



# UNIT-1: ENTREPRENEURIAL OPPORTUNITY

*"The best way to predict the future is to create it."*

*- Peter Drucker*

## Learning Objectives

The learner would be able to:

- Understand the concept and elements of business opportunity
- Understand the factors involved in sensing opportunities
- Understand the concept of environment scanning
- Enlist the various factors affecting business environment
- Understand the meaning of idea fields
- Enlist the various sources of idea fields
- Understand the technique of transformation of ideas into opportunities
- Understand what is trend spotting
- Elaborate on the creative and innovative processes



### Case Study-I Bull in a China Shop

*La Opala is India's only opal glassware maker and ready to take on global competition.*

*In the 19<sup>th</sup> century, it was common to import good china crockery in return for opium exports from Calcutta. However, bone china crockery never really caught on, because it used cow bone ash. Even today, food is served on glass plates at traditional weddings for this reason.*



La Opala

*The porcelain and glass tableware market in India has always been strong. However, after independence and under foreign exchange restrictions, crockery imports tapered off and the market was filled with small manufacturers with products of suspect quality.*

*A small glass kiln, Radha Glass, at Madhupur in Bihar, has been making tea shop glasses, jars that are found in the neighbourhood grocery shop, and hurricane- lamp shades for decades. The eldest son of the family, Sushil Jhunjhunwala, inherited his father's business in the mid-1980s. Jhunjhunwala realised that nothing big could had happen, if he stuck to traditional glass products and was persuaded to look around. He got an idea when, in late 1980s, during a trip to South Korea, he came across an opaque white glass called 'Opal'. Impressed by its look, he decided to manufacture it with the use of imported machinery – and La Opala was born in 1988.*





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Jhunjhunwala's timing was almost perfect because liberalisation and the Indian middle-class affluence began to bloom after 1991, and every middle-class home was gifted one or two La Opala sets at a wedding. "The idea was to bring out an elegant product, Indianise it and make it readily available at an affordable price. Also, the attractive oven – proof designs were a welcome change from the heavy porcelain and china tableware that dominated the Indian market at that time" recalls Jhunjhunwala.

In 1996, Jhunjhunwala started a handmade lead-crystal glassware unit in collaboration with Doosan of South Korea. It was a well-placed investment because labour rates in the main crystal manufacturing countries were high and also because the Indian middle classes were developing a penchant for good glasses. Solitaire, hand-made, lead-crystal glassware making has now matured with 1,100 tpa production and annual sales at ₹18 crore. There are about 150 skilled workers who hand-carve crystal at the Madhupur plant.

In 2007, Jhunjhunwala started a second plant in Sitarganj near Haldwani in Uttarakhand, attracted by the hill-state tax regime and its proximity to Delhi's fancy market. Now, the plant capacity has just been doubled to 8000 tpa at an investment of ₹22 crore. La Opala, a silent performer, has reported sales of ₹157.66 crore and a PAT of ₹22.8 crore for the year ended March 2013- an increase of 34% in revenue from ₹117.5 crore sales, with PAT of ₹12.6 crore, in the previous year. La Opala is the only opal glassware manufacturer in India and holds 40% of the ₹400 crore estimated opal glassware market, in competition with global brands like Corelle of Corning, US and Luminarc of France.

Courtesy: Business India magazine, May 27 to June 9, 2013 issue

Peter F. Drucker defined entrepreneur as one who always searches for an opportunity. The basic test of a successful entrepreneur is the identification of business opportunity in the environment and initiating steps to produce and sell goods and services to make the best use of that opportunity.



### What is a business opportunity?

There are a lot of opportunities in the world of business, which everyone might not be able to spot. An entrepreneur should be able to spot it. Business opportunity can be described as an economic idea which can be implemented to create a business enterprise and earn profits. Before selecting an opportunity, the entrepreneur has to ensure two things-

- There is a good market for the product he is going to produce
- The rate of return on the investment is attractive to be accepted by him



Only when the entrepreneur is able to fulfil these two criteria, he/she can be successful. Quite often, a question arises - Can all ideas be converted into opportunities? Mostly entrepreneurs conceive an idea and start their business without even analysing the market which often leads to satisfying their own ego, and the result is that they launch a product that has very few customers.

### Elements of a business opportunity

A business opportunity may be described as an attractive economic idea which could be implemented to create a business, earn profits and ensure further growth. A business opportunity has five elements which are as follows:

- Assured market scope
- An attractive and acceptable rate of return on investment
- Practicability of the idea
- Competence of the entrepreneur to encash it
- Potential of future growth

### Case Study-II Meals-on-Wheels

*How many of you have travelled long distance in Indian trains? Wouldn't it be great to order food of your choice online while booking your train ticket so that it can be delivered at your seat in the train? That's exactly the service TravelKhana offers to train travellers.*

#### **The Idea**

*Travel is a passion for the founders of TravelKhana and there is considerable work done in the Indian internet space in this sector. However, they felt, once a passenger buys a ticket, there is very little that technology has to offer in terms of the passenger's needs being fulfilled for food, local transport and local lodging. This is an even bigger problem for the train passengers and there is a huge gap between demand and supply. Being someone who has suffered several times while travelling, Pushpinder came up with this idea of capitalizing on this opportunity.*

*TravelKhana is a marketplace that connects passengers with several restaurants on the Indian rail network. It offers a variety of choices to a railway passenger so that the passengers can order food as per their liking and at their price point while they are travelling. Travelkhana.com is a Service for transforming the experience of the railway passenger. TravelKhana aims to solve a "food-on-the-move" issue by making available fresh, tasteful food to Indian Railways' commuters. Travel in India inefficiency and their mission is to remove those inefficiencies through operational excellence.*

#### **The Founder**

*Pushpinder Singh, CEO & Chief Architect of TravelKhana has a Masters degree in Computer Science from BITS-Pilani and a B.Tech from IT-BHU. He has over 15 years of software and technology industry experience, particularly focused around the product industry, besides having played the role of CTO in 2 of his earlier successful ventures.*







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Pushpinder was most recently the V.P Technology and acting CTO for INCA Informatics. He has, in the past, provided sustenance, continuity and providing thrust to an existing world leading product (Quark Xpress). Creation & contribution has been a hallmark of his career and he has been instrumental in creating and taking to market multiple products of repute at Quark, ARI Labs and Aplion Networks.



Pushpinder Singh

### **Start-up and Growth**

We all know that Indian Railway is one of the biggest networks in the world. It's been a backbone of Indian transport for more than 50 years and will always be. There are new trains launched after every budget, along with new or extended train routes. 8 billion people travel in India by train annually and of them 10% are premium users.

The TravelKhana automated platform, tracks trains in real time across India and ensures that fresh food is delivered to the passenger as per their choice in real time. It also helps vendors and restaurants in terms of effective and efficient fulfilment. Additionally, it completes an entire fulfilment cycle right from the point of ordering to delivery, customer feedback and reconciliation.

TravelKhana currently operates by offering a call center interface as well as a web interface to passengers. The web version is currently in beta and still undergoing changes. These interfaces will be followed with a Mobile App and an SMS versions. TravelKhana will take your order with a minimum of one hour of lead time before the train arrival at a particular station.

The company tied up with travel agents who sell railway tickets. Travelkhana.com provides them free paper to print their tickets in return for advertisement space on the back of the ticket. What better way to reach out to your target audience! Travelkhana.com also offers each agent a login ID to the travelkhana.com website in case passengers want to book their meals while booking their tickets.

TravelKhana currently operates in 30 cities and is rapidly expanding across the railway network. Now, they are looking at adding several cities across the Indian map and increasing the market size. They also plan to focus on acquiring the Internet customer using a focused marketing campaign and to work along with vendors such that a delightful customer experience can be provided to the customers each time with reliable deliveries and excellent quality of products each time an order is placed. This will require efficient logistics as well managing that the quality of food is consistent with each delivery. TravelKhana has tie-ups with about 200 vendors across 50 railway stations in the north and west and has plans to expand to other regions by pulling in venture capital. Once the rail business stabilises, Singh also intends to extend the convenience to bus passengers.

