CHAPTER 2

RECOGNIZING OPPORTUNITIES AND GENERATING IDEAS

LEARNING OBJECTIVES

1. Explain why it's important to start a new firm when its "window of opportunity" is open.
2. Explain the difference between an opportunity and an idea.
3. Describe the three general approaches entrepreneurs use to identify opportunities.
4. Identify the four environmental trends that are most instrumental in creating business opportunities.
5. List the personal characteristics that make some people better at recognizing business opportunities than others.
6. Identify the five steps in the creative process.
7. Describe the purpose of brainstorming and its use as an idea generator.
8. Describe how to use library and Internet searches to generate new business ideas.
9. Explain the purpose of maintaining an idea bank.
10. Describe three steps for protecting ideas from being lost or stolen.

CHAPTER OVERVIEW

This chapter begins by describing the difference between an opportunity and an idea. Students are reminded that many firms fail, not because the entrepreneurs involved didn't work hard, but because there was no real opportunity to begin with. The four components of a favorable opportunity (attractive, durable, timely, and anchored in a product, service, or business that adds value) are then discussed.

The middle of the chapter focuses on the three primary ways that entrepreneurs discover opportunities: by studying environmental trends, solving a problem, or finding gaps in the marketplace. This material is followed by a discussion of the personal characteristics of entrepreneurs that heighten their ability to recognize business opportunities. The chapter then transitions to talking about techniques that can help entrepreneurs come up with new business or product ideas. The techniques introduced include brainstorming, focus groups, library and Internet research, and an assortment of other techniques.

The chapter ends by talking about how to build an organization that encourages and protects new ideas. The section on protecting ideas from being lost or stolen is particularly interesting.

CHAPTER OUTLINE

I.   Identifying and Recognizing Opportunities
       A. Observing Trends
             1. Economic Forces
             2. Social Forces
             3. Technological Advances
             4. Political Action and Regulatory Changes
       B. Solving a Problem
       C. Finding Gaps in the Marketplace
       D. Personal Characteristics of the Entrepreneur
             1. Prior Experience
             2. Cognitive Factors
             3. Social Networks
             4. Creativity
                a. Preparation
                b. Incubation
                c. Insight
                d. Evaluation
                e. Elaboration

II.   Techniques for Generating Ideas
       A. Brainstorming
       B. Focus Groups
       C. Library and Internet Research
       D. Other Techniques

III.   Encouraging and Protecting New Ideas
       A. Establishing a Focal Point for Ideas
       B. Encouraging Creativity at the Firm Level
       C. Protecting Ideas from Being Lost or Stolen

CHAPTER NOTES

I.   Identifying and Recognizing Opportunities

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

    2. An opportunity has four essential qualities: it is (1) attractive, (2) durable, (3) timely, and (4) anchored in a product, service or business that creates value for its buyer or end user.

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

a. The term "window of opportunity" is a metaphor describing the time period in which a firm can realistically enter a new market.

4. It is important to understand that there is a difference between an opportunity and an idea.

   a. An idea is a thought, impression, or notion. It may or may not meet the criteria of an opportunity. This is a critical point because, as we noted in Chapter 1, many businesses fail not because the entrepreneurs that started them didn't work hard, but because there was no real opportunity to begin with.

* Now, let's look at the three ways to identify an opportunity.

A. Observing Trends – The first approach to identifying opportunities is to observe trends and study how they create opportunities for entrepreneurs to pursue.

   1. Economic Forces

      a. Economic forces affect consumers' level of disposable income. Individual sectors of the economy have a direct impact on consumer buying patterns.

      b. For example, when the economy is strong, people have more money to spend and are willing to buy discretionary products and services that enhance their lives. In contrast, when the economy is weak, not only do people have less money to spend, but they are typically more reluctant to spend the money they have, fearing the economy may become even worse—and that in turn, they might lose their jobs because of a weakening economy.

   2. Social Forces

      a. An understanding of the impact of social forces on trends and how they affect new product, service, and business ideas is a fundamental piece of the opportunity recognition puzzle.

      b. The persistent proliferation of fast-food restaurants, for example, isn't due primarily to people's love for fast food but rather to the fact that people are busy—the number of households with both parents working remains high.

      c. Some of the social trends that allow for new opportunities are as follows:

- Aging of baby boomers
- The increasing diversity of the workforce
- Increasing interest in social networks such as Facebook and Twitter
- Proliferation of mobile phones and mobile phone apps
- The increasing focus on health and wellness
- Emphasis on clean forms of energy including wind, solar, biofuels, and others
- Increased number of people going back to school and/or retraining for new jobs
- Increased interest in healthy foods and "green" products

3. Technological Advances

   a. Given the rapid pace of technological change, it is vital for entrepreneurs to remain on top of how new technologies affect current and future opportunities.

   b. Once a technology is created, products emerge to advance it. For example, the creation of the Apple iPod, iPhone, iPad and similar devices has in turn spawned entire industries that produce compatible devices.

4. Political Action and Regulatory Changes

   a. Political action and regulatory changes also provide the basis for opportunities. For example, new laws create opportunities for entrepreneurs to start firms to help companies comply with these laws.

   b. Some businesses and industries are so dependent on favorable government regulations that their literal survival is threatened if the regulation changes. An example of a business that fits this profile is Almost Family, a company that provides home health nursing services. Almost Family receives the majority of its income via fixed payments from Medicare based on the level of care that it provides to its clients. As a result, the company's profitability is highly sensitive to any changes in Medicare reimbursement policies.

B. Solving a Problem

1. Sometimes identifying opportunities simply involves noticing a problem and finding a way to solve it.

2. These problems can be pinpointed through observing trends and through more simple means, such as intuition, serendipity, or chance.

