

2.03 EMPLOY ENTREPRENEURIAL DISCOVERY STRATEGIES TO GENERATE FEASIBLE IDEAS FOR BUSINESS VENTURES/PRODUCTS



SOURCES OF INFORMATION ABOUT GLOBAL TRENDS

- **Newspapers**
- **Trade publications**
 - Industry specific, such as “Cosmetics International,” “Music Week,” “Nursing Times,” etc.
- **Research institutes**
 - Office of Scientific and Technical Information, National Institute of Child Health and Human Development
- **Travel**
- **Trade shows**
 - Companies display and demonstrate their latest products/services
 - Can be public or private (only company representatives can attend)

GLOBAL TRENDS AND OPPORTUNITIES

Economic Environment

- The following factors determine a nation's potential as a host for international business expansion:

- Nation's size (# of people)
- Per capita income
- State of economic development
- Infrastructure
 - Transportation, communications, banking, utilities, public services
- Exchange rate



ECONOMY



People must have money and be willing to spend it.
Stage of the business cycle (prosperity, recession,
recovery, etc.)

Inflation

Interest rates

Unemployment rates

Investor confidence

Tax rates

Currency exchange rates

Foreign economic conditions

INTEREST



GLOBAL TRENDS AND OPPORTUNITIES

Social-Cultural Environment

Successful businesses stay on top of changes so they can remain sensitive to customer needs and wants.

They ask the following questions: What do customers value?

What are their attitudes toward the world around them?

Our society is transforming at a rapid rate.

- **All aspects of the nation's culture including:**
 - Language
 - Religious attitudes
 - Education
 - Social values

SOCIETY AND CULTURE CONTINUED

Examples of social trends that affect business decision making:

- Changing family roles:
 - More working moms
 - More single parents
 - More two-income households
 - More diverse attitudes about what a father does
 - More diverse attitudes about roles within families



SOCIETY AND CULTURE CONTINUED

Need for convenience

- People are busier than ever.
- Customers are often willing to pay more for products that save them time or fit into their hectic schedules.
- Examples:
 - Frozen dinners
 - Drive-thrus
 - 24-hour gyms



SOCIETY AND CULTURE CONTINUED

Concern for fitness and health—has affected businesses in all industries

Going “green”—customers are concerned about the environment but also about their wallets



GLOBAL TRENDS AND OPPORTUNITIES

Technological Environment

- Internet surpasses political, economic, and cultural barriers
- Reaches every corner of the globe
 - However, many countries do not use the internet as extensively as in North America



TECHNOLOGY



Technology

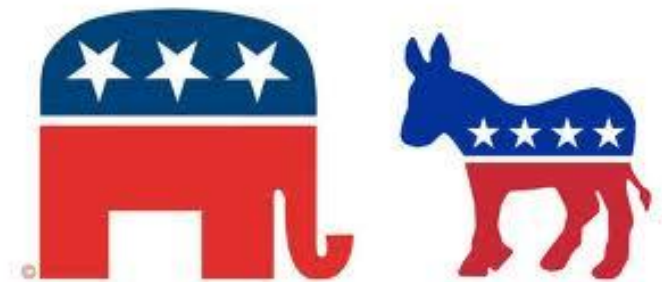
- Perhaps the most rapidly changing category of information
- Falling behind on technology has been the downfall of many businesses.
- High-tech businesses aren't the only ones that need to monitor technology.



GLOBAL TRENDS AND OPPORTUNITIES

Political-Legal Environment

- **Laws and trade regulations vary from country to country**
- **Political conditions can influence international marketing**
- **Labor conditions**



GOVERNMENT

Changing laws and regulations, such as:

- Minimum-wage laws
- Environmental-protection laws
- Worker-safety laws

Monetary and fiscal policies

Import/export restrictions and regulations

**Government relations with specific industries (Example:
subsidies for agricultural businesses)**

Marketing-specific legislation

State and local laws

Political climates and stability in foreign markets



POTENTIAL OF GLOBAL TRENDS AND OPPORTUNITIES

- **When determining whether or not to enter a global market, local industries, economic conditions, geographic characteristics, and legal restrictions must be considered**
- **Reasons to expand in the global market include:**
 - Expanding markets – 95% of the world's population lives outside the U.S.
 - Cutting costs – reduced labor and transportation costs
 - Gain access to resources – raw and human resources
 - Capitalize on special features of a location – sociocultural and political or legal reasons may make doing business elsewhere appealing

