

# Using Entrepreneurial Discovery and Environmental Scans to Plan a New Business



*(The logos used in this PowerPoint were copied directly from corporate websites. They have not been altered in any way.)*

# Entrepreneurial Discovery

**Define entrepreneurial discovery** - The process of systematically scanning for technological, political and regulatory, social, and demographic changes to discover opportunities to produce new good and services

*If a new entrepreneur hopes to begin a successful business, he/she must continually “discover” new ways to improve his business.*



**Entrepreneurial Discovery is important to society as well as to a new business owner.**

## **Ways entrepreneurs impact our society.**

- Entrepreneurs are the **mechanism by which our economy turns demand into supply**. They recognize consumer wants and see the economic opportunities in satisfying them.
- Entrepreneurs are a principal **source of venture capital**. As part of the process of planning and setting up a new business, entrepreneurs gather resources. Money is one of the most important of these resources.
- Entrepreneurs usually start with **their own funds** and then seek out contributions from private investors.
- Entrepreneurs **provide jobs**.





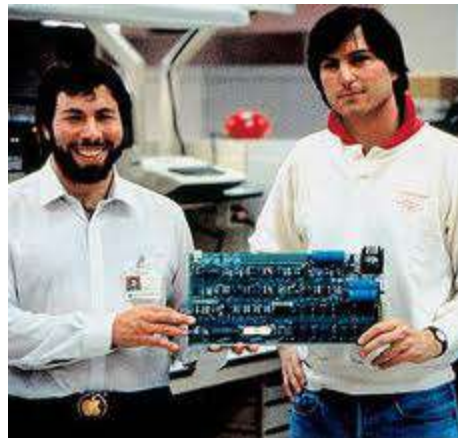
Apple Computer

## One of the Most Successful Entrepreneurs of today's Society

In 1976, Steven Jobs and Steven Wozniak set out to create **Apple**, the first personal computer.

In less than five years, they had created a whole industry comprised of hundreds of related businesses and thousands of new jobs.

Today it is hard to imagine a workplace without at least one personal computer.



**Steven Jobs and Steven  
Wozniak in 1976**



# Changes That Encourage Entrepreneurial Discovery

Any time things change, there is an opportunity for entrepreneurship. These changes can include technological changes, political and regulatory changes, social changes, and demographic changes).

We need look no further than the **Internet** to discover that. The **Internet** was a technological change that opened up the door (and is still opening doors) to new ideas such as Facebook, Google, eBay, webcasts, etc.

## Other Changes that Can Lead to Entrepreneurial Discovery

- **Political change:** election of a new U.S. President
- **Social change:** majority of mothers and fathers working outside the home
- **Demographic change:** use of Spanish language increasing rapidly in U.S.

# Entrepreneurial Discovery

**Different ways that an entrepreneurs can gain information from discovery.**  
**life experiences,**

- a person's position in a social network
- the nature of the search process a person uses,
- an individual's ability to focus on the opportunities
- a person's intelligence).

**Two ways to make discoveries: scientific and circumstantial**

**•Scientific discovery**

- when a physical or technological observation is made

**•Circumstantial discovery**

- when an observation is made based on specific knowledge of time, place, or circumstance

**•Areas of entrepreneurial discovery**

- Introduction of a new product
- a new quality of product
- Introduction of a new production method





# Some Characteristics Commonly Associated with Entrepreneurs:

- Commitment and determination
- Leadership
- Opportunity obsession
- Tolerance of risk, ambiguity and uncertainty
- Creativity, self-reliance and ability to adapt
- Motivation to excel
- Social nature



## ***Being social is important because:***

*“Building a company entails hiring, organizing, and inspiring a collection of people who typically need to get start-up funds from others, to buy things from other people, and, ultimately, flourish or fail together as a result of the ability to sell things to yet another group of people.”*

# An entrepreneur also capitalizes on:

- Life experiences
- Person's position in a social network
- Nature of the search process a person uses
- Ability to focus on the opportunities
- Intelligence

*Perhaps most importantly, entrepreneurs also tend to be “**entrepreneurially alert.**”*

*Are you always looking for new opportunities? If so, then you are more apt to see them when they arise.*





# Areas of Entrepreneurial Discovery

- The introduction of a new good or a new quality of a good
- The introduction of a new method of production
- The opening of a new market
- The conquest of a new source of supply of raw materials or components
- The reorganization of any industry

## Examples:

**The introduction of a new product or an improved product:**

(Most common area of innovation)

Example: MP3 player

(Be sure to distinguish **new invention** of the MP3 player from **improved** MP3 player with a screen)



