Starting New Ventures 64-361.202
Chap 2 Recognizing Opportunities and Generating Ideas.

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Opportunity

- **Opportunity** - a favorable set of circumstances that creates a need for a new product, service, or business.
- **Opportunity gap** – identifying a missing piece, a NEED, and a new way to fill that gap.
- Not driven by a desire to make and sell. Not an IDEA.
- Driven by filling a market's need to (and ability to) buy.
- Incremental innovation rarely works for new business, but is often the hallmark of established businesses.
  - Building a better mousetrap rarely leads to the market beating a path to the inventor’s door – unless it visibly and significantly changes the game for mouse catching!
- **Window of Opportunity** – timely, not too early or too late.
Example: Rabies Mono-clonal antibody – UMass Biologics Lab

• Discovers monoclonal antibody for rabies
• More effective than current 30 day shot series
• Reduces cost of treatment dramatically
• Reduces suffering of person being treated.

• This is a great IDEA!

• Is it a great OPPORTUNITY?
Example: Rabies Mono-clonal antibody
– UMass Biologics Lab -2

• Is this a great opportunity?
• Is there a huge need and demand for this product by a group that is willing to BUY it?
• Does that identified market represent enough economic incentive to create a business and justify the investment?
• What investment would be needed to bring this to market?

• Market in the U.S. is very small. The few patients are generally treated by public health organizations.
• The cost of doing animal and human clinical trials is huge.
  – Pre-clinical, Phase 1, 2, and 3
  – Cost of bringing a drug to market $1.2 Billion (Tufts -1990-2003) with a lag of over 8 years.
Example: Rabies Mono-clonal antibody
– UMass Biologics Lab -3

• Conclusion: there is no viable US market to justify the investment. There is no (immediate) U.S. opportunity.

• Alternate strategy:
  – Rabies is endemic in India tens of thousands die each year
  – Cost and duration of treatment unsustainable.
  – Cost of clinical trials and development in India is much lower

• Solution: license monoclonal to Indian company for development.

• Future strategy? Bring it back to the US after complete?
Four Essential Qualities or Dimensions

- Attractive
- Timely
- Durable
- Anchored in a product or service that creates or adds value for a customer
From Trends to Opportunity

Economic Forces
- economy
- income
- spending

Social Forces
- social-cultural
- demographic
- trendiness

Technology
- new
- emerging
- new use for old

Political Forces
- political arena
- regulatory

Gap
- Business, Product, Service
- available vs possible

New
- Business, Product, Service
Economic forces -examples

• A rising economy – more discretionary income
• A falling economy – products that cut costs or expenses
• Increasing or decreasing energy prices
• Increasing income disparity
• Interest rates rising or falling, low or high
• Access to less expensive labor for products
• Many others
Social forces

- The biggie for the last four decades: baby boomers
- Increasing diversity in the workforce
- Formation of online communities and popularity of social networks
- Change from wired phones to mobile phones as dominant communication device.
- Interest in healthy living (see boomers above!)
- Alternative energy – especially “clean” energy.
  - Popularity fluctuates wildly with variation in energy cost.
- Educational need – continuing education. Learning economy.
- Income disparity is also a social force as well as an economic force.
Technology advances

- Personal computing
- The Internet
- Mobile phones.
- Medical Imaging
- Pharmacology
- Biologics
- RNAi – microRNA- gene silencing
- Genomics – personal medicine
Political and Regulatory Changes

• Tax policy – gasoline, cigarettes, oil depletion allowances
  – Taxes do 2 things: 1. raise revenue 2. decrease use of thing being taxed
• Health and safety regulation – OSHA, EPA
• Energy policies – alternative energy tax credits etc.
• Cyber-security
• National Health Policy – Medicare, Medicaid, Obamacare, Drug coverage, etc.
• Education policies – financial aid, standards, compliance, Clery Act, FERPA, Deemed Exports,
Entrepreneurial Orientation (Lumpkin & Dess -1996)

- **Environmental Factors**
  - Dynamism, Munificence, Complexity, Industry Characteristics

- **Entrepreneurial Orientation**
  - Autonomy, Innovativeness, Risk taking, Proactiveness, Competitive Aggressiveness

- **Performance**
  - Sales growth, Market share, Profitability, Overall performance, Stakeholder satisfaction

- **Organizational Factors**
  - Size, Structure, Strategy, Strategy making processes, Firm resources, Culture, Top management team characteristics
From Idea to Market or Community Use

Idea Generators: University Research, Corporate Innovation, Individual Invention, Social Innovation, Intellectual Capital

Entrepreneurial Process

Flow of Human Capital: Students or Employee migration

Licensing

Patents

Communities and Markets
Tesla Motors - all electric high performance cars

- Economic Trend – increasing gas prices
- Social Trend – desire to be green
- Technology Advances – Battery and motor improvements
- Political Regulatory Trend – favorable treatment and support for alternative energy systems.
Opportunity Recognition

• Solving a problem
  – Every problem is a brilliantly disguised opportunity –Gardner

• A major problem in the 90’s: The Learning Corporation
  – Rapid changes in technology, computers, the internet, globalization, and intense economic competitiveness were forcing companies to adapt. To adapt, their employees had to learn many new things.
  – Employee training is expensive –especially for large geographically distributed firms.
  – How could they provide rapid learning opportunities to employees without breaking the bank at a time when economic competition was ferocious?

