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# 3

## Creating and Recognizing New Opportunities

“Entrepreneurs see trends where others just see data; they connect dots when others just see dots. This ability to consistently recognize and seize opportunity does not develop overnight. It takes deliberate practice.”

—Dan Cohen, entrepreneur and educator

## Chapter Outline

- 3.1 The Entrepreneurial Mindset and Opportunity Recognition
- 3.2 Opportunities Start With Thousands of Ideas
- 3.3 Four Pathways to Opportunity Identification
- 3.4 Alertness, Prior Knowledge, and Pattern Recognition
- 3.5 From Idea Generation to Opportunity Recognition

## Learning Objectives

- 3.1 Explain how the entrepreneurial mindset relates to opportunity recognition.
- 3.2 Employ strategies for generating new ideas from which opportunities are born.
- 3.3 Apply the four pathways to opportunity identification.
- 3.4 Demonstrate how entrepreneurs find opportunities using alertness, prior knowledge, and pattern recognition.
- 3.5 Connect idea generation to opportunity recognition.

### 3.1 THE ENTREPRENEURIAL MINDSET AND OPPORTUNITY RECOGNITION

#### >> LO 3.1 Explain how the entrepreneurial mindset relates to opportunity recognition.

In Chapter 2, we explored the concept of mindset and its importance to identifying opportunities. Applying what we have learned about mindset, it is evident that an entrepreneurial mindset positions you to identify opportunities and to take action. Entrepreneurship is all about openness to new ideas, new opportunities, and new ways of acting on them. Indeed, this is demonstrated time and again by countless entrepreneurs' stories, regardless of the diversity of their industries, whether for-profit or nonprofit, whether a startup or within an existing corporation. All the entrepreneurs featured throughout this text, including Juan Giraldo, founder of Waku; Saurabh Gupta, founder of Gyan-I; and Maliha Khalid, founder of Doctory, have found ways to identify new opportunities that address unmet needs in the marketplace. Let's take a closer look at what *opportunity* really means.

#### What Is an Opportunity?

There are many definitions of opportunity, but most include references to three central characteristics: potential economic value, novelty or newness, and perceived desirability.<sup>1</sup> We define **opportunity** as a way of generating value through unique, novel, or desirable products, services, and even processes that have not been previously exploited in a particular context. Jazmine Valencia is a good example of an entrepreneur who found an opportunity to provide personalized services for musicians. For an opportunity to be viable, the idea must have the capacity to generate value.

Value can take many forms. The most common form of value is economic value: the capacity to generate profit. Two other forms of value—social value and environmental value—are less understood but equally important. An opportunity has social value if it helps to address a social need or creates social good. Environmental value exists if the opportunity protects or preserves the environment. We address this further in Chapter 16 on social entrepreneurship. Startup Bios Urn, headquartered in Spain, created a biodegradable urn in which to grow trees from human ashes, to address the environmental problems of a growing population (many people don't have the land to bury their loved ones) and the polluting effects of traditional burials.<sup>2</sup> All forms of value, however, are predicated on the assumption that there is a market populated with enough people to buy your product or service. This does not mean that a large market is required; there are countless examples of successful businesses that run on a small scale, catering to a market that is limited in one way or another. The key is to scale the business and its costs

**Opportunity:** a way of generating profit through unique, novel, or desirable products or services that have not been previously exploited.



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## Jazmine Valencia, JV Agency



Photo courtesy of Jazmine Valencia

**Jazmine Valencia, founder, JV Agency**

Jazmine Valencia operates at the heart of one of the most disrupted and fastest-changing industries of the past decade. She has been on the cutting edge of the music industry since the beginning of her career. In 2012, she started from the bottom at the Island Def Jam Music Group label as an intern, working her way to director of digital marketing. During her 7 years at Island Def Jam, she witnessed the dawn of social media as an effective marketing tool before it was consolidated into the handful of platforms we have today, such as Facebook, YouTube, and Instagram. Jazmine saw the changes and she saw the possibilities. "In the beginning people didn't yet know exactly what social media could do for music marketing as it had yet to establish itself as a mainstream medium and it was not clear if major players would, but I wanted to be ready."

