

7

Business ideas and opportunities



This chapter discusses the following facts

- 7.1 Selecting a business idea
 - The concept of business ideas
 - Characteristics of a good business
 - Sources of business ideas
- 7.2 Converting business ideas in to business opportunities
 - Business opportunity
 - Difference between business ideas and business opportunities
 - Characteristics of a good business opportunity
 - Selecting a good business opportunity
- 7.3 Getting the legal cover to a creative business idea

7.1 Selecting a business idea

All the products, services, processes and techniques of today's world are the solutions offered to problems faced by mankind. They all are results of business ideas.

Think of the need for drinking water. Lack of sufficient drinking water supply is a common issue faced by many schools. Hence bottles of different sizes and shapes have been introduced to the market in order to bring water from homes. Since it was difficult to pack those water bottles in school bags due to their circular surfaces, cube shaped bottles were introduced to the market. As a result water bottles which can be carried without difficulties with books were created.

In this way, using their thinking towards the problems faced by people, creative individuals generate business ideas. Through observing the environment, it can be recognized that those ideas convert to viable businesses which produce different alternatives to satisfy personal and social needs.

The concept of business ideas

A business idea is a thought having a commercial value which satisfies the needs and wants of people while being a solution to an existing problem in the environment. Business ideas are important in entrepreneurship since they emerge combining the interest and the creativity of an entrepreneur and since it is the first step of creating a business.

“A dozen of ideas can be bought for ten cents” is a common saying in the field of business. This implies that there are ample business ideas. Yet all of these ideas are not converted to a business opportunity. It is the role of the entrepreneur to transform the ideas in to a business opportunity.

Characteristics of a good business idea

- ★ Ability to developed as a business
- ★ Ability to satisfy the needs emerge in the environment
- ★ Ability to respond to the changing needs and wants
- ★ Ability to successfully face the competition
- ★ Should match with the technology
- ★ Ability to reduce the risk
- ★ Generate an adequate earning after converting to a business
- ★ Ability to protect the business idea



Figure 7.1

Sometimes the entrepreneur has to consider hundreds of business ideas to select the most suitable idea. There are many sources through which the business ideas can be generated. Let's discuss them.

Sources of new business ideas

01. Conversion of hobbies and interests
02. Through individual capabilities and experience
03. Through market surveys
04. Through consumer reactions and complaints
05. Through creative thinking ability
06. Through mass media
07. Relating to suppliers
08. By studying the competition
09. Through educational programmes
10. Through exhibitions and experience



Figure 7.2

The sources of business ideas given in the above figure are further discussed below.

01. Conversion of hobbies and interests in to a business idea
People have different hobbies. There are a large number of entrepreneurs who have turned the hobbies like gardening, painting, breeding ornamental fish and photography to their business.
02. Emergence of business ideas through individual capabilities and experience
Businesses begin through the experience and practice obtained from the job and utilizing personal capabilities like dancing, singing and sports.
03. Emergence of business ideas through market surveys
Market surveys are carried out by an entrepreneur or other institutions in order to get the ideas of consumers regarding a product or a service. Business ideas are generated through the consumer needs, wants and responses revealed through such surveys.

Example :-

A bank providing their service at night and on public holidays based on the need of customers.

04. Emergence of business ideas through consumer responses

Business ideas can be generated through an investigation carried out by an entrepreneur or other institutions relating to the consumer needs, wants and responses. It is common to use suggestion boxes and consumer note books to get the ideas of consumers today.

Example :-

Changing the recipes according to the ideas of consumers.

05. Emergence of business ideas through creative thinking abilities

Through the individual creative capability, new ideas are given to change an existing thing or a process.

Example :-

Producing an equipment which can transform water vapour to drinking water

06. Emergence of business ideas through mass media

Business ideas can be generated through the information and news provided by mass media. There are ample advertisements available in the internet and daily or week-end news papers through which business ideas can be identified.

