

# Recognizing Opportunities and Generating Ideas

Week 2

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# Difference between an idea and opportunity?

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## Idea

An idea is a thought or concept that comes to mind, often as a creative spark or a response to a problem.

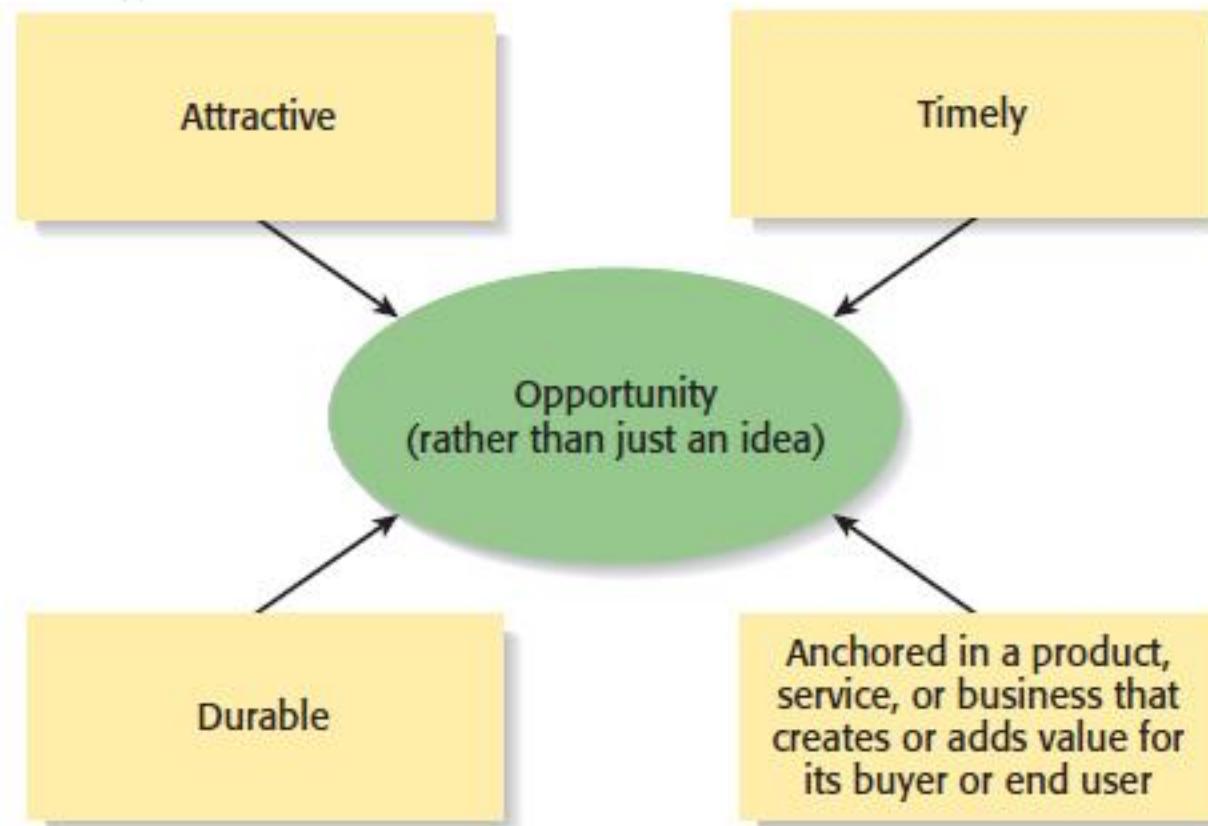
## Opportunity

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

# What is an Opportunity?

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## Four Essential Qualities of an Opportunity



# Three Ways to Identify an Opportunity

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Observing Trends

Solving a Problem

Finding Gaps in the  
Marketplace

# First Approach: Observing Trends

1 of 2

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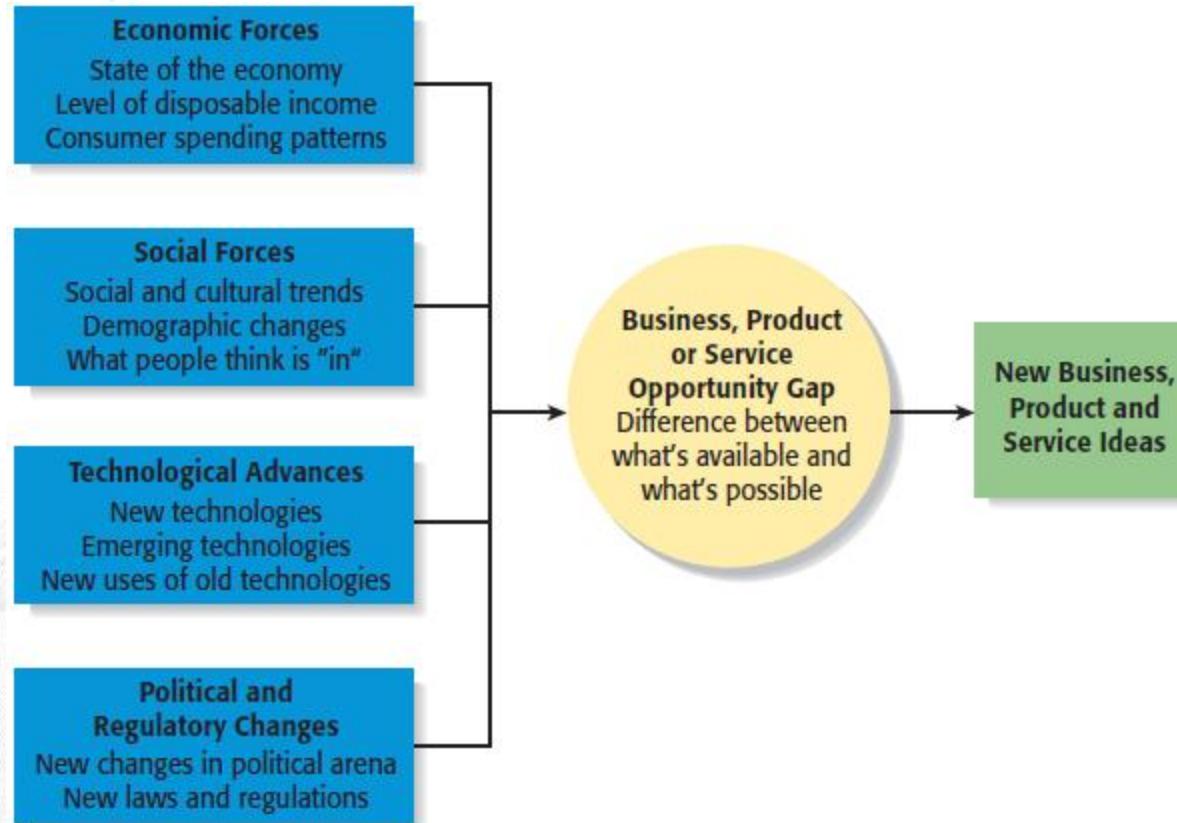
- Observing Trends
  - Trends create opportunities for entrepreneurs to pursue.
  - The most important trends are:
    - Economic forces
    - Social forces
    - Technological advances
    - Political action and regulatory change
  - It's important to be aware of changes in these areas.