### **Funding**

The founders have invested ₹20 lakhs (approximately) so far in addition to the accrued revenues from services. The promoters have further committed ₹30 Lakhs to the venture. They are also looking for raising an angel round now and are at various stages of discussions with potential investors.

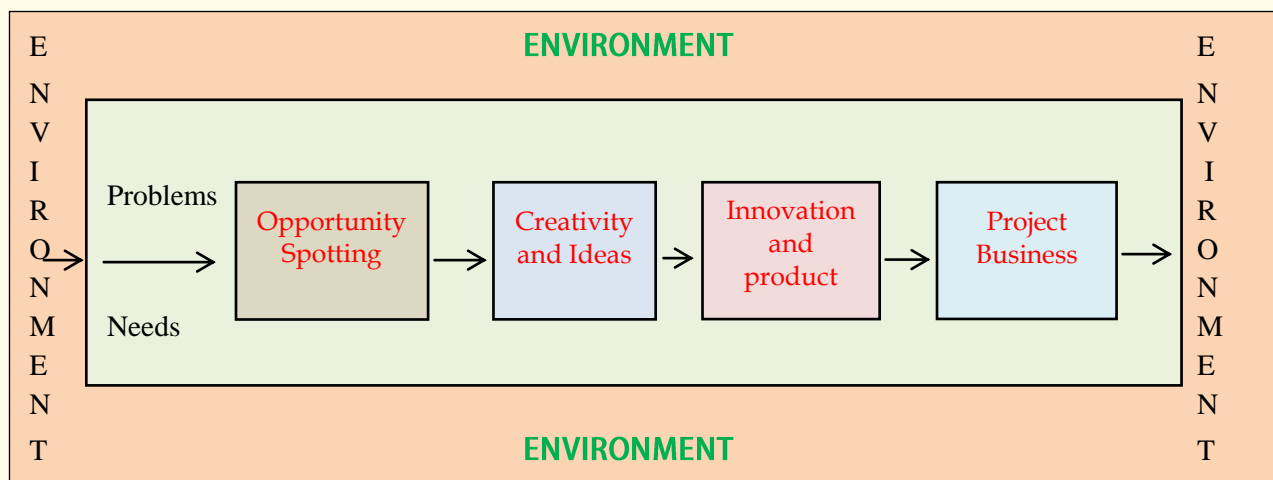


## Challenges

While starting up, they faced several challenges such as focused customer acquisition, training the vendors with the process, operations and logistics management and resistance from existing and established players. While the aspects related to logistics management are aided by the platform technology, TravelKhana continues to work on others.

## Exploring opportunities in the environment

A prospective entrepreneur has to find an opportunity which would be suitable for him/her in terms of customers to be served and profits expected. An opportunity may be derived from the needs and problems of the society.



Enterprise Process Diagram

**This diagram shows the following stages:**

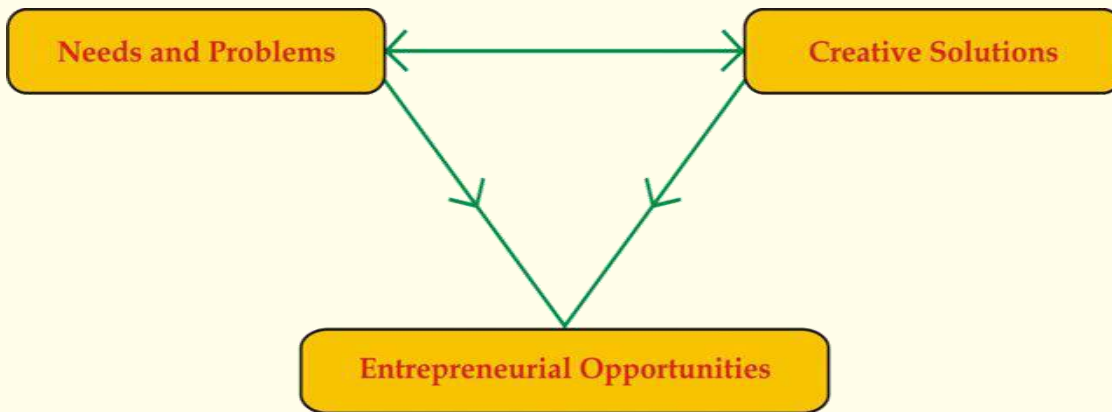
- Opportunity spotting by analysing the needs and problems that exist in the environment
- Evaluating the ideas received from different sources to find a creative solution
- Identifying a product or service through innovation
- Setting up a project and nurturing it to success

Sensing entrepreneurial opportunities is thus a process of converting an idea into an opportunity and then into an enterprise. We can see clearly that the first stage is to spot the needs by looking into the needs and problems that exist. For example, in the second case study on TravelKhana, we can clearly see that the entrepreneur struck on the idea of starting the venture when he faced problems himself, while travelling. It is then he saw the opportunity that people are ready to pay money for good quality food while travelling.

## Perceiving and sensing opportunities

The entrepreneurs perceive opportunities, synthesize the available information and analyse emerging patterns that escape the attention of other people. They are people with vision, capable of persuading others such as customers, partners, employees and suppliers to see the opportunity, share and support it.





### Factors involved in sensing opportunities

To sense an entrepreneurial opportunity, an entrepreneur employs his/her sharpened skills of observation, analysis and synthesis to identify an opening. The most important factors involved in the process are:

1. Ability to perceive and preserve basic ideas which could be used commercially
2. Ability to harness different sources of information
3. Vision and creativity

### Ability to perceive and preserve basic ideas

Spotting an idea often triggers the process of sensing an opportunity. The following are the various sources which lead to the emergence of basic ideas.

- a) **Problems:** When a problem exists, an idea leads to a solution to resolve that problem, it emerges as a business opportunity.
- b) **Change:** A change in social, legal, technological aspects etc. leads to new opportunities to start a business.
- c) **Inventions:** New products or services leads to new business opportunities.
- d) **Competition:** Competition often results in emergence of new and better ideas that result in new business opportunities.
- e) **Innovation:** Creating new things of value as well as new and creative processes that add value to the existing products or services. For example, computers to tablets.

### Ability to harness different sources of information

Various sources like magazines, journals, books, seminars, trade shows, family members, customers, friends etc. help in getting information that results in evolution of basic ideas. Bring together various sources of information and knowledge, and analyze it to the best possible extent. The analysis helps in the identification of the right opportunity to start a new business.

### Vision and creativity

Creativity in innovating a solution and vision. The entrepreneur should be able to creatively identify an idea to generate a valuable solution to a problem. Once the solution is identified



their vision to convert the solution into business opportunity helps them to move forward, overcoming all the obstacles. They constantly

- a) overcome adversity
- b) exercise control over the business
- c) make a significant difference.

### Environment scanning

Business environment may be defined as all those conditions and forces external to a business unit under which it operates. Entrepreneurship does not emerge and grow spontaneously. Rather, it is dependent upon several economic, social, political, legal and other factors.

#### What is environment scanning?

Careful monitoring of an organization's internal and external environment for detecting early signs of opportunities and threats that may influence its current and future plans.

#### Why do we need to scan our environment?

In a rapidly changing environment, one rule of thumb applies: If you don't adapt, you don't endure. This is the core idea behind environmental scanning. Definitions of the term refers to the means by which organizations gather information on changing conditions and incorporate those observations into a process where necessary changes are made. The right information, combined with the right adaptations, can determine an organization's future viability. If an entrepreneur is not aware of the environment surrounding his/her business, he/she is sure to fail.

#### Importance of environment

Sensitivity to environmental factors is crucial for an entrepreneur. If a company is able to adapt to its environment, it would succeed in the long run. For example, Sony is failing to understand the changing trends in mobile phones and therefore losing its market share. The benefits of understanding the relevant environment of business are:

##### i) Identification of opportunities to get first mover advantage:

By keeping in touch with the changes in the external environment, an enterprise can identify opportunities and find strategies to capitalise on the opportunities at the earliest. For example, Volvo, the Swedish brand, has 74% share in the luxury bus segment as it had entered India earlier.