In 2014, Island Def Jam Music Group split into multiple labels and Jazmine's entire client list was shaken up. As Jazmine said, "It was like going through a divorce and we were all confused kids." Although her job was secure, her day-to-day had changed drastically, and many of the artists she had spent years building relationships with were no

longer hers. But Jazmine had skills that the artists needed, especially in this time of uncertainty. What those artists needed was help with marketing in this new world of music distribution. As a result, she left Island Def Jam in 2015 and started consulting with her clients who had been displaced in the split. She soon realized she was offering a little too much help for free. It was time, she thought, to "jump head first into starting my own music marketing agency."

It was an organic transition from Def Jam to her own business because it was easy to sell herself based on what she had already accomplished. There was no question of what she was capable of doing for musicians, and this made it easy to attract clients she had previously worked with as well as new ones. "It didn't seem like a risk to me; it felt easy and it happened by accident. I said to myself, 'Let me just go with this and see where it gets me.'"

Today, JV Agency is a marketing company handling campaigns for all levels of musicians from all genres. Jazmine leads and advises some of music's biggest artists, from indie rock band The Killers to Canadian singer-songwriter Shawn Mendes. She helps grow careers for some of the most talented musicians today using an artist-focused marketing approach to growth. This means she handles their digital marketing, social media, brand strategy, international distribution, and many other aspects of an artist's business. She credits her success in the industry to her creativity, confidence, and ability to thrive under pressure, all things she honed early on while at Island Def Jam. One thing Jazmine wishes everyone would do is replace the word "failure" with "lesson" because she feels that failure has such negative connotations. "I wish we could use a positive word for failure so people would be less afraid of making mistakes and more capable of learning lessons from their experiences." Jazmine knows that without failure and the associated learning, it's hard to see new opportunities. "Sometimes you have to learn lessons and pay the price in the short term and to realize that setbacks can be opportunities in disguise."

### Critical Thinking Questions

1. Why did Jazmine start her own business?
2. Why does she recommend doing what you are passionate about?
3. What is Jazmine's perspective on failure? ●

**Source:** Jazmine Valencia (interview with author, January 15, 2019)

to the size of the market—to balance supply with demand. Here again, the entrepreneurial mindset is what enables us to envision how a new product or service can generate value for a niche, an age group or interest segment, a geographic area, or a larger population.

In addition, a new idea that constitutes an opportunity, whether it is a product, service, or technology, must be new or unique or at least a variation on an existing theme that you are confident people will accept and adopt. The idea must involve something that people need, desire, and find useful or valuable. Or there must be a significant problem to solve. Finding solutions to problems and meeting customer needs are the essence of opportunity recognition.

### Innovation, Invention, Improvement, or Irrelevant?

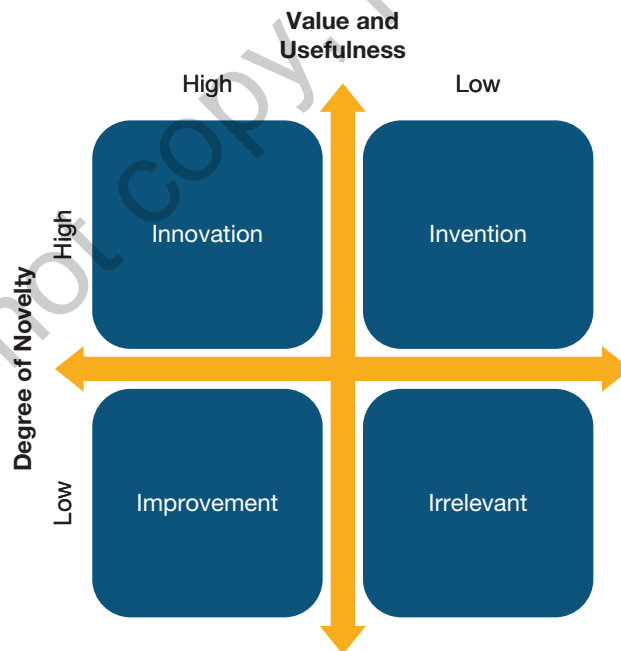
Of course, all ideas are not created equal and not all ideas are venture opportunities. Part of recognizing an opportunity is the ability to evaluate ideas and identify those with the highest likelihood of success. One framework for doing this is to rate an idea on four different dimensions: The idea may be an *innovation*, an *invention*, an *improvement*, or *irrelevant*. Of these, innovations and inventions are high in novelty, while improvements and irrelevant ideas are low in novelty (see Figure 3.1).

A successful idea scores highly as an *innovation* if the product or service is novel, useful, and valuable. Today's smartphone, and the basic cellular phone of the 1980s, are both good examples of a product that meets all the requirements of a successful innovation.

