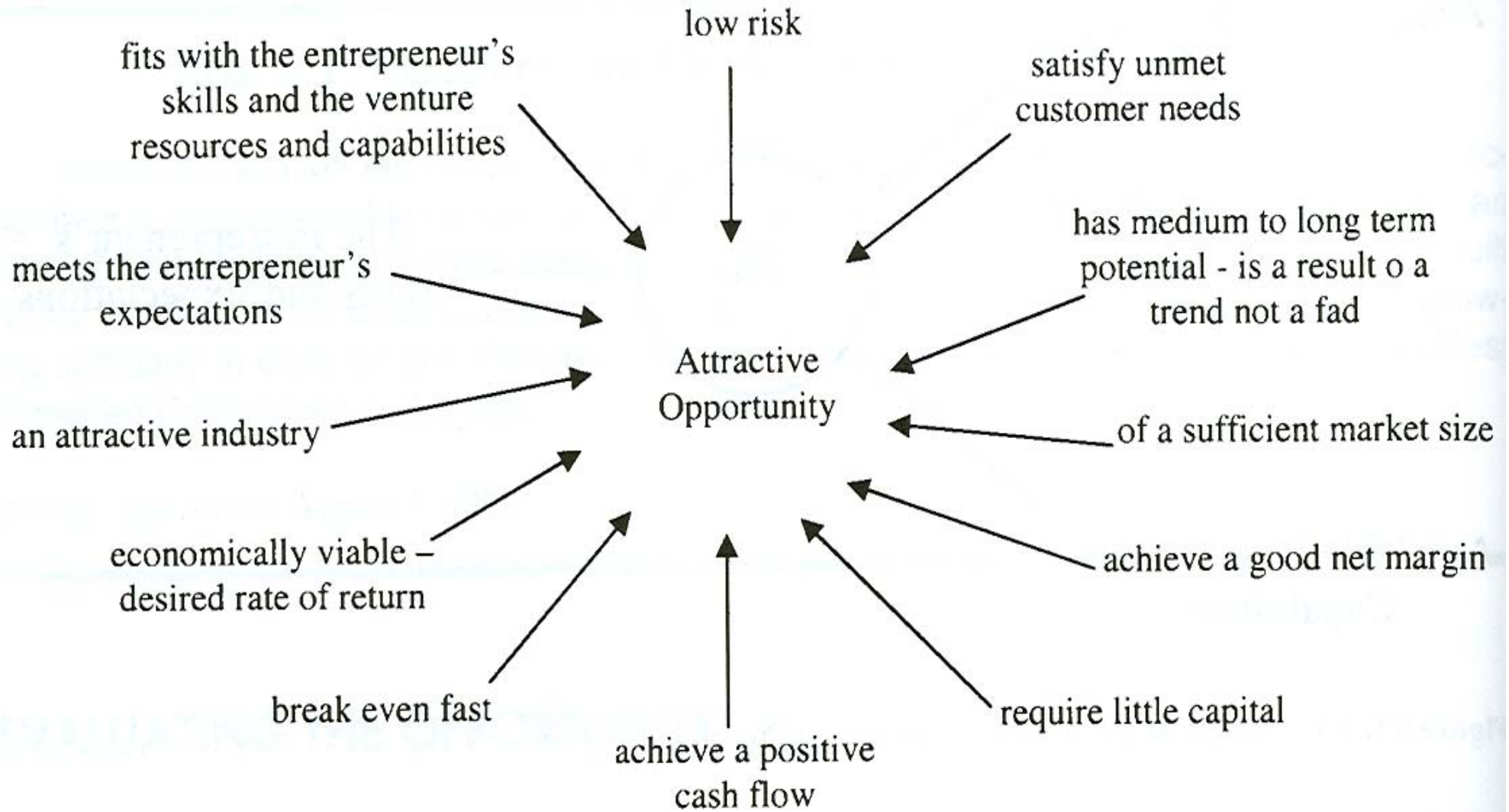


Finding Project Ideas with Commercialization Potential

How To Pick **The Right Idea** For Your
Startup/Project ?

