







Business planning and Start up

Business Description

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Identified Business opportunity

Identified Business opportunity

Learning objectives

- Learn the **sources of opportunity** entrepreneurs draw on to get business ideas
- Identify the **way ideas are screened for business potential**
- Understand how **creativity methods can help business owners** recognize new opportunities
- Understand the **pitfalls that hinder innovation**
- Identify **strategies for innovation** in your business
- Learn how to conduct a **comprehensive feasibility study** for your business idea
- Learn the model for **pilot testing Internet businesses**
- Understand the **value of building a creative culture in your business**

Source of business ideas

When we see a new product we usually say:

“Why didn't I think of that?”

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

We need to:

- Pay attention to **market insights**
- Ask **many questions**

Many people who deal with entrepreneurs will tell them to always carry on a little black book. In the book, instead of collecting phone numbers, they must collect ideas, thoughts, needs for improving products. Examples:

- Wouldn't it be nice if I didn't have to carry a cell phone and an iPod? Now we have cell phones that store 100 tunes and much more (Smart Phones).
- Uh-oh- locked myself out again. Now we have electronic keypads on homes and cars.

Opportunity recognition

Searching and capturing new ideas that lead to business opportunities. This process involves creative thinking that leads to discovery of new and useful ideas.

Identified Business opportunity



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



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;
- The motivation to look for opportunities.

The **Panel Study of Entrepreneurial Dynamics (PSED)** is a very **unique study** students should become familiar with. In this case, **480 entrepreneurs were asked about their decision making process.**

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.

Identified Business opportunity



Which of the following is **the factor that has led people to new ideas?**

- a) Serendipity (Luck)
- b) Work Experience
- c) Family and Friends
- d) These are all factors



