

Entrepreneurial New Ventures

Prepared by Dr. Sarah Chahine

ENT 634

Introduction to Entrepreneurship

Lecture 2





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Recognizing Opportunities and Generating Ideas

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Chapter
02

Recognizing Opportunities and Generating Ideas



In this chapter, we discuss the importance of understanding the difference between ideas and opportunities, approaches entrepreneurs use to spot opportunities, as well as factors or conditions in the external environment that may result in opportunities.

Chapter
01

Introduction to Entrepreneurship

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

Essentially, entrepreneurs recognize an opportunity and turn it into a successful business.



opportunity

The Differences Between Opportunities and Ideas

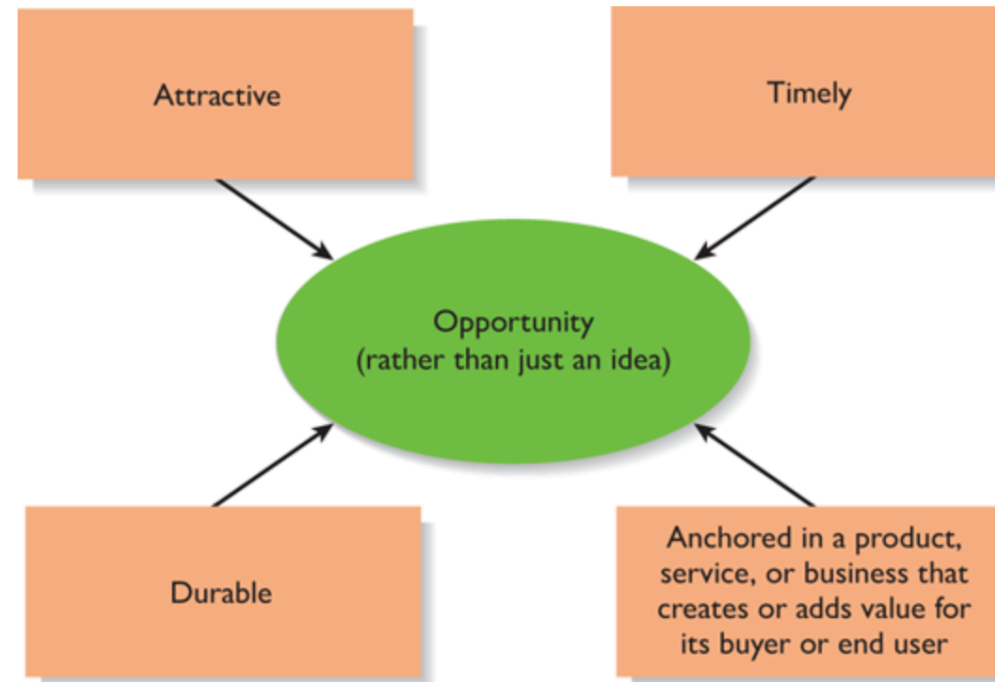
- Most entrepreneurial ventures are started in one of two ways.
 - An entrepreneur decides to launch a firm, searches for and recognizes an opportunity, and then starts a business.
 - Other firms are internally stimulated. In this instance, an entrepreneur recognizes a problem or an **opportunity gap** and creates a business to address the problem or fill the identified gap.
- Regardless of which of these two ways an entrepreneur starts a new business, fresh opportunities are tough to spot.

The Differences Between Opportunities and Ideas

- A common mistake entrepreneurs make in the opportunity recognition process is picking a currently available product or service that they like or are passionate about and then trying to build a business around a slightly better version of it.
- The key to opportunity recognition is to identify a product or service that people need and are willing to buy, not one that an entrepreneur wants to make and sell.

The Differences Between Opportunities and Ideas

FIGURE 2.1 Four Essential Qualities of an Opportunity



The Differences Between Opportunities and Ideas

- For an entrepreneur to capitalize on an opportunity, its **window of opportunity** must be open.
 - 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.

The Differences Between Opportunities and Ideas

- An idea is a thought, an impression, or a notion.
- An idea may or may not meet the criteria of an opportunity. This is a critical point because many entrepreneurial ventures fail not because the entrepreneurs that launched them didn't work hard, but rather because there was no real opportunity to begin with.
 - Before getting excited about a business idea, it is crucial to understand if the idea fills a need and satisfies the criteria for an opportunity.