By: Tarek Sadek

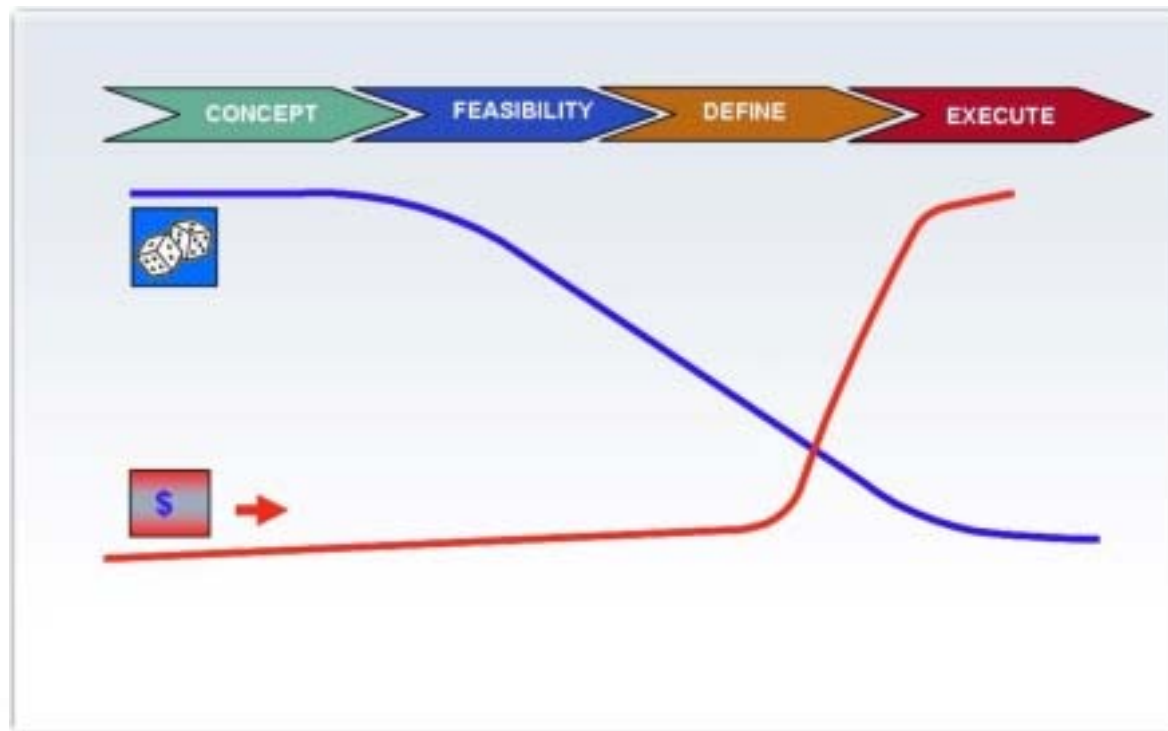
Finding a Project



Source: Ibrahim & Ellis, *Entrepreneurship & Small Business Management*, Kendall/Hunt Publishing Company chapter 6

The Goal

- The goal is to identify business venture ideas that fits you
- Coming up with the right “Value Creation” idea for **you** is a key ingredient of success.
- There is always some uncertainty and risk, they key is to manage the the investment according to the uncertainty



