

Chapter 4
Creativity
and
the Business Idea

Trends

- The start of a trend that lasts for a considerable period of time provides one of the greatest opportunities for starting a new venture.
- Trends that will provide opportunities include: green trend, clean-energy trend, organic-orientation trend, economic trend, social trend, health trend, and Web trend.

Sources of New Ideas

- Some of the more frequently used sources of ideas for entrepreneurs include: consumers, existing products and services, distribution channels, government, and research & development
- Consumers
 - Potential entrepreneurs should pay close attention to potential customers
 - Potential entrepreneurs should monitor potential ideas and needs of customers.
 - Formally arrange for consumers to express their opinions.
- Existing Products and Services
 - Analysis uncovers ways to improve offerings that may result in a new product or service that has more market appeal and better sales and profit potential.
- Distribution Channels (a direct transaction from the vendor to the consumer, or may include several interconnected intermediaries along the way such as wholesalers, distributors, agents and retailers.)
 - Channel members can help suggest and market new products.
 - Member of the distribution channels are also excellent sources for new ideas because of their familiarity with the needs of the market.

Sources of New Ideas (cont.)

- Federal Government
 - Files of the Patent Office can suggest new product possibilities.
 - New product ideas can come in response to government regulations.
- Research and Development
 - A formal endeavor connected with one's current employment.
 - An informal lab in a basement or garage.

Methods of Generating New Ideas

- Even with such a wide variety of sources of ideas available, coming up with an idea to serve as the basis for a new venture can still pose a problem. Entrepreneur can use several methods to help generate and test new ideas such as;
- Focus Groups
 - A moderator leads a group of 8 to 14 participants through an open, in-depth discussion in a structured format.
 - An excellent method for generating and screening ideas and concepts.

Methods of Generating New Ideas

(cont.)

- **Brainstorming**

- Brainstorming is a group method for obtaining new ideas and solutions
- Allows people to be stimulated to greater creativity.
- Good ideas emerge when the brainstorming effort focuses on a specific product or market area.
- Rules of brainstorming:
 - No criticism.
 - Freewheeling is encouraged.
 - Quantity of ideas is desired.
 - Combinations and improvements of ideas are encouraged.

Methods of Generating New Ideas

(cont.)

- **Brain writing**
 - A form of written brainstorming.
 - Participants write their ideas on special forms or cards that circulate within the group.
- **Problem Inventory Analysis**
 - PIA is a method for obtaining new ideas and solutions by focusing on problems
 - PIA uses individuals in a manner that is similar to focus groups to generate new product ideas.
 - Consumers are provided with a list of problems in a general product category and are asked to identify products that have those problems.
 - Results must be carefully evaluated as they may not actually reflect a new business opportunity.

Creative Problem Solving

- Creative problem solving is a method for obtaining new ideas focusing on the parameters.
- Creativity tends to decline with age, education, lack of use, and bureaucracy.
- Latent creative potential can be stopped by perceptual, cultural, emotional, and organizational factors.
- Creativity can be unlocked and creative ideas and innovations generated by using any of the creative problem-solving techniques (indicated in the next slides)

Creative Problem Solving Techniques

- Brainstorming
 - Can generate ideas about a problem within a limited time frame through the spontaneous contributions of participants.
 - Session starts with a problem statement.
 - No group member should be an expert in the field of the problem.
 - All ideas must be recorded.
- Reverse Brainstorming
 - A group method that focuses on the negative aspects of a product, service, or idea as well as ways to overcome these problems.
 - Care must be taken to maintain group morale.

Creative Problem Solving (cont.)

- Gordon Method
 - Method for developing new ideas when the individuals are unaware of the problem.
 - Solutions are not clouded by preconceived ideas and behavioral patterns.
- Checklist Method
 - Developing a new idea through a list of related issues.
- Free Association
 - Developing a new idea through a chain of word associations.

Creative Problem Solving (cont.)