3. Some business ideas are clearly gleaned from the recognition of problems in emerging trends. For example, some older people find traditional cell phones hard to use—the buttons are small, the text is hard to read, and it's often difficult to hear someone on a cell phone in a noisy room. To solve these problems, GreatCall, a recent start-up, is producing a cell phone called the Jitterbug, which is designed specifically for older users.

    a. A serendipitous discovery is a chance discovery made by someone with a prepared mind.

C. Finding Gaps in the Marketplace

1. The third approach to identifying opportunities is to recognize a need that consumers have that is not being satisfied—by either large, established firms or entrepreneurial ventures.

2. Large retailers compete primarily on price by serving large groups of customers with similar needs. They do this by offering the most popular items targeted toward mainstream consumers. While this approach allows the large retailers to achieve economies of scale, it leaves gaps in the marketplace.

    a. This is the reason that small clothing boutiques and specialty shops exist. The small boutiques, which often sell designer clothes or clothes for hard-to-fit people, are willing to carry merchandise that doesn't sell in large enough quantities for Wal-Mart or Costco to carry.

3. A common way that gaps in the marketplace are recognized is when people become frustrated because they can't find a product or service that they need and recognize that other people feel the same way.

D. Personal Characteristics of the Entrepreneur – Researchers have identified several characteristics that tend to make some people better at recognizing opportunities than others.

1. Prior Experience – Several studies show that prior experience in an industry helps entrepreneurs recognize business opportunities.

    a. Once an entrepreneur starts a firm, new venture opportunities become apparent. This is called the corridor principle, which states that once an entrepreneur starts a firm, he or she begins a journey down a path where "corridors" leading to new venture opportunities become apparent.

2. Cognitive Factors – Opportunity recognition may be an innate skill

or a cognitive process.

    a. 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.

3. Social Networks – The extent and depth of an individual's social network affect opportunity recognition.

    a. People who build a substantial network of social and professional contacts will be exposed to more opportunities and ideas than people with sparse networks. This exposure can lead to new business starts.

4. Creativity – Is the process of generating a novel or useful idea.

    a. For an individual, the creative process can be broken into five stages, as shown in Figure 2.4 in the textbook. The five steps are:

        i. Preparation – Is the background, experience, and knowledge that an entrepreneur brings to the opportunity recognition process.

        ii. Incubation – Is the stage during which a person considers an idea or thinks about a problem; it is the "mulling things over" phase.

        iii. Insight – Insight is the flash of recognition – when the solution to a problem is seen or an idea is born.

        iv. Evaluation – Is the stage of the creative process during which an idea is subjected to scrutiny and analyzed for its viability.

        v. 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.

II.   Techniques for Generating Ideas

  A. Brainstorming

    1. Is used to generate a number of ideas quickly. It is not used for analysis or decision making.

    2. A brainstorming "session" is targeted to a specific topic about which a group of people are instructed to come up with ideas.

    3. The number one rule of brainstorming is that no criticism is allowed,

including chuckles, raised eyebrows, or facial expressions that express skepticism or doubt. Criticism stymies creativity and inhibits the free flow of ideas.

    a. There are two reasons brainstorming generates ideas that might not arise otherwise.

        i. First, because no criticism is allowed, people are more likely to offer ideas than they would in a traditional setting.

        ii. Second, brainstorming focuses on creativity rather than evaluation.

B. Focus Groups

    1. A focus group is a gathering of 5 to 10 people who are selected because of their relationship to the issue being discussed. Although focus groups are used for a variety of purposes, they can be used to help generate new business ideas.

    2. The strength of focus groups is that they help companies uncover what's on their customers' minds through the give-and-take nature of a group discussion. The weakness is that because the participants do not represent a random sample, the results cannot be generalized to larger groups.

C. Library and Internet Research

    1. Libraries are often an underutilized source of information for generating business ideas. 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.

    2. Internet research is also important.

        a. If you are starting from scratch, simply typing "new business ideas" into Google or Yahoo! will produce links to newspaper and magazine articles about the "hottest" and "latest" new business ideas.

        b. If you have a specific idea in mind, a useful technique is to set up a Google or Yahoo! "e-mail alert" using keywords that pertain to your topic of interest.

D. Other Techniques

    1. 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.

2. Day-in-the-life research. Other companies conduct varying forms of anthropological research, such as day-in-the-life research.

3. Other. Some companies attend trade shows, conferences, and gatherings of industry personnel. They use these events as intelligence missions to learn what their competition is doing and then use the information to stimulate new product or service ideas.

III.   Encouraging and Protecting New Ideas

A. Establishing a Focal Point for Ideas

1. Some firms meet the challenge of encouraging, collecting, and evaluating ideas by designating a specific person to screen and track them.

2. Another approach is to establish an idea bank, which is a physical or digital repository for storing ideas.

   a. An example of an idea bank would be a password-protected location on a firm's intranet that is available only to qualified employees. It may have a file for ideas that are being actively contemplated and a file for inactive ideas.

B. Encouraging Creativity at the Firm Level

1. An employee may exhibit creativity in a number of ways, including solving a problem or taking an opportunity and using it to develop a new product or service idea.

2. Although creativity is typically thought of as an individual attribute, it can be encouraged or discouraged at the firm level.

3. Table 2.5 in the textbook provides a list of actions and behaviors that both facilitate and inhibit creativity at both the organizational level and the individual supervisor level.

C. Protecting Ideas from Being Lost or Stolen

1. Intellectual property is any product of human intellect that is tangible but has value in the marketplace. It can be protected through tools such as patents, trademarks, copyrights, and trade secrets.

2. As a rule, a mere idea or concept does not qualify for intellectual property protection; that protection comes later when the idea is translated into a

more concrete form.