# First Approach: Observing Trends

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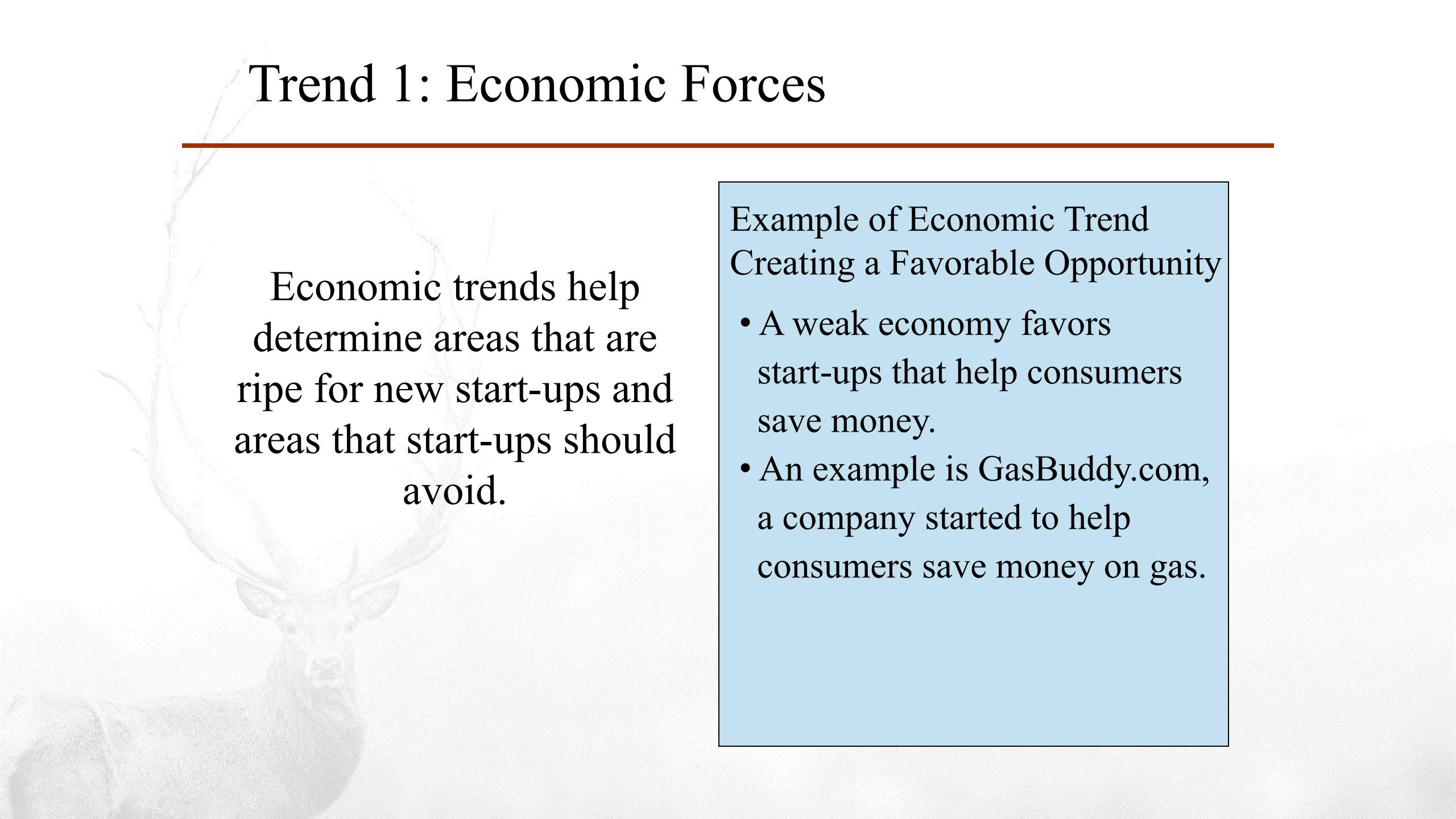
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## Environmental Trends Suggesting Business or Product Opportunity Gaps