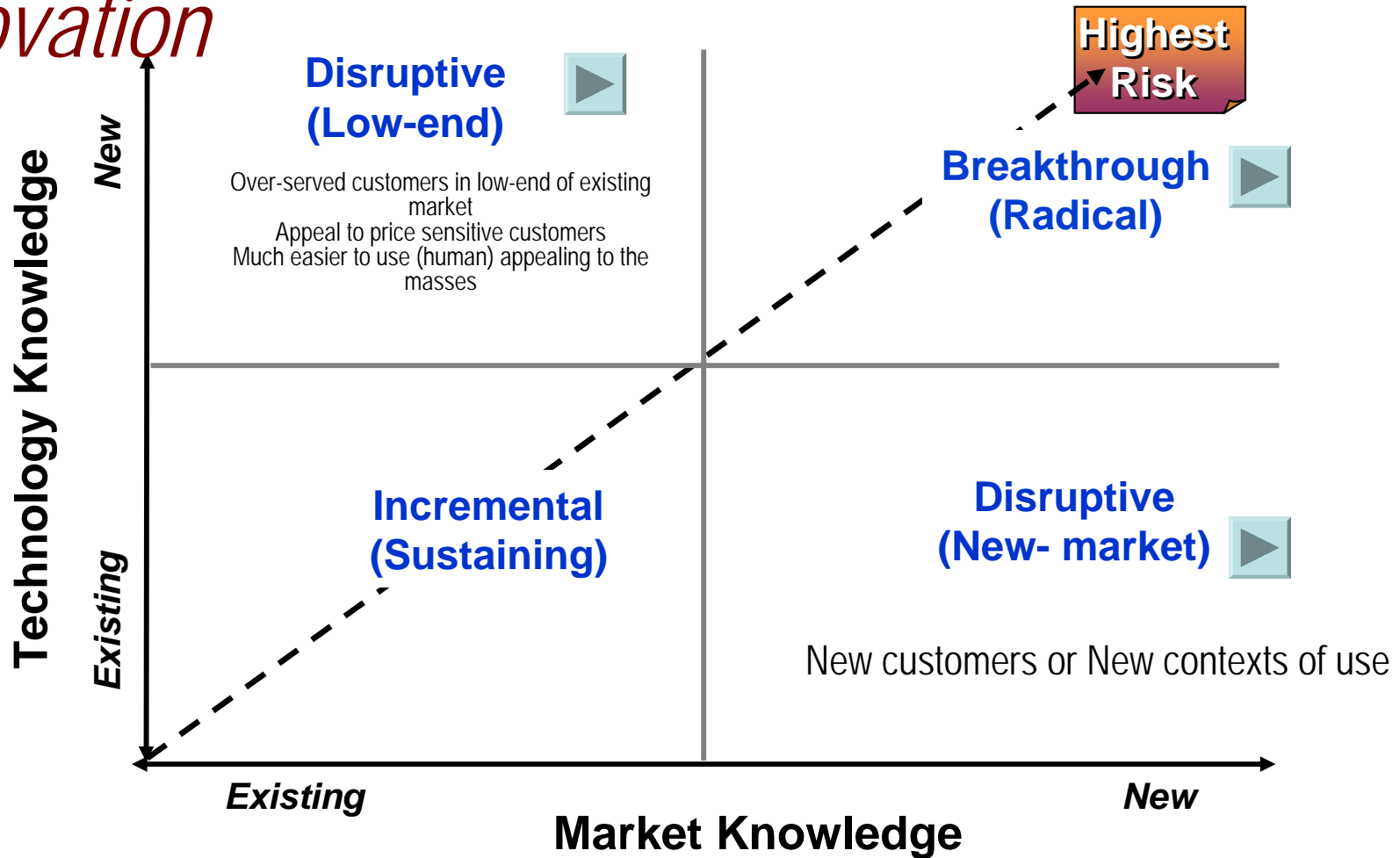
Finding a Project

- *What make a difference?*

<p><u>Market Pull</u></p> <ul style="list-style-type: none"> • Obvious gap in market which people deliberately seek to fill <ul style="list-style-type: none"> • Easy to market • Customers are waiting for the product 	<p><u>Unfilled need</u></p> <ul style="list-style-type: none"> • Changes in market open up opportunities • Typical sources <ul style="list-style-type: none"> • Regulatory controls • Customer preference • Changes in working practices • Technical innovation • Price pressures • Quality failure • Crisis and disaster 		
<p><u>Technology Push</u></p> <ul style="list-style-type: none"> • Driven by invention <ul style="list-style-type: none"> • Market doesn't know they need it • Technology needs to be demonstrated • Commercial viability needs TBD • Difficult to get into market • Long term proposition • Big win, big multiplier 	Ideas	Marketing	Timescale
	Market pull	Customers are waiting	Quick
	Unfilled need	Easier to market	Medium
	Technology push	Difficult to market	Long

Finding a Project

- *What make a difference? Type of Innovation*



Finding a Project

- *What make a difference? Type of Innovation*

- Innovation involves three broad categories:

Breakthrough Innovation - This is a radical change leading to a completely new product, service or a process. Usually requires large R&D, takes a long time and leads to an all-or-nothing outcome.

