

Entrepreneurial New Ventures

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ENT 634
Recognizing Opportunities and
Generating Ideas

Lecture 2



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Why Opportunities Matter

- Entrepreneurship begins before a firm is launched. It begins with recognizing, shaping, and evaluating an opportunity.
 - Ideas are plentiful; viable opportunities are selective.
 - The entrepreneur must connect a real need with a solution people will adopt.
 - Evidence—not enthusiasm alone—guides the decision to proceed.

Learning Outcomes

- By the end of this lecture, you should be able to:
 - Distinguish an idea from an opportunity.
 - Explain how trends, problems, and market gaps reveal opportunities.
 - Discuss how experience, cognition, networks, and creativity contribute.
 - Apply techniques for generating and testing ideas.

What Is an Opportunity?

- An opportunity is a favorable set of circumstances that creates a need for a new product, service, process, or business.
 - It begins with a customer or beneficiary need.
 - It exists within a particular time and context.
 - It offers a credible path to creating and capturing value.

Two Paths to a Venture

- Ventures commonly begin in two ways:
 - External search: a person decides to become an entrepreneur, searches for an opportunity, and launches a firm.
 - Internal stimulus: a person encounters a problem or gap and builds a venture to address it.
- In either path, the opportunity must be tested.

Ideas Are Not Opportunities

- An idea is a thought, impression, or possible solution. It becomes an opportunity only when evidence suggests that:
 - A meaningful need exists.
 - People are willing and able to adopt the solution.
 - The timing is appropriate.
 - The venture can deliver value sustainably.

Avoid Product-First Thinking

- A common mistake is choosing a product the founder likes and then searching for customers.
- A stronger sequence is:
 - Understand a customer problem.
 - Explore why current alternatives are inadequate.
 - Design a solution around the desired outcome.
 - Test willingness to adopt or pay.

Four Qualities of Opportunity

- A promising opportunity is generally:
 - Attractive: offers meaningful value to customers and the venture.
 - Timely: matches current or emerging conditions.
 - Durable: remains relevant long enough to build a position.
 - Value-creating: delivers a product, service, or process customers need.

The Opportunity Window

- The window of opportunity is the period during which a firm can realistically enter a market.
 - It opens as a need and market emerge.
 - It may widen as adoption grows.
 - Competition, regulation, technology, or saturation may narrow it.
- Good ideas can fail when the timing is wrong.

An Opportunity Checklist

- Before proceeding, ask:
 - Is the problem real, frequent, and important?
 - Who experiences it most strongly?
 - What alternatives are currently used?
 - Why is this solution better or different?
 - Is the market accessible and timing favorable?
 - Can the venture create and capture value?

Three Sources of Opportunity

- Entrepreneurs often identify opportunities by:
 1. Observing trends and external change.
 2. Solving problems experienced by customers or communities.
 3. Finding gaps where needs are underserved.
- These approaches overlap: a trend may create a problem, which exposes a market gap.

Observe Meaningful Trends

- Important trend categories include:
 - Economic changes
 - Social and demographic shifts
 - Technological advances
 - Political, legal, and regulatory change
- Entrepreneurs examine how a trend changes behavior, cost, access, expectations, or what becomes possible.

Trend or Fad?

- A trend shows sustained change supported by underlying forces.
- A fad produces short-lived attention without durable foundations.
- Look for evidence across time, behavior, investment, regulation, and related industries. Avoid assuming that online popularity automatically indicates lasting demand.

Trends Interact

- Opportunities often appear where several trends intersect.
- Example:
 - Rising food prices increase concern about waste.
 - Sustainability shifts consumer priorities.
 - Improved materials enable better storage solutions.
- Together, these changes can create an opportunity for food-preservation products and services.

Translate a Trend Into Need

- Do not stop at “this market is growing.” Ask:
 - What behavior is changing?
 - Who is affected first or most strongly?
 - What new task, frustration, or constraint appears?
 - Which existing solution becomes less suitable?
 - What evidence would confirm the change?

Solve a Real Problem

- Problems can be recognized by observing difficulties people encounter in work, study, family life, health, mobility, or community life.
- A personal frustration can inspire a venture, but it becomes an opportunity only when others share the problem and value a solution.

Solve a Real 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.

Interview the Problem

- A problem interview explores experience before presenting a solution.
Ask:
 - Tell me about the last time this occurred.
 - What did you do?
 - What was difficult or costly?
 - What alternatives did you try?
 - How often does this happen?
- Past behavior usually provides stronger evidence than hypothetical praise.