##### ii) Formulation of strategies and policies:

It helps in identifying threats and opportunities in the market. These can serve as the basis of formulation of strategies to counter threats and capitalise on opportunities in the market.

##### iii) Tapping useful resources:

If the company has a thorough knowledge of the external environment, it can tap raw materials, technology and even financial resources from the market at economical prices, at the right time.







iv) **Better performance:**

Proper understanding of the various elements of the external environment is necessary to take timely action to deal with threats and avail opportunities for the purpose of improvement in the performance of the firm.

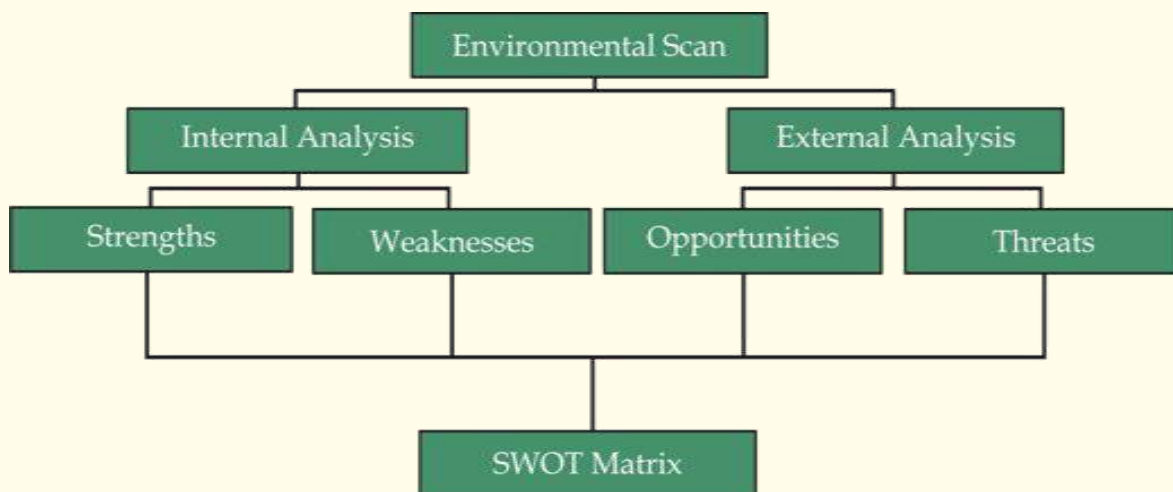
v) **Sensitisation of entrepreneurs to cope up with rapid changes:**

A keen watch on the trends in the environment would help sensitise the entrepreneur to changing technology, competition, government policies and changing needs of the customers. For example, trends in clothing.

i) **Image building:**

If a company is sensitive to the external environment, it will come out with new products and services to meet the requirements of the customers. This would build the image or reputation of the firm in the eyes of the general public. For example, call-radio taxis with additional features like GPS systems, online booking etc.

**SWOT Analysis Framework**



**Analysis of environment**

Environment analysis is the process of monitoring the economic and non-economic environment, to determine the opportunities and threats to an organisation. Such an analysis involves data collection, information processing and forecasting to provide a rational basis for developing goals and strategies for business survival and growth.

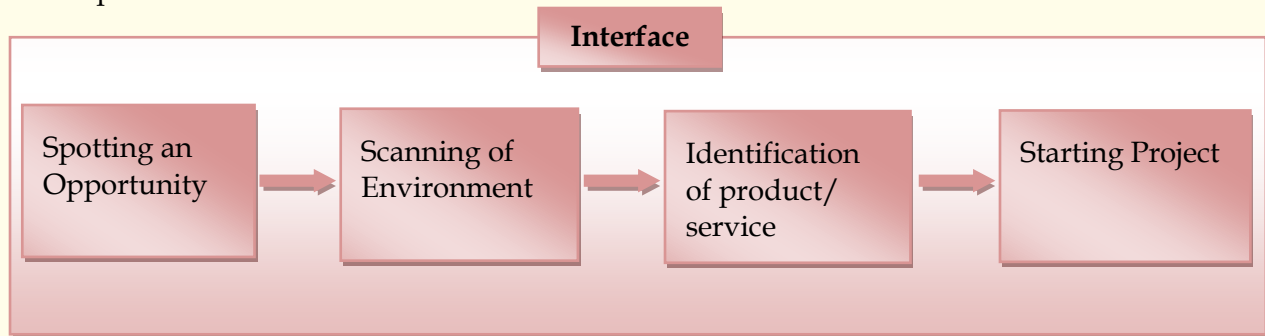
Information for environmental scanning can be collected from several sources. These include

- verbal information from customers, wholesalers, retailers, distributors, consultants, etc.
- records of companies
- government publications
- publications by various financial institutions
- formal studies conducted by strategic planners





The data, so obtained, is processed and analysed with the help of quantitative and qualitative techniques.



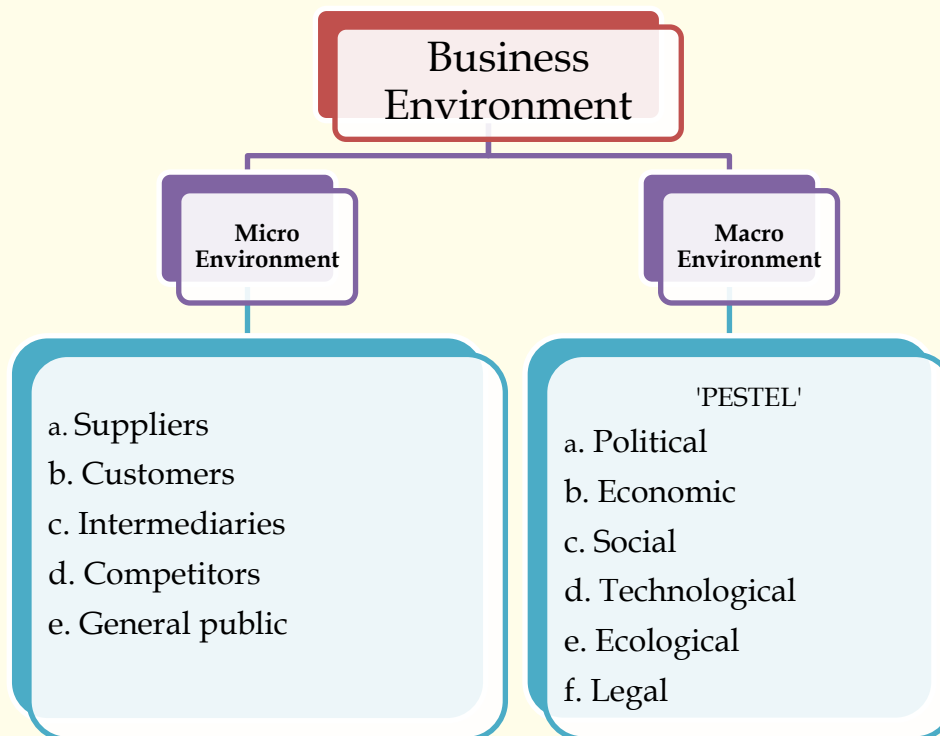
*Opportunity – Project Interface*

The flow chart shows that an opportunity received by the entrepreneur should be tested against important environmental parameters to arrive at a sound business choice. This interface is an evaluative process leading to a judgement. Is it a viable idea? Does it make sound business sense? If yes, the entrepreneur can proceed to the next stage of product or service identification.

### Environmental factors

Entrepreneurship environment refers to the various forces within which various small, medium and large enterprises operate. These factors exert influence upon each other and do not operate in isolation.

Business environment consists of two levels, i.e., micro environment and macro environment.





The micro factors have been discussed in class XI, so we move on to factors affecting the macro environment.

### The PESTEL Model

**Political:** The political environment includes taxation policy, government stability and foreign trade regulations.

**Economic:** The economic environment includes interest rates, inflation, business cycles, unemployment, disposable income, energy, availability and cost.