3. At the opportunity recognition stage, however, there are three steps that
   should be taken when a potentially valuable idea is generated:

   a. Step 1: The idea should be put into tangible form – either entered into
      a physical idea logbook or saved on a computer disk.

   b. Step 2: The idea, whether it is recorded in a physical idea logbook or
      saved in a computer file, should be secured.

   c. Step 3: Avoid making an inadvertent or voluntary disclosure of an idea
      in a way that forfeits your claim to its exclusive rights.

BOXED FEATURES: QUESTIONS FOR CRITICAL THINKING

What Went Wrong?
Clearly Canadian: What Happens When You Don't Deliver on Your Promises

1. Evaluate Clearly Canadian's initial fruit-flavored bottled water on all four
   dimensions of an opportunity.

   Answer: The way the product was originally positioned, it staked up favorably on
   the four dimensions of an opportunity. It was attractive (i.e., provided a healthy
   alternative to soda and other sugared drinks), timely (people were looking for this
   type of product), durable (an increase in health conscientious is not considered to
   be a short-term fad), and anchored in a product that created value for its user. The
   problem with Clearly Canadian, as articulated in the case, is that when the
   ingredients of the drink were scrutinized, it was determined that for its target
   audience, people looking for an alternative to sugared drinks, it didn't meet any of
   the criteria for an opportunity.

2. When you pick up a drink that's clearly marketed as a healthy alternative to soda
   and sugared drinks, do you read the label to see if the drink is truly healthier than
   the alternatives? If it isn't, do you feel deceived by the marketing?

   Answer: Answers to this question will be mixed. Some people are label readers
   and others aren't. Some students may also be prompted to read labels more
   carefully after reading this case.

3. How can a start-up that has good intentions make sure that its product is truly
   meeting the need that it was designed to meet?

   Answer: By testing the product before it is widely distributed through focus
   groups, informal tests among friends and relatives, and by putting a product

through a product/service feasibility analysis, which is discussed in Chapter 3.

4.   Evaluate Clearly Canadian's marketing of its products and the ingredients in its products today. Is the marketing and are the products themselves in better sync than the products were when the drink was introduced in the early 1990s?

Answer: Clearly Canadian has repositioned and now has a more diverse line of bottled water drinks. It's Clearly Canadian Hydration drink, for example, has the following attributes:

- Certified organic
- Sugar free/unsweetened
- Zero calories per bottle
- Subtle fruit infusions: Organic lemon and organic orange
- Preservative-free
- Non carbonated
- Pristine Canadian artesian water

Surprisingly, its primary line of drinks, while healthier than in the past, is not on par with alternatives in its category, at least as far as healthy ingredients go. Its staple Clearly Canadian drinks have 100 calories per bottle, and the second ingredient in each bottle is high fructose corn syrup.

Savvy Entrepreneurial Firm
Xhale and Vestagen: Solving the Same Problem in Different Ways

1.   Evaluate Xhale's idea and Vestagen's idea on all four dimensions of an opportunity. Rank each idea on a scale of 1 to 5 (5 is high) regarding how strongly it satisfies the four dimensions.

Answer: Students will rank both Xhale and Vestagen's products high on each dimension of an opportunity. Both ideas are objectively attractive, timely, durable and anchored in a product, service, or business that creates or adds value for its buyer or end user.

2.   Along with "solving a problem," are the strengths of Xhale and Vestagen's business ideas bolstered by environmental trends? If so, how powerful are these trends and how much do they strengthen Xhale's and Vestagen's business concept?

Answer: Both ideas are bolstered by environmental trends. In regard to societal trends, the aging of the population is placing more people in a health care setting, which raises the possibility of continual increases in the incidents of health care-associated infections. Similarly, people are becoming more sensitive to healthy living, and may shy away from health care providers who have poor records

regarding health care-related infections. In regard to trends in economic, political, and regulatory changes, hospitals and other health care providers are being squeezed economically, by both the high cost of delivering health care and by Medicare and Medicaid's reluctance to reimburse hospitals for expenses related to health care-related infections. These are powerful trends that are causing health care providers to look carefully at potential solutions to health care-related infections.

3.   Do some brainstorming and come up with an additional idea for helping reduce health care-associated infections. How would you go about vetting your idea to see if it is realistic?

        Answer: Students will vary in their answers to this question.

4.   Do some Internet research to learn about the founders of both Xhale and Vestagen. To what degree does each founder reflect the personal characteristics that tend to make some people better at recognizing opportunities than others?

        Answer: Xhale was cofounded by Dr. Richard Allen, Dr. Richard Melker, and Dr. Donn Dennis. All three individuals are still part of Xhale's management team, and their bios are on the company's Web site. Students will be able to extract from the bios several examples of how each of the co-founders reflect the personal characteristics that tend to make some people better at recognizing opportunities than others. Vestagen was founded by Uncas Benjamin Favret III, and is currently the company's President and CEO. His bio is available on Vestagen's Web site. Students will also be able to extract from Mr. Favret's bio examples of how he reflects the personal characteristics that tend to make some people better at recognizing opportunities than others.

Partnering for Success
Want Help Fine-Tuning a Business Idea? Find a Mentor

1.   If you were working on fine-tuning a business idea, would you check out one of these online mentoring sites or an association in your area that provides mentoring and advice for business founders? Why or why not?

        Answer: Students will vary in their answers to this question.

2.   To what degree do you believe that having a mentor can make the difference between an entrepreneur succeeding or failing? In what areas of the entrepreneurial process do you believe that mentors are called upon the most?

