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Module 4

ENTREPRENEURIAL OPPORTUNITIES

Maximum Marks - 25

Study Hours 45

An entrepreneur has to be very quick in recognizing business opportunities. This module deals in systematic manner the process of converting an Idea into an enterprise. The learner will be able to understand techniques of Idea generation, steps for setting up an enterprise and resource mobilization for starting an enterprise.

Lesson 10 Idea Generation

Lesson 11 Setting up an Enterprise

Lesson 12 Resource Mobilization



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IDEA GENERATION

In the previous lesson we discussed the characteristics of a successful entrepreneur, achievements of some important entrepreneurs and the various ways to modify the mindset and stereotypes of the society. In this lesson, we shall move a step further and bring out the difference between needs, wants and demand and also show you how the entrepreneur can generate ideas and finally translate them into a flourishing business.



LEARNING OUTCOMES

After studying this lesson, the learners will be able to:

- compare need, want and demand;
- outline various idea generation techniques;
- explain feasible business ideas; and
- describe the ways to convert business idea into an entrepreneurial set up.

10.1 DEFINITION OF NEEDS

By needs, we mean those requirements which are extremely necessary for a human being to live a healthy life. They are not only personal but also psychological, cultural and social requirements that are important for a human being to survive. This was elaborated by A.M. Maslow in the need hierarchy theory proposed by him (see lesson 8).

In ancient times, the three basic needs of man were food, clothing and shelter. With the passage of time, education and healthcare have also become integral, as they improve the quality of life. They are a person's first priority as they also keep us healthy. Therefore, if needs are not satisfied in time, we may fall ill or even die.



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Wants

A want is a choice, a desire which a person may or may not be able to get. All desires, aspirations and motives of humans are known as human wants in Economics. The wants that can be satisfied with goods and services are economic wants. You can classify wants into the following three broad categories.

- (a) **Necessities:** These are absolutely essential for living and surviving and include food, water, clothing, shelter, etc. If a cart driver buys *roti* and *subzi* (bread and vegetables) for lunch, it falls in this category.
- (b) **Comforts:** They are not as essential or urgent as necessities. Comforts are the wants that make the life of the human comfortable and satisfying. Items such as fans, furnished houses, special clothing for occasions fall under this category. Let us continue with the example of the cart driver. If he starts earning well and purchases a burger or pizza, it is a comfort.
- (c) **Luxuries:** These are goods that give humans pleasure and prestige in society. Some examples of luxuries are cars, diamond jewellery, expensive designer clothing, and air conditioners.

Some examples to understand:

- *Having a watch is a need but having an expensive branded watch is a want.*
- *Having a dosa is a need but eating it in a restaurant is a want.*
- *Having a phone is a need but having an iPhone is a want.*

To summarise this concept, let us say wants are shaped by one's society and surroundings. When you have the desire to purchase a product that is not essential for your survival, it is a want. So, a want is the complete opposite of a need, which is essential for survival.

We know that human wants are unlimited while money or the means to satisfy those wants with, is limited. Hence, all the wants of an individual cannot be met and they must seek alternatives. For the purpose of spending and saving money wisely, every person must know the difference between needs and wants. This is true also for an entrepreneur.

Demand

The mere desire of a consumer for a product is not demand. *Demand* refers to the willingness and ability of consumers to purchase a given quantity of a



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good or service. If a customer is willing to and able to buy a need or a want, the person has a demand for that need or a want. For e.g., you have two options, you either buy a smart phone or a basic phone, clothes from the weekly market or branded ones from a store or a mall. The prices of buying a smart phone or buying branded clothes are much higher than their alternatives.

A smart phone might be a need for some and for others it can be a want. We would prefer to purchase the smart phone, but the question is, can we? If we are financially strong enough to buy the smart phone, it means that we have transformed our want/need into a demand.

So, the key difference between want and demand is desire. People who can afford a desirable product are transforming their wants into demands. Needs, wants and demands are interlinked.