COMPETITION



Brand competition

- Competition between two similar products
- Example—Chevy v. Ford; Pepsi v. Coke

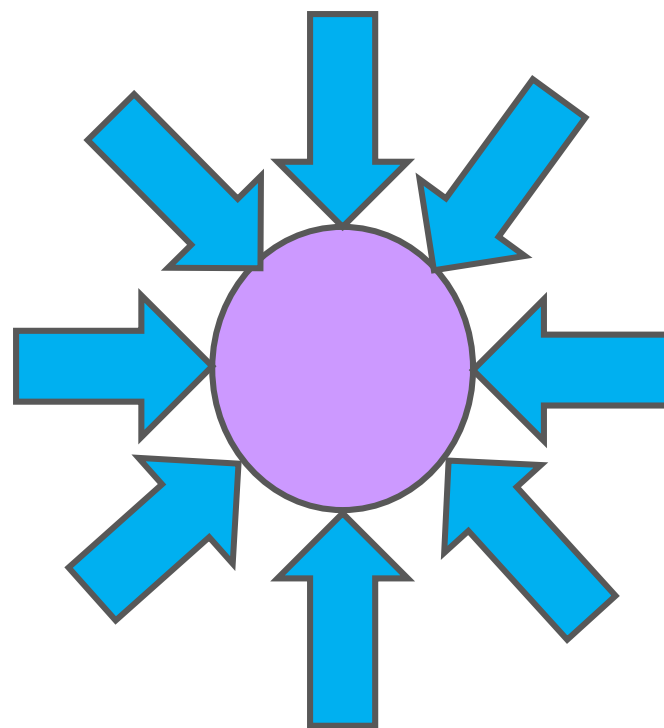
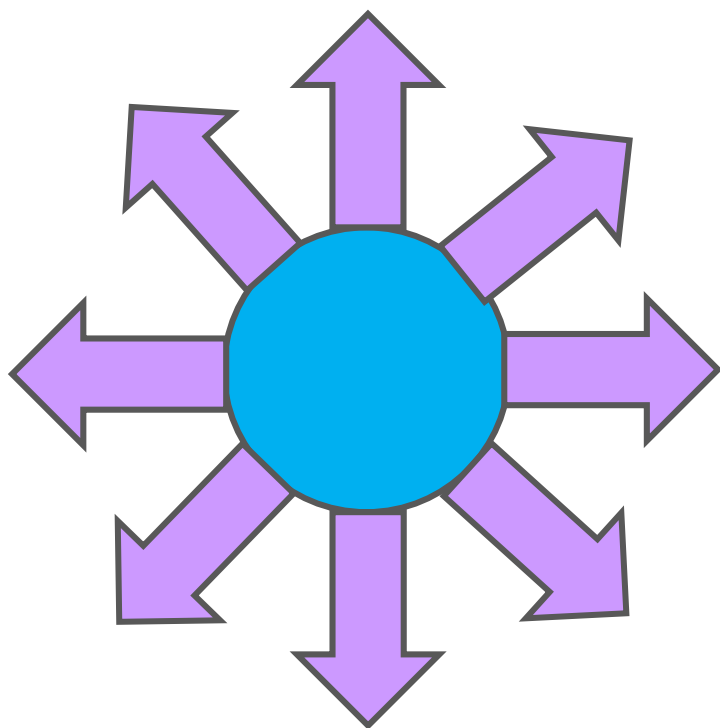
Competition for substitute products

- Competition between two different products that satisfy the same need
- Example—movie theaters vs. bowling alleys

General competition—competition among all businesses for scarce customer dollars

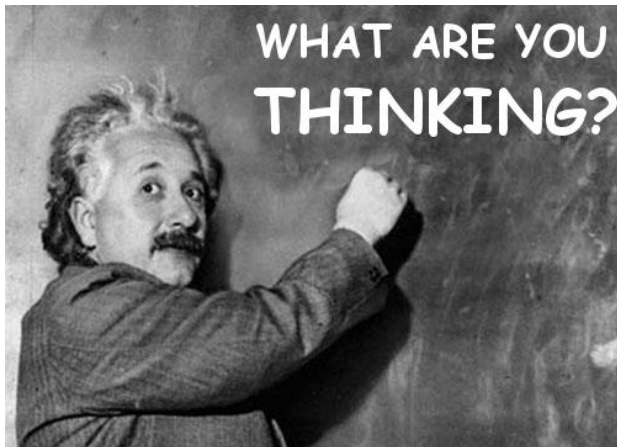


INSIDE-OUT VS. OUTSIDE-IN



INSIDE-OUT ANALYSIS

- **Considering what the entrepreneur and start-up are able to do**
 - Resources
 - Capabilities
 - Competitive advantage of the new business venture