- **Forced Relationships**
 - Developing a new idea by looking at product combinations.
 - A five step process which focuses on generating ideas from relationship patterns between elements of a problem.
- **Collective Notebook Method**
 - Developing a new idea by group members regularly recording ideas.

Creative Problem Solving (cont.)

- Attribute Listing
 - Developing a new idea by looking at the positives and negatives.
- Big-Dream Approach
 - Developing a new idea by thinking without constraints.
- Parameter Analysis
 - Developing a new idea by focusing on parameter identification and creative synthesis.

Innovation

- Innovation is the key to the economic development of any company, region of a country or country itself.
- Types of Innovation
 - **Breakthrough**
 - Fewest number of innovations.
 - Establishes the platform on which future innovations in an area are developed.
 - Should be protected by patents, trademarks, and copyrights. E.g. Steam engine, penicillin, the computer, airplane, automobile, nanotechnology
 - **Technological**
 - Occurs more frequently; not at the same level of breakthrough inventions.
 - Offers advancements in the product/market area.
 - Needs to be protected.
 - E.g.: personal computer, voice and text messaging, jet airplane, advanced blood tests for diagnosing cancer.

Innovation (cont.)

– Ordinary Innovation

- Occurs most frequently.
- Extends a technological innovation into a better product or service or one that has a different market appeal.
- Usually come from market analysis and pull, not technology push. In other words, the market has a stronger effect on the innovation (market pull) than the technology (technology push)
- Examples are Football shows, New applications for PC and mobile phone, a better supply chain & distribution for customers

Innovation (cont.)

- Defining a New Innovation (Product or Service)
 - Newness can be:
 - In the consumer concept.
 - A change in the package or container.
 - Slight changes or modifications in the appearance of the product. (Industrial market)
 - Companies also add products to their product line that are already marketed by other companies; products are new to the manufacturer but not the consumer.

Innovation (cont.)

- Classification of New Products

- Consumer's Viewpoint

- The continuum proposed by Thomas Robertson is based on the disrupting influence that use of the product has on established consumption patterns. Improved version of an old or existing product.
 - Continuous innovations. E.g. Annual automobile style changes, fashion style changes, package changes, product size and color changes.
 - Dynamically continuous. e.g. Sony Walkman's, i-pod, compact disks.
 - Discontinuous innovations. E.g. the internet is one example of a discontinuous innovation that has radically altered our society's lifestyle.
 - This approach is consistent with the marketing philosophy that “satisfaction of consumer needs” is fundamental to a venture's existence.

Innovation (cont.)