Social Opportunities

- Social ventures address needs such as poverty, hunger, education, health, inclusion, water, energy, or environmental protection.
- They may be nonprofit, for-profit, or hybrid. The opportunity must combine mission impact with a model that can mobilize resources and sustain delivery.

Find Market Gaps

- A market gap exists when a needed or desired offering is unavailable, inaccessible, poorly designed, or poorly served.
- Gaps may involve:
 - Location or delivery channel
 - Price or payment model
 - Size, language, or accessibility
 - Quality, convenience, or trust
 - A neglected customer segment

Look for Underserved Users

- Mainstream offerings often fit an “average” user and overlook specific needs. Opportunities may emerge by serving:
 - Older adults or people with disabilities
 - Customers outside major cities
 - Users with different body sizes or dominant hands
 - Linguistic or cultural segments
- The segment must still be reachable and viable.

Focus on the Customer's Job

- Customers “hire” products and services to make progress in a situation. Ask:
 - What is the customer trying to accomplish?
 - What functional, emotional, or social outcome matters?
 - What prevents progress?
- This perspective keeps opportunity recognition focused on outcomes rather than product features.

Founder Factors Matter

- Opportunity recognition is influenced by:
 - Prior industry experience
 - Entrepreneurial alertness and pattern recognition
 - Social networks and exposure to diverse information
 - Creativity and knowledge
- These factors improve attention and interpretation, but every opportunity still requires external evidence.

Industry Experience

- Industry experience helps an entrepreneur understand customers, operations, regulations, technologies, and recurring frustrations. It can also provide valuable contacts.
- However, experience can create assumptions. Founders should test what they “know” rather than treating familiarity as proof.
- People outside an industry may question conventions that insiders accept. Their different knowledge can enable novel combinations and simpler solutions.

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.

Entrepreneurial Alertness

- Entrepreneurial alertness is the tendency to notice changes, connections, and possibilities that others overlook. It involves:
 - Scanning for new information
 - Connecting previously separate signals
 - Evaluating whether the pattern suggests value
- Alertness can be strengthened through curiosity and exposure.

Networks Reveal Information

- 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.

Use Networks Responsibly

- 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.

Creativity Creates Possibilities

- Creativity is the process of generating ideas that are both novel and useful. In entrepreneurship, creativity helps people:
 - Reframe a problem
 - Combine knowledge in new ways
 - Imagine alternative customers or uses
 - Design different value propositions
- Creativity generates possibilities; evaluation selects among them.

The Creative Process

- A common creative process includes:
 1. Preparation — gather knowledge and define the challenge.
 2. Incubation — allow conscious or unconscious reflection.
 3. Insight — recognize a possible connection or solution.
 4. Evaluation — test usefulness and viability.
 5. Elaboration — develop the idea into usable form.

Prepare, Then Incubate

- Preparation supplies the raw material for creativity: observation, customer knowledge, technical expertise, and market information.
- Incubation allows connections to form. Stepping away, discussing the challenge, changing environments, or sleeping on a problem may help—but only after meaningful preparation.

Insight Is a Beginning

- An “aha” moment can reveal a possible solution, but insight is not validation. Record the idea, identify its assumptions, and return to evidence.
- The creative process is iterative: evaluation may lead back to preparation, reframing, or a different idea.

Evaluate and Elaborate

- Evaluation asks whether an idea is desirable, feasible, and potentially viable.
- Elaboration turns the selected idea into a clearer concept, prototype, service process, or business model. The goal is to make assumptions visible enough to test.

Generate Before You Select

- Idea generation and idea evaluation require different modes of thinking.
 - Divergent thinking creates many varied possibilities.
 - Convergent thinking compares, combines, prioritizes, and selects.
- Separating the two prevents early criticism from eliminating promising but incomplete ideas.

Brainstorming

- Brainstorming is a group method for generating multiple ideas around a defined challenge.
- A useful prompt is specific but open: “How might we help university students reduce avoidable food waste?”
- Record every idea visibly so participants can build on one another’s contributions.

Brainstorming Rules

- During idea generation:
 - Defer judgment and criticism.
 - Aim for quantity and variety.
 - Encourage unusual possibilities.
 - Build on and combine ideas.
 - Keep the discussion focused on the challenge.
- Evaluate ideas only after the generation phase is complete.

Brainstorming Rules

- 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.

Focus Groups and Discovery

- A focus group uses moderated discussion to explore perceptions, reactions, and language among selected participants.
- For deeper behavioral evidence, complement groups with observation and individual customer interviews. Group agreement may reflect social pressure rather than genuine demand.



Thank You