Innovations and inventions are often paired together, but the difference between them lies in demand. *Inventions*, by definition, score highly for novelty, but if an invention does not reach the market or appeal to consumers, then it will be rendered useless. Inventions that succeed in finding a market move to the innovation stage.

FIGURE 3.1

#### Idea Classification Matrix



Source: Neck, H. M. (2010). Idea generation. In B. Bygrave & A. Zacharakis (Eds.), *Portable MBA in entrepreneurship* (pp. 27–52). Hoboken, NJ: John Wiley & Sons.

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Post-it® notes

of paper, they would fall out. Fry remembered Silver's discovery and they ended up working together to develop what we now know as the Post-it® note.

The Post-it® note took off because it was novel, useful, and practical—but it became an innovation of high value only when it hit the market. Yet ideas do not always need to be unique or novel to appeal to customers. There are many ideas that focus on *improvement* of existing products. Take folding sunglasses, serrated ice cream scoops, or liquid paper, for instance. Each product has been revisited and improved on. The products may not be high in novelty, but there is still a strong market for these products, as many people will find them useful to a degree.

Finally, there are ideas that fall into the *irrelevant* category, scoring low on both novelty and usefulness. The food and beverage industry, in particular, has experimented with some changes over the years that have failed to meet consumer expectations. Pepsi introduced a morning pick-me-up drink called Pepsi A.M., beverage giant Coors started selling mountain spring water, and soup company Campbell's combined soup and a sandwich into one frozen microwaveable meal—all of these are arguably examples of irrelevant ideas.<sup>4</sup>

However, it is difficult to fully pigeonhole ideas into neat categories. How can we really predict whether an idea is inventive, innovative, or irrelevant? Something we perceive as irrelevant and useless might appeal to someone else. For example, who would have thought fidget spinners would have been in such high demand? Or that Mood Rings

would turn into such a trendy fashion item?<sup>5</sup> Or that the Slinky would make more than \$3 billion?<sup>6</sup>

Even the most apparently bizarre inventions can find a home. Take Billy Bob Teeth, invented in the 1990s. Fake rotting teeth might seem absolutely ludicrous to some, but more than 20 million units have been sold, generating more than \$50 million in profit.<sup>7</sup>

Opportunities spring from ideas, but not all ideas are opportunities. Although we all have the capability to generate a huge range of ideas, not everyone knows how to turn an idea into a valuable, revenue-generating opportunity. Making an idea a reality is a process that requires time, resources, commitment, and a great deal of work, which can seem a little daunting to many of us. But if it were easy, wouldn't everyone do it?

As the idea classification matrix illustrates, most opportunities in entrepreneurship demand high value and some degree of novelty. But how do we identify the right opportunities? The first step in the opportunity identification process is generating as many ideas as we can, for it is out of thousands of ideas that opportunities are born.

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Fidget Spinners.

## 3.2 OPPORTUNITIES START WITH THOUSANDS OF IDEAS

### >> LO 3.2 Employ strategies for generating new ideas from which opportunities are born.

The way to get good ideas is to get lots of ideas and throw the bad ones away. Different strategies can be employed and not all will work for you.

—Linus Pauling, Nobel Laureate in Chemistry

The first step in creating and identifying opportunities is idea generation; the more ideas we generate, the greater the likelihood we will find a strong opportunity. At this stage, it's important to embrace the openness of an entrepreneurial mindset to consider ideas that might seem impractical, obvious, wild, or even silly. On the surface, you never know what may turn out to be a good or bad idea.

### The Myth of the Isolated Inventor

Here's a quick exercise: Take a minute, close your eyes, and think of an idea for a new business. Ready? Think hard. How many ideas did you come up with? If you have come up with very few or no ideas at all, you are in good company. Ideas don't just spring fully formed into our minds, although the myth of the isolated inventor, working tirelessly from his or her workshop or laboratory, may lead us to think so.