# Trend 1: Economic Forces

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

# Trend 2: Social Forces

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

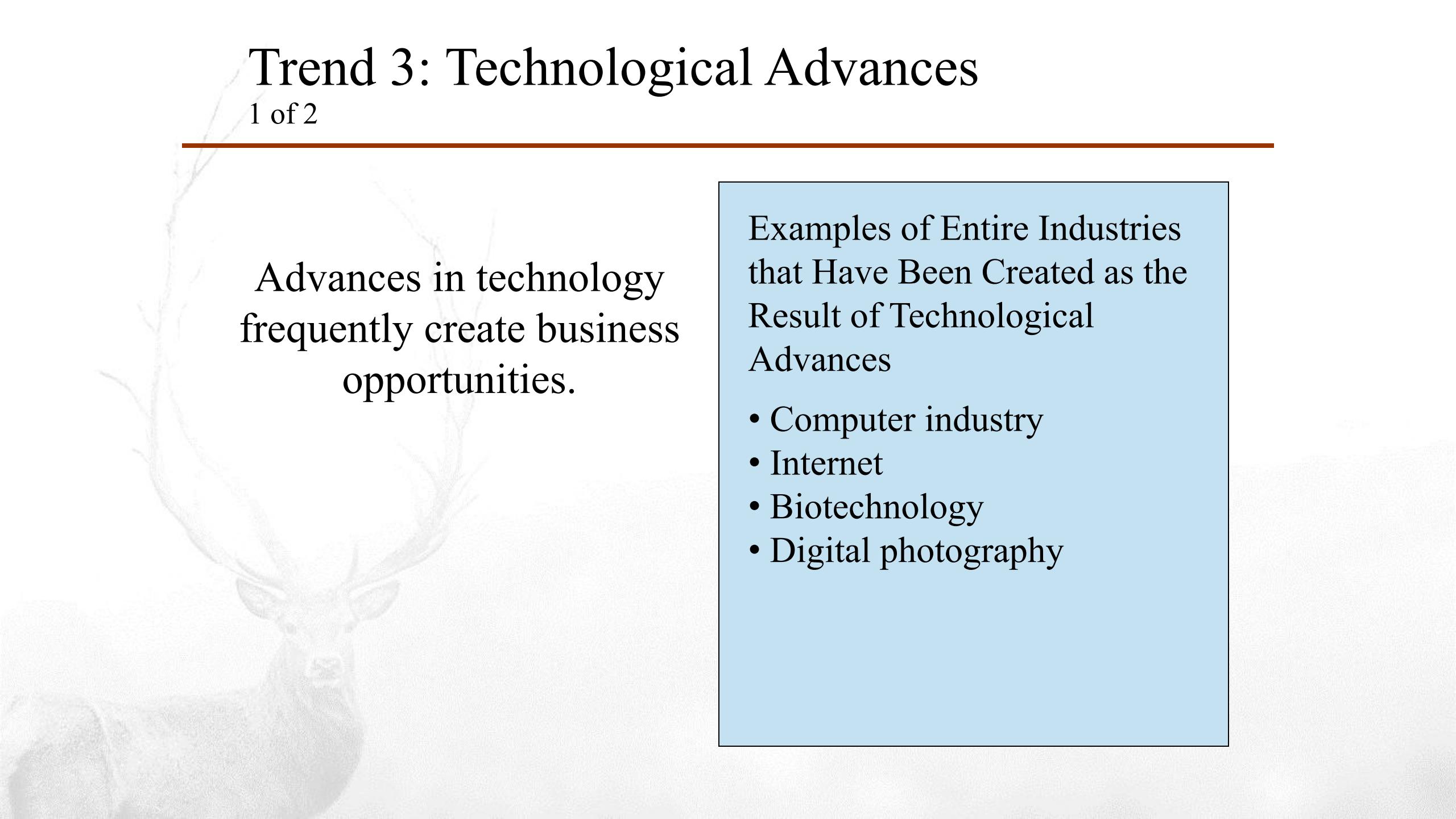
## Examples of Social Trends

- Aging of baby boomers
- The increasing diversity of the workplace
- Increasing interest in social networks such as Facebook and Twitter
- An increasing focus on health and wellness
- Increasing interest in “green” products

# Trend 3: Technological Advances

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Advances in technology frequently create business opportunities.

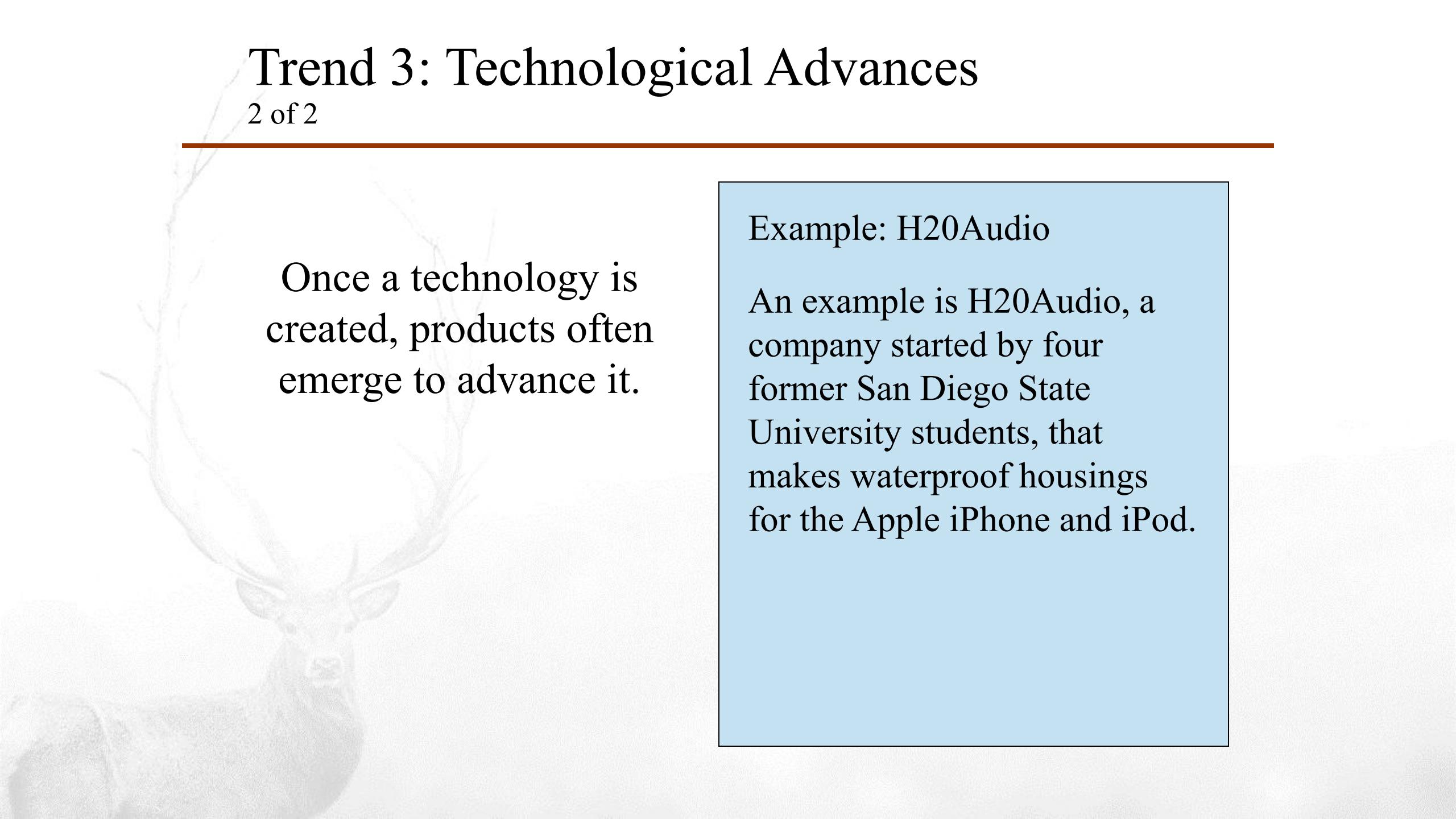
Examples of Entire Industries that Have Been Created as the Result of Technological Advances

- Computer industry
- Internet
- Biotechnology
- Digital photography

# Trend 3: Technological Advances

2 of 2

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Once a technology is created, products often emerge to advance it.

