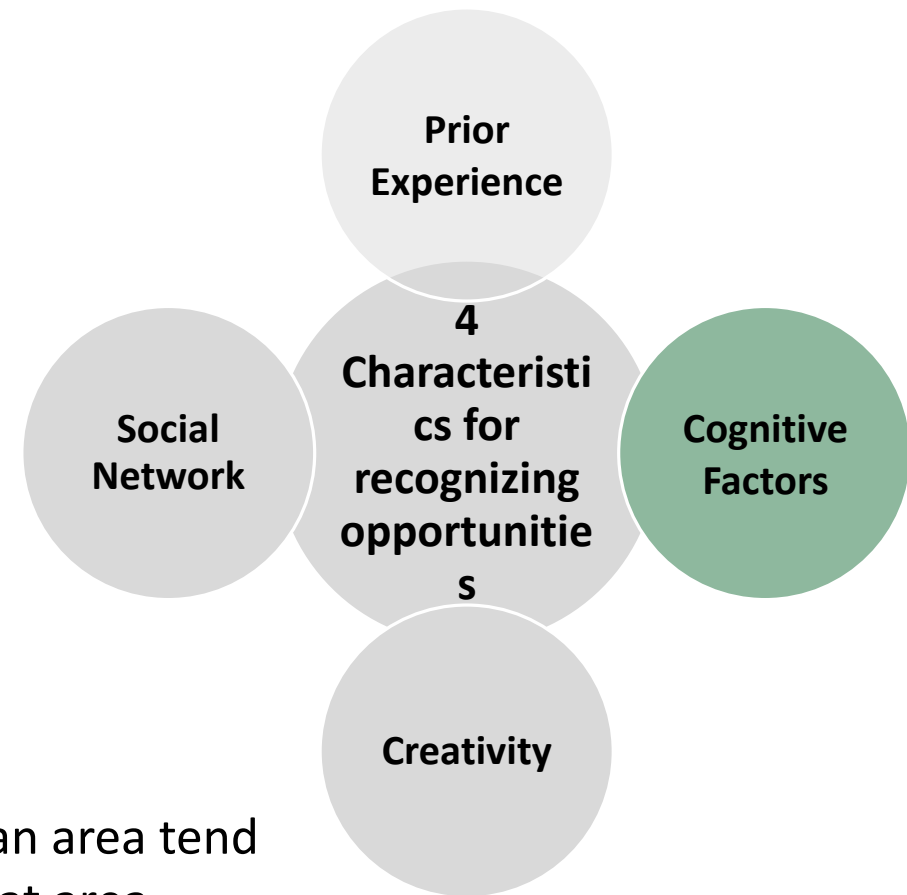   - Dr. Sereen opened the Cake Shop

2) Cognitive Factors

- Studies have shown that opportunity recognition may be an innate skill or cognitive process. As if 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.

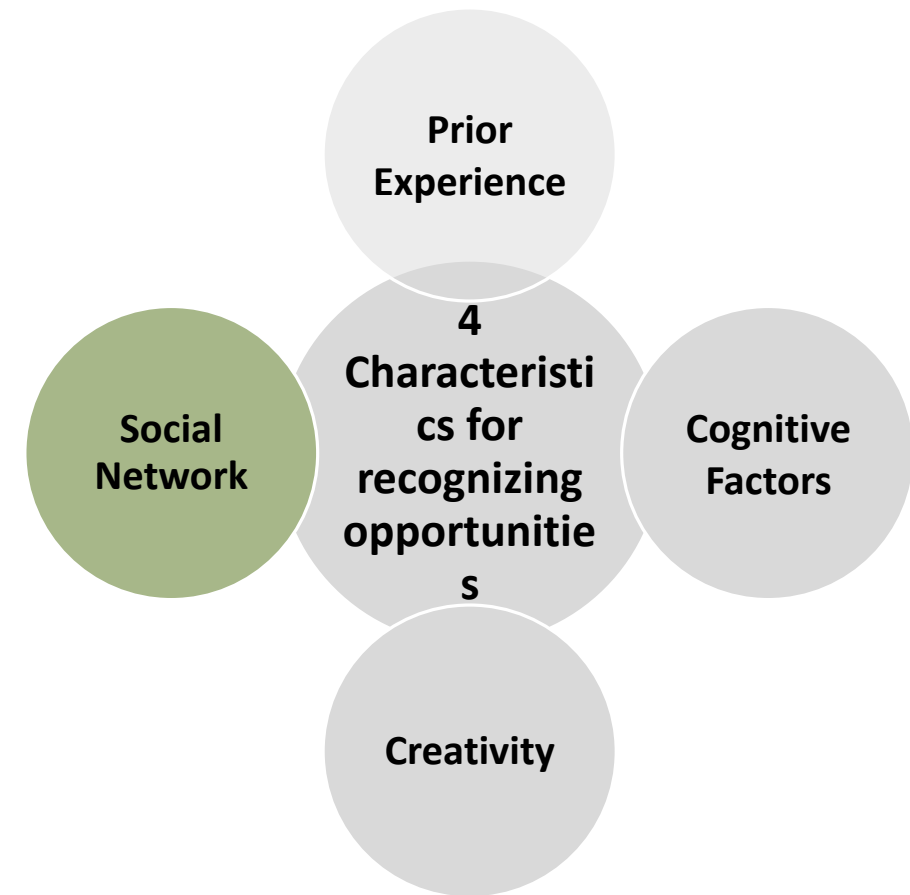**Alertness is largely a learned skill** people who have more knowledge of an area tend to be more alert to opportunities in that area