Incremental Innovation - This type of innovation involves the improvement and enhancement of an existing product, service or process. Typically, the entrepreneur uses past experience or a proven process and applies it to new opportunities.

Disruptive Innovation – This type of innovation involves either technology based low-end disruption to an existing market or application of existing technology to a new customer setting.

A Look at Career "Bests"

Career best experience occurs when three factors are aligned:

- n Your Talent, your Passion, and the Organization needs.
- n Two of the three circles in the TOP model are all about you.
- n The region defined by the overlap of your Talents and Passions – is known as your distinctiveness
- n When the talents and passions of individual's are committed to the goals TOP performance are realized.
- n The process of trying to keep these three circles in alignment when your Talents and Passions continue to evolve; the work needs keep changing is not easy.



Finding a Project

- *The Team Goal*

- Coming up with the right idea for the venture is a key ingredient of success.
- When looking for a project team need to develop personal selection criteria, only then you can start a serious search.

Start by setting your personal selection criteria.

Finding a Project

- Start by choosing an industry and start asking insiders where the problems are because there are potential businesses in the solutions.
 - What don't they like to do?
 - What's being done badly?
 - What are the complaints?
- Find out what people want to buy but nobody is producing.

Finding a Project

- *Look for Trends*

- Some trends are obvious, some are predictable and some may be more esoteric.
- Some lend themselves to a business idea.
- Some are part of the fundamental culture around us:
 - Ageing population
 - Marital status changes
 - Waste management
 - Energy costs rising
 - Families without children
 - Leisure time growing
- The alert entrepreneur will perceive, analyze and understand what is happening around him/herself.

Finding a Project

- Forces Creating the Market Gap

Social Trends

- The social environment has changed dramatically in the past two decades creating needs for new products and services – For example...baby boomers are aging... consumers buying power have increased... the average family income has doubled... concern for health and natural products are growing...

Political Actions

- Actions such as deregulation of an industry, free trade, legislations aimed at protecting the environment have created opportunities and entire industries

Economic Forces

- The state of the economy have profound impact on the demand for goods & services
- Low interest rate and economic growth in general encourage consumers to spend more, increasing the demand for goods and services

Finding a Business

- Forces Creating the Market Gap

Technological Forces

- The birth of new technology often destroys the existing order, creating the opportunity for new products and even industries.
- These changes create demand for goods and services as well as opportunities for entrepreneurs



Thanks in part to yesterday's inventions, new technologies are reaching a quarter of the U.S. population faster than ever.

DATE / INVENTION	YEARS TILL MASS USE
1873 Electricity	46
1876 Telephone	35
1886 Gas automobile	55
1906 Radio	22
1926 Television	26
1953 Microwave oven	30
1975 PC	16
1983 Mobile phone	13
1991 The Web	7