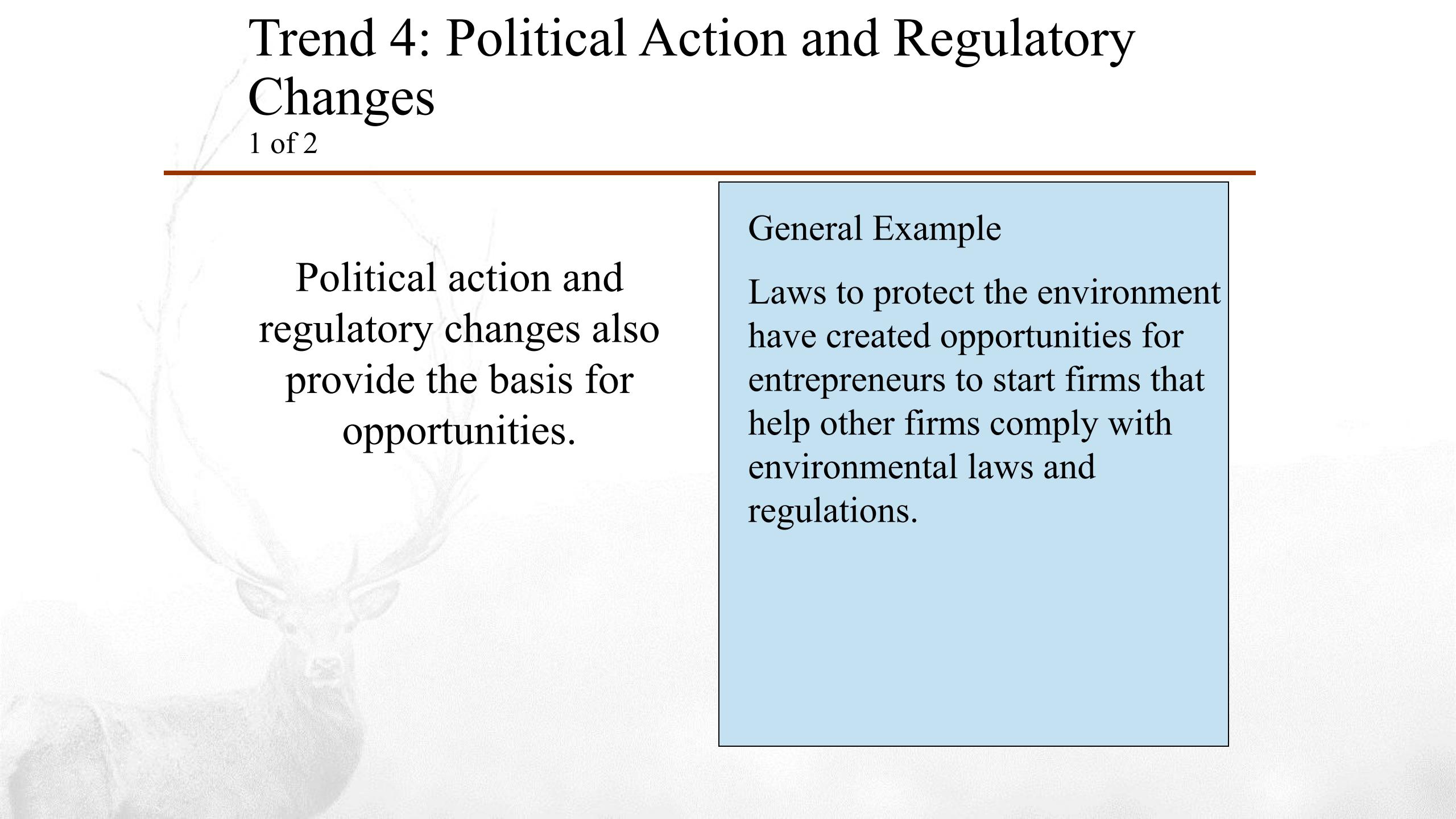
## Example: H20Audio

An example is H20Audio, a company started by four former San Diego State University students, that makes waterproof housings for the Apple iPhone and iPod.

# Trend 4: Political Action and Regulatory Changes

1 of 2

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Political action and regulatory changes also provide the basis for opportunities.