**Social:** The social/cultural environment includes population demographics, social mobility, income distribution, lifestyle changes, attitudes to work and leisure, levels of education and consumerism.

**Technological:** It is influenced by government spending on research, new discoveries and development, government and industry focus of technological effort, speed of technological transfer and rates of obsolescence.

**Ecological:** It considers the ways in which the organisation can produce its goods or services with minimum environmental damage.

**Legal:** It covers areas such as taxation, employment, law, monopoly, legislation and environmental protection laws.

For example, an airline is planning to expand over the next five years. The following would be some of the PESTEL factors it should consider:

**Political:** Political unrest, terrorism, landing rights in foreign countries.

**Economic:** Oil prices, exchange rates, taxation (For example, VAT on fuel), economic boom or depression (airline revenues are very sensitive to business traffic)

**Social:** Change in population size, fashion (For example, increasing willingness to go on short breaks)

**Technological:** Engine efficiency, new aircraft being planned, better and cheaper video conferencing.

**Ecological:** Concern about the impact of carbon emissions from jet engines, noise, resistance to airport expansion.

**Legal:** Health and safety regulations, consumer legislation (For example, compensation for cancelled flights), safety and security legislations.

### Problem identification

A *problem* is a roadblock in a situation, something that sets up a conflict and forces you to find a solution. When an entrepreneur identifies such a road block, he/she is said to have identified the problem.

#### Objectives of problem identification:

- It should clearly state the problem
- Identify target group facing the problem



- Find the market acceptability of the solution to the problem

### Uses of problem Identification

It helps the entrepreneur to:

1. Bring out new products in the market
2. Understand the problems and needs of the market
3. Be creative
4. Increase employment generation
4. Increase national income (of the country)

For example, in our everyday lives, we face a number of problems for which we wish sometimes for instant solutions. If we look carefully, there is an array of instant food products flooding the market on a daily basis. Some of them are very successful, the reason being that, the younger generation is highly career-oriented and does not have time to cook. New websites came into operation which were results of problems faced by the entrepreneur herself. For example: [www.nurseryadmissions.com](http://www.nurseryadmissions.com).



*Ready to eat food*

### Idea generation

The process of creating, developing, and communicating ideas which are abstract, concrete, or visual. It includes the process of constructing through the idea, innovating the concept, developing the process, and bringing the concept to reality.

Business ideas are all around you. Some business ideas come from a careful analysis of market trends and consumer needs; others come from serendipity. If you are interested in starting a business, but don't know what product or service you might sell, exploring the ways of getting business ideas will help you choose.

### Idea fields

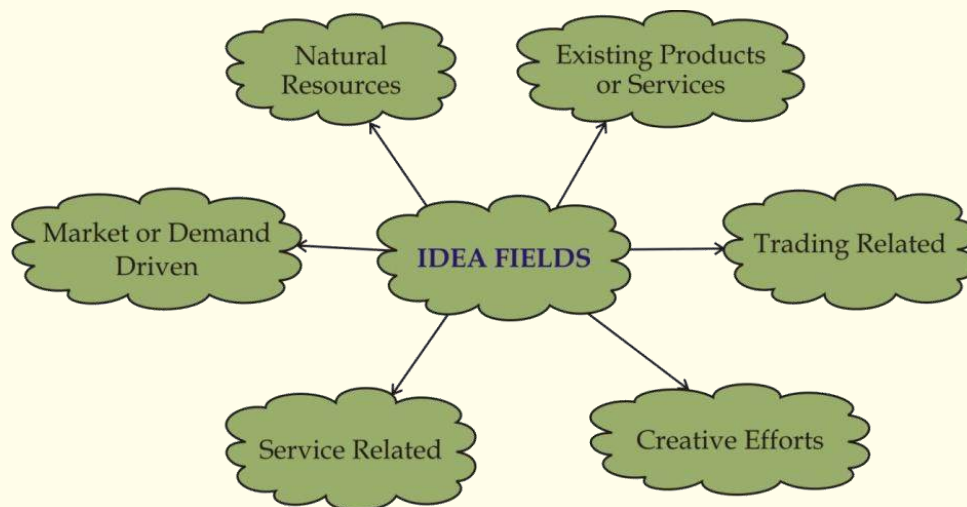
By following different ways for generating ideas an entrepreneur collects a number of ideas. The process of generation of ideas can be streamlined by developing an awareness for different 'idea fields'. This will help the entrepreneur in enlarging the scope of thinking, at the same time structuring the ideas according to convenient frames of reference.

Idea Fields can be described as: 'Convenient frames of reference for streamlining the process of generation of ideas.'





## Various sources of idea fields



### a) Natural resources

Ideas can be generated based on natural resources. A product or service may be desired from forest resources, agriculture, horticulture, mineral, animal husbandry, wind, sun and human resource. A further exercise with a field may generate many useful product ideas.

Natural Resource	Existing Use	Potential Use
Lumber	Timber	Furniture and other wood based products
Horticulture	Plant cultivation	Food preservation, canning, freezing and pickling
Citrus and other fruits	Juices	<ul style="list-style-type: none"> <li>Selling of preserved fruits for supermarkets;</li> <li>Bottled local juices for sale</li> </ul>
Medicinal herbs	Remedies	Medicines and bio fertilizers
Clay	Soil	Ceramics
Flowers	Selling in market	Selling at a wider scale, to provide to floral decorators
Water resources (sulphur spring, waterfalls)	Domestic and recreational use	<ul style="list-style-type: none"> <li>Paid tours for visitors and tourists</li> <li>Opening of a water plant</li> </ul>

### b) Existing products or services:

A great business idea combines skills with imagination and market demand. A business opportunity or idea often comes from everyday problems that someone solves. Successful





businesses find a need and fill it by providing a service or product. Entrepreneurs who look at ways to make an existing product or service better can be as successful as those who create or invent products.

There is a constant and consistent effort on the part of all entrepreneurs to improve the products and services already existing in the markets.

Often, a company will improve or change its existing products. There are many reasons for doing this. It can make a substantial difference in the success of the company and even take it in a whole new direction. However, it can also spell disaster if not done correctly.

How do you improve or change existing products? Change or improvement can come about in many ways. Perhaps you sell a skincare line and would like to change the ingredients around a little. Or maybe you run a math tutoring business and would like to expand into other subjects, like science or commerce.

While it may seem like only good can come from improving, adding to, or changing different products around, this is not always the case. It must be done skillfully, or else other problems can arise. There are a number of pros to changing or improving your existing product line, including:

**Keep up with the competition:** If you provide services or products in an industry that is constantly changing, it's important to stay aware of the latest in industry trends so you can continue to be competitive; for example, you own a hair product supply store that sells flat irons for straightening hair. More and more places are selling ceramic irons as hair experts say they are better for hair. In this case, it would be advantageous to update the products to reflect the latest in technology.

**Increase sales:** The main reason people will change and improve their existing product line is to increase their sales and ultimately, their revenue. By adding to the product line, you can take your company in a new direction by increasing sales. Let's take the example of the tutoring business. While you may have a good number of clients, they are all math students. Just as many students will need extra help in other disciplines. Expanding the existing service will only result in increased profits.

So thinking about existing product and service can generate a number of ideas to improve them or to provide cheaper substitutes or to bring about a reduction in price.

### c) **Market driven or demand driven ideas**

We have already seen that one of the important methods for generating ideas is to carry out a market research. Such a study yields valuable data about trends of supply, demand and consumer preferences.

Market research is any organized effort to gather information about target markets or customers. It is a very important component of business strategy. The term is commonly interchanged with marketing research; however, expert practitioners may wish to draw a





distinction, in that marketing research is concerned specifically about marketing processes, while market research is concerned specifically with markets.

Market research is a key factor to maintain competitiveness over competitors. Market research provides important information to identify and analyze the market need, market size and competition.

Market research, which includes social and opinion research, is the systematic gathering and interpretation of information about individuals or organizations using statistical and analytical methods and techniques of the applied social sciences to gain insight or support decision-making.