In the real world, it is all about making choices regarding allocation of scarce resources so as to make their best possible use and satisfy human needs and wants. These needs and wants get translated into demand when you have a desire along with the means to acquire them.

NEED/WANT → WILLINGNESS → ABILITY (MONEY) → DEMAND

If a customer is willing and able to buy a need or a want, it means that a demand has been created.

Understanding The Concept of Needs, Wants and Demands



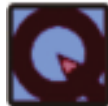


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BASIS FOR COMPARISON	NEEDS	WANTS
Meaning	Needs refers to an individual's basic requirement that must be fulfilled, in order to survive.	Wants are described as the goods and services which an individual likes to have.
Nature	Limited	Unlimited
Represents	Necessity	Desire
Survival	Essential	Inessential
Change	May remain constant over time	May change over time
Non-fulfilment	May result in onset of disease or even death	May result in disappointment

Needs, wants and demand are separate forces that compel actions for satisfaction. If needs are not met on time, the survival of a person may be at stake whereas wants are something which a person craves for, things that do not challenge a person's survival, if not satisfied.

Needs can be distinguished from wants on the basis of their level of importance. Hence, the distinction is between what is required and what is desired and finally acquiring the desired which converts into demand, if you have the ability to do so.



INTEXT QUESTIONS 10.1

State whether the statements given below are true or false.

- a) Needs, wants and demand are one and the same thing.
- b) Wants, when not satisfied, challenge the survival of the person.
- c) Needs are not only physiological but also include social security and cultural needs of a person.
- d) Needs are unlimited whereas wants are limited.
- e) A mobile phone is a need for all.
- f) Buying Nike shoes is a want.

10.2 WHAT IS IDEA GENERATION?

“Creative thinking inspires ideas. Ideas inspire change.”

– Barbara Janusz kiewicz



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Ideas are the key to innovation. New ideas are necessary for making any kind of change for improvement. Most of the ideas are generated from surroundings, culture, problems faced and experiences. Ideas may be tangible or intangible, structured or unstructured and risky or conservative. It is obvious that ideas alone will not make innovation happen, as you need to be able to build a systematic process for managing those ideas as well as executing them. The point of ideation is not just about the quantity you generate but also paying attention to the quality of the idea.

10.2.1 Idea generation and its importance

Idea generation is described as the process of creating, developing and communicating abstract, concrete or visual ideas. It is the front end part of the idea management funnel and it focuses on coming up with possible solutions to be perceived or actual problems and opportunities. For example, it was Shahnaz Hussain's idea to deal with skin problems that led to the setting up of a big business house dealing in herbal cosmetics in India. It was the creative imagination of Ratan Tata that led to the creation of Nano, a low budget passenger car for middle class families in India. It was the creative idea of Mulky Raghunandan Srinivas Kamath which started from a simple question, "If ice-cream can have fruit flavours why can't it have real fruit instead?" This idea soon translated into making of Naturals icecream with fresh fruits ranging from litchi, chikoo, custard apple, tender coconut to figs.

As mentioned, ideas are the first step towards making improvement. From the perspective of an individual, new ideas can help you to move forward if you feel stuck with a task or are unable to solve a certain problem.

10.3 IMPORTANCE OF IDEATION

- Stay relevant
- Make positive change happen in your organisation
- Perhaps your organisational goal is to improve your and your team's efficiency or you need new ideas for making your product better?
- Regardless of your goals or the types of ideas you are looking for, the purpose of new ideas is to **improve the way you operate**.
- On a larger scale, **economies** depend on innovation to drive growth and increase well-being. Innovation creates new technologies and businesses, which provide new jobs for people.

So, although innovation is not about ideas alone, they are an important part of the equation as one would not be there without the other.



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10.4 TOOLS AND TECHNIQUES FOR GENERATING IDEAS

Techniques are ways to generate ideas. There are a number of methods of doing so.