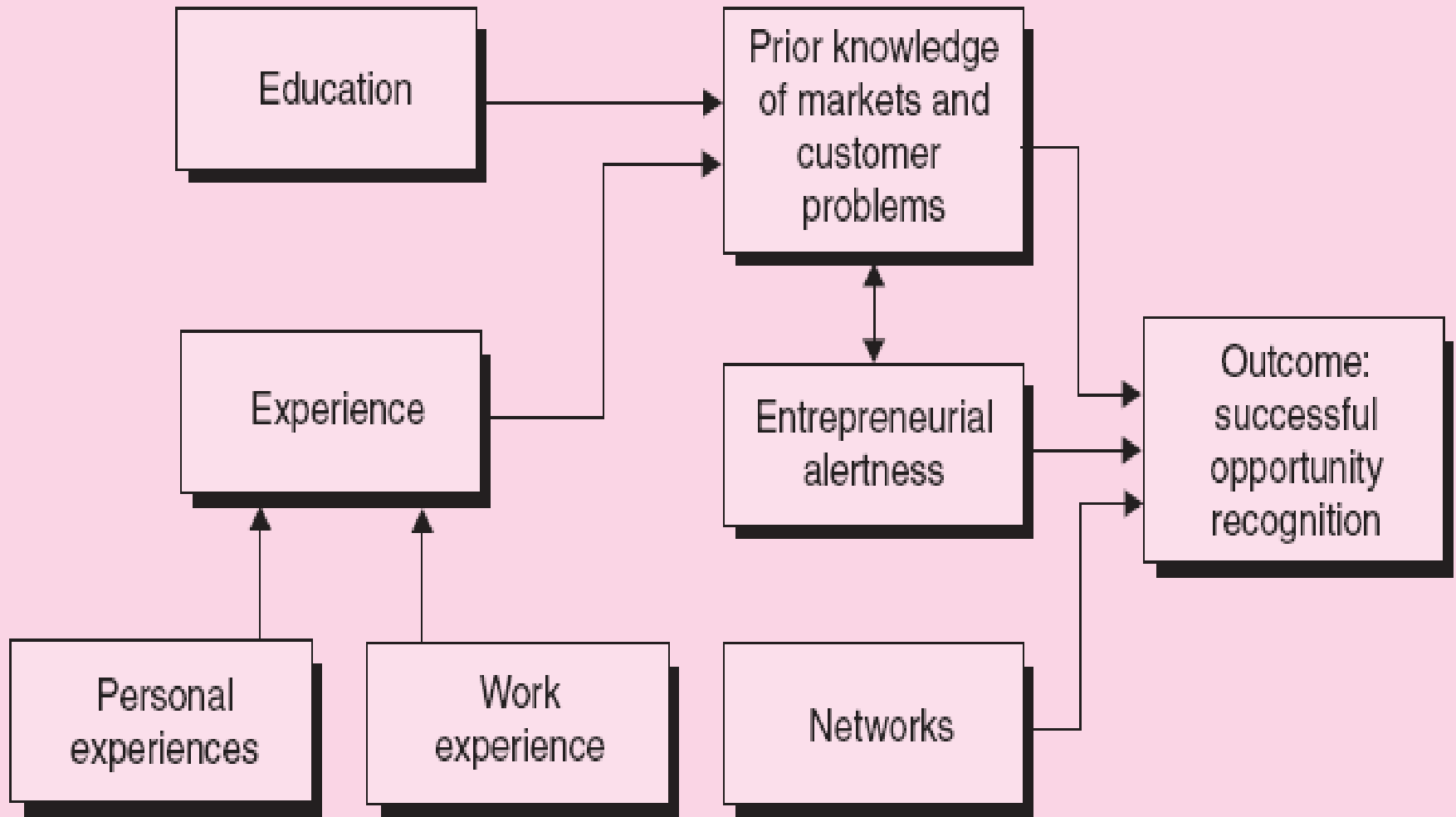
– Firm's Viewpoint

- Distinction can be made between new products and new markets.
- Situations with a new technology and a new market are the most complicated and pose the highest degree of risk.
- Replacements, extensions, product improvements, reformulations, and remerchandising involve product and market development strategies that range in difficulty depending on whether the firm has prior experience with a similar product or with the same target market.

Opportunity Recognition

- Some entrepreneurs have the ability to recognize a business opportunity which is fundamental to the entrepreneurial process as well as growing a business.
- A business opportunity represents a possibility for the entrepreneur to successfully fill a large enough unsatisfied need that enough sales and profits result.