Prior Experience

4 Characteristics for recognizing opportunities

Social Network

Cognitive Factors

Creativity

Linked in

3) Social Networks

- The extent and depth of an individual's social network affects opportunity recognition. (those with extensive network will be exposed to more opportunities and ideas than people with sparse networks).

- **Solo entrepreneurs:** those who identified their business ideas on their own

- **Network entrepreneurs:** those who identified their ideas through social contacts

- Research results suggest that between 40% and 50% of people who start a business got their idea via a social contact.

Prior Experience

4 Characteristics for recognizing opportunities

Social Network

Cognitive Factors

Creativity

3) Social Networks... cont.

| Strong-Tie Relationships	Weak-Tie Relationships
These relationships, which typically form between like-minded individuals, tend to reinforce insights and ideas that people already have.	These relationships, which form between casual acquaintances, are not as apt to be between like-minded individuals, so one person may say something to another that sparks a completely new idea.
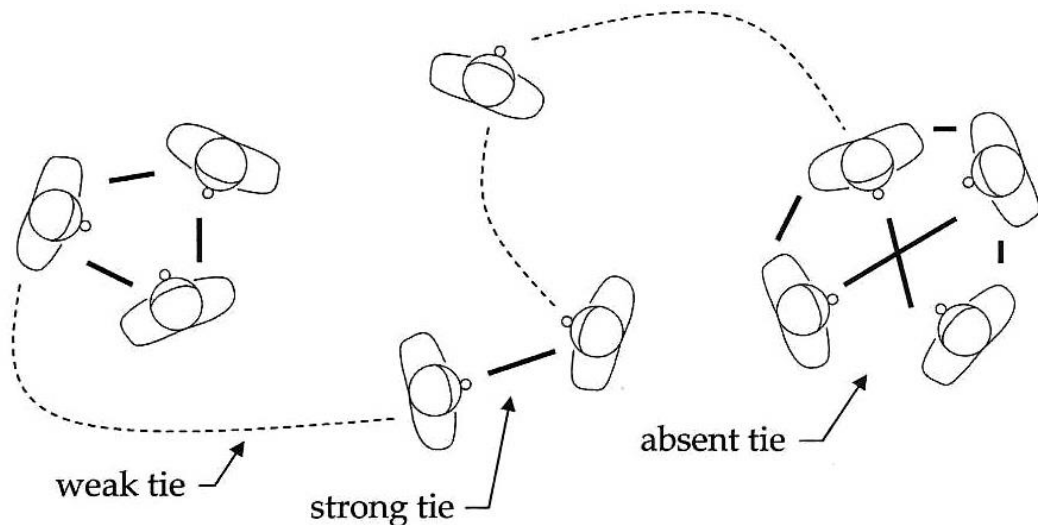
- Strong-tie relationship are characterized by frequent interaction and form between coworkers, friends, and spouses.
- Weak-tie relationships are characterized by infrequent interaction and form between casual acquaintances.