10.4.1 Brainstorming

This technique means using the brain or thinking deeply to dwell on various aspects of the issue/problem. Brainstorming usually boils down to generate number of ideas to be considered for the dealing of the issue/problem. The technique to be effective needs to follow four basic principles:

- 1) Generate as many ideas as possible
- 2) Be creative and imaginative
- 3) Extend or combine earlier ideas
- 4) Withhold criticism of others' ideas

It involves prompting a huge number of solutions addressing a unique problem (idea) with focus on a number of ideas. There is no assessment of the idea. People can voice their ideas freely without fear of criticism. Brainstorming generally is done in a group of 5 to 10.

A national level institute of Government of India took its faculty to a resort in Himachal Pradesh for a brainstorming session for two days to generate ideas on what it can do to be known, noticed or recognised at the national and international level. Seven major ideas were generated ranging from introducing new courses to nominating young faculty members to join faculty Development Programme conducted by various chapters of Indian Institute of Management.

10.4.2 Focus Groups

This group consists of six to 12 members belonging to various socio-economic backgrounds. They are formed to focus on some particular matter like a new product idea. The group is facilitated by a moderator to have an open in depth discussion. The comments from other members stimulate group discussion and conceptualise and develop new products ideas to meet the market requirement. While generating ideas, they screen the idea too and select the most excellent dea to be pursued as a venture.



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10.4.3 Gap Analysis

Gap analysis is a useful tool to help a team establish their current situation and establish a future desired state. Gap analysis helps explore what is missing and what needs to be done to bridge the gap which has been identified. How to use Gap Analysis

- a. Work with the team to identify the future desired state (use any process that will help identify how the group wants to be in the future)
- b. Discuss with the group the present situation in terms of what has come out of the discussion about the future.
- c. Focus on the Gaps – ask team members to work in pairs to discuss (a) what are the gaps between the present state and the desired future state (b) What are the barriers.
- d. Ask the pairs to share their ideas on the ‘gaps’ and post these on a flipchart between the two original flipcharts.
- e. Once the whole group reaches an agreement on the identified gaps, the gaps are evenly divided between the groups and they work together to solve the problem.
- f. Reconvene the team meeting to hear recommendations and action plans.
- g. Get approval from the team on identified plans and develop a means to follow-up on action plans.

10.4.4 Opposite/reverse Thinking

It is a technique that can help you question long-held assumptions related to your business. It's a useful tool to consider if you feel your team is stuck with the conventional mindset and coming up with those “out-of-the-box ideas” seems to be difficult. It is reversing the process of adopting the logical, normal manner of looking at a challenge e.g. How can I ensure punctuality? Can change into, how do I make sure that no student reaches late for exam? Negative challenges get quicker responses as desired outcome is clearly defined because it's a fun way of discovering ideas.



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Often, finding the best solutions isn't found through a linear thought process. Although our brains are wired that way, opposite thinking can help us question the norm.

With this type of thinking, you consider the exact opposite of what's normal. You can even think backwards to find unconventional solutions.

10.4.5 Brainstorm cards

They are a useful tool for coming up with dozens of new ideas related to whatever challenge or problem you are currently working with. Brainstorm cards help you consider external factors such as society, new technology, and regulation in the context of your business. This approach allows you to generate a great number of ideas with little effort. Although many ideas will not make sense, this tool can be beneficial.

10.4.6 Analogy Thinking

It is a technique for using information from one source to solve a problem in another context. Often, one solution to a problem or opportunity can be used to solve another problem. Analogy thinking can, for example, be used for analysing a successful business, identifying what makes it great, and then applying those same principles to your business. This is an effortless method for coming up with new ideas that are pre-validated. The Uber model has been adopted by a number of start-ups.

10.4.7 Empathy User Research

This requires entrepreneurs to observe prospective customers in everyday situations. This helps in developing customer profile and launching customised products e.g. McDonald and Pizza Hut offer customised region specific menus e.g. aloo tikki burgers were launched in India looking at the customer needs.

The aforementioned techniques are some techniques for generating ideas. Other options for idea generation are e.g. mentor opinion, day dreaming, trigger sessions and heuristics.