SOURCE: NATIONAL CENTER FOR POLICY ANALYSIS

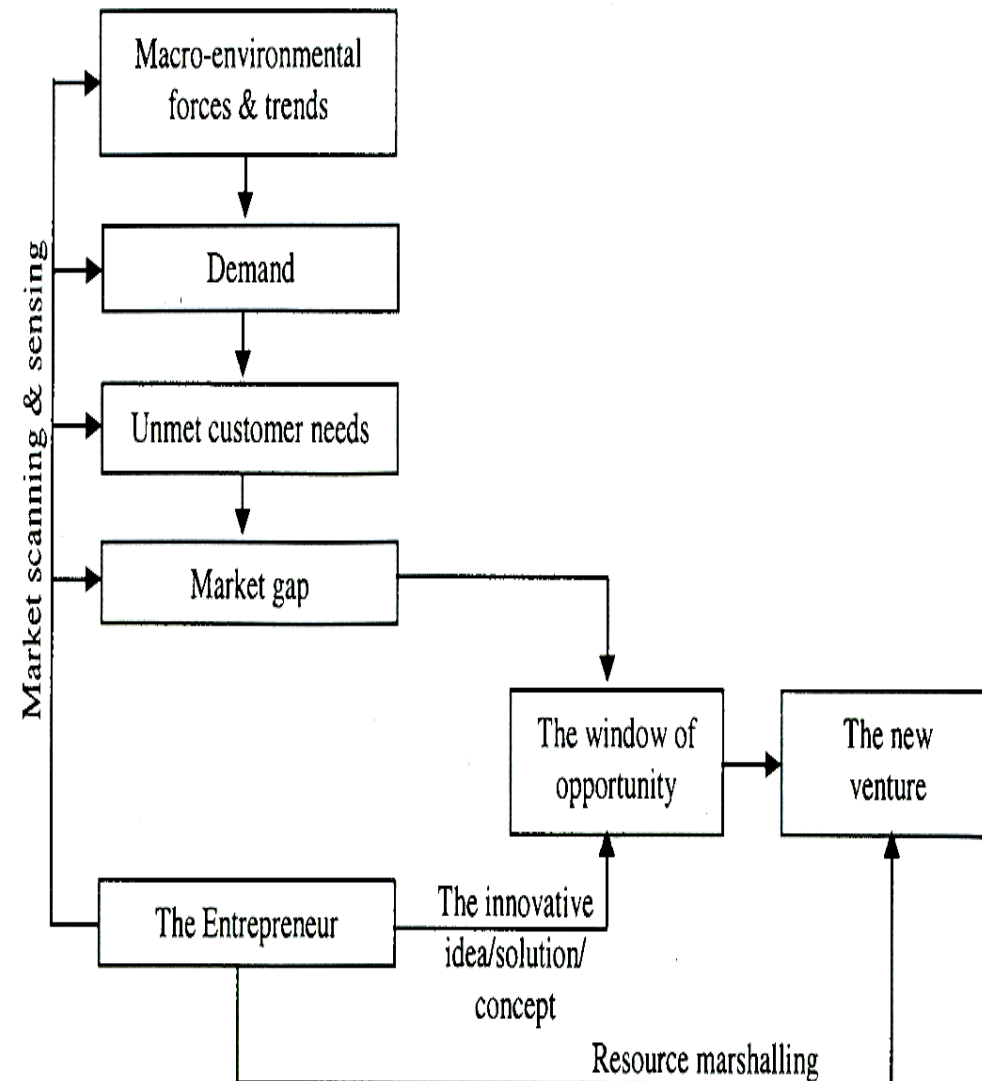
Finding a Project

- *Look for market gaps*

- **Sensing**, evaluating and **exploiting** the opportunity are the most critical elements of the entrepreneurial process.
- Entrepreneurs are the driving force behind this process.
- Generally, they scan the environment looking for market gaps created by unmet customer needs.

THE MARKET GAP

- Market gaps occur as a result of changes in the environment.
- Environmental forces such as technological, social, economic and political trends have a profound impact on the demand for products and services.
- Successful entrepreneurs thrive in this changing and uncertain environment.



Brainstorming

- Leverage the collective thinking of the group
 - One conversation at a time
 - Defer judgment
 - Go for quantity
 - Build on ideas of others
- Generate ideas, evaluate after
- How to go deeper and converge
- Useful online tools:
 - <http://dschool.stanford.edu/>
 - <http://www.mindtools.com/brainstm.html>

EVALUATING THE OPPORTUNITY

- Evaluating an opportunity is the corner stone of a successful venture.
- The fundamental question: is the opportunity attractive enough and thus worth pursuing? and is the degree of risk involved in exploiting an opportunity manageable?

Market Test:

- The opportunity must address customer needs, present or future.
- The opportunity should have potential in the medium and long term
- The opportunity must be of a sufficient size to make the venture economically viable (good measure of risk)