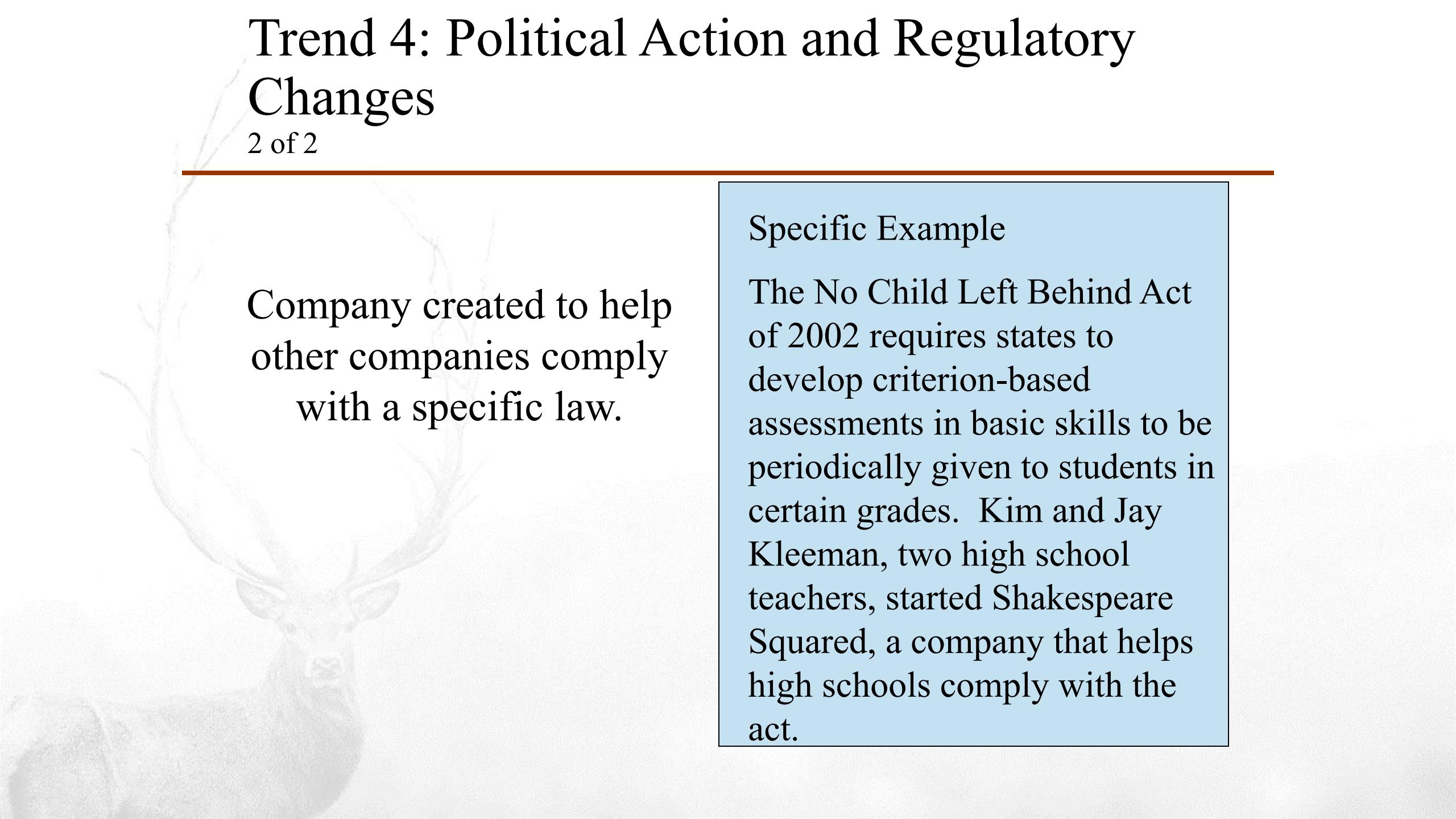
## General Example

Laws to protect the environment have created opportunities for entrepreneurs to start firms that help other firms comply with environmental laws and regulations.

# Trend 4: Political Action and Regulatory Changes

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Company created to help other companies comply with a specific law.

## Specific Example

The No Child Left Behind Act of 2002 requires states to develop criterion-based assessments in basic skills to be periodically given to students in certain grades. Kim and Jay Kleeman, two high school teachers, started Shakespeare Squared, a company that helps high schools comply with the act.

# Second Approach: Solving a Problem

1 of 2

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- **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.

# Second Approach: Solving a Problem

2 of 2

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- A problem facing the U.S. and other countries is finding alternatives to fossil fuels.
- A large number of entrepreneurial firms, like this solar farm, are being launched to solve this problem.



# Third Approach: Finding Gaps in the Marketplace

1 of 2

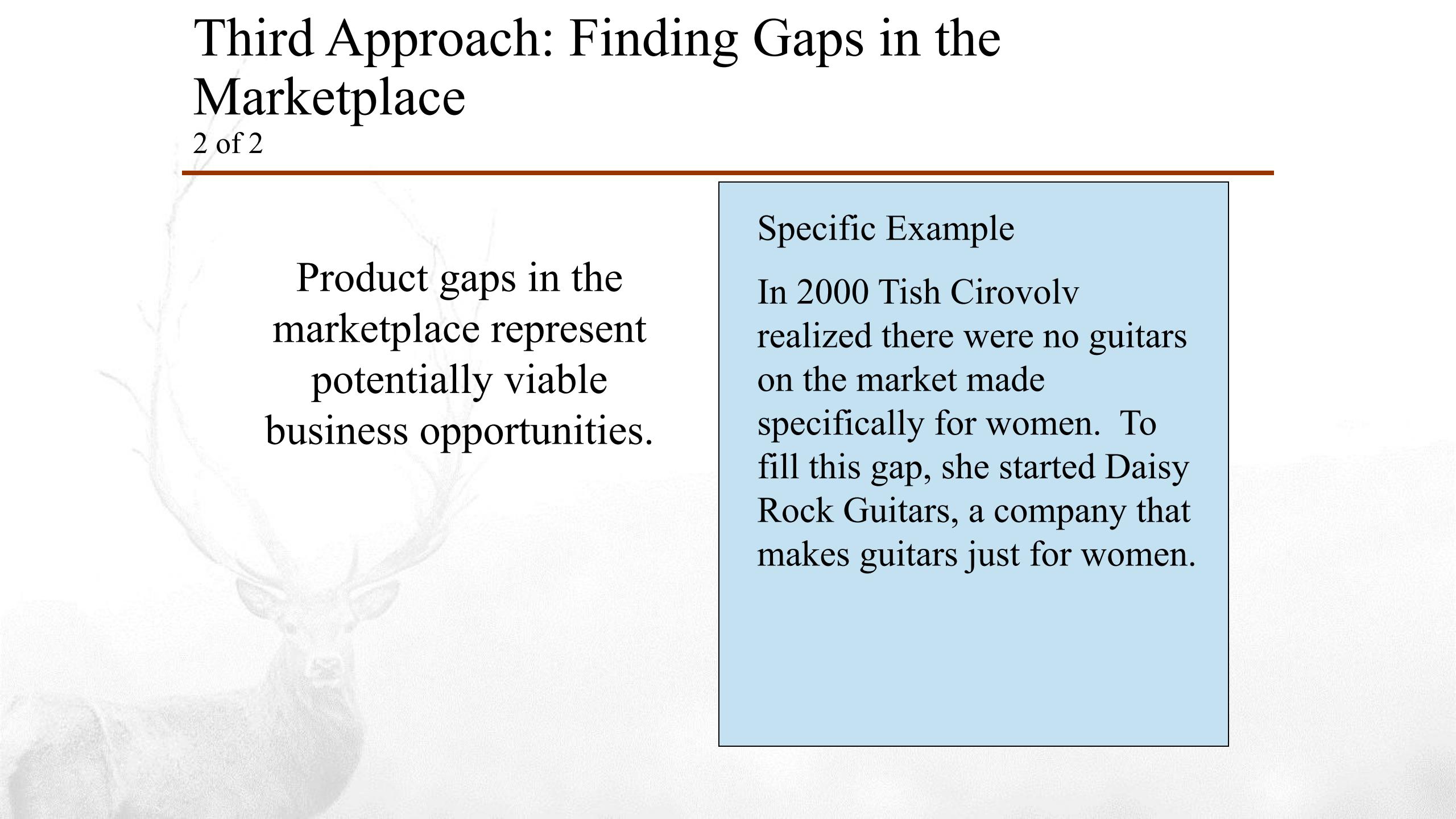
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- Gaps in the Marketplace
  - A third approach to identifying opportunities is to find a gap in the marketplace.
  - A gap in the marketplace is often created when a product or service is needed by a specific group of people but doesn't represent a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