        Answer: Most students will say that having a mentor could make a substantial difference between an entrepreneur succeeding or failing. An inclination in this direction results from the fact that most students have had a coach, a teacher, or an

older relative or friend who has "mentored" them in some way, so they see mentoring as a useful process. Students will vary in terms of what areas of the entrepreneurial process that they believe mentors are called upon the most. It's been our experience that mentoring is particularly helpful in the areas of manufacturing and production (for start-ups with a physical product) and in raising financing or funding.

3.   Make a list of the organizations in your area that provide mentorship and advice for business founders. Which organizations make the most sense to reach out to for someone who is still in the opportunity recognition stage of the start-up process?

Answer: Students will vary in their answers to this question. Challenge your students to be as exhaustive as possible in the list they complete for their area.

4.   How do you know what to do with a mentor's advice? If you get advice from several mentors or counselors at organizations like SCORE and local Small Business Development Centers, how can you best sort through the advice and know which advice to take and which advice to set aside?

Answer: Students will vary in their answers to this question. A reasonable answer is to listen to advice, and then pursue the advice that resonates with you. Another way of thinking about this is to record the advice from different people, and then pursue the advice that seems to represent the consensus of the people that you talk to.

REVIEW QUESTIONS

1.   What is a product opportunity gap? How can an entrepreneur tell if a product opportunity gap exists?

Answer: A product opportunity gap is the gap between what is currently on the market and the possibility for a new or significantly improved product, service, or business that results from emerging trends.

2.   What is an opportunity? What are the qualities of an opportunity, and why is each quality important?

Answer: An opportunity is a favorable set of circumstances that creates a need for a new product, service, or business. An opportunity has four essential qualities: it is (1) attractive, (2) durable, (3) timely, and (4) is anchored in a product, service, or business that creates or adds value for its buyer or end user.

3.   What four environmental trends are most instrumental in creating business opportunities? Provide an example of each environmental trend and the type of

business opportunity that it might help create.

Answer: The four environmental trends (or factors) that are most important in creating business opportunities are: economic factors, social factors, technological advances, and political action and regulatory changes.

Environmental Factor	Business Opportunity it Might Create
Economic factor	An increase in disposable income in the hands of teenagers creates opportunities to create new electronics products that appeal to teenagers.
Social factors	An increase in the percentage of elderly people in the U.S. creates opportunities to create new products that help elderly people deal with everyday chores.
Technological factors	An increase in the percentage of people who use smartphones creates opportunities for companies to create products and services that enhance the usefulness of smartphones.
Political Action and Regulatory Changes	The passage of new environmental protection regulations creates opportunities for companies to create products to help firms comply with the regulations.

4. Explain how "solving a problem" can create a business opportunity. Provide an example that was not mentioned in the chapter of a business opportunity that was created in this way.

Answer: 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 chance. An example of a "problem" is homeowners, who live in coastal areas, who do not have a quick and convenient way to protect their homes when they are threatened by a hurricane or tropical storm. An entrepreneur might see this problem as an opportunity, and start a firm to build custom "hurricane strength" shutters that are easy to put up when a hurricane threatens and are easy to store during clear weather. Most costal residents currently use plywood to cover their windows when a hurricane threatens. Plywood is neither easy to put up nor is it easy to store during clear weather.

5. Explain how finding a gap in the marketplace can create a business opportunity.

Answer: A gap in the marketplace suggests that particular clientele, like people

who need plus-sized clothing or people who are hard to fit, are not being adequately serviced. Providing products or services for these people represents a business opportunity. The trick is whether there is a large enough critical mass of people in a particular area to support a business that fills a gap in their marketplace for a specific clientele.

6.   What is meant by opportunity recognition?

        Answer: Opportunity recognition refers to the process of perceiving the possibility of a profitable new business or a new product or service.

7.   In what ways does prior industry experience provide an entrepreneur an advantage in recognizing business opportunities?

        Answer: By working in an industry, an individual may spot a market niche that is underserved.

8.   What is the corridor principle? How does this corridor principle explain why the majority of business ideas are conceived at work?

        Answer: Once an entrepreneur starts a firm, new venture opportunities become apparent. This is called the corridor principle, which states that once an entrepreneur starts a firm, he or she begins a journey down a path where "corridors" leading to new venture opportunities become apparent. The insight provided by this principle is simply that once someone starts a firm and becomes immersed in an industry, it's much easier for that person to see new opportunities in the industry than it is for someone looking in from the outside.

9.   What is entrepreneurial alertness? Why is it important?

        Answer: 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 is important, because individuals with higher levels of entrepreneurial alertness will presumably identify more business opportunities.

10.   In what ways does an extensive social network provide an entrepreneur an advantage in recognizing business opportunities?

        Answer: 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 or ideas than people with sparse networks. This exposure can lead to new business starts.

11.   Describe the difference between strong-tie relationships and weak-tie

relationships. Is an entrepreneur more likely to get new business ideas through strong-tie or weak-tie relationships? Why?

Answer: Strong-tie relationships are characterized by frequent interaction between coworkers, friends, and spouses. Weak-tie relationships are characterized by infrequent interaction between casual acquaintances. According to research in this area, it is more likely that an entrepreneur will get a new business idea through a weak-tie than a strong-tie relationship because strong-tie relationships, which typically form between like-minded individuals, tend to reinforce insights and ideas the individuals already have. Weak-tie relationships, on the other hand, 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.

12. Define creativity. How does creativity contribute to the opportunity recognition process?

Answer: Creativity is the process of generating a novel or useful idea. Opportunity recognition may be, at least in part, a creative process. It is easy to see the creativity involved in the formation of many products, services, and businesses.