In fact, as recent literature shows, history's greatest inventions occurred very differently from what we may have been taught. For instance, most of us learned in history class that Eli Whitney invented the cotton gin in 1793—except he didn't, really. In fact, he simply improved existing cotton gins by using coarse wire teeth instead of rollers. In other words, he took an existing product and enhanced it to make it more useful. The cotton gin was actually a result of the work of a group of different people who made improvements over a number of years, which finally resulted in a popular marketable innovation.<sup>8</sup>

Similarly, Thomas Edison did not invent the lightbulb—in fact, electric lighting and lightbulbs existed before he came along. Edison's discovery was a filament made of a certain species of bamboo that had a higher resistance to electricity than other filaments. Again, he took an existing product and made it more useful and valuable. Edison's biggest contribution to the lightbulb was making it more marketable.<sup>9</sup>

Many of the best-known inventions exist because of both a substantial number of people working on them simultaneously and improvements made by groups over the years or even centuries. Many sewage treatment plants and irrigation systems today use a rotating corkscrew type of pump known as Archimedes' screw, which dates back to the 3rd century BC. Although its invention is attributed to the Greek scientist Archimedes, chances are he did not devise it on his own—and even if he did, it has been modified and adapted in a multitude of ways around the world. Other inventions with long and varied histories include concrete (developed by the Romans around 300 BC); optical lenses (another ancient Roman discovery, made practical in 13th-century Europe); gunpowder (invented in the 9th century in China); and vaccination (first developed in the 1700s but not widely implemented until more than a century later). As history shows, there is very little reason to credit just one person for the creation of a novel product or service.<sup>10</sup>

Regardless of who is responsible for inventions and innovations, we can safely say that each of those successful products or services began with an idea. Opportunities emerge from thousands of ideas, but how can we learn to generate thousands of ideas? Let's take a look at some strategies we can use for idea generation. Keep in mind, however, that all ideas are equal! Later in the chapter, and certainly later in the text, we'll talk more about assessing whether good ideas are entrepreneurial opportunities.



## The Ethics of Taking Someone's Idea

Consider this scenario: You're on a public Internet forum or social networking site and someone has posted an idea for a really innovative new product. Despite the enthusiastic responses, the person tells the forum that he wants to work on the idea as a hobby rather than turn it into a business. You are one of those people who sees huge potential in the idea, but what do you do next? If you take the idea and run with it, would you consider this ethical?

The answer to this really depends on your own personal code of ethics, which varies from one person to another. In general, your personal code of ethics are the principles used to guide your decision making and identify what is right or wrong. One person's code could justify that if something is posted on a public forum, then the poster does not mind other people knowing about the idea and therefore the opportunity is there for the taking. Another person's code could be exactly the opposite. Still another person's code could be somewhere in the middle.

But what would happen if the message was posted on a private forum set up specifically for entrepreneurs to swap ideas in a secure environment based on trust? What do you do then? Using someone else's idea in this scenario may not be illegal, but exploiting an idea from

one of those members could be considered a breach of trust and therefore unethical.

The online world is ripe with ethical quandaries. One way to make the right decision is to examine your own ethical standards and ask, If the situation were reversed, what would you think? Sometimes looking at your dilemma from the other person's point of view creates greater clarity in terms of right and wrong. Seeking advice from mentors you trust and respect are ways to test the efficacy of your actions. One rule of thumb to help you handle online ethical dilemmas is this: Ask yourself if your behavior was to be published on the front page of the *Wall Street Journal*, would you be ok with this?

### Critical Thinking Questions

1. Put yourself in the shoes of the poster on the private forum. When they post, is there a risk of the idea being taken by others?
2. Sharing ideas with others is part of the Entrepreneurship Method in this book. Is it possible to share new ideas and protect them at the same time?
3. What other rules of thumb (besides the *Wall Street Journal* front page test) could be used to help you navigate ethical situations? ●

## Seven Strategies for Idea Generation

There are countless different ways to generate ideas—from the informal (but not very effective) type illustrated above, such as “close your eyes and think of an idea!” to more structured idea generation techniques, which we describe below.

Researchers have defined many formal methods for idea generation. Out of these, we have chosen seven main strategies that we believe are effective in the generation of entrepreneurial ideas:

- analytical strategies
- search strategies
- imagination-based strategies
- habit-breaking strategies
- relationship-seeking strategies
- development strategies
- interpersonal strategies<sup>11</sup>

### Analytical strategies:

actions that involve taking time to think carefully about a problem by breaking it up into parts, or looking at it in a more general way, to generate ideas about how certain products or services can be improved or made more innovative.

Although not all of the strategies may suit everyone, each can help us forge new connections, think differently, and consider new perspectives in different ways. Let's take a closer look at each.