# Third Approach: Finding Gaps in the Marketplace

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Product gaps in the marketplace represent potentially viable business opportunities.

## Specific Example

In 2000 Tish Cirovolv realized there were no guitars on the market made specifically for women. To fill this gap, she started Daisy Rock Guitars, a company that makes guitars just for women.

# Personal Characteristics of the Entrepreneur

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Characteristics that tend to make some people better at recognizing opportunities than others

Prior Experience

Cognitive Factors

Social Networks

Creativity

# Prior Experience

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- 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 may spot a market niche that is underserved.
    - It is also possible that by working in an industry, an individual builds a network of social contacts who provide insights that lead to recognizing new opportunities.

# Cognitive Factors

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- 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

1 of 3

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- 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.
  - Research results suggest that between 40% and 50% of people who start a business got their idea via a social contact.
- Strong Tie Vs. Weak Tie Relationships
  - All of us have relationships with other people that are called “ties.”

# Social Networks

2 of 3

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- Nature of Strong-Tie Vs. Weak-Tie Relationships
  - Strong-tie relationships 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.
- Result
  - It is more likely that an entrepreneur will get new business ideas through weak-tie rather than strong-tie relationships.

# Social Networks

3 of 3

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## Why weak-tie relationships lead to more new business ideas than strong-tie relationships

### Strong-Tie Relationships

These relationships, which typically form between like-minded individuals, tend to reinforce insights and ideas that people already have.

### Weak-Tie Relationships

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.

# Creativity

1 of 2

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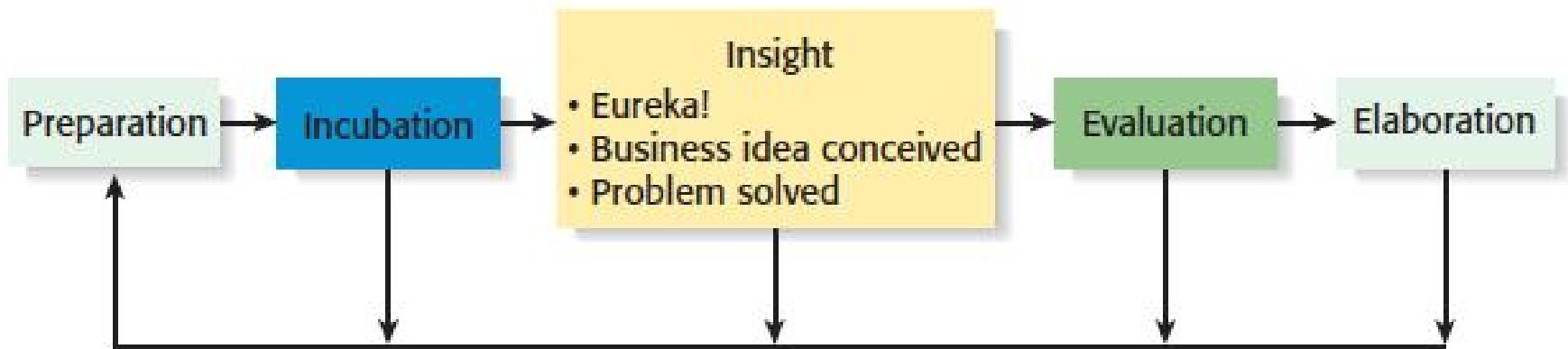
- Creativity
  - Creativity is the process of generating a novel or useful idea.
  - Opportunity recognition may be, at least in part, a creative process.
  - For an individual, the creative process can be broken down into five stages, as shown on the next slide.