13. Briefly describe the five stages of the creative process for an individual.

Answer: The five stages of the creative process are as follows:

Stage 1: Preparation is the background, experience, and knowledge that an entrepreneur brings to the opportunity recognition process.
Stage 2: Incubation is the stage during which a person considers an idea or thinks about a problem; it is the "mulling things over" phase.
Stage 3: Insight is the flash of recognition – when the solution to a problem is seen or an idea is born.
Stage 4: Evaluation is the stage of the creative process during which an idea is subjected to scrutiny and analyzed for its viability.
Stage 5: Elaboration is the stage during which the creative idea is put into a final form.

14. Explain the difference between an opportunity and an idea.

Answer: An opportunity has four essential qualities: it is (1) attractive, (2) durable, (3) timely, and (4) anchored in a product, service, or business that creates or adds value for its buyers or end users. An idea is a thought, impression, or notion. It may or may not meet the criteria of an opportunity.

15. Describe the brainstorming process. Why is "no criticism" the number one rule for brainstorming?

Answer: Brainstorming is used to generate a number of ideas quickly. It is not used for analysis or decision making. No criticism is allowed. Criticism stymies creativity and inhibits the free flow of ideas.

16.   Describe how a focus group is set up and how it is used to generate new business ideas.

Answer: A focus group is a gathering of 5 to 10 people who are selected because of their relationship to the issue being discussed. Although focus groups are used for a variety of purposes, they can be used to help generate new business ideas.

Usually focus groups are conducted by trained moderators. The moderator's primary goals are to keep the group "focused" and to generate lively discussion.

17.   Describe how library and Internet research can be used to generate new business ideas.

Answer: Libraries contain resources such as industry-specific magazines, trade journals, and industry reports. Simply browsing through several issues of a trade journal on a specific topic, for example, can spark new ideas. Very powerful search engines are also available through university and large public libraries. Spending time reading through industry reports on an industry you're interested in can spark new ideas and/or help fine-tune ideas your already have. Internet research is also helpful. General Internet searches, utilizing "e-mail alerts," and reading through blog posts about general areas of interest can spark new business ideas.

18.   What is the purpose of day-in-the-life research?

Answer: Day-in-the-life research refers to sending a team of testers to the homes (or businesses) of a company's users, to see how its products are working and gain insights for new product ideas.

19.   What is the purpose of an idea bank? Describe how an idea bank can be set up in a firm.

Answer: An idea bank is a physical or digital repository for storing ideas.

20.   What are the three main steps to protect ideas from being lost or stolen?

Answer: The three main steps to protect ideas from being lost or stolen are as follows:

Step 1: The idea should be put into a tangible form – either entered into a physical idea logbook or saved on a computer disk.

Step 2: The idea, whether it is recorded in a physical idea logbook or saved in a computer file, should be secured.

Step 3: Avoid making an inadvertent or voluntary disclosure of an idea in a way that forfeits your claim to its exclusive rights.

APPLICATION QUESTIONS

1.   Justin, a product development specialist at DuPont, plans to write an e-mail message to his dad asking for a loan. The purpose of the loan will be to start a company to sell an environmentally friendly line cleaning supplies that are suitable for light manufacturing facilities. Justin has spent the past two years developing the products in his spare time, and wants to convince his dad that the idea represents an attractive business opportunity. In your opinion, what information and insights about the company he wants to start should Justin include in the e-mail message?

Answer: Justin should try to convince his dad that (1) the idea meets the four tests of an opportunity, (2) the idea either takes advantage of an environmental trend, solves a problem, or fills a gap in the marketplace, and (3) he has done sufficient research, either through brainstorming, focus groups, and/or library and Internet research, to assure himself that the idea is attractive.

2.   Spend some time studying Yammer (www.yammer.com), which is an enterprise social network. What is the basis of Yammer's business opportunity? Evaluate Yammer on the four essential qualities of an opportunity. On a scale of 1 to 10 (10 is high), rate Yammer in terms of the strength of its opportunity.

Answer: Yammer provides the employees of a company a secure way to communicate, collaborate, and share information. It's like communicating with others via Twitter or Facebook, but it's a private network, and the only people who can see the communication are the people who are part of a specific Yammer group. Employees using Yammer can discuss ideas, post news, ask questions, and share links and other information. Yammer also serves as a company directory in which every employee has a profile and as a knowledge repository where past conversations can be easily accessed and referenced.

Students will vary in terms of how high they rate Yammer in terms of its business opportunity. It's our sense that Yammer is an attractive opportunity, and we would give it 7 out of 10. The company is growing rapidly and has received several rounds of substantial venture capital funding.

Yammer's CrunchBase profile (http://www.crunchbase.com/company/yammer) has several videos posted of interviewers with Yammer's CEO where he explains

Yammer's value proposition.

3.   Go to DEMO's web site at www.demo.com. Watch several videos from the most
     current DEMO conference. The videos are start-ups pitching their product ideas to
     investors and other DEMO participants. Identify a start-up that is pitching a
     business idea that "solves a problem." Write a short description of the idea and
     your assessment of its potential.

     Answer: This is a good question for an individual or group assignment. The
     DEMO pitches are short, are normally extremely well done, and students seem to
     enjoy watching them.

4.   The "You Be the VC 2.2" feature focuses on ecoATM, a company that is
     deploying a network of self-service kiosks that enables shoppers to recycle
     unwanted electronic gear. Imagine you're in a class where the instructor has set up
     a debate-type format to discuss the strength of ecoATM's business opportunity. A
     classmate of yours has been assigned to argue that ecoATM has a strong
     opportunity, and you've been assigned to argue that ecoATM has a weak
     opportunity. Briefly summarize what your arguments will be.

     Answer: Students will vary in terms of their answer to this question. The potential
     weaknesses of ecoATM's business opportunity are as follows:

     • ecoATM is a hardware device, which is subject to damage and must be
       maintained.
     • The device must also be continually serviced, to remove the electronic gear
       that's been turned in and to replenish the cash.
     • Large big box stores, like Wal-Mart and Best Buy, may offer a similar
       service, that may be more convenient than the self-services kiosks that
       ecoATM employs.
     • Negative word of mouth may spread if consumers feel like they're not
       being offered enough for the consumer electronics they're trying to turn in.