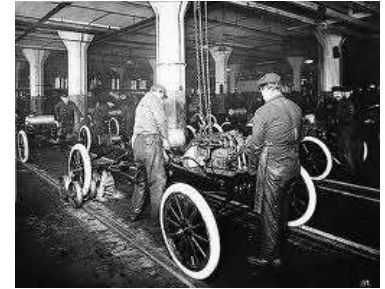
New Invention



Improved Product

# Other Examples of Entrepreneurial Discovery

- **The introduction of a new method of production:**
  - Henry Ford's invention of the assembly line
- **The opening of a new market:**
  - McDonald's moving into China for the first time
  - (Note that in addition to discovering the new market, it requires an understanding of culture, laws, local buyer preferences and business practices, and a host of contact, communication, and transportation details referred to as "setting up a distribution channel.")
- **The conquest of a new source of supply of raw materials or components:**
  - Moving a shoe manufacturer from the U.S. to Mexico to access cheaper labor
  - Finding a new source of oil previously not discovered
- **The reorganization of any industry:**
  - Several years ago, the U.S. government believed that one telephone company, Bell, had formed a monopoly. The company was broken up, making the way for new, smaller telephone companies to form.



# Techniques Entrepreneurs Use to Recognize New Opportunities

- analogies
- pattern recognition
- experiments
- simulation of prototypes
- reverse engineering,

## Analogies

- Comparing an unfamiliar abstract idea with an already known mental image.
  - It's like painting a picture in the listener's mind.
  - What the utilization of analogies and comparisons does is to change the frame of reference and to force thinking in new and interesting ways.
  - If a person is only thinking of the problem in its own the number of possible solutions is very limited.
- analogies, and forced comparisons, the opportunities  
creative solutions are multiplied many times over.



# Techniques Entrepreneurs Use to Recognize New Opportunities

## Pattern recognition

- Many problems can be diagnosed and remedied in a pattern-recognition mode.
- Like a doctor looking to diagnose an ailment, look for patterns occurring.
- For example, if you're always thirsty, you urinate frequently, you're losing weight, and your eyesight is blurry, you have diabetes.



# Techniques Entrepreneurs Use to Recognize New Opportunities

## Prototype

**Definition:** a 3-dimensional version of your vision

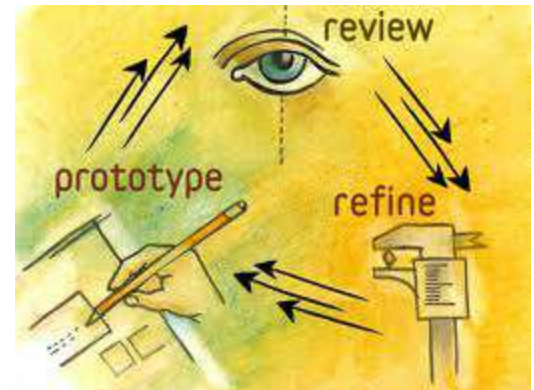
**Here's why a prototype is helpful to discovery:**

- It enables you to test and refine the functionality of your design.
- Sure, your idea works perfectly in theory.
- It's not until you start physically creating it that you'll encounter flaws in your thinking.
- That's why another great reason to develop a prototype is to test the functionality of your idea.
- You'll never know the design issues and challenges until you begin actually taking your idea from theory to reality.



## Prototype continued

1. It makes it possible to test the performance of various materials.\*
  - For example, your heart may be set on using metal—until you test it and realize that, say, plastic performs better at a lower cost for your particular application.
  - The prototype stage will help you determine the best materials.
2. It'll help you describe your product more effectively with your team, including your attorney, packaging or marketing expert, engineers and potential business partners.
3. It will encourage others to take you more seriously.



# How Can An Entrepreneurs Distinguish Him/Herself from Their Competitors.

- Determine your product/ideas major selling advantage: what will make a customer buy you and not a competitor?
- What makes your product different from the competition?
- This may be a product feature, type of service provided, etc.



# Stages of Entrepreneurial Processes

- Discovery – decide what you need to do.
- Evaluation – evaluate your plans/product
- Exploitation – develop the idea





# The Importance of ENVIRONMENTAL SCAN

## What is environmental scan?

An analysis and evaluation process that businesses use to understand their current environment

## Why businesses conduct environmental scans??

The aim is to identify trends, gaps, events, developments, and issues that will impact the businesses.

## What is the nature of the end product?

The identification of a number of broad factors and issues that will have a significant impact on businesses and their plans for the future



# Why Are ENVIRONMENTAL SCANS Important?

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



# Questions to Ask When Conducting An Environmental Scan

- 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?



# Questions to Ask When Conducting An Environmental Scan

## Sources to Use When Conducting an Environmental Scan.

### Examples:

- 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