**Analytical strategies** involve taking time to think carefully about a problem by breaking it up into parts, or looking at it in a more general way, to generate ideas about how certain products or services can be improved or made more innovative. In some cases, you may see very little correlation between problems until you think about them analytically. For example, in one study, a group was asked to think about different ways of stacking certain items. The ideas they came up with were then considered as ways to park cars. In another study, researchers found that artists who carried out critical analysis before they started their work, as well as during the task, were more successful than those who did not use the same analysis.

**Search strategies** involve using a stimulus to retrieve memories in order to make links or connections based on personal experience that are relevant to the current problem. For example, say you were asked to design a door hinge. Here, the door hinge is a stimulus—a starting point for searching for solutions to the problem. Although you may not have any prior experience of designing door hinges, you could search your memory to see if you can think of anything that you can associate with a door hinge to support the design process. For example, the search process may stimulate your memory of the opening and closing of a clam shell. By drawing on this memory, you could use your knowledge of the clam shell and apply it to the hinge design. This strategy illustrates our ability to be resourceful in generating associations between objects that at first appear to have no apparent relationship with each other.

**Imagination-based strategies** involve suspending disbelief and dropping constraints in order to create unrealistic states or fantasies. For example, the Gillette team used imagination to come up with a new shampoo by imagining themselves as human hairs. Though playful and even absurd, such freeing behavior allows our minds to think in ways we never thought possible.

One of the remarkable things about generating ideas, especially ideas that come from imagination-based strategies, is that one idea can lead to another, yielding a pipeline of great ideas that may impact the world. For example, scientists at NASA have needed to use a great deal of imagination to come up with tools, protective clothing, personal care items, foodstuffs, and other inventions that can be used in outer space. Along the way, these ideas led to other inventions that have changed many people's lives here on Earth; some of them are shown in Figure 3.2.

To think creatively, our mind needs to break out of its usual response patterns. **Habit-breaking strategies** are techniques that help to break our minds out of mental fixedness in order to bring about creative insights. One strategy is to think about the opposite of something you believe, in order to explore a new perspective. Another method focuses on taking the viewpoint of someone who may or may not be involved in the situation. A popular habit-breaking strategy is to take the role of a famous or admired individual and think about how he or she would perceive the situation. This is sometimes called the Napoleon technique, as in “What would Napoleon do?”

**Relationship-seeking strategies** involve consciously making links between concepts or ideas that are not normally associated with each other. For example, you could make a list of words that are completely unrelated to the problem you are trying to solve, then list the characteristics of each item on the list. Next, apply those characteristics to the problem in order to come up with ideas to solve the problem. The purpose of this exercise is to stimulate the mind into making connections that would otherwise have gone unnoticed.



Credit: ©iStockphoto.com/Gizmo

**Designing a door hinge may require use of search strategies as a stimulus.**

**Search strategies:** actions that involve using a stimulus to retrieve memories in order to make links or connections based on personal experience that are relevant to the current problem.

**Imagination-based strategies:** actions that involve suspending disbelief and dropping constraints in order to create unrealistic states or fantasies.

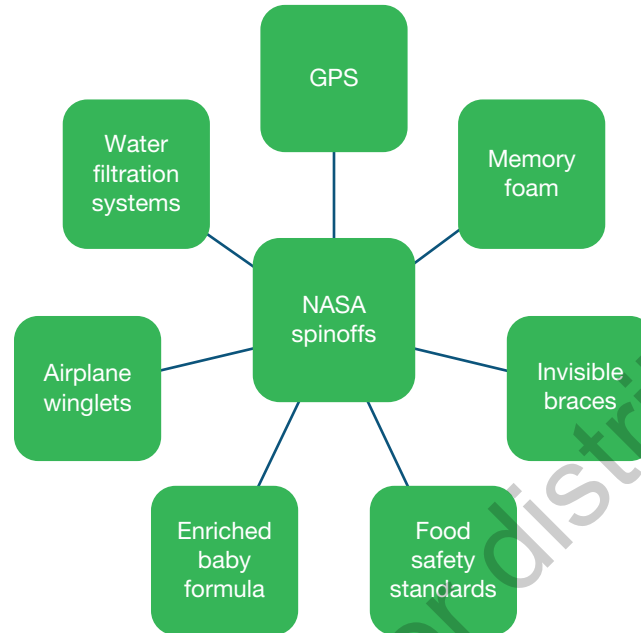
**Habit-breaking strategies:** actions that involve techniques that help to break our minds out of mental fixedness in order to bring about creative insights.