5.   Identify three start-ups, other than those discussed in the chapter and listed in
     Table 2.1, which were started to satisfy a changing environmental trend.

     Answer: There are countless examples that students might suggest. Urge your
     students to browse through magazines such as *Inc*. and *Entrepreneur* for
     suggestions if they are having a hard time coming up with ideas. The Business
     Opportunities blog (www.business-opportunities.biz) also provides fresh examples
     of new products and services on a near daily basis.

6.   Marshall Hanson, the founder of Santa Fe Hitching Rail, a chain of nine steak
     restaurants in New Mexico, is considering expanding his menu, which is currently
     restricted to steak, hamburger, potatoes, and fries. He has just read a book about
     entrepreneurship and learned that entrepreneurs should study social trends to help

identify new product opportunities. List the social trends that might help Marshall choose items to add to his menu. Given the trends you list, what items do you suggest Marshall add to his menu?

Answer: This is a good thought question for students. On the one hand, Marshall's menu features food that is high in fat and cholesterol, which may prompt one to recommend to Marshall to broaden his menu to include lower fat foods, such as chicken, fish, and salads. This recommendation is in sync with social trends that favor health consciousness. On the other hand, Marshall's food, particularly the steak and hamburger, is high in protein, which is in sync with the Atkins and the South Beach diet plans. This recognition might prompt one to recommend to Marshall to keep his menu fairly intact, but offer alternatives to potatoes and fries that favor low carbohydrate diets.

7. One of the social trends identified in the chapter is the increasing number of people going back to school or retraining for new jobs. Propose a business idea, which isn't a near duplicate of an idea you're already familiar with, that takes advantage of this social trend.

Answer: Students will vary in terms of their answers to this question.

8. The "You Be the VC" features included in Chapters 1 and 2 focus on Windspire Energy, Songkick, PharmaSecure, and ecoATM. Which of these four companies do you think is pursuing the strongest business opportunity? Justify your answer.

Answer: Students will vary in terms of their answers to this question. Our choice would be PharmaSecure, followed by Songkick, Windspire Energy, and ecoATM.

9. Go to Vator/tv's Web site at www.vator.tv. Search the Web site and find an example of an entrepreneur talking about his or her business idea. Describe the idea, and the extent to which it satisfies a changing environmental trend, solves a problem, or fills a gap in the marketplace. Evaluate the entrepreneur's ability to clearly explain his or her idea.

Answer: This is a good question for an individual or group assignment.

10. Tiffany Jones owns a small chain of fast-casual restaurants in Denver, which sell sandwiches, soups, wraps, and desserts. In general, her restaurants are successful, but she feels they are getting "stale" and could benefit from new ideas. Suggest to Tiffany some ways she could generate new ideas for her restaurant.

Answer: Brainstorming, focus groups, and Internet and library research.

11. As mentioned in the chapter, "prior experience" in an industry helps entrepreneurs recognize business opportunities. This concept extends to prior experience in any aspect of life—whether it is in sports, music, or a volunteer activity. In what area

or areas do you have a good amount of "prior experience"? How could this position you to start a business drawing on your experiences?

Answer: This is a good question for an individual assignment. Make sure your students directly tie their prior experience to a potential business opportunity. Some students will argue that they really don't have any prior experience that would lend itself to a business opportunity. In these cases, challenge your students to think harder. All of us have unique experiences that might lend themselves to business opportunities. Joseph Keeley, the subject of the opening feature in Chapter 15, used his prior experience as a babysitter to start a very successful franchise organization, College Nannies & Tutors.

12.   Make a list of your strong-tie and weak-tie relationships. (Include at least five names on each list.) Select two names from your list of weak-tie relationships, and speculate on the types of new business ideas that you think these individuals would be uniquely qualified to assist you with.

Answer: This is a good question for an individual assignment.

13.   Imagine that you've been hired by Foursquare, the location-based social network, to conduct focus groups on your campus to get a better sense of how Foursquare can be as relevant and useful to college students as possible. How would you go about setting up the focus groups? What are the primary issues that you'd zero in on?

Answer: Foursquare is a geographical location based social network. Users share their location with friends by "checking in" via smartphone app or by text message. Points are awarded for checking in at various venues. By checking in a certain number of times, or in different locations, users can collect virtual badges. In addition, users who have checked in the most times at a certain venue will be crowned "Mayor" until someone surpasses their number. Various venues have embraced Foursquare, and offer special deals to users who are "mayors."

Most students will repeat the material in the chapter in regard to how to set up a focus group to get a better sense of how Foursquare can be as relevant and useful to college students as possible. Challenge your students to be as thoughtful and creative as possible in regard to the primary issues they'd zero in on in the focus group.

14.   How could the founders of Songkick, the subject of the "You Be the VC 1.2" feature at the end of Chapter 1, have utilized library and Internet research to flesh out their business idea? What information would have been most helpful to them?

Answer: There is undoubtedly much that the founders of Songkick could have learned about the music industry via library and Internet research, regarding whether the industry is growing or shrinking, whether profit margins (among

businesses that rely on commissions on ticket sales) are growing or shrinking, and so forth. There is also probably much that could be learned about trends regarding interest on indy bands and the other types of bands that Songkick tracks. In addition, one of the challenges that Songkick had early on was striking up partnership agreements with concert venues that sell tickets. Library and Internet research may have led the founders of Songkick to information about how to effectively strike partnership agreements and negotiate contracts with these types of organizations.