Whatever the source of information about the market, it is a promising field for generation of ideas. Idea generation is knowledgeable, creative and systematic. It develops from knowledge of the consumer, the market, the technology and the general environment, and it creates newness in product, production and marketing. It systematically develops product ideas to satisfy the aim of the project and therefore the business strategy.

#### d) **Trading related ideas**

Trading these days is not limited to ordinary grocer or distributor outlets. With increasing consumerism, the scope and nature of trade has enlarged; local trade, import and export, e-commerce are all making trading a very wide area of enterprise. Trade, in simple terms, is buying goods and services and selling them to consumers at a profit. One big advantage that trading has over other types of businesses is that, it is easier to launch and less risky.

It is however, necessary for a prospective trader to be aware of the trends in an economy. With the opening of the market to International Companies, large size departmental stores, chain shops and umbrella markets have become omnipresent; competition has become intense and to survive in the market, new entrants will have to acquire skills, competencies and knowledge required to launch, manage and expand business opportunities.

#### e) **Service sector ideas**

Entrepreneurial opportunities are not only restricted to the manufacturer. Service sector is the most growing field these days, the world over, thanks to emerging knowledge societies and advancements in Information and Technology. So, new opportunities can be identified by understanding the linkages to different business activities.

The list of opportunities ready for the taking in the food and other service areas is rather long. Amongst the most interesting ones in the food sector are the following:

- **Indian fast food/finger food:** While 'pizzas' and 'burgers' and popcorn may find a lot of favour from Indians across India, and across all age and income groups, the fact remains that almost all regions of India still have their own local fast food options and far outsell the "imports".

McDonald's and Pizza Hut can be the role models in terms of efficiency of service, hygiene, quality, and overall value, but the menu should be "Indian" rather than Indianised version of American food.



- **Family dinner:** These can be based on the ubiquitous American Dinner concept or even the Indian version like Nirula's offering Indian style "Plated or Combo" meals, with table service and overall good price-value equation.
- **Sandwich and salad parlours:** Subway's success in select locations, despite somewhat inconsistent product quality, poor service, and high prices, indicates the tremendous opportunity in this segment. Prêt a Manger (A McDonald business, operating largely in the UK) seems like an interesting format for India.
- **Ice-cream and juice/beverage parlours:** Sadly, there have been many start-ups and some continue to do well. However, there is a glaring gap between the appropriate price/value, need and the available options.

Lack of success in the recent past of some of the start-ups only highlights the need for better conceptualisation and execution of the format, rather than a lack of market opportunity.

- **Indian "desserts" and "snack food" chains:** Lastly, in the genre of food and food service chains, one of the biggest opportunities remains in starting national or at least regional chains offering Indian sweets, *namkeen/farsans*, and snack-foods such as *pakodas* and *samosas*. Haldiram's success should certainly put any doubt on this opportunity to rest. What is needed is a belief that the Haldiram business model can be replicated (and certainly improved upon from the customer service perspective) by even large business houses such as ITC and others.

- **Speciality tourism:** India is incredibly blessed with one of the most diverse set of options when it comes to tourism. Fortunately, the perception of India as a tourist destination is also undergoing a very big positive change outside India.

Creating specialised options for high-end tourists (from abroad) offers a tremendous potential, with many segmentation possibilities based on the target market as well as special interests.

- **Personal grooming salons:** It may surprise some that the biggest organised player for personal grooming, with focus on hair care, example, Habib's to talk about.
- **Career counselling centres:** With over 25 million births per year, and at least 3 million of these likely to go for studies beyond the 12th grade, but having little idea about the job and vocation trends in India and beyond, this is one sector that is poised for rapid growth.
- **Chain of repair and maintenance services for electrical/electronic products:** India is seeing a massive increase in the penetration of electrical/information technology products.

Yet, the ambient infrastructure, as well as relatively low income levels, requires most of these gadgets to be given for repair unlike the more affluent countries where many faulty appliances/gadgets may just be "written off" by the consumer in view of the high cost of repairs.

India's low labour-related service costs can provide a cost-effective solution to the millions, while generating good returns on investment for the entrepreneur.





#### f) Creative efforts

We have seen that creativity is an important and key component of the talents and abilities needed for an entrepreneur. Apart from applying creativity to spot and harness opportunities, it can also be applied to develop new products and services.

There are basically five ways in which creative ideas can be generated:

1. Develop a new product or service.
2. Improve an existing product or service
3. Find a new process or resource for manufacturing a product.
4. Find new markets for existing products or services.
5. Find a new use of an existing product or service.

A very useful concept to bear in mind is that, most often creative products and services are born as results of problem solving. Someone found that while tightening screws, over tightening often resulted in damage to the fixtures. Here was a problem and the solution came in the form of a self-adjusting screwdriver which prevented over tightening. Similarly when doctors found monitoring of dosage of medicine to be administered to patients on a regular basis through traditional methods using a syringe cumbersome, a pharmaceutical firm developed a new process of implanting the required medicine in the patient for constant discharge of regulated and required dosage in to the blood stream.

*Bill Gates, who as an undergraduate at Harvard, developed BASIC for the first microcomputer. He later found Microsoft in 1975. During the 1980s, IBM contracted with Gates to provide the operating system for its computers, a system now known as MS-DOS. Gates procured the software from another firm, essentially turning the thirty-dollar pair of jeans into a multibillion-dollar product. Microsoft's Office and Windows operating software now run on about 90 percent of the world's computers. By making software that increases human productivity, Gates expanded our ability to generate output (and income), resulting in a higher standard of living for all.*

*Sam Walton, the founder of Wal-Mart, was another entrepreneur who touched millions of lives in a positive way. His innovations in distribution warehouse centers and inventory control allowed Wal-Mart to grow, in less than thirty years, from a single store in Arkansas to the nation's largest retail chain. Shoppers benefit from the low prices and convenient locations that Walton's Wal-Marts provide. Along with other entrepreneurs such as Ted Turner (CNN), Henry Ford (Ford automobiles), Ray Kroc (McDonald's franchising), and Fred Smith (FedEx), Walton significantly improved the everyday life of millions of people all over the world.*

#### Product identification

After opportunity spotting and scanning of the environment, an entrepreneurial idea should lead to a definite product.

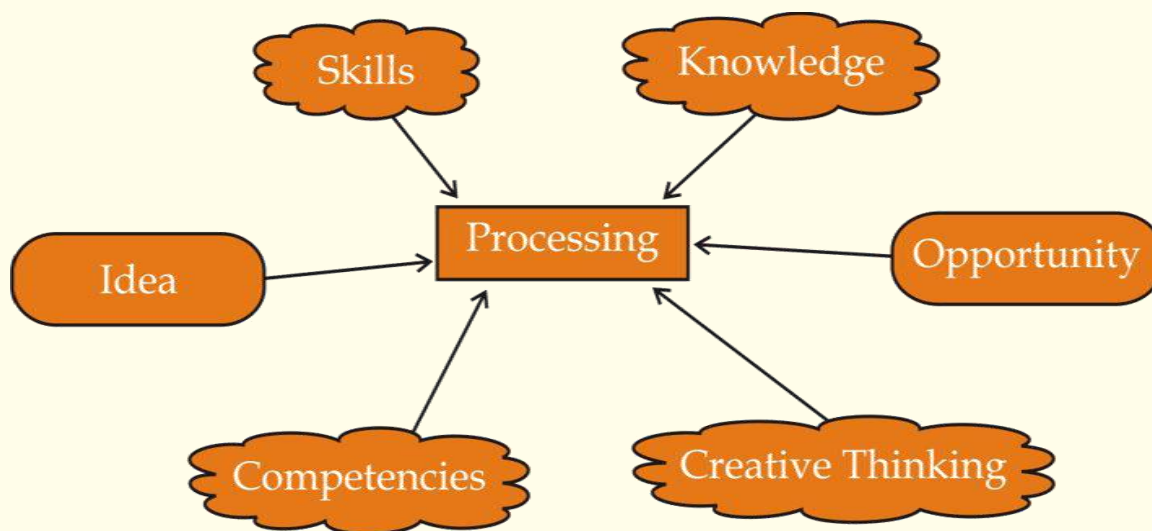
#### Transformation of ideas into opportunities

While the initial spotting of ideas (i.e., basic idea) is of a random nature, the development of ideas after scanning the environment (i.e., post scanning) idea is a more purposeful activity. Thus the





former is an experiential process while the latter is a strategic process. All basic ideas have to undergo a vigorous process of examination, evaluation, analysis and synthesis to identify viable opportunities. This process of a basic idea becoming an opportunity is shown in the diagram below:



*Conversion of idea into opportunity*

The above figure shows that a strategic positioning is required to convert an idea into an opportunity. This simply means that knowledge, skills, competencies and creative thinking needed to develop an idea are backed by factors critical for market success. When knowledge, skills, competencies and creativity are strategically applied or market orientation, a viable venture is born.