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OUTSIDE-IN ANALYSIS

- **Considering the general environment and the industry environment in which the venture might do business**
 - **General environment:** broad factors like political and legal, sociocultural, macroeconomic, global, and technological factors
 - **Industry environment:** specific factors like ease of entry for new competitors, availability of substitute products/services, existing rivalry among competitors, supplier power, buyer power

WORK EXPERIENCE CAN HELP IDENTIFY OPPORTUNITIES FOR VENTURE/PRODUCT CREATION

- **The more work experience you have, the more likely you are to see an opportunity in different situations**
- **You have been “behind the scenes” and have a more intricate look into how things work**
- **Work experience can often lead to good business ideas through listening to customer complaints**

IMPACT OF EDUCATIONAL BACKGROUND ON DETERMINATION OF OPPORTUNITIES FOR VENTURE/PRODUCT CREATION

- Many entrepreneurs are able to sell their own skills and knowledge in a particular area by opening a consulting firm



IMPORTANCE OF CONSIDERING PERSONAL INTERESTS WHEN DETERMINING OPPORTUNITIES FOR VENTURE/PRODUCT CREATION

- **If you open a business involving things that interest you or a hobby you have, you are more than likely already very knowledgeable about it**
- **Many entrepreneurs are able to turn a hobby or personal interest into a successful business**



EXPERIENCE AS A RETAIL OR INDUSTRIAL CUSTOMER

- **Good business ideas can come from the frustration of not being able to find the right product or service to meet your needs**

DETERMINING IF OPPORTUNITIES ADDRESS SPECIFIC UNMET NEEDS OR PROBLEMS

- **Determine if your product is something that consumers want/or need**
 - What need does it satisfy?
 - How will they use it?
 - Would they be willing to buy it?
- **This is often determined through market research**

REASONS TO ANALYZE THE ENTREPRENEUR AND HIS/HER TEAM WHEN ASSESSING OPPORTUNITIES

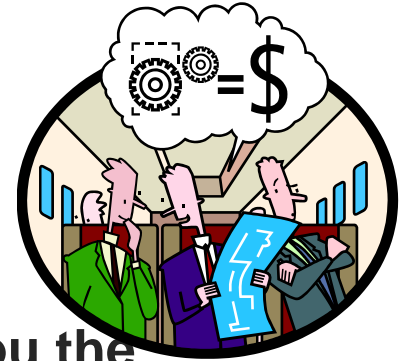
- **The new product should be appropriate for the business's image, goals, strengths, and resources**
- **Should provide the company with a competitive advantage**
 - Has a feature that is more satisfying than competitors' products

REASONS TO CONSIDER NEEDED RESOURCES WHEN ASSESSING OPPORTUNITIES

- The company needs to be able to afford to produce and market the product
 - People, expertise, equipment, money



REASONS



Regular monitoring of the environment provides you the capability to formulate essential adjustments in the organization's reaction to the factors that can turn out to be the difference between success and failure.

An environmental scan is conducted to collect data to answer questions about the *present* and *future*.

- Aids in anticipating changes
- Answers the question, “Where are we now?”
- Provides a starting point for businesses’ planning of goals, objectives, and actions that answer the question, “Where do we want to be?”

REASONS CONTINUED



Fast changes in today's market and recent and emerging business practices make it is easy for an organization to fall behind

To keep up in areas such as technology, regulations, and various rising trends

Reduces the possibility of being blindsided

By understanding two elements: external influences and the organization's internal practices, an organization can take action in a more suitable and efficient manner



TOOLS

SWOT—Strengths, Weaknesses, Opportunities, and Threats

- (specific analysis of your own business)

STEEP—Social, Technological, Economic, Ecological, and Political

- General awareness of the industry or service area you operate in

PEST– Political, Economic, Social, and Technological

- Classic situational analysis headings, guaranteed to prompt nods of approval when used in business presentations. You may see 'Environmental' used instead of 'Economic' depending on the context. Either version is actually a very useful analysis and interpretation tool for business and marketing situations. PEST is sometimes extended to 'PESTELI' in which the headings: Ecological (or Environmental), Legislative (or Legal), and Industry Analysis are added, and other variations.