Ritesh Aggarwal founder of OYO rooms initially started as O ravel Stays to capitalise budget travelling. Or avel was an aggregator of bread and breakfast across India. He realised the importance of affordable and good budget rooms, and re-launched O ravel as OYO rooms (On Your Own). This venture succeeded because of amalgamation of ideas accompanied by favourable opportunity.

10.5 CASE STUDY: CONVERTING CHALLENGES INTO OPPORTUNITIES

Nilkamal, a leader in furniture products, collaborated with Wello, the US-based social venture, to launch a revolutionary new product – Nilkamal- Wello Water Wheel. It is an innovative patented product designed to simplify and increase water availability in India's rural villages.

Over one billion women and girls spend hours every day hauling heavy loads of water to their homes. The practice of head loading can cause chronic back, neck, and eye pain, the curvature of the spine, and can lead to death during childbirth. The UN recommends 20 litres of water per person per day but because of the challenges associated with water collection, most rural consumers have access to less than five litres per day. The time, physical and health burdens of water collection combine to trap entire families in a vicious cycle of poverty.

The Nilkamal- Wello Water Wheel is a drum that carries 50 litres of water and can be easily rolled to transport the water over long distances. The Water Wheel is durable, easy to use and saves time and effort. This can help women and young girls allocate their time for other productive activities. By combining American technology with Nilkamal's expertise in manufacturing and widespread pan-India distribution network, they aim to serve the market of over 250 million rural consumers across India making it easier for households everywhere to have access to safe water. They used the empathy research-based technique.

The Water Wheel is the flagship product of Nilkamal's new line of Social Impact solutions; products designed to uplift and improve the infrastructure of rural India. Other products in the category include ultra-low-flow toilets, school desks, and waste disposal bins. Nilkamal plans to deploy these products across the country at an affordable price through its extensive distribution network.



INTEXT QUESTIONS 10.2

State whether the statements below are true or false:

- There is only one way of idea generation.
- Brainstorming involves prompting a huge number of solutions addressing a unique problem.
- In Brainstorming, people can voice their ideas freely without fear of criticism.



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- d) The Focus group is not facilitated by a moderator to have an open in depth discussion.
- e) Gap analysis is to work alone and to discuss what the gaps between the present state and the desired future state are.
- f) Nilkamal collaborated with Hello.
- g) The UN recommends 20 litres of water per person per day but because of the challenges associated with water collection, most rural consumers have access to 10 litres per day.

10.6 A NINE-STEP FEASIBILITY TEST FOR YOUR NEW BUSINESS IDEA

“I knew that if I failed I wouldn’t regret that, but I knew the one thing I might regret is not trying.” – Jeff Bezos, Founder and CEO, Amazon.

A business idea is mostly an impulsive thought, which strikes and then never fades away. There are plenty of ideas that people come up with before the one which gave them their eureka! moment. At the end of the day, it is not just the idea or its uniqueness that attracts funding but the overall execution and feasibility instead. Thus, a business idea undergoes considerable testing before finally being rolled out in the market as a full-fledged business.

If you have a great idea for a new business but don’t know where to start, we will take you through a nine-step feasibility test to check whether your idea will make enough money to cover your costs and make a profit. This has been discussed in detail in Lesson 11.

10.6 TURNING IDEA INTO BUSINESS POSSIBILITY

Inspiration has struck you with a genius idea for a business, but how exactly do you transfer your idea, scribbled on a napkin, into a sustainable company? It has been done before. Most of the companies take a unique path that cannot easily be duplicated. However, there are some fundamental steps that every new entrepreneur can take to get their idea in motion. Take these eight steps to turn your idea into a functioning business.

10.6.1. Figure out what problem is being solved

When you strip a company down to its core function, you find that it solves a problem. Initially you are focused on your idea and on the solution it provides. Many entrepreneurs claim to have solutions, but what specific problem are they eliminating?



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Amazon, for instance, solved how e-commerce was, at one time, expensive and inconvenient. Today, it has more customers and sales than its brick-and-mortar competition.