Example :-

Asking stationery suppliers
Advertisements to offer products in wholesale
Advertisements asking partners to a business

07. Emergence of business ideas through suppliers

A business which is currently operating can generate business ideas from the ideas of its suppliers and other institutions linked with the business.

Example :-

Introduction of new cultivation methods, seeds and fertilizers to those who are engaged in plantation by the institutions whom supplying agricultural equipments.

08. Emergence of business ideas through studying the competition

Business ideas can be generated through a study of the operations of competitors.

Example :-

Banks offering new services to the market to match the services of other competitors. When one bank introduces an account to the retired people other banks imitate that.

09. Emergence of business ideas through educational programmes

From the knowledge acquired through programs an individual follows, business ideas can be generated.

Example :-

There are individuals who start business from the knowledge and experience gained through the programmes conducted by technical colleges and universities.

10. Emergence of business ideas through exhibitions and experience

Entrepreneurs generate business ideas by participating to the exhibitions organized by chambers of commerce.

Example :-

Exhibitions of entrepreneurial products
Competitions of innovators



Activity 01

Entrepreneur should generate business ideas through the changes that happen in the environment and should evaluate the feasibility of each idea. Following table explains how ideas are generated relating to an incident and their feasibility.

Incident: “sale of milk powder is prohibited” – a news

Business idea	Feasibility
★ Opening a centre for breeding cattle	Farmers opt for cattle farming due to the increase in future demand for fresh milk. As a result they tend to breed animals of different categories which give a higher yield.
★ Setting up a mobile unit to sell fresh milk	People tend to buy fresh milk from mobile units since fresh milk is available only in few places

You are required to generate business ideas identifying the changes like above in the environment. Give the feasibility/ suitability of each idea.

7.2 Conversion of business ideas in to business opportunities

Creation of a successful business will not happen instantly. It has a long way. This section explains the selection of a suitable/feasible business opportunity among the thousands of business ideas.

Business opportunity

An attractive investment idea which can provide an adequate return to the risk taker can be identified as a business opportunity. Further that idea should be a product or a service which satisfy consumer needs and wants while creating a value for them.

Whatever the number of business ideas available, it is the role of the entrepreneur to select the best idea and transform it to a business opportunity.

Difference between a business idea and a business opportunity

Already you have studied about the business ideas and business opportunities. You are aware that every business ideas will not become a viable business opportunity. Differences between these two concepts are identified below.

Business idea	Business opportunity
Business ideas are many. A large number of business ideas can be generated through different sources	Business opportunities are not ample. Only few business opportunities can be selected from hundreds of business ideas.
Business ideas are open. Many perceive them.	Everyone cannot recognize business opportunities among business ideas.
Every business idea cannot be implemented practically.	Business opportunities are practical.

Characteristics of a good business opportunity



Figure 7.3- Characteristics of a good business opportunity

Ability to acquire the required resources

It should be possible to easily acquire the raw materials, labor, machineries and other infrastructure facilities.

Having demand

The product or service offered should have sufficient sales. That is there should be a considerable number of consumers.

Comply with the rules and regulations

The business opportunity should not violate the legal conditions relating to environmental protection, consumer protection, employees, tax principles etc. Further though some factors are not covered by rules and regulations, they should comply with the social interest, fairness and values.

Having an attractive earning

The entrepreneur should be capable of getting a sufficient return for the money invested in the business by implementing the business opportunity .

Ability to face the competition

Possibility to successfully face the other businesses in the market who are engaged in similar businesses should be there.

Selecting a suitable business opportunity

In order to select a suitable business opportunity, the business ideas generated should be evaluated.

Selecting a good business idea can be presented as a three-step process. This can be identified as macro, micro and SWOT analysis. The following funnel -framework can be used to illustrate that.