### **Idea and opportunity assessment**

In a sense generating ideas is relatively an easy exercise, especially if it is done in groups. However, this process can also become a wild goose chase because all ideas need not necessarily become sound business opportunities. We have to assess it in terms of the potentiality of the opportunity. The steps involved in this type of investigation are discussed below:

#### **1. Product identification**

An idea should lead the entrepreneur to a definite product/service which he can sell. So the first step is to obtain a concept of the product or service suggested by one idea. We should also see whether this product is already available in the market or not. If it is, then we should identify the reason for introducing the same product or service in the market. For example,



*Bracelet Pendrive*

innovating a new pendrive especially for teachers which will have a built in antivirus and which can be worn like a watch so it minimises the problem of losing the pendrive.





## 2. **Application and use**

Ideas should be examined for their real life use and application. If it already exists in the market, we will have to find out its present use, then we may think of modifying it for better use. In the above mentioned example, we can clearly see that even though there are many companies manufacturing pendrives, the latest will be in consonance with the upcoming trends.

## 3. **Level of operation**

This is a crucial test for product/service identification. Depending on the use of the product/service the entrepreneur will produce it in a cottage industry or a small scale-industry or a large-scale industry.

## 4. **Cost**

What is the per unit cost of the product at particular level of operation? Whether this cost is comparable with that of other competitive products? These are some of the questions that have to be answered. This will ultimately decide the sale price.

## 5. **Competition**

Any product or service will face market competition at some stage. So market competition should be assessed through a study of the trends in demand and supply.

## 6. **Technical complexity**

What type of technology is required to produce the product? Whether training and application of such technology will be locally available or will it have to be supported from other places? What would be the position of supply of plant and machinery for such a technology? These are important issues that have to be resolved.

## 7. **Annual turnover and profit margin**

Ideas should also have to be examined on the basis of expected annual turnover. This will also indicate the market share of the product or service.

Once the entrepreneur has assessed the opportunities on these basis he/she should go ahead and assess the market also.

## **Market assessment**

Selection of a product or service will depend upon many factors. While assessing the market, an entrepreneur has to prepare details on the following lines:

### 1. **Demand**

The demand assessment will be based on the size of market being targeted, i.e., local markets, market at state level or national/international market. It will also involve a study of the target groups of consumers, their preferences, tastes and other related variables.



## 2. Supply and nature of competition

While assessing market, supply position is also studied by entrepreneurs. By supply position what is meant is the complete picture of quantities of the product made available in the market by all the existing players. It should take into account future supplies from possible entrants in the field.

## 3. Cost and price of product

It is important to determine the cost of the product and its comparison with available products in the market. Cost variable of competitors in terms of transportation delays, wastage, storage etc., have to be studied to spot cost advantage. This will influence the delivery mechanism of the identified product or service.

## 4. Project innovation and change

Market assessment will require a study of prevailing innovations and changes being carried out by existing entrepreneurs. Technological advancements in the field have to be analysed because they may change the quality and influence the cost and price ultimately.

### Trend spotting

It means identification of new trends. This will help the entrepreneur to understand the market and produce goods or provide services in sync with the market trends. But how do we spot trends?

One of the keys to business success is to anticipate what the market will want or need before the entrepreneurs are aware of it themselves. Since it's unlikely for an entrepreneur to see into the future, the best way to do this is to become a trend-spotter.



Professional trend-spotters charge big money for reports and industry trend updates. But there are some entrepreneurs who spot these trends themselves. There are so many ways to spot trends.

### Ways in which an entrepreneur spots trends

#### 1. Read trends

They regularly read the leading publications and websites affecting their business. This could include industry publications, trade association sites, major newspapers, key business magazines, thought leaders and influential bloggers. So many trends start overseas (London, Paris, Tokyo), so they make sure that they read about what is going on in those cities. At first, they scan information from a wide variety of sources - from international news on down to niche bloggers focused on specific aspects of their industry. Obviously, there's a tsunami of information available. They use tech-tools like RSS feeds, e-mail newsletters or websites and forums to keep on top out of all and get the information they want. They understand quickly which sources are valuable and which should be avoided.





## 2. Talk trends

Talking to people is an equally important trend-spotting tactic. They get involved in specific industry's trade association and attending events both online and offline. They also take advantage of social networking tools like social network websites and forums. They even start or join groups on the networks and see what people are buzzing about and about the latest trends.

It's also important to talk to customers and prospective customers, both online and offline. They use social media or online surveys to get input on what customers are thinking, buying, craving and doing. They also use social network websites and forums to identify key influencers and trendsetters in their target markets. In addition, they pay attention to ratings and review sites -- not just what customers are saying about the business, but what they're saying about the competitor's business.

## 3. Watch trends

There's no substitute for getting out in the marketplace. They make it a point to regularly go where their target customers hang out. If the customers are teenagers, that might be the local mall. If they are business people, it might be the region's "power lunch" restaurant or office park restaurant center. The entrepreneur spends some time simply watching and observing. What are people eating, doing, wearing, using? What stores or restaurants draw crowds and which sit empty? Trade shows are a great place to get trend ideas, too even if they are not looking to buy product, they attend many shows simply to see what's hot.

