Small Business Ideas
Creativity, Opportunity, and Feasibility
Chapter 04
Learning Objectives

LO1 Learn the sources of opportunity entrepreneurs draw on to get business ideas

LO2 Identify the way ideas are screened for business potential

LO3 Understand how creativity methods can help business owners recognize new opportunities

LO4 Understand the five pitfalls that hinder innovation
**Learning Objectives (cont.)**

**LO5** Identify strategies for innovation in your business

**LO6** Learn how to conduct a comprehensive feasibility study for your business ideas

**LO7** Learn the model for pilot testing Internet businesses

**LO8** Understand the value of building a creative culture in your business
Source of Business Ideas

➤ Innovation
  – implementation of a creative idea or opportunity leading to profitable and effective outcomes

➤ Pay attention to the cues

➤ Ask many questions
Source of Business Ideas

Opportunity recognition

– searching and capturing new ideas that lead to business opportunities
– involves creative thinking that leads to discovery of new and useful ideas
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
Source of Business Ideas

Entreprenurial 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
### Table 4.1

<table>
<thead>
<tr>
<th>What Came First for New Businesses</th>
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<tbody>
<tr>
<td>Business idea</td>
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<tr>
<td>Decision to start a business</td>
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<tr>
<td>Idea and decision were simultaneous</td>
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Which of the following is not a factor that has led people to new ideas?

A. Serendipity (Luck)
B. Work Experience
C. Family and Friends
D. These are all factors
Factors that Lead to Business Ideas

- Work experience
- A similar business
- Hobby or personal interest
- Chance happening (serendipity)
- Family and friends
- Education and expertise
- Technology
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.
Factors that Lead to Business Ideas

➢ **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
Factors that Lead to Business Ideas

Similar business: might see a business in an area that intrigues you
  – Growing market – expand on the opportunity
Factors that Lead to Business Ideas

➢ **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
Factors that Lead to Business Ideas

- **Serendipity**: being in the right place at the right time (luck)
  - Being observant

- **Family and friends**: open to their suggestions
  - Use their knowledge and experience
Factors that Lead to Business Ideas

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
What Led To Your Business Idea?

- It developed from another idea I was considering: 23%
- My experience in a particular industry or market: 56%
- Thinking about solving a particular problem: 30%
- Discussions with my family and friends: 42%
- Discussions with potential or existing customers: 31%
- Discussions with existing suppliers or distributors: 16%
- Discussions with potential or existing investors/lenders: 8%
- Knowledge of or expertise with technology: 29%
- Other sources: 9%

Percent (out of 480 responses)
Factors that Lead to Business Ideas

- **Technology transfer and licensing:** 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
Licensing

➢ **License**
  - legal agreement granting you rights to use a particular piece of intellectual property
  - Licensee, licensor

➢ **Royalty**
  - payment based on the number or value of licensed items sold
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?
- How would you define the best initial set of customers?
- What marketplace need does your product address better than any other option?
- Describe how you create value for your customers?
- What is the market and its size?
- How do you anticipate developing IP protection for your technology?
Other Screening Ideas

- 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?
Creativity

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

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

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<thead>
<tr>
<th>S</th>
<th>Substitute</th>
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<tbody>
<tr>
<td>C</td>
<td>Combine</td>
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<tr>
<td>A</td>
<td>Adapt</td>
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<td>M</td>
<td>Magnify or modify</td>
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<td>P</td>
<td>Put to other uses</td>
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<tr>
<td>E</td>
<td>Eliminate</td>
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<tr>
<td>R</td>
<td>Rearrange</td>
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</tbody>
</table>
Substitute

- what might substitute for something else to form an idea
- *Idea Trigger*: What opportunities can you think of that come as a result of substituting or replacing something that already exist?
SCAMPER

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?
Adapt

- Adaptation from existing products or services
- Radical innovations: rejecting existing ideas, and presenting a way to do things differently
- Idea Trigger: What could you adapt from other industries or fields to your business?
Magnify (or Modify)

- taking an existing product and changing its appearance or adding more features
- 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?
Put to other uses

- Challenge yourself to think of all the potential uses for a product or service
- *Idea Trigger*: Suppose you learned that all the traditional uses for your product had disappeared; what other uses might there be?
Eliminate

- search for opportunities that arise when you get rid of something or stop doing something

- *Idea Trigger:* What could I get rid of or reduce that would eliminate something my customer has to do?
SCAMPER

➤ Rearrange (or reverse)
  – Magnetic Poetry example
  – Idea Trigger: What can you rearrange or reorder in the way your product or service appears?
Get into an Innovative Frame of Mind

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

All of the following are common pitfalls, except:
A. Judging ideas too quickly
B. Stopping with the first good idea
C. Brainstorming
D. Obeying rules that don’t exist
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
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
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
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.
Rapid Web Site Prototyping Process

Figure 4.4
Ways to Keep On Being Creative

➤ Build a company 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