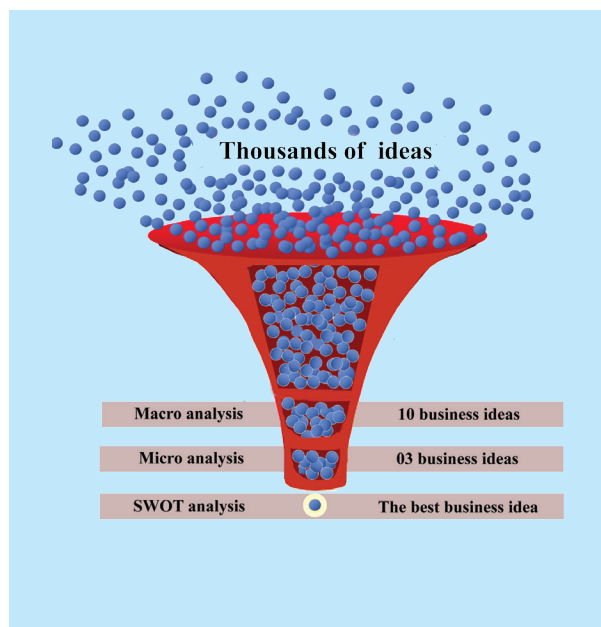


Figure 7.4- selecting a suitable business opportunity



Step 01

Macro analysis

Macro analysis refers to the selection of at least 10 suitable better business ideas among the thousands of generated ideas considering the below mentioned factors in surface relating to each idea.

- ★ Can the product be marketed?
- ★ Are there enough resources?
- ★ Does it match with the abilities and interests of the entrepreneur
- ★ Is there anyone to get the support?
- ★ Are there legal barriers?
- ★ Can the required capital be found?
- ★ Is there the ability to face competitors?



Activity 02

Try to generate ideas for which can be identified as suitable for starting a business. Focusing on following areas, generate at least 20 business ideas

Examples :-

- ★ Solving the garbage issue of the school
- ★ Providing organic fertilizer to farmers
- ★ Distribute fresh milk

Considering the factors under macro analysis, select minimum of 10 ideas out of them.



Step 02

Micro analysis

This analysis should be done for each of the ideas selected under step 01. Under micro analysis three most suitable business ideas out of the 10 identified above are selected considering the effect of following criteria on each of the business ideas. Here, the factors considered under first step are studied in detail.

Criteria which can be used for micro analysis

Having a market

This considers whether there are enough customers when the product is offered to the market or whether there is adequate sale to earn the required return to survive in the business. Moreover the ability to expand the business in the future should be considered.

Ease of finding raw materials

Under this the ease of finding quality raw materials under the lowest possible cost to engage in continuous production is considered. If it is difficult, this will lead to a break down in the production process.

Ability to find the required capital

Some business ideas require a substantial initial capital in order to transform them to business opportunities. The possibility of finding adequate capital under a minimum cost should be considered.

Government rules and regulations, principles and incentives

Even though very profitable, there are certain government rules and policies which influence some business fields. Some of them are environmental rules, employee regulations, consumer protection rules, import-export policies and tax policies. The extent to which these factors are favourable relating to the expected business idea and the government incentives like infrastructure facilities, tax reliefs and loan schemes should also be considered.

Nature of the competition

The entrepreneur should be attentive of the other individuals and the organizations who offer a same or a substitute product to the product of the entrepreneur, their strengths and strategies as well as the potential competitors who may enter the market in the future.

Knowledge, experience, skills and interests of the entrepreneur

The basic knowledge, experience and the interest of the entrepreneur are critical for the implementation of the business idea under consideration. This makes the management of business operations easy. Further this factor is important in order to make decisions of the business and to ensure continual commitment.

Ability to find labour

The availability of skilled and unskilled labour, the cost of recruitment, selection and training, the ability to pay salaries and wages relating to the business idea should be considered.

Risk

It is important to carry out a study regarding the possibility of the business being unsuccessful due to earning losses.

Ease of initiation

Here the availability of other barriers to initiate the business and the possibility of easily initiating the business with minimum resources should be considered.

For micro analysis other criteria which seem suitable can also be used apart from the above mentioned ones. The entrepreneur will be able to select the most suitable business opportunity by evaluating the business ideas under more criteria.