Three Ways to Identify Opportunities

FIGURE 2.2 Three Ways to Identify an Opportunity

Observing Trends

Solving a Problem

Finding Gaps in the
Marketplace

Three Ways to Identify Opportunities

Observing Trends:

- The first approach to identifying opportunities is to observe trends and study how they create opportunities for entrepreneurs to pursue.
- The most important trends to follow are economic trends, social trends, technological advances, and political action and regulatory changes.

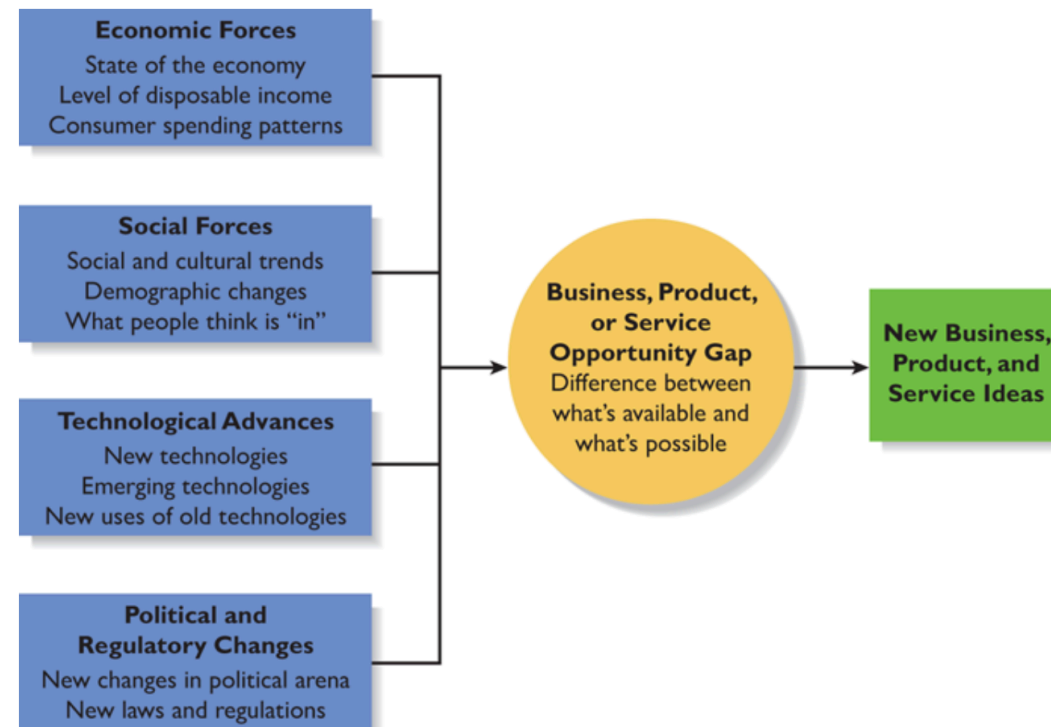
Three Ways to Identify Opportunities

Observing Trends:

- First, it's important to distinguish between trends and fads.
- Trends are interconnected and should be considered simultaneously.

Three Ways to Identify Opportunities

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



The Differences Between Opportunities and Ideas

Solving a Problem:

- The second approach to identifying opportunities is to recognize problems and find ways to solve them.
- Problems can be recognized by observing the challenges that people encounter in their daily lives.
- 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.

The Differences Between Opportunities and Ideas

Solving a Problem:

- Advances in technology often result in problems for people who can't use the technology in the way it is sold to the masses.
 - Example: mobile phones to older users.
- Some business ideas are gleaned by recognizing problems that are associated with emerging trends.
 - Example: need for low-calories food due to increased concerns in health.

The Differences Between Opportunities and Ideas

Solving a Problem:

- Social ventures, a new type of entrepreneurial venture, are launched for the purpose of solving a range of social problems including poverty, hunger, and a lack of access to services such as water and electricity. These ventures can be for-profit firms or not-for-profit agencies.

The Differences Between Opportunities and Ideas

Finding Gaps in the Marketplace:

- There are many examples of products that consumers need or want that aren't available in a particular location or aren't available at all.
- Product gaps in the marketplace represent potentially viable business opportunities.
 - Example: Guitars for women or left-handed people.

The Differences Between Opportunities and Ideas

Finding Gaps in the Marketplace:

- Gaps in the marketplace are commonly recognized when people become frustrated because they can't find a product or service they need and recognize that other people feel the same way.
 - Example: stylish clothes for plus-sized people.