# Creativity

2 of 2

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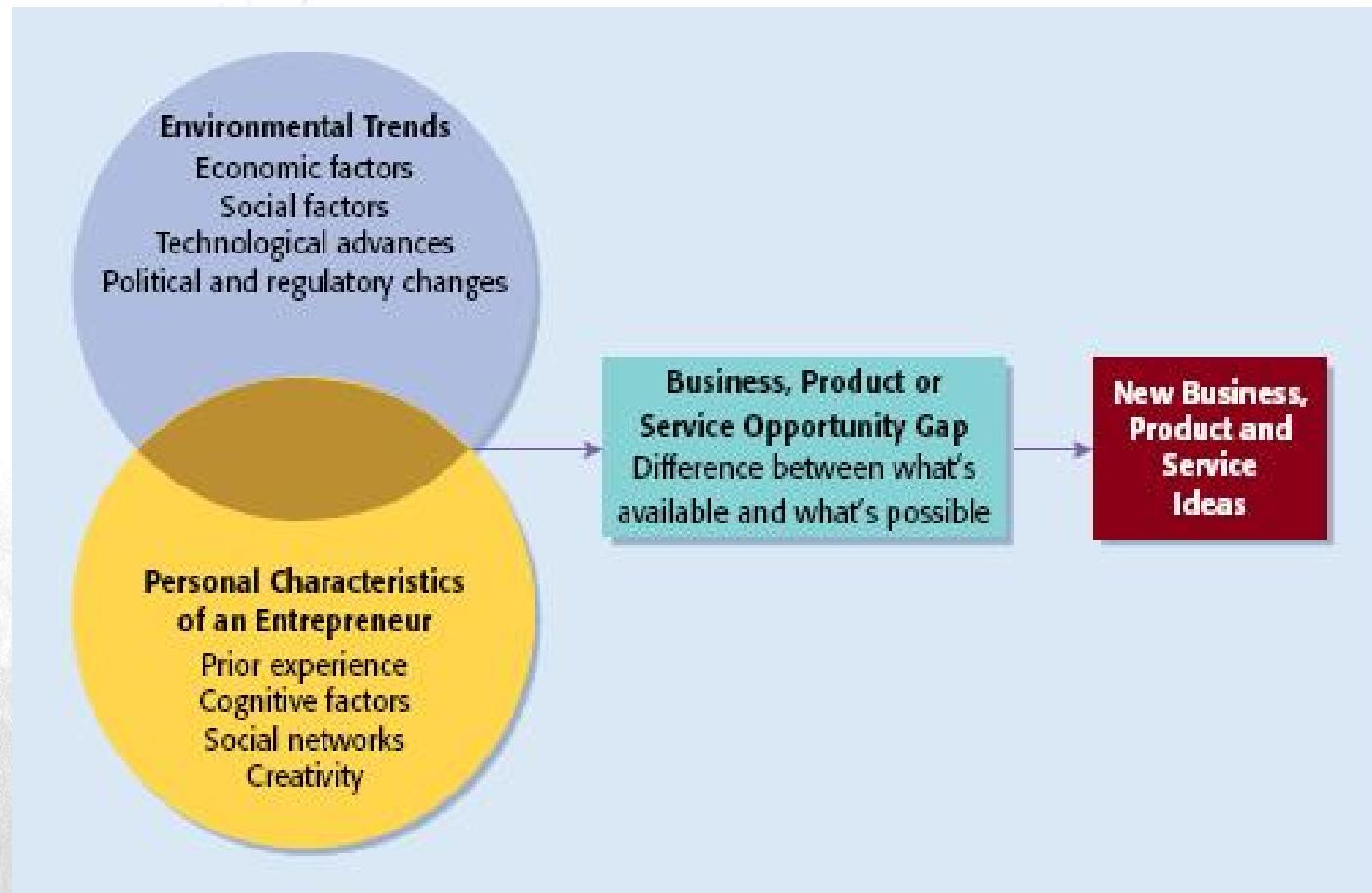
## Five Steps to Generating Creative Ideas



| Phase              | Description  | Example   |
|--------------------|--|---|
| <b>Preparation</b> | Gathering information, understanding the problem, and exploring the current environment. | Researching customer pain points, analyzing industry trends, or studying competitors' products. |
| <b>Incubation</b>  | Reflecting on the problem and letting ideas connect subconsciously over time.            | Gaining new insights while taking a walk or engaging in unrelated activities.                   |
| <b>Insight</b>     | The "Eureka!" moment when a solution or business idea becomes clear.                     | Realizing that an app could simplify food delivery to meet specific customer needs.             |
| <b>Evaluation</b>  | Critically analyzing the idea for feasibility, market demand, and potential risks.       | Conducting surveys, market research, or financial analysis to validate the idea.                |
| <b>Elaboration</b> | Developing the idea into a concrete plan, prototype, or minimum viable product (MVP).    | Designing a product prototype or creating a business model for an AI-powered chatbot.           |

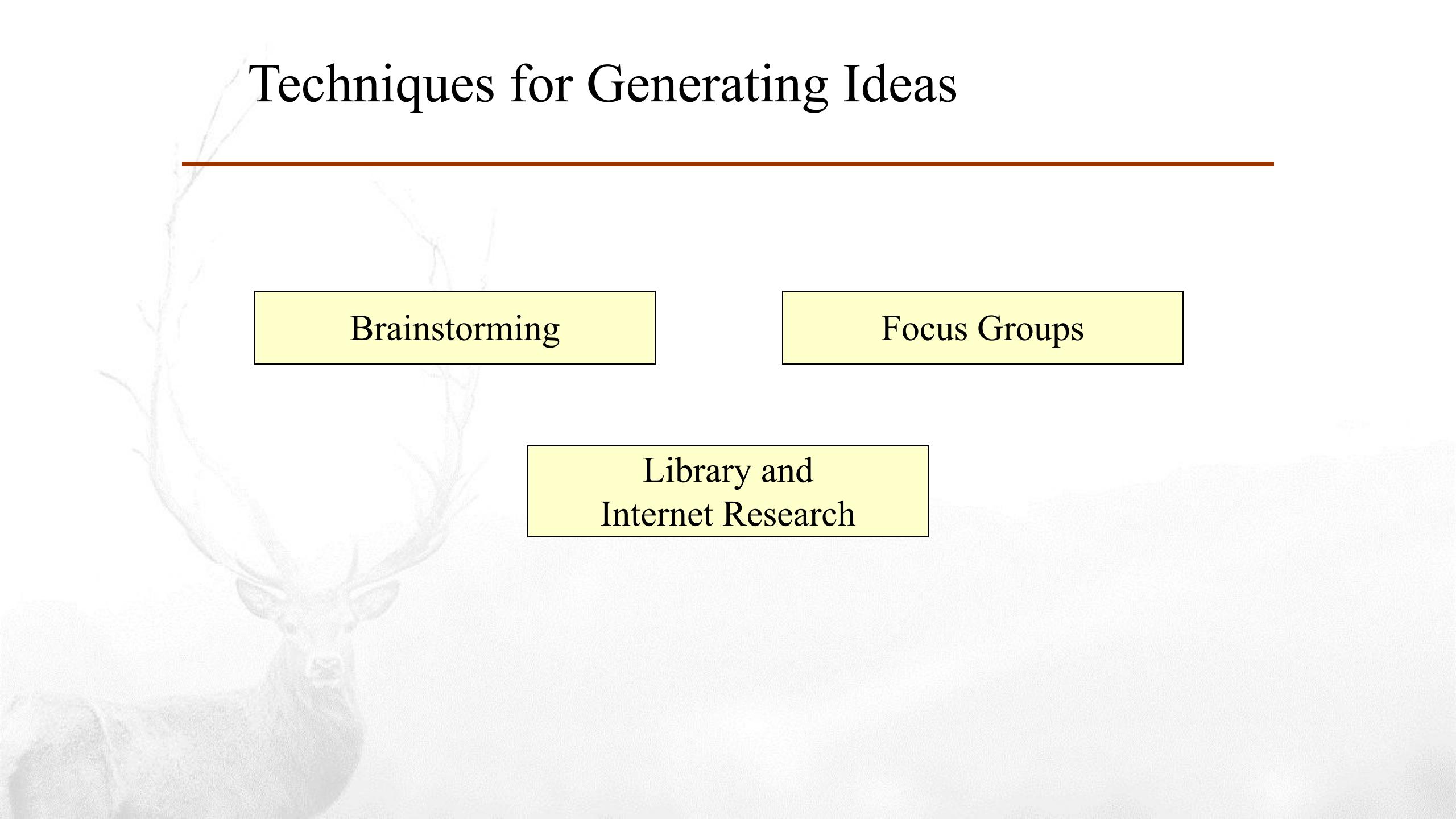
# Full View of the Opportunity Recognition Process