15.   Freedom Electronics is a start-up with about 20 sales representatives. The company has a solid product line but knows that to remain competitive it must continue recognizing opportunities for new products and services. The firm has not developed a systematic way for its sales staff to report new ideas. Suggest some ways that Freedom can record and protect the ideas of its sales reps.

Answer: Freedom should set up an idea bank, which is a physical or digital repository for storing ideas. An example of an idea bank would be a password-protected location on a firm's intranet that is available to qualified employees. To protect its ideas, Freedom should obtain intellectual property protection when possible. When an idea has not reached the point where intellectual property protection is possible or practical, it should implement the following three-step procedure:

Step 1: The idea should be put into a tangible form – either entered into a physical idea logbook or saved on a computer disk.

Step 2: The idea, whether it is recorded in a physical idea logbook or saved in a computer file, should be secured.

Step 3: Avoid making an inadvertent or voluntary disclosure of an idea in a way that forfeits your claim to its exclusive rights.

YOU BE THE VC 2.1

Company: PharmaSecure (www.pharmasecure.com)

Business Idea: Produce a reliable and cost-effective solution to the growing problem of counterfeit pharmaceutical products in India and other developing countries.

You Be the VC Scorecard
PharmaSecure
(www.pharmasecure.com)

Item	Score/Comments
Strength of New Venture Team	1 2 3 4 **5** PharmaSecure is led by co-founder and CEO Nathan Sigworth. Prior to PharmaSecure, Sigworth was a founder of Gyro-Precission Stability Systems where he co-invented the Gryobike with several colleagues. He was the winner of a Popular Mechanics Breakthrough Award in 2006 and is a Poptech and Echoing Green fellow. Director of Operations Nakul Pasricha brings 12 years of experience in operations and technology management and rural business models. Nakul previously served as CIO for GE Money India. Director of Sales Kishore Kar has more than 18 years of business-to-business sales experience across Asia.
Strength of the Opportunity	1 2 3 **4** 5 PharmaSecure is an example of a company that literally saves lives. Pharmaceutical counterfeiting kills or makes sick millions of people every year, and PharmaSecure is bringing to market a product that the average person in a developing country can use to confirm the validity of purchased drugs.
Strength of the Industry	1 2 3 **4** 5 The pharmaceutical industry in developing countries is large and growing. As countries like India continue to modernize, and base-of-the-pyramid consumers gain more purchasing power, the pharmaceutical industry is expected to continue to grow.
Strength of Business Model	1 2 3 4 **5** The business model is sound. By utilizing cell-phone technology, PharmaSecure's solution is within the reach

	of over 55% of the population of India, its initial target market. The company also has partnership agreements in place with two of India's main SMS aggregators to handle the SMS messages that link with its verification servers back in the U.S. In addition, the beauty of PharmaSecure's model is that rather than trying to tackle the counterfeiting problem at the manufacturing level, it places a tool directly in the hands of consumers, where they can quickly and easily verify the authenticity of their medication.
Average Score	4.5/5.0

Decision: We would fund this firm. PharmaSecure has all the aspects of a sound investment—a strong management team, a solid business idea, a large and growing industry, and a sound business model. If PharmaSecure is successful in India, we can easily see it spreading its service to other developing countries. As a result, the overall opportunity is huge. PharmaSecure also saves lives. It's hard to beat that in regard to an attractive opportunity.

YOU BE THE VC 2.2

Company: ecoATM (www.ecoatm.com)

Business Idea: Employ a network of self-service kiosks that enables shoppers to recycle unwanted electronic gear safely, starting with cell phones, and offering shoppers cash, gift cards, or the ability to donate the value of the cell phones to charity in exchange for the phone.

You Be the VC Scorecard
ecoATM
(www.ecoatm.com)

Item	Score/Comments				
Strength of New Venture Team	1	2	3	4	**5**
	President and CEO Tom Tullie has 23 years of experience in semiconductors, systems, computing, and software, 13 of which were in executive management. He has a proven track record of successfully building leading-edge companies.				
	Founder and Chief Marketing Officer Mark Bowles has				

	more than 23 years in the semiconductor and wireless industry. He has been involved in the formation and funding of six technology start-ups and has successfully raised 15 rounds of venture capital funding. CFO Robert Genthert has more than 30 years of executive management and finance experience.
Strength of the Opportunity	1 2 **3** 4 5 At first glance, the opportunity seems strong. There are reportedly $25 billion in unused or unwanted electronic devices in existence, which could be reclaimed and used by others. We wonder, however, if consumers will buy into the self-service kiosk concept that ecoATM is employing. It seems like building and servicing kiosks to satisfy a need that could just as easily be performed by employees at Best Buy or Wal-Mart, using their existing infrastructures, is an expensive way to tackle the opportunity.
Strength of the Industry	1 2 3 **4** 5 There is no doubt the industry is strong—on both the side of consumers turning in unused or obsolete electronics ($25 billion) and on the side of people in developing countries wanting what U.S. consumers may consider to be out-of-date electronics.
Strength of Business Model	1 2 **3** 4 5 The business model is unique. ecoATM places self-service kiosks in retail locations to accumulate inventory, and then resells the devices to consumers in developing countries. They also provide consumers the option to donate their obsolete devices to people in developing countries. ecoATM is essentially an arbitrage business. It buys products from one group of consumers and sells to another, and makes money on the difference.
Average Score	3.75/5.0

Decision: We would not fund this firm, despite the strength of its management team. It

just seems to us that ecoATM is employing an expensive mechanism for collecting unused or obsolete electronic products, which could be done more efficiently through existing channels (like a Best Buy or a Wal-Mart store). In addition, with the falling prices of smartphones and other electronic devices, there may be a generation of phones and other devices coming that will sell at a similar price than ecoATM can sell used phones and other electronic products for.