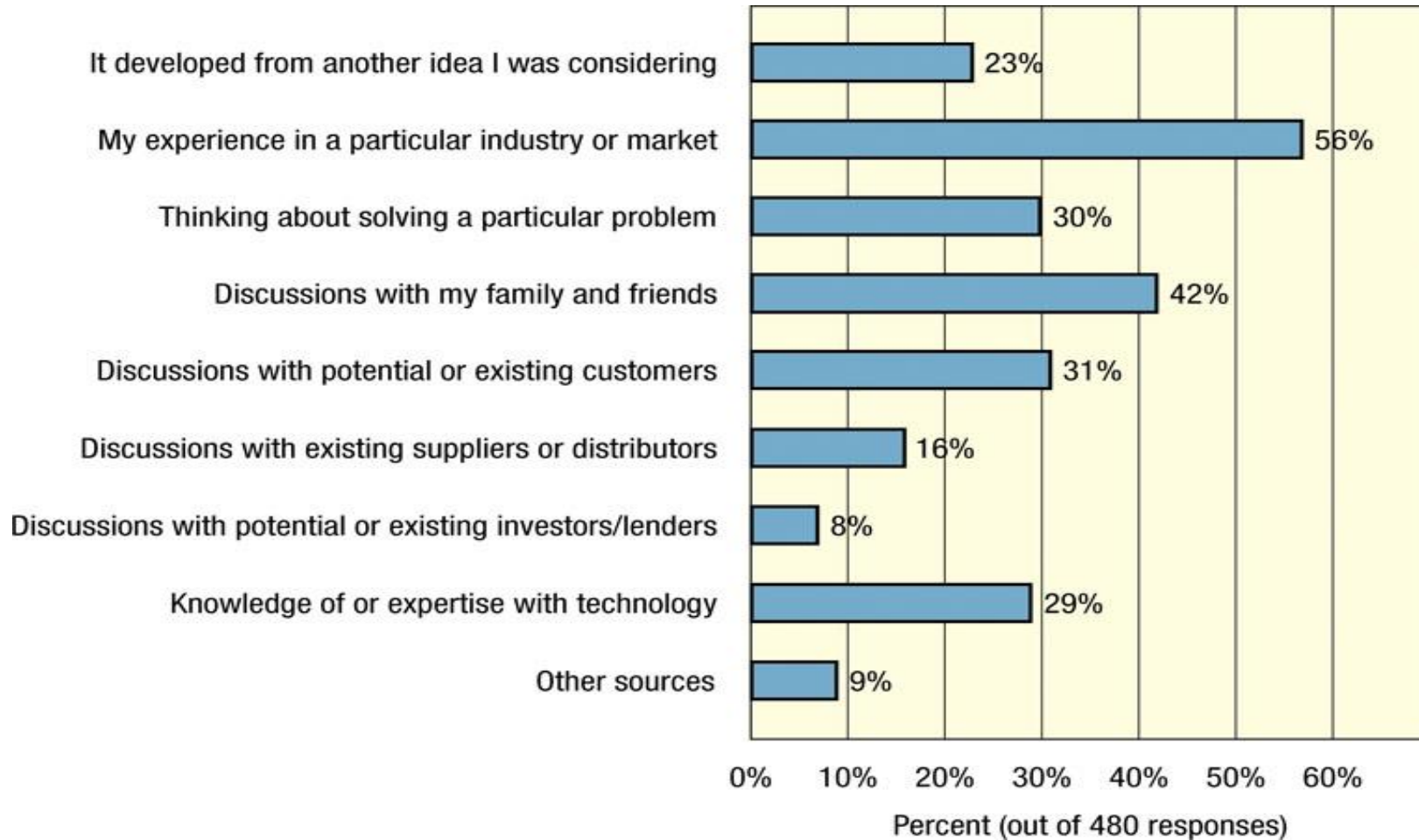
These are all factors

- 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.
- A similar business. Might see a business in an area that intrigues you. Growing market – expand on the opportunity (e.g., music stores in airports).
- Hobby or personal interest. Turn hobbies into successful business. Have interest and knowledge in what you are doing.
- Chance happening (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.
- 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
- 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.
- Technology transfer: Universities and government agencies. Tremendous development of new technologies or refinements. Never do anything with them! Find out about inventions through the technology transfer offices
License: a legal agreement granting you rights to use a particular piece of intellectual property (royalty)

Identified Business opportunity



What led to **your Business idea?**



Screening Ideas

Screening Ideas

Main question

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? (Who will buy it?)

What needs of your customers does your product or idea address? (Why will they buy it?)

Provide some indication of the general size of the market.

How do you anticipate developing IP protection for your technology? (Patents, trademarks, trade secrets, licensing, strategic partnership, distribution agreements)

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?

From ideas to opportunities through creativity

From ideas to opportunities through creativity



Recognition of new Opportunities

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

Example: Innovation: McDonald's **has saturated its market** and can no longer continue to open stores as a strategy. Consequently they have to **improve innovation process:** McGriddle has improved breakfast sector; snack Wrap is huge hit for on-the-go eating; improved Coffee and warmer stores promotes business during slower hours.

For reference see: http://www.forbes.com/2007/08/31/christensen-innovation-mcdonalds-pf-guru_in_cc_0904christensen_inl_print.html



You might have a viable business idea, but is it the best one to pursue?

- Very often the first **good idea an entrepreneur has is not necessarily the best one** he will have.
- Before committing yourself on a viable idea, it is a good practice to **take some time and see if you can take that viable idea and innovate on it to create an even better** – more **profitable**, more **distinctive**, harder **copy – idea.**
- *Businesses imitating a pioneer are not usually unique...*

What is important **one you have collected the initial data for an opportunity screening** is to look at the **strengths and weaknesses of the ideas and creatively rethinking the idea** in order **to realize the attractive business opportunity** inside it.