Bottom line: all successful companies, products, or services enhance the lives of their customers by eliminating a problem.

10.6.2. Find your market

Picture who your ideal user is. This is the first step to actually figuring out where your idea fits into a sea of consumers. They all have different habits and needs to fulfil, yet are facing the same problem. Figure out where your solution will fit into the market and in the lives of people.

One of the biggest mistakes start-ups make is the failure to get people to understand and want the product or service. If it turns out that your idea is not being “sold” to your audience, do not blame the market. Instead, figure out what they find compelling, or what it will take to get them to want something different than what they already have. You have a solution, but it needs to be in front of the right people to be seen as such.

10.6.3. Find your support

“Have you ever noticed how few successful start-ups were founded by just one person?”

This question was raised by Paul Graham, co-founder of the start-up incubator Y Combinator, when he was addressing mistakes start-ups make that ultimately lead to failure.

Having business partners has several benefits, especially when you’re first starting out. They can act as support, a sounding board for your ideas, and provide evidence to others that you actually have a good idea. Besides building a team, having relationships with other entrepreneurs will give you invaluable knowledge. Find seasoned entrepreneurs and spark conversations with them. It should not be difficult to pick their brains because people love to talk about themselves, so they will be happy to share what they have learned from their experience with starting a business.

10.6.4. Create a financial model and plan the first phase

Since you have your market research done, now you must figure out if it’s financially viable. Create a bottom-up financial model that focuses on how your product or service is created, marketed, and sold to an individual user. Doing this will give you more insight on how your business will function. Then, to



verify your projections, create another financial model that is “top-down,” which examines the size of your market and what goals you need to reach to turn a profit.

Once you are satisfied with your financial model, begin moving into planning the first phase of your business. This plan is simple: Get your ideas out. For discussion purposes among your team and mentors, map out your mission, objective, keys to success, target market, competitive advantage, and basic strategies. It ensures that everyone involved is on the same page and set to proceed into the next stages.

10.6.5. Figure out your source of capital

Entrepreneurs generally do not start out just for the money, but money is still needed to get the business off the ground. Some attainable sources of funding are self-funding, money from people you know (friends and family), credit cards, or loans. Depending on the amount you need, a more helpful source can be angel investors and venture capitalists looking to back your mission for a slice of the profits and room for decision-making.

Whatever source(s) you choose to obtain or to aim for, consider that each one has their own rewards and risks.

10.6.6. Build the MVP

The MVP, or minimal viable product, provides you with the feedback you need before putting your idea on the market. After all, it’s of no use to anyone if you build a product customers don’t want.

Minimal does not necessarily mean “basic.” The point is not to build a minimal product, but a product that is already great (viable), yet has room to improve (minimal). It is how early adopters actually jump on board to use the product and, if they like it, will provide you the feedback to make it better for them.

10.6.7. Find the pivot

The information gathered from your early adopters helps you figure out what works and what garnered the most response from your audience. You might find that their feedback is entirely different than what you expected and planned for.

This can lead you to “pivot” your business model, or change a fundamental part of it. Changing direction doesn’t mean you failed entirely; it actually helps to prevent failures you may have encountered. Pivoting doesn’t necessarily mean abandoning everything you learned. Rather, it is about taking what you



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learned and using it for your new direction. You took one route to a destination and got lost. Pivoting is just recalculating a different route to get there.

10.6.8. Stay positive

They say misery loves company. Ensure there is no misery involved with your new business. Self-doubt and questioning if something will go wrong will only hold you back from taking necessary risks. People will question your ideas and your business, but if they do not believe in your ability to overcome it, they are perpetuating their negativity into you. When you stay above the negativity and stay positive, it will make it easier if you do make a mistake or face an obstacle. Both are inevitable. Your journey to building a sustainable business will not be like most processes, simply because there is no guarantee for success. All you can do is adapt your idea and see what works. If at first you do not succeed, try and try again until you do.