<http://www.businessballs.com/acronyms.htm>; http://www.venturenavigator.co.uk/content/business_analysis_swot?s=true

OTHER TOOLS

Surveys

Questionnaires

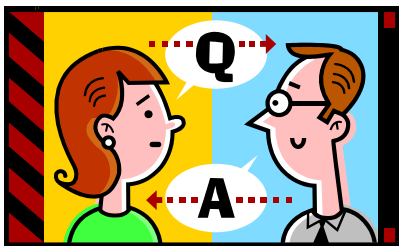
Focus groups

Informal conversations

Newspapers, magazines, trade journals

Television news and programming

Market research studies



SOURCES FOR CONDUCTING AN ENVIRONMENTAL SCAN

Interviews with business officers, owners, managers

Comments made by business officers, owners, managers

National and local newspapers

Trade publications

Business magazines

**Websites: Hoover's, Morningstar, brokerage firms, credible
financial sites**

Observations

Research findings

Input from professional organizations

Environmental Scanning is a method that allows decision makers to both understand the external environment and the interconnections of its various sections and to translate this understanding into the business' planning and decision-making.

Scanning provides strategic intelligence useful in determining organizational strategies.

The goal of environmental scanning is to alert decision makers to potentially significant external changes before they crystallize so that decision makers have sufficient lead time to react to the change.

Continuous scanning is required if decision makers are to understand, anticipate, and respond to the threats and opportunities posed by changes in the external environment.

STEP ONE: IDENTIFY THE PURPOSE, PARTICIPANTS AND TIME COMMITMENTS.

What is the purpose of the environmental scanning?

Who will participate in environmental scanning?

What specific tasks will they be responsible for?

What are the time commitments?

STEP TWO: CARRY OUT THE SCANNING ACTIVITIES.

SWOT, STEEP, and/or PEST Analyses

Surveys

Questionnaires

Focus groups

Informal conversations

**Newspapers, magazines,
trade journals**

Television news and programming

Market research studies

STEP THREE: ANALYZE AND INTERPRET THE STRATEGIC IMPORTANCE OF ISSUES AND TRENDS.

What is the current external environment? What are the implications of these issues for business?

What key forces in the business's environment need to be addressed and which ones are less important?

What trends and issues are affecting business?

What is the impact of the trends on business?

How might the environment change in the future?

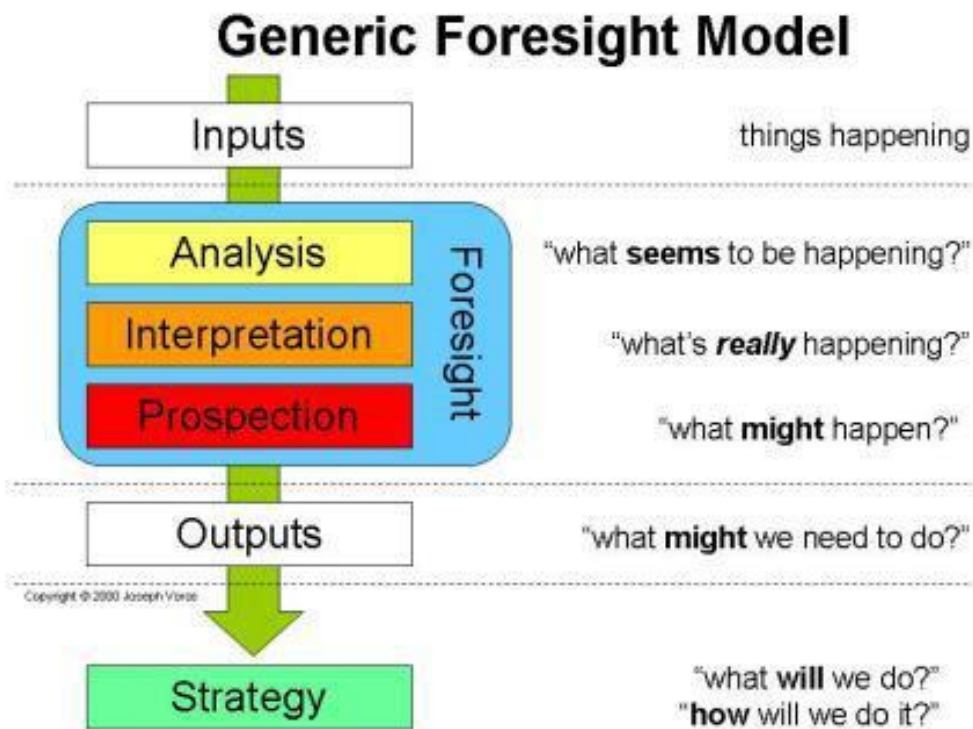
How will businesses' decisions and actions influence this environment?