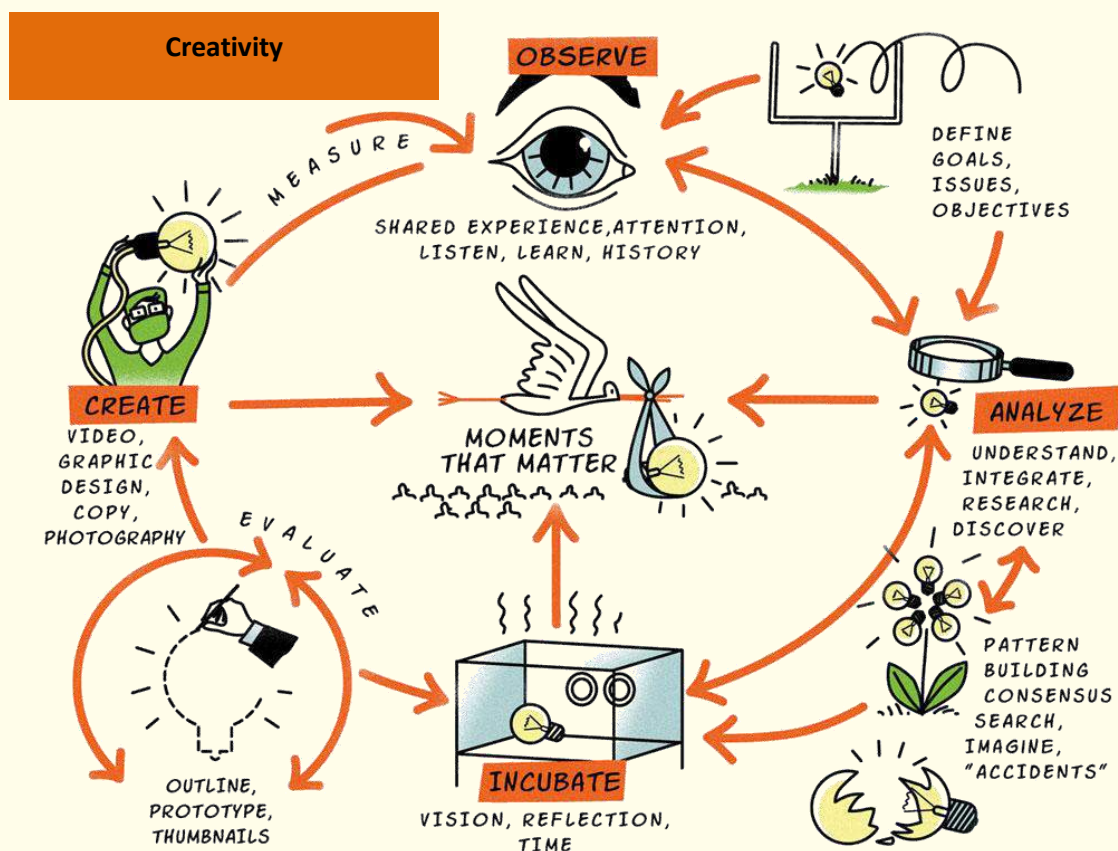
## 4. Think trends

As an entrepreneur begins gathering all these information regularly, they will start to develop a "trend-spotter mind." As they absorb and mull about what they've read, heard and observed, they'll start to make connections and observations that will lead to business-boosting insights. The news about rising shrimp prices, the lines out the door at the Asian-fusion restaurant downtown, and something one of the customers said last week will all come together and they'll have a great idea for a new menu item, a new product line or even a whole new business.

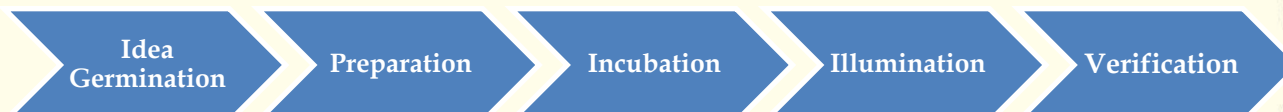
## Creativity

Creativity is important to entrepreneurs because it is the first stage in the process of innovation, providing the stimulus for opportunity discovery and new venture creation. As new entrants, entrepreneurs often justify themselves upon the same dimensions as creativity: novelty, usefulness, and appropriateness. Arguably, one of the first tasks demanded of an entrepreneur is to manifest creative ability through the conceiving of new product-market opportunities and unique value propositions. From these initial acts of creativity, entrepreneurs must build effective organizations that can repeatedly bring ideas to commercially valuable forms in order to survive and grow.





The creative process:



The process of creativity involves five steps: 1. Idea germination, 2. Preparation, 3. Incubation, 4. Illumination and 5. Verification.

**Idea germination:** This is the seeding stage of a new idea. It is the stage where the entrepreneur recognises that an opportunity exists. The idea germination takes place according to interest, curiosity of the entrepreneur according to which opportunity is explored and exploited to its best potential. Creative idea germinates besides the interest, the need of a specific problem or area of study.

Like Mansukhbhai Prajapati, who thought of a non-stick pan made from clay and a clay refrigerator that works without electricity. He wanted to explore the idea of making the refrigerator which will be eco-friendly. He conceived this idea in 2001, but the final product could take shape only in 2004. (Reference: Class-XI, Unit-I)

**Preparation:** On the basis of the idea, interest and curiosity the need is adjudged by the entrepreneur and he starts looking for the answer to implement the idea. If the idea is to launch





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a new product or service then market research is conducted. That happens because the seed of curiosity has taken form of an idea, the entrepreneurs foresee the future of the product.

In the aforesaid story of Mansukhbhai since his wife could not afford to buy a non-stick TAVA (pan). Mansukhbhai's brain stormed immediately that, like his wife there must be thousands of homemakers who would need a non-stick-TAVA. And the idea of clay fridge was considered equally strong and he decided to go ahead.

**Incubation:** This is the subconscious assimilation of information. This is the transition period. The entrepreneur starts thinking about the idea and implementation in his sub-conscious mind. Manshukhbhai went through the process of studying the pros and cons of manufacturing the product before he had launched it.

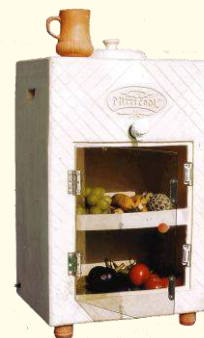
**Illumination:** In this period of illumination the idea re-surfaces in realistic way and entrepreneur comes out with viable plan to give practical shape by collecting raw-material, arranging funds, policy-making for the implementation of idea.

In this case of Mansukhbhai it was important to have enough of funds in hand to buy and keep in store enough raw-material.

**Verification:** Also called the validation or testing stage. This is where the idea is verified to prove that it has value. This is the most difficult phase of creativity as obstacles begin to appear. This is the developing stage in which knowledge is developed into application.

In this case, when the fridge was developed acceptance in the market for such a product was a big obstacle.

**Innovation:** It is the process of entrepreneurship which involves the translation of a useful idea into an application which has commercial value. It takes persistent effort to work out analytically the details of the enterprise or service, to develop marketing strategies, to organize finances and strategize operations.



### Elements in the innovation process:



- **Analytical planning:** Carefully identifying the product or service features, design as well as the resources that will be needed.
- **Resource organization:** Obtaining the required resources, materials, technology, human or capital resources.
- **Implementation:** Applying the resources in order to accomplish the plans and delivering results.



- **Commercial application:** The provision of value to customers, reward employees, and satisfy the stake holders.

### Selecting the right opportunity

The entrepreneur should look into various factors before deciding on the opportunity. Even if the opportunity looks promising, an entrepreneur should look into the environmental factors before choosing the best opportunity.

## SUMMARY

### Business Opportunity

Business opportunity can be described as an economic idea which can be implemented to create a business enterprises and earn profits.

### Elements of business opportunity

- Assured market scope
- An attractive and acceptable rate of return on investment
- Practicability of the entrepreneur to encash it
- Competence of the entrepreneur to encash it
- Potential of future growth

### Exploring opportunities in the environment

- Opportunity spotting by analyzing the needs and problems that exist in the environment
- Evaluating the ideas received from different sources to find a creative solution
- Identifying a product or service through innovation

### Factors involved in securing opportunities

- Ability to perceive and preserve basic ideas which could be used commercially
- Ability to harness different sources of information
- Vision and creativity

### Various sources which lead to the basic ideas

- |              |               |
|--------------|---------------|
| • Problem    | • Change      |
| • Inventions | • Competition |
| • Innovation |               |

### Importance of environment

- Identification of opportunities to get first mover advantage
- Formulation of strategies and policies
- Tapping useful resources
- Better performance





# ENTREPRENEURSHIP

- Sensitization of entrepreneurs to cope up with rapid changes
- Image building

## Analysis of environment

- Verbal information from customers, wholesalers, retailers distribution, consultants, etc.
- Record of companies
- Government publications
- Publications by various financial institutions
- Formal studies conducted by strategic planners

## Environmental factors

- Internal factors (Micro environment)
- External Factors (Macro environment)

## Pestel Model

- |              |                 |
|--------------|-----------------|
| • Political  | • Economic      |
| • Social     | • Technological |
| • Ecological | • Legal         |

## Idea Generation

The process of creating, developing and communicating ideas which are abstract, concrete or visual

## Sources of business ideas

- Examine your own skill set for business ideas
- Keep up with current events and be ready to take advantage of business opportunities
- Invent a new product or service
- Add value to an existing product
- Investigate others markets
- Improve an existing product or service
- Get on the band wagon



## Ideas fields

- |                        |                                       |
|------------------------|---------------------------------------|
| • Natural resources    | • Existing products                   |
| • Market driven ideas  | • Funds related ideas                 |
| • Service sector ideas | • Creative effort of the entrepreneur |

## Steps involved in idea and opportunity assessment

- |                          |                       |
|--------------------------|-----------------------|
| • Product identification | • Application and use |
|--------------------------|-----------------------|