4) 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/Eureka
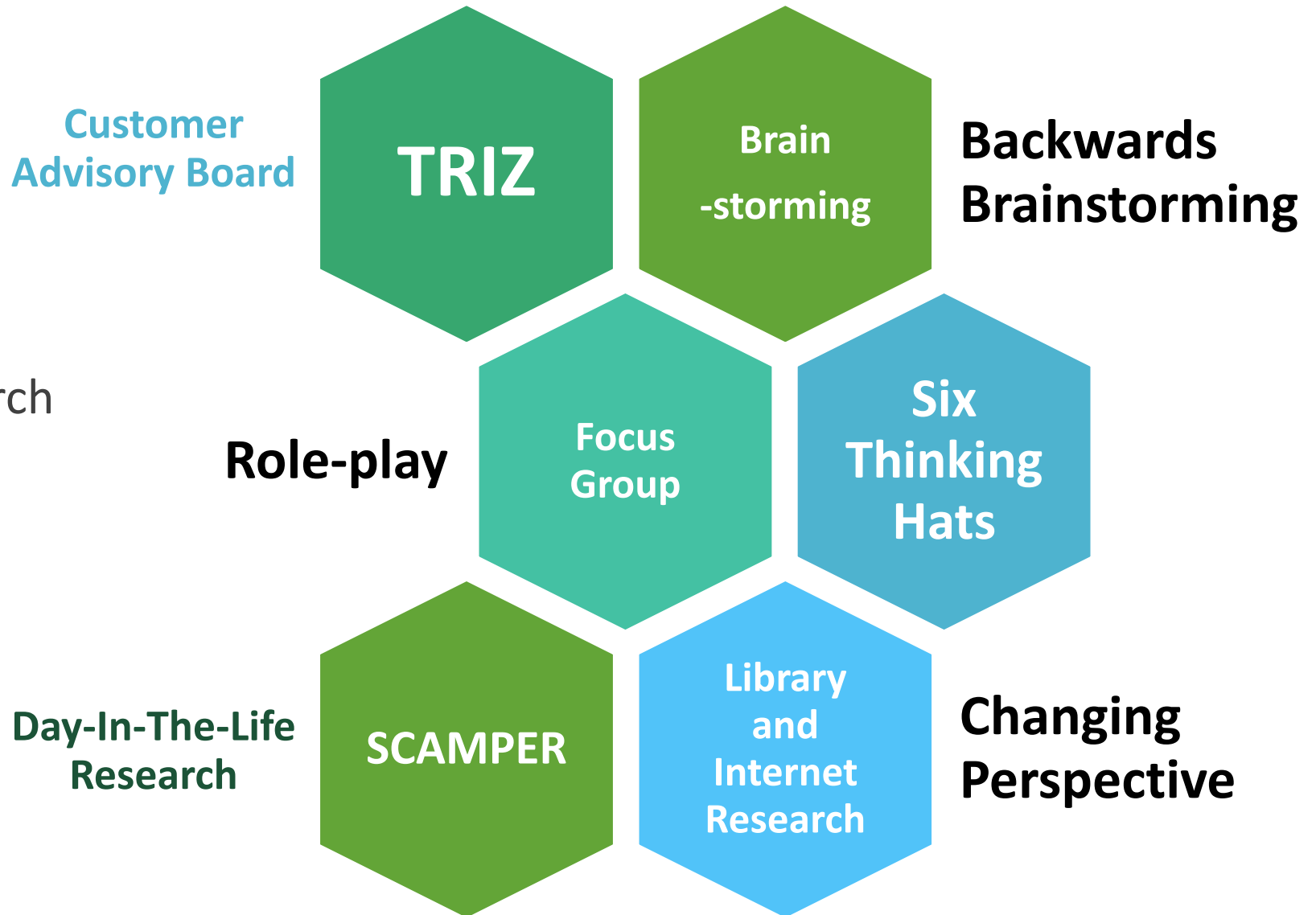 4. Evaluation
  5. Elaboration
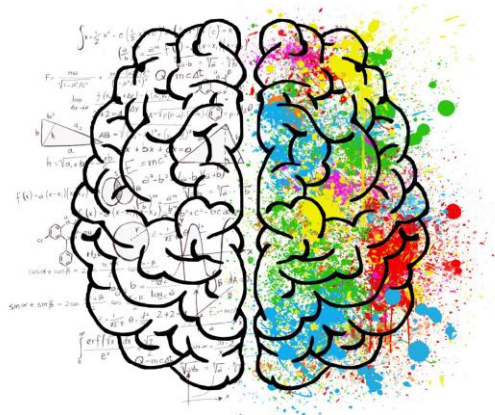
Comparison Chart

BASIS FOR COMPARISON	CREATIVITY	INNOVATION
Meaning	Creativity is a act of creating new ideas, imaginations and possibilities.	Innovation is the introduction of something new and effective into the market.
Process	Imaginative	Productive
Quantifiable	No	Yes
Related to	Thinking something new	Introducing something new
Money Consumption	No	Yes
Risk	No	Yes