Personal Characteristics of the Entrepreneur

1. Prior Industry Experience:

- By working in an industry:
 - an individual may spot a market niche that is underserved.
 - an individual builds a network of social contacts in that industry that may provide insights that lead to opportunities.
- On the other hand, 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.

Personal Characteristics of the Entrepreneur

2. Cognitive Factors:

- Opportunity recognition may be an innate skill or a cognitive process.
- There are some who think 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.

Personal Characteristics of the Entrepreneur

3. Social Networks:

- The extent and depth of an individual's social network affects opportunity recognition.
- 40 percent and 50 percent of those who start businesses got their ideas through social contacts.

Personal Characteristics of the Entrepreneur

3. Social Networks:

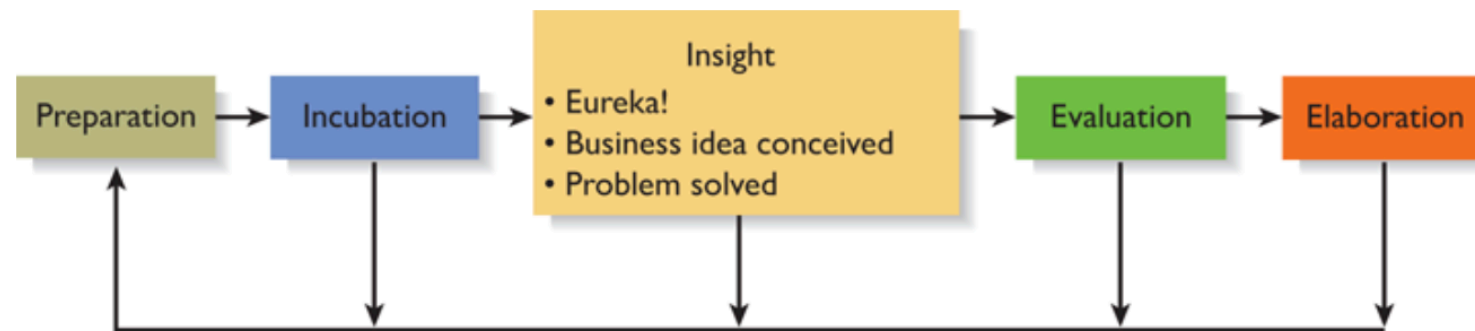
- Relationships with other people are called “ties.”
- Strong-tie relationships are characterized by frequent interaction, such as ties between friends, and spouses.
- Weak-tie relationships are characterized by infrequent interaction, such as ties between casual acquaintances.
- It is more likely that an entrepreneur will get a new business idea through a weak-tie than a strong-tie relationship.

Personal Characteristics of the Entrepreneur

3. Creativity:

- Creativity is the process of generating a novel or useful idea. Opportunity recognition may be, at least in part, a creative process.

FIGURE 2.4 Five Steps to Generating Creative Ideas



Personal Characteristics of the Entrepreneur

3. Creativity:

- a) Preparation: is the background, experience, and knowledge that an entrepreneur brings to the opportunity recognition process.
- b) Incubation: is the stage during which a person considers an idea or thinks about a problem. Sometimes incubation is a conscious activity, and sometimes it is unconscious and occurs while a person is engaged in another activity.

Personal Characteristics of the Entrepreneur

3. Creativity:

- c) Insight: is the flash of recognition when the solution to a problem is seen or an idea is born. It is sometimes called the “eureka” experience. This is the moment an entrepreneur recognizes an opportunity. Sometimes this experience pushes the process forward, and sometimes it prompts an individual to return to the preparation stage.