- Level of operation
- Competition
- Annual turnover and profit margin

- Cost
- Technical complexity

#### **Factors to be kept in mind while assessing the market**

- Demand
- Cost and price of product
- Supply and nature of competition
- Project innovation and change

#### **Ways to spot trends**

- Read trends
- Watch trends
- Talk trends
- Think trends

#### **Creative process**

- Idea germination
- Incubation
- Verification
- Preparation
- Illumination

#### **Innovation process**

- Analytical planning
- Implementation
- Organising resources
- Commercial application

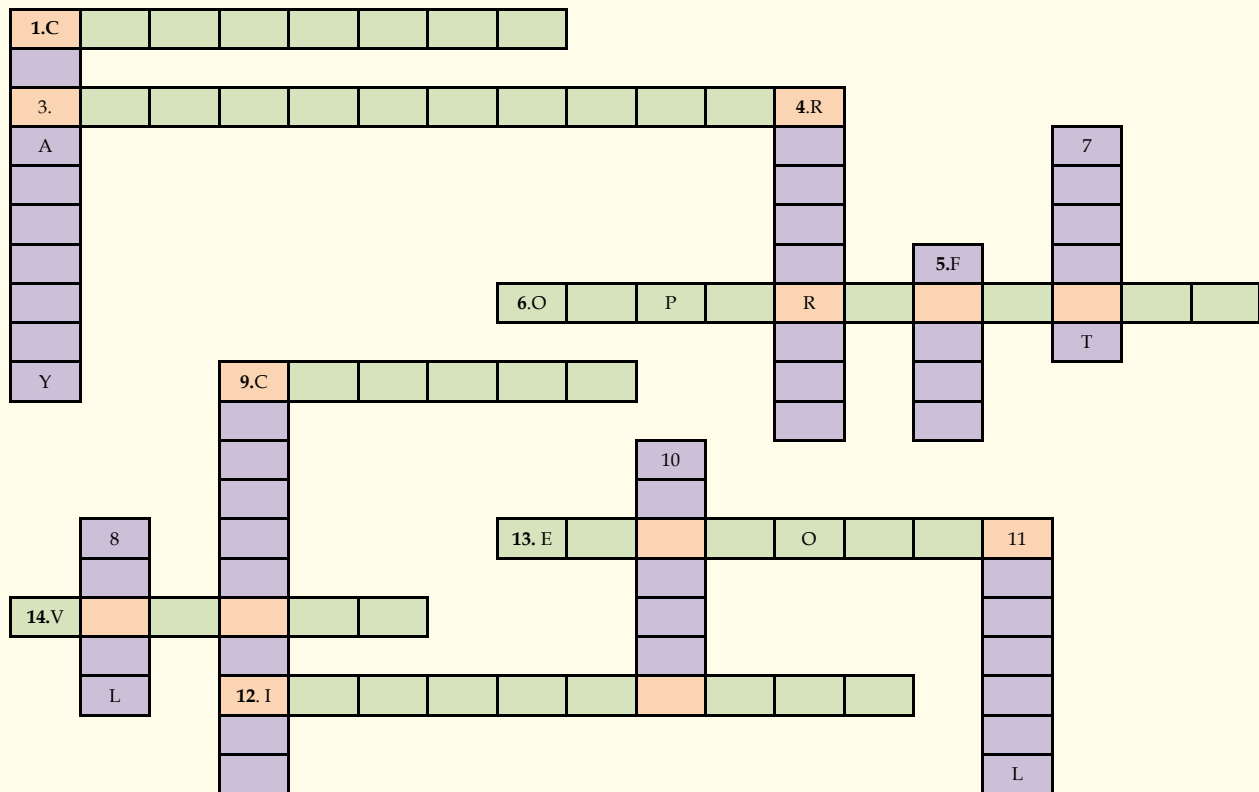
*"It's fine to celebrate success, but it is more important to heed the lessons of failure."*

*- Bill Gates*





## REVIEW CROSSWORD PUZZLE



### Across:

1. The recipient of a service/product obtained from a seller.
3. Someone who organizes a business venture and assumes the risk for it.
6. Set of circumstances that make it possible to do something.
9. Process through which something becomes different.
12. Make changes in something established, especially by introducing new methods.
13. Synonym for feasible.
14. The ability to plan the future with wisdom/imagination.

### Down:

2. Synonym of inventiveness.
4. An economic or productive factor required to accomplish an activity.
5. A sum of money saved or made available for a particular purpose.
7. Financial gain.
8. The ability to do something well; expertise.
9. Synonym of rivalry.
10. Something that can be offered to a market that might satisfy a want or need.
11. Amount invested in business.



## LET'S REVISE

### A. Very short answers. Answers to these questions should not exceed 15 words.

1. What is a business opportunity?
2. What factors are involved in the process of sensing an entrepreneurial opportunity?
3. Define the term environment scanning.
4. List the environmental factors affecting external environment.
5. What is the meaning of trend spotting?
6. What is required to convert an idea into opportunity?
7. What is Idea generation?

### B. Short answers. Answers to these questions should not exceed 50 words.

1. What is the purpose to scan the environment?
2. What are the factors involved in sensing opportunities?
3. Draw the enterprise process diagram.
4. What is PESTEL model? Explain it.

### C. Short answers. Answers to these questions should not exceed 75 words.

1. Enlist the various sources which lead to the emergence of basic ideas.
2. Write the meaning of product identification in terms of business opportunity.
3. What are the factors an entrepreneur has to keep in mind whilst assessing the market?
4. What are the various ways in which an entrepreneur spots trends?

### D. Long answers. Answers to these questions should not exceed 150 words.

1. "An opportunity may be derived from the needs and problems of the society." Comment
2. "Sensitivity to environmental factors is essential for an entrepreneur." In light of above statement explain the importance of environment scanning.
3. Entrepreneurship does not emerge and grow spontaneously. Rather it is dependent upon several various environmental factors. Explain them.
4. Explain creative process.
5. What is Innovation and explain the elements of innovation process?

### E. Very long answers. Answers to these questions should not exceed 250 words.

1. Elaborate the factors involved in sensing opportunities.
2. Examine the sources from where business ideas emerge.
3. Discuss the steps involved in the investigation of ideas.





4. What do you understand by Trend Spotting? What are the ways by which entrepreneurs can spot trends?
5. Explain in detail Idea Fields.

**F. Higher Order Thinking Skills (HOTS) questions:**

1. Aditi started her boutique business near an industrial area and she was not getting clients as she had expected. What are the factors which have been ignored before starting the boutique? Suggest the various factors that she has to look into before venturing into business.
2. Mr. Raghav had always wanted to manufacture an innovative, energy efficient fan. He was looking into various options and has finally narrowed it down to one option. He understands that the entire idea would have to follow a process. Identify and explain the process.
3. These are 'convenient frames of reference for streamlining the process of generation of ideas.' Identify them and explain any three briefly.
4. Varun decided to start his own venture and was looking into various ideas. Explain to him various sources from where he can get some good business ideas.

**G. Evaluation and multi-disciplinary - (appraise, judge, and/or justify the value or worth of a decision or outcome, or to predict outcomes based on values)**

1. 'Environmental factors exert influence upon each other and do not operate in isolation? Discuss.
2. "If you don't adapt, you don't endure" Evaluate the validity of the statement.

**H. Application-based questions:**

1. Vinay was a young entrepreneur who wanted to start a new business with an initial investment of 25 lakhs. He was not sure of what business he has to undertake. His friend suggested seeking the help of professionals who would spot the latest trends in the market and give him an idea, but Vinay decided to do it by himself. Suggest the various ways by which he can do it.

**I. Activities:**

1. Interview an entrepreneur, ask him/her the keys to successful entrepreneurship. Also ask him/her whether he/she attributes the success of his business to luck or hard work.
2. Conduct a survey in your colony by asking people if they face any particular problem and see if you can find a solution to that problem.
3. Think of an innovative product and conduct a survey in your colony and analyse whether it will be accepted in your neighbourhood. (For example, new Idea for waste disposal)