VS



From ideas to opportunities through creativity



Factors that lead owners to their business idea

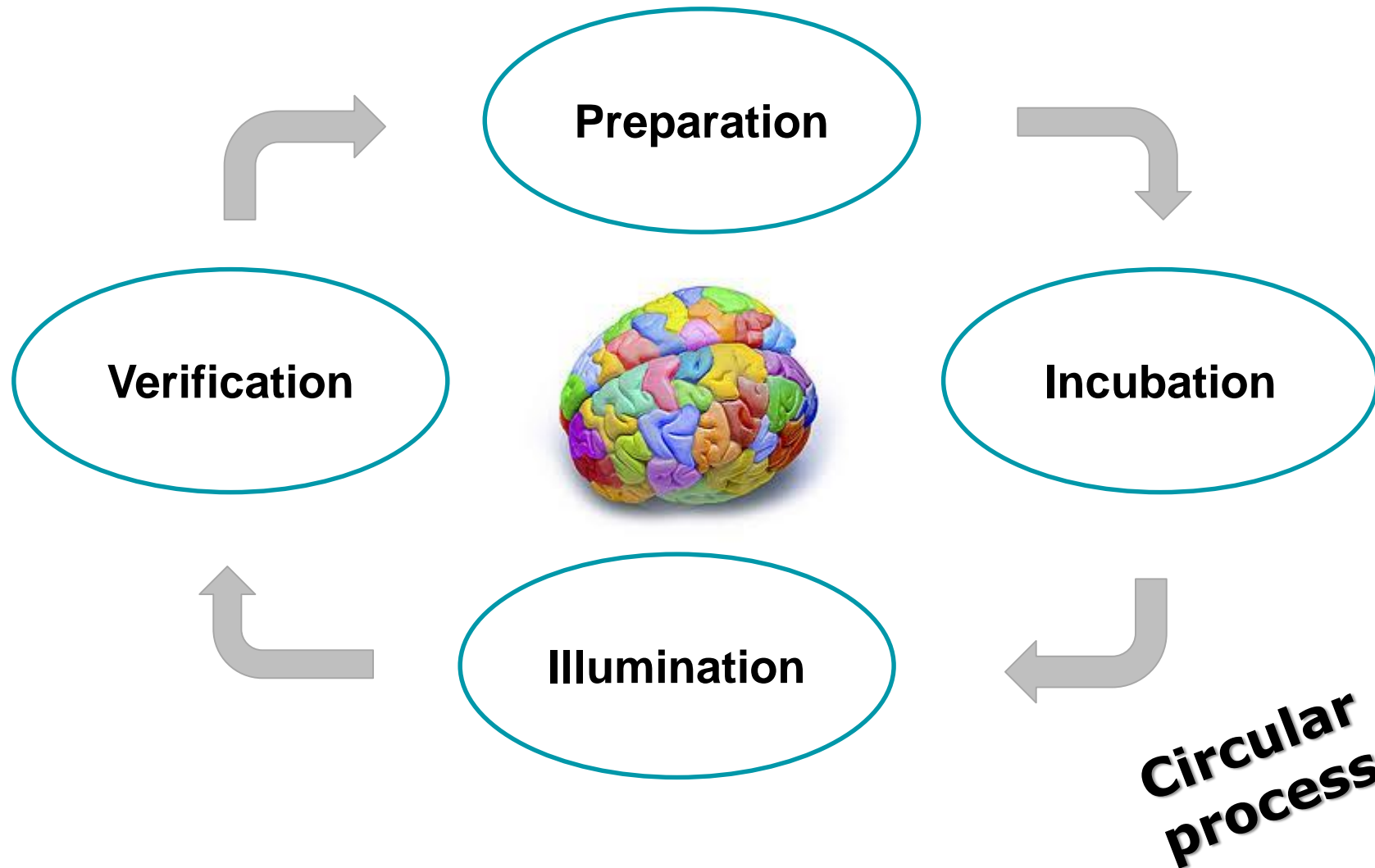
SCAMPER model: a creativity model that provides cues to trigger breakthrough thinking; the letters stand for:

- **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?
- **Combine:** possible combinations that result in something completely different. **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. 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?
- **Magnify (or Modify):** taking an existing product and changing its appearance or adding more features. Example: banks opening more branches. Memorable images and advertising. **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. 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?
- **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?
- **Rearrange (or reverse):** **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. Get into an Innovative Frame of Mind

From ideas to opportunities through creativity

Creative process



From ideas to opportunities through creativity



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



Brainstorming

Main pitfall:

- Identifying the wrong problem to solve
- 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



"Watch your step!"