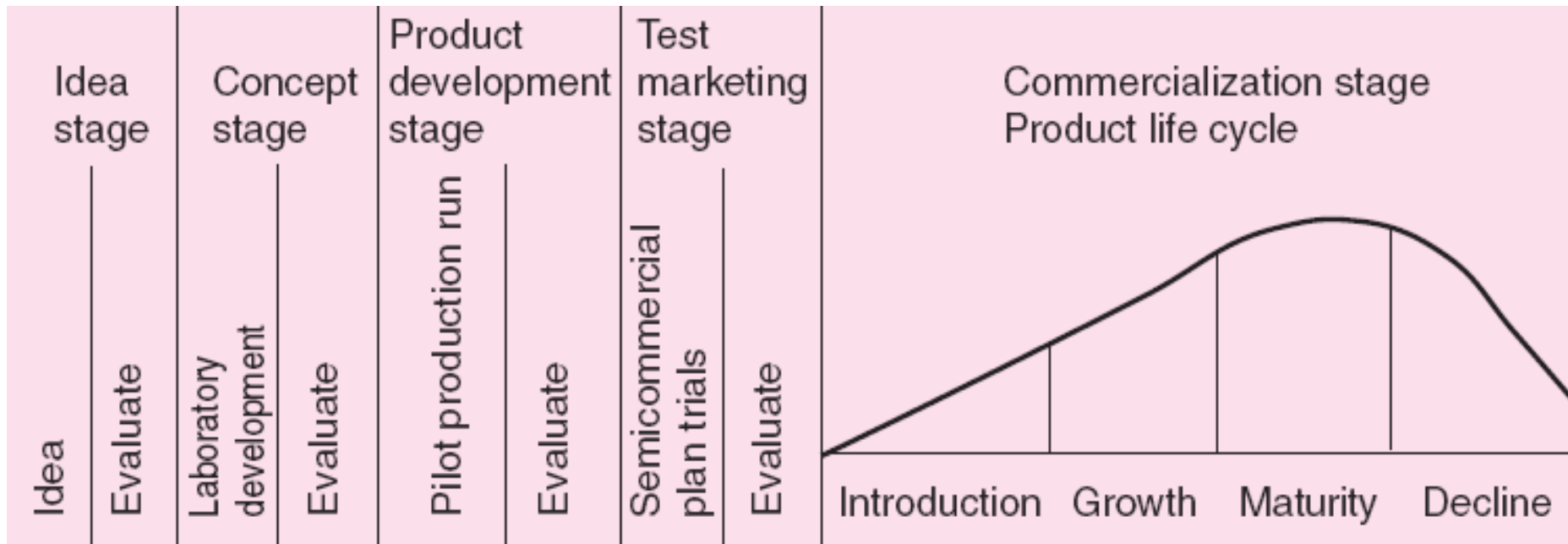
Figure 4.5 - A Model of the Opportunity Recognition Process



Product Planning and Development Process

- Establishing Evaluation Criteria
 - Criteria should be established at each stage of the product planning and development process.
 - It should be all-inclusive and quantitative in nature.
 - Criteria should evaluate the idea in terms of:
 - Market opportunity.
 - Competition.
 - Marketing system.
 - Financial factors.
 - Production factors.

Figure 4.6 - The Product Planning and Development Process



Product Planning and Development Process (cont.)

- Idea Stage
 - Promising ideas should be identified and impractical ones eliminated.
 - Evaluation method – Systematic market evaluation checklist.
 - Determine the need for the new idea as well as its value to the company.
- Concept Stage
 - Refined idea is tested to determine consumer acceptance which can be measured through the conversational interview method.

Product Planning and Development Process (cont.)

- Product Development Stage
 - Consumer reaction to the product/service is determined.
 - A consumer panel is given a product sample and preference is determined through methods such as multiple brand comparisons, risk analysis, etc.
- Test Marketing Stage
 - Increases certainty of successful commercialization.
 - Actual sales reflect consumer acceptance.

E-commerce and Business Start-up

- E-commerce offers entrepreneurs an opportunity to be creative and innovative.
- Factors that facilitate high-growth in electronic commerce:
 - Widespread use of personal computers.
 - Adoption of intranets in companies.
 - Acceptance of the Internet as a business communications platform.
 - Faster and more secure systems.

E-commerce and Business Start-up

(cont.)

- Using E-Commerce Creatively
 - Entrepreneurs have to decide whether to:
 - Run Internet operations within the company.
 - Outsource these operations to Internet specialists.
 - Use e-commerce packages provided by software companies.