CASES

Case 2.1
ScriptPad: Interesting Idea—But Will Doctors and Pharmacies Sign On?

DISCUSSION QUESTIONS

1.   In this chapter, an opportunity is defined as being (1) attractive, (2) durable, (3) timely, and (4) anchored in a product or service that creates value for its buyer or end user. To what extent does ScriptPad meet each of these tests of an opportunity?

     Answer: Most students will rank ScriptPad high on each component of an opportunity. It is attractive in that it lessens the possibility of prescription errors and the adoption costs are not high (at least on the physician side), it's durable at least in the short and medium terms because it's using sophisticated smartphone technology, it's timely in that problems associated with prescription errors are in need of a solution, and it is anchored in a service that creates value for doctors, patients, and pharmacies.

2.   What environmental trends are working in ScriptPad's favor? If ScriptPad has uncovered a promising business opportunity, what environmental trends have made ScriptPad possible?

     Answer: In regard to economic trends, all sectors of health care are looking for ways to cut costs and become more efficient, and ScriptPad's solution is consistent with this trend. In regard to societal and technology trends, people, including doctors, are becoming much more comfortable using technology to perform tasks once done by hand (like writing prescriptions). In addition, improved smartphone technology and the development of smartphone apps have made the hardware portion of ScriptPad's service possible.

3.   Put yourself in the shoes of a family physician that's part of a five-doctor practice (containing five doctors). If you were that doctor and were being pitched on ScriptPad's method for writing prescriptions, how would you react? What would you see as the pluses and minuses of adopting the service? Ultimately, based on the information in the case and ScriptPad's Web site, what would your decision be?

Answer: Students will vary in terms of their answers to this question.

4.   On what side do you think ScriptPad faces the biggest adoption challenge—the physician side or the pharmacy side? Explain your answer.

Answer: Students will vary in terms of their answers to this question. Most students will argue that ScriptPad's biggest hurdle will be adoption on the pharmacy side. An individual physician may adopt ScriptPad's technology, and it only affects the physician. In contrast, if a pharmacy adopts the technology, it may require training multiple employees how to use the technology and it may require changes in the pharmacy's normal routines. As a result, it's likely that the higher resistance will be on the pharmacy side.

APPLICATION QUESTIONS

1.   ScriptPad's basic premise is that it solves the problem of prescription mistakes. Is this true? Can you think of scenarios in which a mistake could be made even when using ScriptPad's service? If so, how could ScriptPad correct for these possibilities?

Answer: Students will vary in terms of their answers to this question. An obvious answer is that a physician could theoretically make a mistake in selecting a prescription medicine using the ScriptPad service, by selecting the incorrect medication or by selecting an incorrect dosage. ScriptPad knows if a dosage is possible, but doesn't know the correct dosage for a particular patient. There is no clear way for ScriptPad, in its current form, to correct for this type of possibility. It's hard to see how ScriptPad's service could make the incidence of prescription errors worse, but it isn't a fail-safe system.

2.   If you were ScriptPad's founder, and you now have a working prototype of your device, how would you proceed? Are you ready to go to market or are there additional steps that need to be completed before ScriptPad is available for sale?

Answer: Students will vary in their answers to this question. Most students will say that ScriptPad is ready to go to market.

Case 2.2
Quirky: Is this a Real Opportunity, or just a "Quirky" Idea?

DISCUSSION QUESTIONS

1.   It what ways was Ben Kaufman the ideal person to start Quirky? If you were an investor in Quirky, would you have any concerns about his qualifications moving

forward?

Answer: Most students will say that Kaufman clearly possesses the characteristics of an effective entrepreneur described in Chapter 1—passion, tenacity, a product/customer focus, and execution intelligence. These qualities can be seen in Kaufman's prior ventures and in Quirky.

2.   Do you think Quirky's basic business model, described in the eight steps shown previously, is sound and fair? If you could suggest any changes, what would they be?

Answer: The model seems to be fair. Students will vary in terms of their suggestions for changes.

3.   Do you think the concern that Quirky will systematically attract novice inventors, who are likely to submit the least promising ideas, rather than experienced inventors and product designers, who are likely to submit the most promising ideas, because all ideas are placed on its Web site and are publically vetted, is a valid concern? If so, should Quirky vary its approach for experienced inventors and product designers, or leave things the way they are and live with the consequences?

Answer: Most students will say that this is a valid concern, but there is really no way to get around it. Quirky's appeal is that it allows its "influencers" to weigh in on product ideas, and that both the influencers and the inventors share in the rewards when a product idea is selected. To vary from that format would risk eroding the very qualities that make Quirky attractive.

4.   What do you think? Is Quirky a real opportunity, or just a 'quirky' idea? Justify your answer.

Answer: Students will vary in terms of their answers to this question. We've found it's about 50-50 in regard to people thinking Quirky is real, and people thinking it's just a 'quirky' idea.

APPLICATION QUESTIONS

1.   Log onto Quirky's Web site and sign up as an influencer. You can start providing feedback as soon as you verify your registration by clicking on a link Quirky will send to your e-mail account. Provide feedback on three separate products. Briefly relate your experience, and comment on the quality of the products that you evaluated and the quality of the comments that had been made prior to yours.

Answer: Students will vary in terms of their feedback on this assignment.

2.   Think of the challenges in your own life that might represent a product idea for Quirky. If you don't think of something right away, don't give up. All of us encounter problems and challenges in our everyday lives that might represent the basis of a promising business opportunity. Be prepared to describe to others one of the challenges or problems you encounter and how a solution to the problem could be fashioned into a product idea to submit to Quirky.

Answer: Students will vary in terms of their answer to this question. Challenge your students to be as thoughtful as possible in formulating a potential product idea for Quirky.