Depicts the connection between an awareness of emerging trends and the personal characteristics of the entrepreneur



# Techniques for Generating Ideas

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Brainstorming

Focus Groups

Library and  
Internet Research

# Brainstorming

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- 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:
    - No criticism.
    - Freewheeling is encouraged.
    - The session should move quickly.
    - Leap-frogging is encouraged.

# Focus Groups

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- 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.

# Library and Internet Research

1 of 3

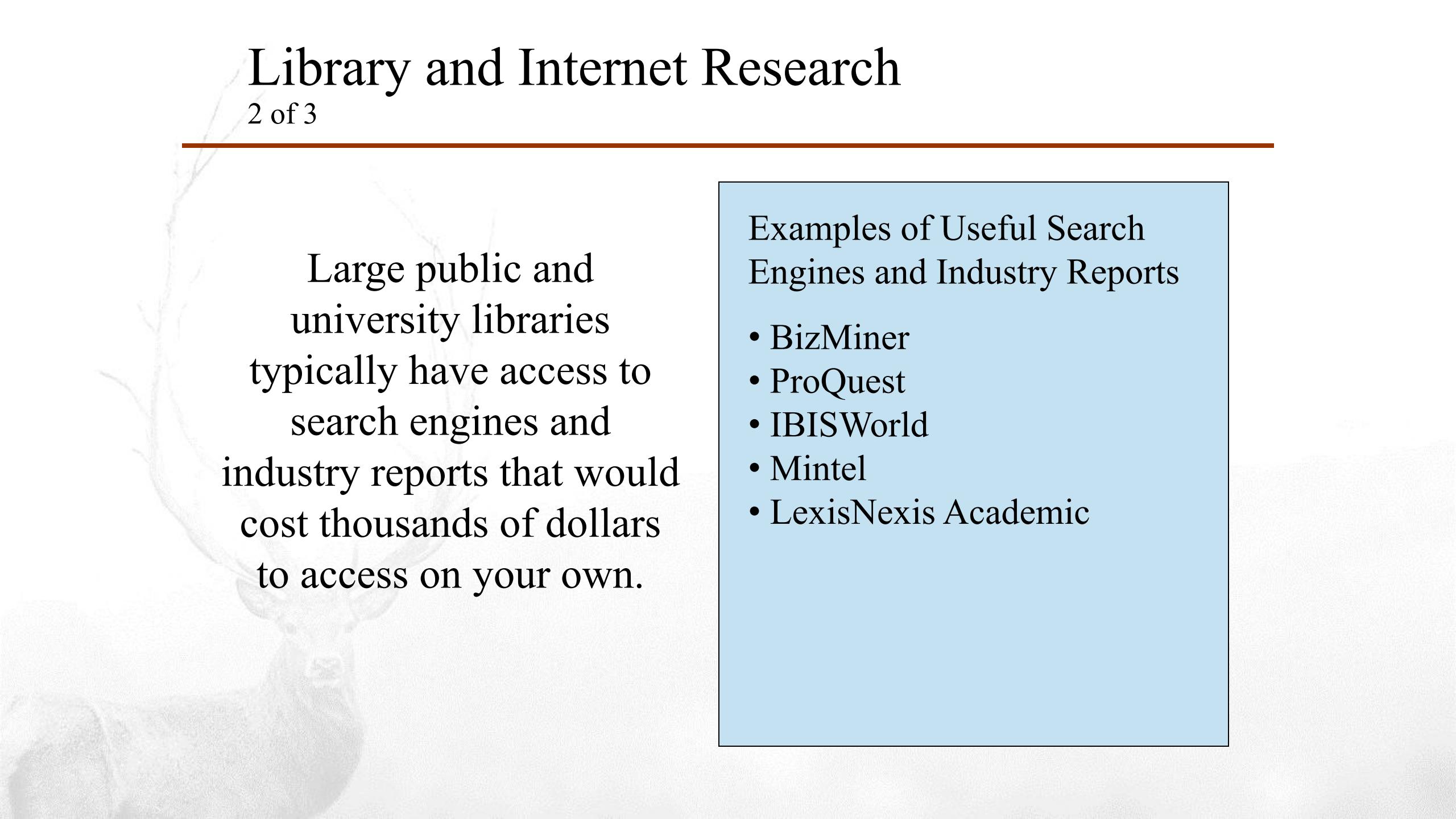
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- Library Research
  - Libraries are an often underutilized source of information for generating new business ideas.
  - The best approach is to talk to a reference librarian, who can point out useful resources, such as industry-specific magazines, 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.

# Library and Internet Research

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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
- ProQuest
- IBISWorld
- Mintel
- LexisNexis Academic

# Library and Internet Research

3 of 3

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- 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 with links to a constant stream of newspaper articles, blog posts, and news releases about the topic.
  - Targeted searches are also useful.

# Other Techniques

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- 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.

# Encouraging New Ideas

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- 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 it's 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

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- Step 1
  - The idea should be put in a tangible form such as entered into a physical idea logbook or saved on a cloud or computer, 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.



THANK  
YOU