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Small Business Ideas: Creativity, Opportunity, and Feasibility

Source: Entrepreneurial Small Business, Katz & Green, 2e
McGraw-Hill/Irwin

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Source of Business Ideas

- “Why didn’t I think of that?”
- **Innovation:** implementation of a creative idea or opportunity leading to profitable and effective outcomes
 - Pay attention to the **cues**
 - Ask many **questions**

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Question

What is the characteristic that allows a person to identify good opportunities, notice things that have been overlooked, and the motivation to look for opportunities?

- a) Light bulb experience
- b) Entrepreneurial alertness
- c) Innovation
- d) Creativity

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- **Entrepreneurial alertness:** a special set of observational and thinking skills that help entrepreneurs identify good opportunities; the ability to notice things that have been overlooked, without actually launching a formal search for opportunities, and the motivation to look for opportunities

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TABLE 4.1		What Came First for New Businesses
Business idea	37%	
Decision to start a business	42%	
Idea and decision were simultaneous	21%	

Source: Adapted from: G. E. Hills and R. P. Singh, “Opportunity Recognition.” In *Handbook of Entrepreneurial Dynamics: The Process of Business Creation*, ed. W. B. Gartner, K. G. Shaver, N. M. Carter, and P. D. Reynolds. Thousand Oaks, CA: Sage, 2004. Table 24.1, page 266.

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Factors that lead owners to their business idea

- Work experience
- A similar business
- Hobby or personal interest
- Chance happening (serendipity)
- Family and friends
- Education and expertise
- Technology

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Example

Good Technology Is Nice; A Good Idea Is Better

- Wharton Professor David Hsu says in today's venture capital environment, ideas are valued more highly than innovative technology
- Initial Public Offering market has been difficult recently, but buyouts are prevalent
- Once a startup gets its business model right, Venture Capitalists start looking for a way to cash out

http://www.forbes.com/entrepreneurs/2007/08/09/00006-vahoo-youtube-eri-fin-ck_kw_0809whartonvc.html

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- **Work experience:** idea grows out of listening to customer complaints
 - Ideas can come from **frustration**
 - Ideas can come from not finding what you are looking for as a consumer
- **Similar business:** might see a business in an area that intrigues you
 - **Growing market** – expand on the opportunity

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- **Hobby/Personal interest:** turn hobbies into successful business
 - **Motley Fool** – online investment advice newsletter
 - Owners were fans of dice baseball as kids
 - Have **interest** and **knowledge**
- **Serendipity:** being in the right place at the right time (luck)
 - Being observant

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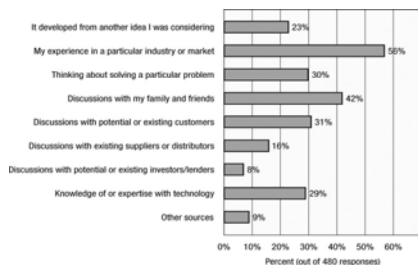
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- **Family and friends:** open to their suggestions
 - Use their **knowledge** and **experience**
- **Education and expertise:** decide first to own a business, then searching for a viable idea for that business
 - Look to their **own skills** and **talents** for business
 - **Consulting companies** are prime examples

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What Led To Your Business Idea?



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- **Technology transfer:** universities and government agencies
 - **Tremendous development** of new technologies or refinements
 - They **never** do anything with them!
 - Find out about inventions through the technology transfer offices

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Screening Ideas

- What is your product or idea?
- What is the technology that underlies your product/idea?
- Is your underlying technology unique?
- Is your product or idea innovative?
- Who is your market and initial customer group?
- What needs of your customers does your product or idea address?
- Provide some indication of the general size of the market?
- How do you anticipate developing IP protection for your technology?

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Screening Ideas – 3 additional questions

- Who are the people behind the idea?
- What resources are needed to take the idea and sell it to the customer?
- Can the idea generate sufficient profit?

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From Ideas to Opportunities Through Creativity

- **Creativity:** a process introducing an idea or opportunity that is novel and useful, frequently derived from making connection among distinct ideas or opportunities

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- **SCAMPER:** a creativity tool that provides cues to trigger breakthrough thinking; the letters stand for...

S – Substitute
 C – Combine
 A – Adapt
 M – Magnify or modify
 P – Put to other uses
 E – Eliminate
 R – Rearrange

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- **Substitute:** what might substitute for something else to form an idea
 - Example: a feature that allows your customers to order directly from your website rather than by mail or visiting your store
 - **Idea Trigger:** What opportunities can you think of that come as a result of substituting or replacing something that already exist?

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- **Combine:** possible combinations that result in something completely different
 - Books, coffee, and music: **Borders and Barnes & Noble**
 - **Idea Trigger:** What separate products, services, or whole business can you put together to create another distinct business?

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- **Adapt:** adaptation from existing products or services
 - **Radical innovations:** rejecting existing ideas, and presenting a way to do things differently
 - **Paper towels** were invented because of a too-thick shipment of toilet paper.
 - **Idea Trigger:** What could you adapt from other industries or fields to your business?

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- **Magnify (or Modify):** taking an existing product and changing its appearance or adding more features
 - Example: banks opening more branches
 - “M” can also cue you to minimize something
 - **Idea Trigger:** What could I make more noticeable or dramatic, or different in some way from my competitors?

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- **Put to other uses:** challenge yourself to think of all the potential uses for a product or service
 - Example: frankfurters were too hot, so the vendor found bakery rolls, cut them in half, and hot dogs met buns
 - **Idea Trigger:** Suppose you learned that all the traditional uses for your product had disappeared; what other uses might there be?

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- **Eliminate:** search for opportunities that arise when you get rid of something or stop doing something
 - What if people didn't have to leave home to grocery shop, or do banking?
 - **Idea Trigger:** What could I get rid of reduce that would eliminate something my customer has to do?

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- **Rearrange (or reverse):** a great example is the **Magnetic Poetry** story, which is a product that by definition is about rearranging things to inspire ideas
 - **Idea Trigger:** What can you rearrange or reorder in the way your product or service appears?
- **SCAMPER** helps you step outside the usual way you look at opportunities

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Get into an Innovative Frame of Mind

- Read magazines
- Invite someone you've never included before
- “Scan the environment” day
- Try a mini-internship
- Put yourself in other's shoes
- Redesign your work environment

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Avoid Pitfalls

- Identifying the wrong problem
- Judging ideas too quickly
- Stopping with the first good idea
- Failing to get the “bandits on the train” and ask for support
- Obeying rules that don't exist

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Types of Innovations Small Businesses Develop

- **Imitative strategy:** an overall strategic approach in which the entrepreneur does more or less what others are already doing
- **Incremental strategy:** taking an idea and offering a way to do something better than it is done presently

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Make Sure an Idea Is Feasible

- **Feasibility:** the extent to which an idea is viable and realistic and the extent to which you are aware of internal and external forces that could affect your business

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Assessing Feasibility by Pilot Testing

- **Pilot Test:** a preliminary run of a business, sales effort, program, or Web site with the goal of assessing how well the overall approach works and what problems it might have.

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Ways to Keep On Being Creative

- **Culture:** a set of shared norms, values, and orientations of a group of individuals, prescribing how people should think and behave in the organization
 - Encourages new ideas
 - Embraces change

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Summary

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