How do customers, interest groups, community organizations, agencies or governments impact the environment?

What factors are within a business's control and which are beyond its influence?

What could a business do to affect the impact of these factors?

STEP THREE CONTINUED



STEP FOUR: SELECT ISSUES AND TRENDS FOR FURTHER ACTION.

Not all issues and trends can be addressed at once.

Prioritize for selection:

- Is it relevant to your business?
- Will it give you an advantage?
- Will the results be significant, noteworthy, a major or minor consequence?
- Is it feasible and realistic to achieve the results in the selected areas?
- Will addressing a particular issue maximize the reach and spread of the goal?
- Is the issue / problem urgent?

STEP FIVE: REPORT AND DISSEMINATE THE RESULTS.

The report should synthesize and summarize the environmental scan for key decision-makers. The report should include a summary of key trends in the short-, medium-, and long-term with a sense of prioritization that will present a clear and concise picture of the environment for your business and the possible decisions, strategies, plans, and resources that will likely be required to deal appropriately with these trends.

The report should summarize and clarify whether the business's current strategic direction, mandate, complement of programs and services, and capacity are adequate to address the pressures of the environment in the short- and medium-term. A key question being answered is: what would it take to make your business more profitable? Does your business have the ability to clearly deliver on its stated strategies? Are new strategies or approaches required to better deliver on stated commitments?

ENVIRONMENTAL SCAN REPORT

Area of Analysis

Issue(s)/Trend(s)

Brief Analysis

Source(s)

Impact of Trend(s)

Proposed Action(s) to Take

STEP SIX: SCAN ON A CONTINUOUS BASIS.

It's not a one-time activity, or even a once-a-year activity. It must be conducted on a continuous basis since the environment is dynamic and new trends can arise at any time.

Scanning on a continuous basis allows your business to:

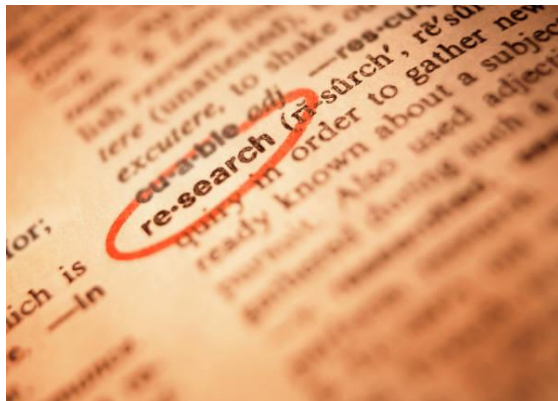
- Act quickly
- Take advantage of opportunities before competitors do
- Respond to threats before they can cause damage

IMPORTANCE OF EVALUATING MARKET TIMING WHEN ASSESSING OPPORTUNITIES

- **If economy is in recession or depression, coming out with a new product that satisfies only wants instead of needs might not have a large amount of sales**

PROCESSES USED TO ASSESS OPPORTUNITIES

- Market research and the use of prototypes are often used to evaluate customer responses to the product idea
- Product may also be test marketed to identify the potential success



POTENTIAL TEST QUESTIONS

Which of the following is a global trend that might encourage an entrepreneur to consider international business opportunities:

- A. Higher allowances
- B. Enforceable trade agreements
- C. Lower tariffs**
- D. Flexible currency rates

POTENTIAL TEST QUESTIONS

When determining venture-creation opportunities, entrepreneurs must first

- A. obtain financing.
- B. identify staffing needs.
- C. conduct research.**
- D. select a location.

POTENTIAL TEST QUESTIONS

Jessica's hobby is making jewelry. There is potential to sell her bracelets and earrings on eBay. This is an example of identifying a product opportunity by considering

- A. demographic changes.
- B. consumer attitudes.
- C. business processes.
- D. personal experiences.**