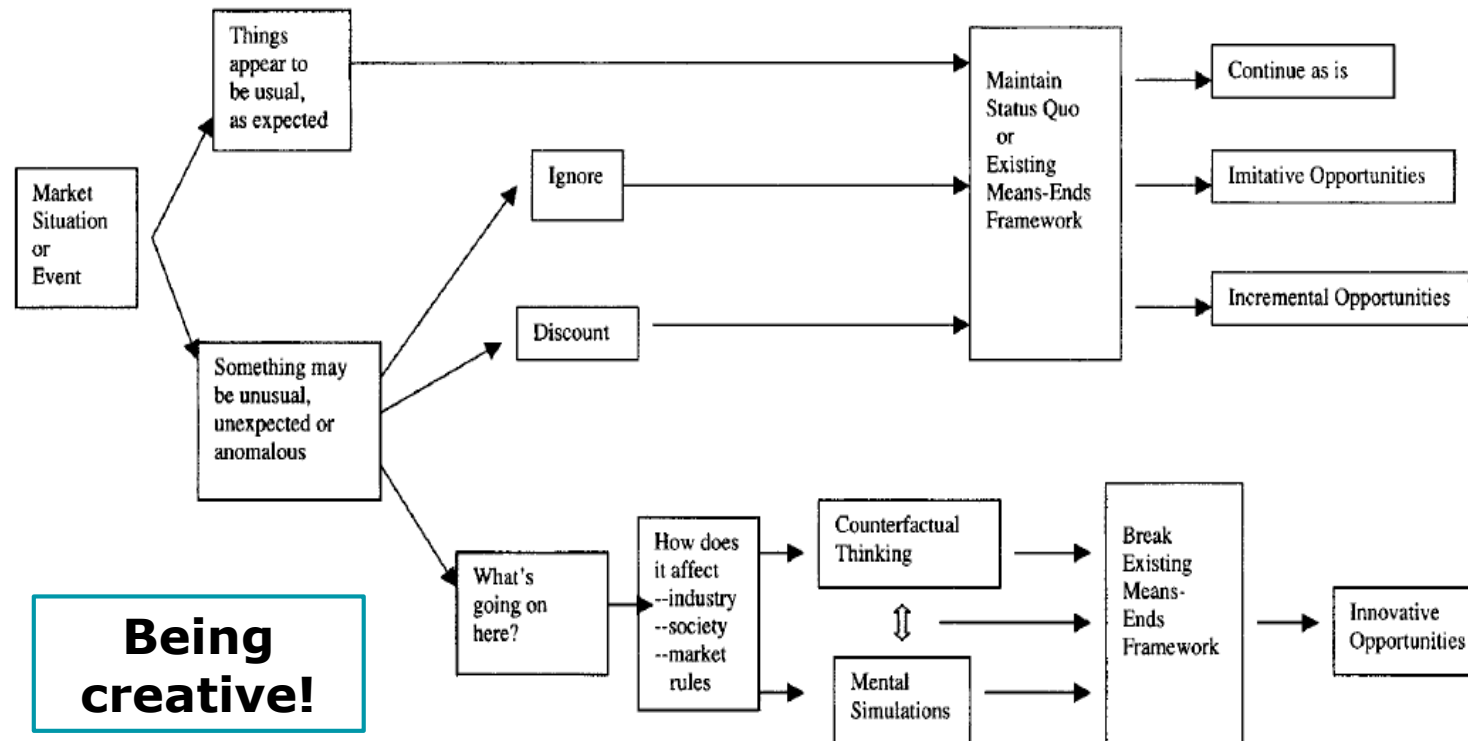
From ideas to opportunities through creativity

Different ideas strategies/approaches

- **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
- **Innovative opportunities (disruptive innovation):** something that breaks the existing framework.

Imitative, Incremental or Radically Innovative? Identify which strategy each business is following.

Nancy opens a beauty salon, Nancy offers aromatherapy and massages at her beauty salon, Christa's messenger service delivers packages on roller skates, Jerry figured out a way to use lasers to print textbooks, Virginia sells wedding cakes that are carb-free, Aaron runs an auto repair shop, Otis uses solar energy to convert methane gas into methanol for fuel.



From ideas to opportunities through creativity



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. Can the business idea be profitably brought to market?

A comprehensive feasibility study: The feasibility study examines the strengths and weaknesses of your business opportunity. It consists of careful investigation of **five prime areas:**

- The business idea
- The product/service
- The industry/market
- The financial projections (profitability)
- The plan for future actions

See for **example: Pet Élan; Serenity** (will be uploaded on my personal page!!!)

The **traditional problems** facing new idea are:

- The idea cannot be economically made into a product or service;
- The resulting product or service works, but does not appeal to a large enough market (or is not worth enough to them) to make the effort profitable;
- The product or service works, has a market, and could be profitable, but you need to get additional people, funding, or other resource to make the idea into business;

Each problem builds on the solution of the prior problem!

The **decision** that can be made is:

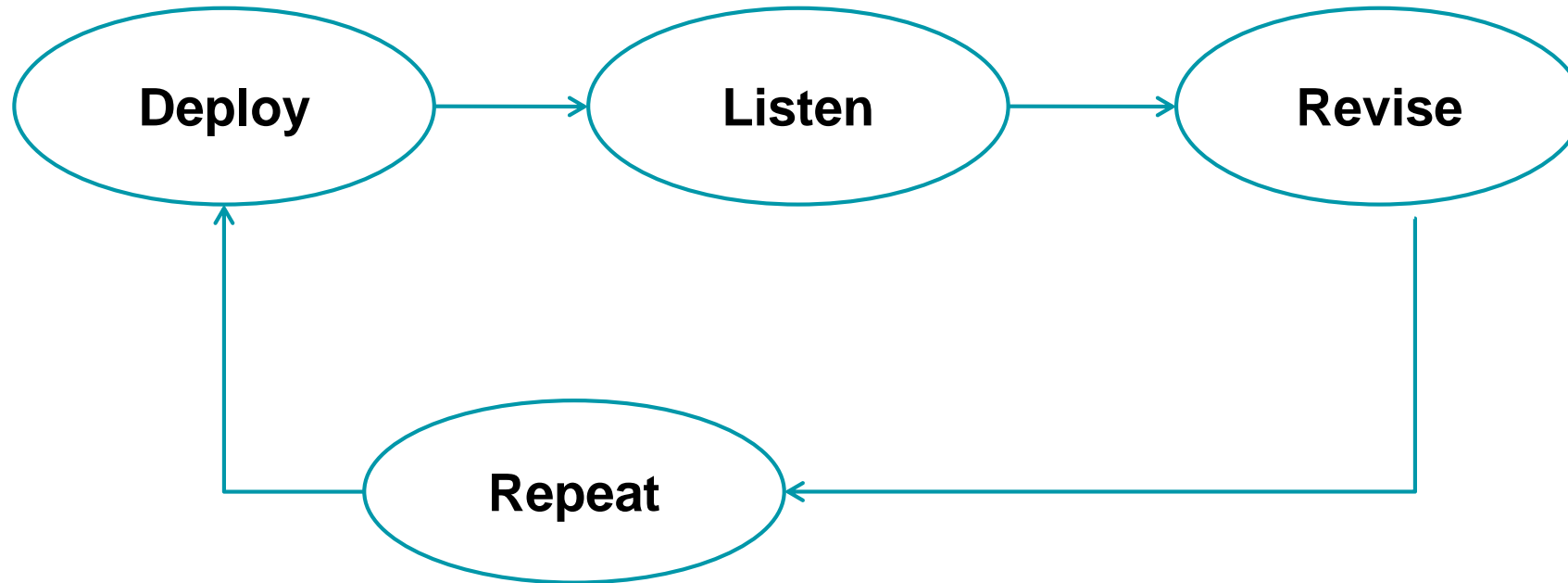
- To keep pursuing the opportunity;
- To wait for a better time to move forward with the decision (perhaps in a better economy, or when the market matures, or after you get additional experience or training);
- To stop working on the idea and look for something else.

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.

From ideas to opportunities through creativity

Pilot Test

The four stages of a Pilot Test



**Circular
process**

From ideas to opportunities through creativity



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 (and also proactivity)**
 - **Look to unlikely sources of opportunity**

Entrepreneurial organizations tend **to keep an open mind**. They tend to encourage people **'to think outside the box'** and **reward for successful ideas**.

Innovation is at the heart of entrepreneurship...

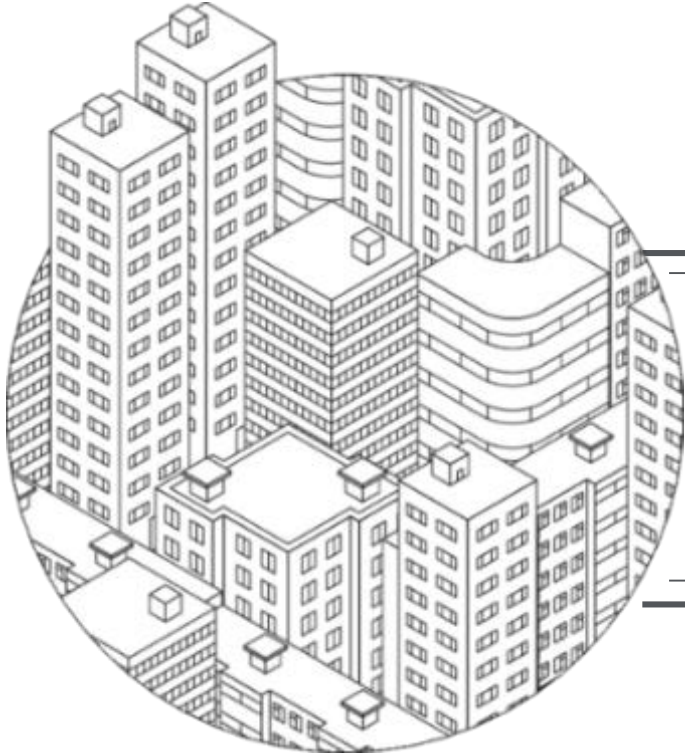
Creativity is contagious...pass it on!!!

Remarks and question



Main references

Main References



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- Slide of lesson 2;
 - Pet Élan Feasibility Study;
 - Serenity Spa Feasibility Study;
 - Katz J.A., Green II R.P., Entrepreneurial Small Business, chapter 4
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