The Test of Fit

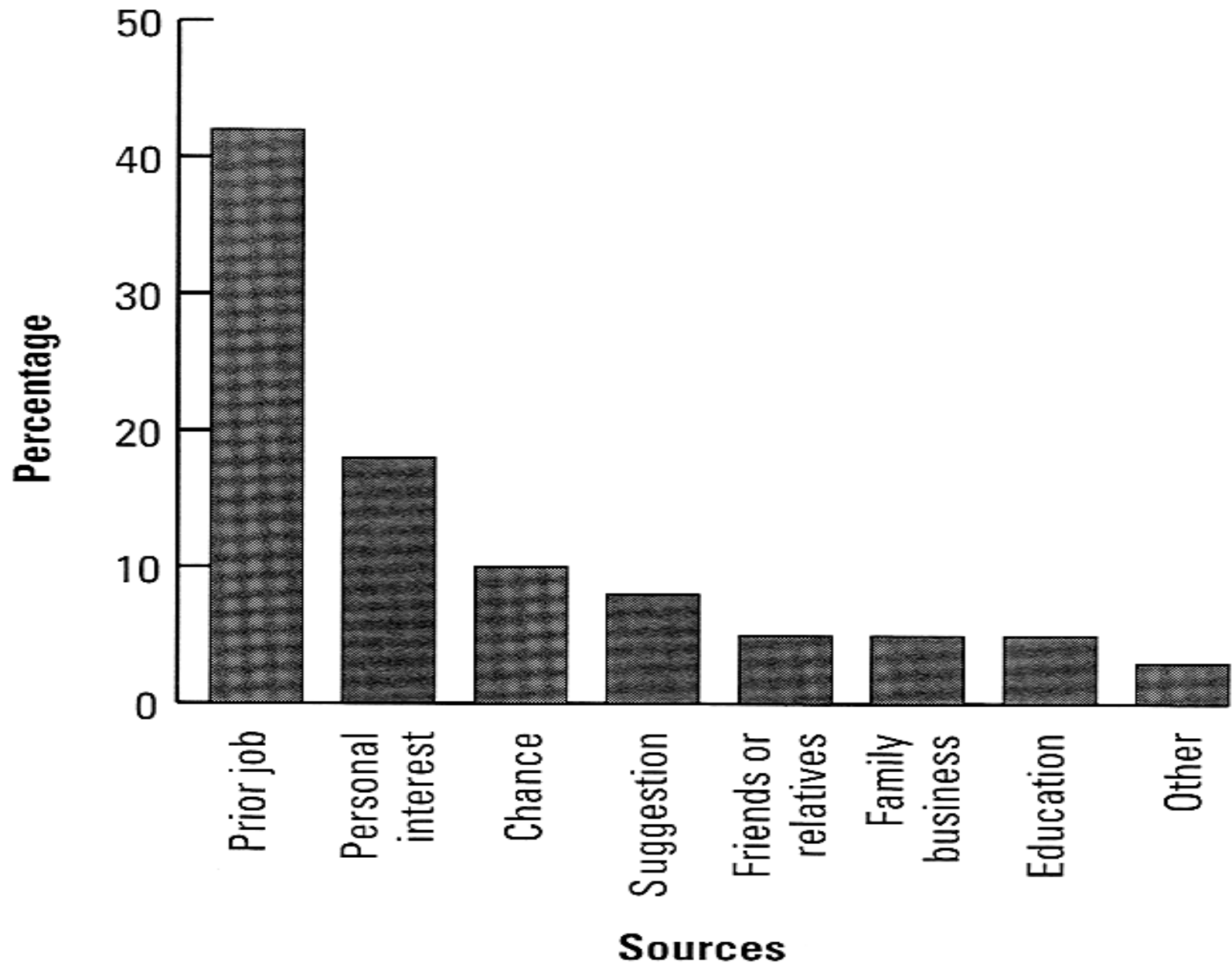
- No matter how good the opportunity is, it must fit with the team/ entrepreneur's skills.
- The opportunity must also fit with the available resources and capabilities including financial resources, technical, R&D, marketing and management capabilities

The Economic Test

- Generally a good opportunity must be economically viable and allow the entrepreneur to achieve the desired rate of return
- In general, the combination of low entry barriers and a relatively high industry growth rate create attractive and low risk opportunities to entrepreneurs

Finding a Business

- The best sources of ideas



Finding a Business

- *Some sources of ideas at McMaster/Ontario*

- MILO
- Faculty members
- Graduate Programs
- SMEs
- The Innovation Factory
- <http://yet2.com/>
- <http://www.innocentive.com/>

Further Readings

- The Art of the Start
- The Innovator's Dilemma
- The Innovator's Solution
- Good to Great
- Blue Ocean Strategy

Questions ?