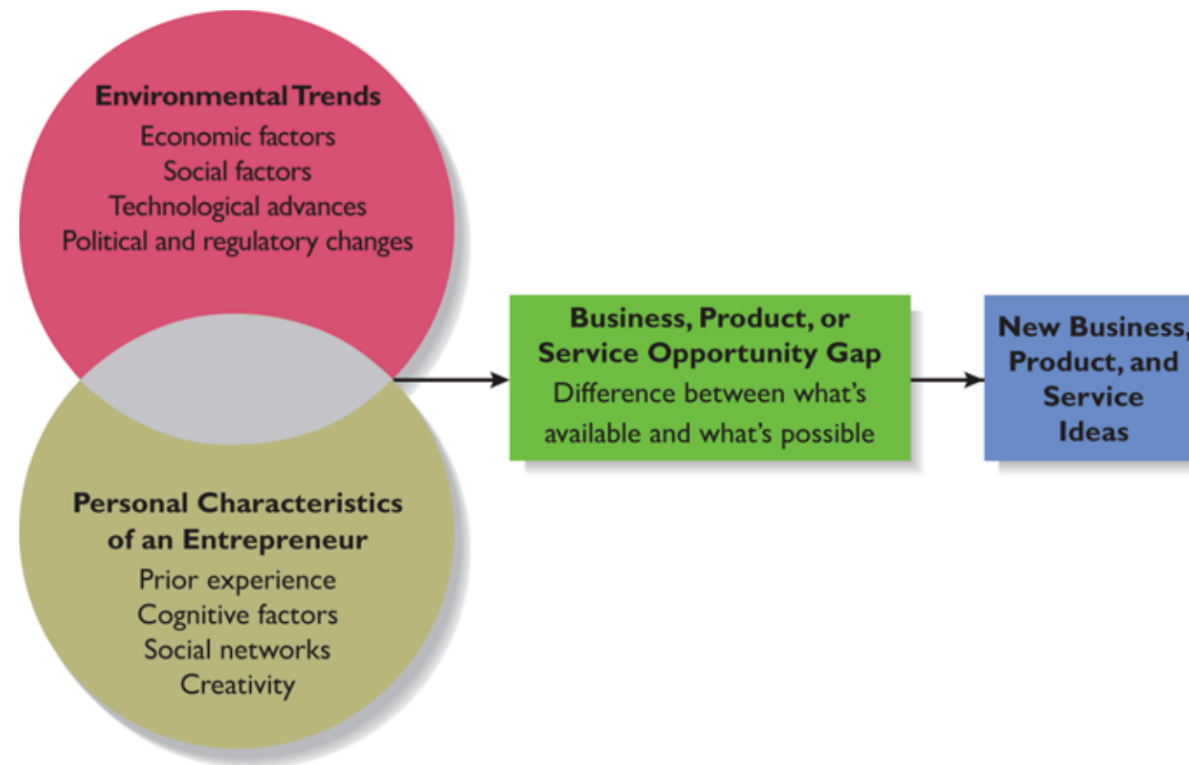
Personal Characteristics of the Entrepreneur

3. Creativity:

- d) Evaluation: is the stage of the creative process during which an idea is subjected to scrutiny and analyzed for its viability.
- e) Elaboration: is the stage during which the creative idea is put into a final form. The details are worked out and the idea is transformed into something of value, such as a new product, service, or business concept.

Personal Characteristics of the Entrepreneur

FIGURE 2.5 The Opportunity Recognition Process



Techniques for Generating Ideas

1. Brainstorming:

Brainstorming is simply the process of generating several ideas about a specific topic.



Techniques for Generating Ideas

1. Brainstorming:

- In a formal brainstorming session, the leader of the group asks the participants to share their ideas. One person shares an idea, another person reacts to it, another person reacts to the reaction, and so on. A flip chart or an electronic whiteboard is typically used to record all the ideas.
- The session is not used for analysis or decision making—the ideas generated during a brainstorming session need to be filtered and analyzed, but this is done later.

Techniques for Generating Ideas

1. Brainstorming:

- No criticism is allowed, including raised eyebrows, or facial expressions that express skepticism or doubt. Criticism lowers creativity and inhibits the free flow of ideas.

Techniques for Generating Ideas

2. Focus Groups:

- A focus group is a gathering of 5 to 10 people who are selected because of their relationship to the issue being discussed.
- Focus groups usually 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.
- Focus groups are conducted by trained moderators. The moderator's primary goals are to keep the group “focused” and to generate lively discussion.

Techniques for Generating Ideas

3. Library and Internet Research:

- The best approach to utilizing a library is to discuss your general area of interest with a reference librarian, who can point out useful resources, such as industry-specific magazines, trade journals, and industry reports.
- Very powerful search engines and databases are also available through university and large public libraries, which would cost hundreds or thousands of dollars to access on your own.

Techniques for Generating Ideas

3. Library and Internet Research:

- Internet research is also important. If you are starting from scratch, simply type “new business ideas” into Google. Taking this action will allow you to see links to newspaper and magazine articles about the “hottest” and “latest” new business ideas.
- Although these types of articles are general in nature, they represent a starting point if you are trying to generate new business ideas from scratch.



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