• Later we will discuss a case study of ILinc LearnLinc as an example of one solution.
Problems and Solutions

• Elevator wait – mirrors
• Children online – parental safety software.
• Cell phone battery life – solar chargers, crank phones, etc
• Hospital sanitation – washing monitors, anti-microbial materials
• Undershirts un-tucked – Tommy John long undershirts
Market Gaps

- No women’s guitars
  - Daisy Rock
- Hard to find green jobs
  - GreenJob Spider
- Fashionable clothing-odd size
  - Lane Bryant, CasualMale, Ashley Stewart, RealKidz, iGigi, Bodacious
- Fast Casual-Fast food that is better than the usual
  - Panera, Chipotle, Cosi, Brueggers
- Soft drinks that are healthier
  - Snapple succeeded, Clearly Canadian failed

- Can you all think of examples?
Opportunities need to be *Recognized*.

- People recognize opportunities. Some are good at it. Others?
- Characteristics
  - Prior Experience
  - Cognitive Factors –entrepreneurial alertness
    - A major key factor is market awareness and sensitivity.
  - Social Networks –solo entrepreneurs and network entrepreneurs
    - Strong tie relationships frequent interaction
      - Often tend to see problems in the same way
    - Weak tie relationships –in-frequent
      - Weak ties are shown to lead to more ideas –different perspectives.
  - Creativity – the process of generating new, often unique, and useful, ideas.
Creativity Components

• Preparation
  – most business ideas stem from previous experience –often at work.
  – Malcolm Gladwell -10,000 hour rule –”Outliers”

• Incubation
  – Pondering or ruminating an idea just below the surface.

• Insight –”Eureka” –”Aha!”

• Evaluation
  – Viability –find the weak spots. Don’t be blinded by a dream

• Elaboration
  – Working out all the details –doing the business plan
Idea Generation Techniques

Barringer’s take on this. OK, but not my own take.

• Brainstorming
  – No criticism
  – Freewheeling crazy ideas
  – Fast pace – no pontificating or arguing
  – Leapfrogging

• Focus groups

• Library and internet research

• Other: customer advisory boards, day-in-the-life research

• Create an idea bank on your intranet.
Microsoft programmer/project manager-IE,Windows  -Author

• The myth of epiphany
• We understand the history of innovation
• There is a proven method
• People love new ideas
• The lone inventor
• Good ideas are hard to find
• Your boss knows more about innovation than you
• The best idea wins
  – All WRONG!!!
## Creativity

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<tr>
<th>Inhibitor</th>
<th>Facilitators</th>
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<tbody>
<tr>
<td>Fail to hire creative</td>
<td>Hire creative</td>
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<tr>
<td>Stifling culture</td>
<td>Reward creativity</td>
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<td>Pigeonhole people for years</td>
<td>Give employees varied experiences</td>
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<td>“Tried it didn’t work” all ideas already known</td>
<td>Tolerate challenges to established ideas</td>
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<td>Hire like minded people</td>
<td>Hire diverse skills, experiences, and viewpoints</td>
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## Supervisory approaches to creativity

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<tr>
<td>Pessimistic- judgmental -critical</td>
<td>Be supportive of early ideas</td>
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<tr>
<td>Punish failure</td>
<td>Learn from failure</td>
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<td>Force certainty and precision too early</td>
<td>Protect honest mistakes as long as learning occurs</td>
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<tr>
<td>Remain distant and inattentive to employees ideas</td>
<td>Treat employees as equals –non-hierarchical</td>
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Protect Ideas – Intellectual Property

• Put into tangible form with dates and key ideas.
  – Trade secret
  – Patent
  • Note: authors explanation of patents is wrong. It is no longer first to invent – it is first to file.

• Keep it in secure manner
  – Industrial cyber-espionage has been an epidemic and large countries have even been accused of being involved on behalf of key industries.

• Avoid prior disclosure
  – If you disclose an idea publically – either in a talk or paper – you forfeit the right to patent it.

• We will return to Intellectual Property in more detail later in this class.