Techniques for Generating Ideas

- Brainstorming
- Focus Groups
- Library and Internet Research

Customer Advisory Board

TRIZ

Brain -storming

Backwards Brainstorming

Role-play

Focus Group

Six Thinking Hats

Day-In-The-Life Research

SCAMPER

Library and Internet Research

Changing Perspective

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.
- Rules for a brainstorming session:
    1. Go for quantity over quality.
    2. Withhold criticism
    3. Encourage wild ideas
    4. Combine and improve upon ideas.

https://www.yout-ube.com/watch?v=09_JdhFA2W0

https://business.tutsplus.com/tutorials/what-is-the-definition-of-brainstorming--cms-27997

Techniques for Generating Ideas

Brainstorming… cont.

Asking students to complete a bug report is a popular technique that is used in classrooms to teach brainstorming. To compile a bug report, students are instructed to list 50 to 75 conditions or "things" that "bug" them in their everyday lives. Asking students to identify a number of conditions or things that bug them reduces the likelihood that they will specify only obvious things that bug them (e.g., campus parking, dorm food, and untidy roommates).

Focus Group

- 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.

First half of the video in the link is enough

https://www.yout-ube.com/watch?v=3TwgVQIZPsw

Techniques for Generating Ideas

Library and Internet 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.

https://www.thoughtco.com/using-a-library-1857187

Techniques for Generating Ideas

Library and Internet Research… cont.

Large public and university libraries typically have access to search engines and industry reports that would cost thousands of dollars to access on your own.

Examples of Useful Search Engines and Industry Reports

BizMiner https://www.bizminer.com/

ProQuest https://www.proquest.com/

IBISWorld https://www.ibisworld.com/

- Mintel

- LexisNexis Academic

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
 - A type of anthropological research, where the employees of a company spend a day with a customer.

Library and Internet Research... cont.

- Internet Research
  - If you are starting from scratch, simply typing "new business ideas" into a search engine will produce links to newspaper and magazine articles about the "hottest" and "latest" new business ideas.
  - If you have a specific topic in mind, setting up Google 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.

How to assess a project

Interchangeable ... you can find the idea first then search for an opportunity, or recognize an opportunity then find an idea for it
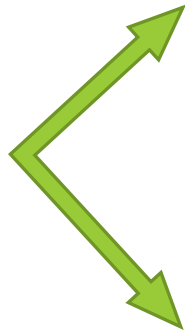
1. **Assess the strength of an idea**
   - The idea should take advantage of an environmental trend, solve a problem, or fill a gap
   - Sufficient research has been done on it
   - Should fit with an opportunity

2. **Assess strength of an opportunity**
   Through the four qualities of an opportunity (attractiveness, timely, durable and being anchored in a product, service, or business that creates or adds value for its buyer or end user)

3. **Other feasibility studies follow**

The window of opportunity is open... now is the best time to introduce the product to the market

Attractiveness	Timely
	4 qualities of an opportunity
Durable	Gives value to customers
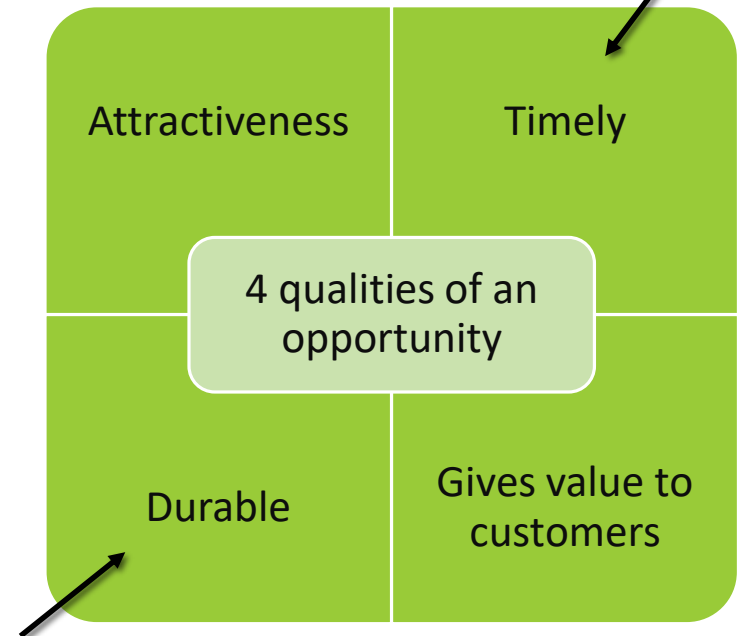
People will still need or want the product in the future