INTEXT QUESTIONS 10.3

Fill in the blanks :

- a) At the end of the day, it is not just the idea or its uniqueness that attracts funding but the overall _____ and _____ instead.
- b) All successful companies, products, or services enhance the lives of their _____ by eliminating a problem.
- c) Figure out where your _____ will fit into the market and in the lives of people.
- d) _____ act as support, a sounding board for your ideas, and provide evidence to others that you *actually* have a good idea.
- e) Once you're satisfied with your _____, begin moving into planning the first phase of your business.
- f) Some attainable sources of funding are _____, money from people you know (friends and family), credit cards, or loans.
- g) People will question your ideas and your business, but if they do not believe in your ability to overcome it, they are _____ into you.

Conclusion

In this lesson, we learnt how an entrepreneur needs to know the difference between needs and wants and convert the needs of people into wants and finally, into demand. To be successful, the entrepreneur needs to begin with



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basics i.e., to generate ideas, check viability and finally seize the opportunity. Hence, ideas have to be shaped into opportunities after systematic research based on available data, market characteristics and competitor actions.



WHAT YOU HAVE LEARNT

- Needs mean those requirements which are extremely necessary for a human being to live a healthy life. They are not only personal but also psychological, cultural and social requirements that are important for a human being to survive.
- A want is a choice, a desire which a person may or may not be able to get. All desires, aspirations and motives of humans are known as human wants in Economics. The wants that can be satisfied with goods and services are economic wants.
- Demand refers to the willingness and ability of consumers to purchase a given quantity of a good or service.
- Needs and wants are different. Needs are limited whereas wants are unlimited, Need represents necessity whereas wants are desires. Needs are essential for survival whereas wants are not.
- Idea generation is described as the process of creating, developing and communicating abstract, concrete or visual ideas. It is the front end part of the idea management funnel and it focuses on coming up with possible solutions to be perceived or actual problems and opportunities.
- Importance of idea generation Stay relevant, make positive change happen in your organisation, to improve efficiency or make your products better, improve the way you operate, or innovate to drive growth.
- Tools of idea generation brainstorming, reverse thinking, brain writing, gap analysis etc.
- Brainstorming technique means using the brain or thinking deeply to dwell on various aspects of the issue/problem. Brainstorming usually boils down to generate number of ideas to be considered for the dealing of the issue/problem.
- Focus group consists of six to 12 members belonging to various socio-economic backgrounds. They are formed to focus on some particular matter like a new product idea.
- Gap analysis is a useful tool to help a team establish their current situation and establish a future desired state.

**Notes**

- Opposite/reverse Thinking is a technique that can help you question long-held assumptions related to your business.
- Brainstorm cards are a useful tool for coming up with dozens of new ideas related to whatever challenge or problem you are currently working with.
- Analogy Thinking is a technique for using information from one source to solve a problem

In another context

- Empathy User Research: This requires entrepreneurs to observe prospective customers in everyday situations.
- Converting ideas into business opportunities. Figure out the problem to be solved, find your market, find your support .create a financial model, find

Sources of capital, build the minimal viable product, find the pivot and finally stay positive

**TERMINAL QUESTIONS**

- 1) Differentiate between needs, wants and demand.
- 2) Write short notes on
 - a) Brainstorming
 - b) Gap analysis
- 3) Elucidate how you can convert your ideas into business opportunity.
- 3) What are the tools and techniques used for generation of idea?
- 4) List out the importance of ideation.
- 5) What is the concept of idea generation?

**ANSWERS TO INTEXT QUESTIONS****10.1**

(i) False (ii) False (iii) True (iv) False (v) False, (vi) False

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(i) False (ii) True (iii) True (iv) False (v) False (vi) False(vii) False



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- (i) Overall execution and feasibility instead
- (ii) Customer problem
- (iii) Solution
- (iv) Business partner
- (v) Financial model
- (vi) Self-funding
- (vii) Perpetuating their negativity

DO AND LEARN

Make a list of things which under two columns titled needs and wants. Can you list some things which were your wants but have got translated into needs?

CONCEPT MAP