It is important to assess the favourableness or the unfavourableness of the business ideas considered under different criteria. Then it can be entered to a point- scale as follows and the business ideas can be evaluated through that point-scale using a table as given below.

Guide lines for the use of point scale	
<i>Example :-</i> Let's evaluate the factor of providing raw materials	
Criteria	Points
If it can be supplied from close proximity without any cost	5 points
If it can be purchased from close proximity	4 points
If it can be purchased from town and can be transported	3 points
If it has to be imported	2 points
If there are too many legal barriers	1 points

As such the following common point scale can be used to assess any factor.

Assessment	Very good	Good	Satisfactory	Normal	Weak
Points	05	04	03	02	01

In this way considering all factors independently a business ideas assessment sheet can be prepared as shown below in order to evaluate the business ideas.

Business ideas assessment sheet

Business Idea	Market	Raw materials	Labor	Technology	Earnings	Risk	Competition	Government support	Total points
1.....	4	5	3	4	3	3	3	3	28
2.									
3.									
4.									

At the end of this step you will be able to select the 03 ideas (out of the 10 taken for micro analysis) which give the highest scores after summing up the points allocated according to the assessment for each of the considered criterion.



Activity 03

Assessing the business ideas using the above table, select the most suitable 03 business ideas out of the 10 business ideas selected under activity 02 .



Step 03

SWOT analysis

You have already studied the strengths, weaknesses, opportunities and threats relating to a business. By carrying out a SWOT analysis for each of the business ideas selected at the end of the micro analysis, the entrepreneur can identify the business opportunity which can be implemented easily and efficiently.

Few common factors which can be used when doing a SWOT analysis for a business idea are given below.

	Favourable factors	Unfavourable factors
Internal Environment	Strengths Examples :- <ul style="list-style-type: none"> ★ availability of resources ★ having skillful employees ★ quality of the products ★ financial stability 	Weaknesses Examples:- <ul style="list-style-type: none"> ★ Financial difficulties ★ Outdated technology ★ Scarcity of raw materials ★ Lack of employee commitment
	Opportunities Examples :- <ul style="list-style-type: none"> ★ Having a large number of consumers ★ Competitors quitting the market ★ Advancement of technology ★ Availability of research and development ★ Government incentives 	Threats Examples:- <ul style="list-style-type: none"> ★ Unnecessary political influences ★ Strict rules and regulations ★ Natural disasters ★ Bad economic condition
External Environment		

The business idea having the maximum advantages and opportunities with minimum weaknesses and threats can be selected by carrying out a SWOT analysis for the three business ideas selected from micro analysis. That will be the most suitable business opportunity to be implemented for the entrepreneur.

So far you have studied the steps of business opportunity evaluation process including generation of business ideas, macro analysis and micro analysis and SWOT. The steps of preparation of business plan in order to implement the selected business opportunity and initiation of business will be discussed in grade 11.

7.3 Getting the legal protection for a creative business idea

The entrepreneur who enters the business world through an appropriate business opportunity can get the legal protection for the business idea. If not, there is a possibility of acquiring the respective business idea by someone else. Hence a patent right is often used by a new entrepreneur to protect an intellectual property.

Patent Rights

Patent is the government certification given for a new invention by someone. A new invention can be defined as a;

- ★ New product
- ★ New machine
- ★ New process
- ★ A combination of above factors
- ★ Improvement to an existing invention

When a new invention is offered to the market others can copy it without it further being a secret. Hence in order to secure the ownership of the new invention a patent should be obtained and the validity period of it is 20 years. If required, the patent right can be sold to another businessman. Then the right passes to the person who buys it.

Let us write answers.



01. Give differences between business ideas and business opportunities.
02. What are the sources through which business ideas are emerged?
03. State characteristics of a good business opportunity
04. State steps of selecting a suitable business opportunity out of business ideas.
05. What are the criteria that should be considered in order to carry out a micro analysis for business ideas?
06. Show
 - three strengths
 - three weaknesses
 - three opportunities and
 - three threats for a selected business
07. What are the legal facilities available for an entrepreneur to secure his/her creative business idea?

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