**Relationship-seeking strategies:** plans of action that involve consciously making links between concepts or ideas that are not normally associated with each other.



FIGURE 3.2

## Everyday Spinoffs From NASA



**Source:** Chino, M. (2014). You won't believe how many world-changing inventions came from NASA. *Inhabitat*. Retrieved from <http://inhabitat.com/infographic-you-wont-believe-how-many-world-changing-inventions-came-from-nasa/>; National Aeronautics and Space Administration. (2016). *Spinoff*. Retrieved from [https://spinoff.nasa.gov/Spinoff2016/pdf/2016\\_Brochure\\_web.pdf](https://spinoff.nasa.gov/Spinoff2016/pdf/2016_Brochure_web.pdf)

**Development strategies:** actions that involve enhancing and modifying existing ideas in order to create better alternatives and new possibilities.

**Interpersonal strategies:** actions that involve group members generating ideas and building on each other's ideas.

**Development strategies** are employed to enhance and modify existing ideas in order to create better alternatives and new possibilities. A common exercise in idea enhancement is to gather a group of four to six people together. Each person writes down three ideas, which are then passed around the group. Then every member spends 5 minutes suggesting improvements to the ideas to make them more feasible and effective. Group brainstorming is a good example of a development strategy.

**Interpersonal strategies** require group interaction; ideas are generated as a group and the group builds on each other's ideas. Brainstorming is a very common interpersonal tool for generating ideas that emphasize the creativity of the group over the individual.

The point of these seven strategies is to focus on generating enough ideas to eventually create pathways to new opportunities. Not all approaches will work for every person. Try a few and see what happens. As you try, you are training your brain to think more creatively!

### 3.3 FOUR PATHWAYS TO OPPORTUNITY IDENTIFICATION

#### >> LO 3.3 Apply the four pathways to opportunity identification.

When the famous explorer George Leigh Mallory was asked why he climbed Mount Everest, he answered, "Because it's there."<sup>12</sup> This indicates that Mallory took the opportunity to climb Everest simply because it was there for the taking. But how do entrepreneurs know when "the mountain" is there and when or if they should start to climb? In the case of Mallory, the idea was climbing Mount Everest, but it really wasn't an opportunity until he convinced himself that (1) the mountain was climbable and (2) he could do it. In previous sections we've talked about where ideas come from. Now it's time to shift our attention to turning ideas into marketable and valuable opportunities.<sup>13</sup>

## MINDSHIFT

## In Love With Your Idea?

Find some classmates and practice this quick brainstorming exercise. It's best to have a group of five or more. The more people you have, the more powerful the exercise will be. You'll need a few materials before you begin:

1. A sheet of paper for every group member
2. A pen or pencil for every group member
3. A paper clip that will not be used—or a picture of a paper clip, if you are working with a large group
4. A timer

Here are your instructions. They are quite simple: You have 5 minutes to brainstorm as many uses as you can for a paper clip. Yes, a paper clip!

Go for quantity, do not judge your ideas, and keep in mind that wild ideas are just as acceptable as are mundane ideas. Start the timer and go.

After 5 minutes have passed, stop brainstorming uses for a paper clip and count how many ideas each person has generated. Identify the person with the most ideas—the winner!

Ask the winner to identify his or her first and second idea. Then ask the other group members to raise their hands if their list included at least one of these two ideas. Usually most of the group will raise their hands.

The point of the exercise is you shouldn't fall in love with the first ideas that pop into your mind because most people will come up with those same ideas.

Now ask the winner to share an idea from the very bottom of his or her list. Typically, you will find that not many people in the room have that idea on their lists. The thoughts we



Paper clips

generate when we keep "digging," prodding ourselves to think of more and more ideas, are the ones that tend to be the most original and novel.

Brainstorming takes practice and it also takes energy, as it requires pushing beyond the easiest, most obvious ideas. Don't fall in love with the ideas at the top of your list. They won't be novel. Instead, keep going to get the most innovative ideas.

### Critical Thinking Questions

1. Reflect on your own idea generation methods. Do you tend to fall in love with your early ideas? Why or why not?
2. Which of the seven idea generation strategies was applied in this Mindshift?
3. In what ways did the exercise challenge your previous assumptions and beliefs? Did you learn anything that surprised you? ●

An opportunity can be a new product or service, new markets, new channels of distribution, new means of production or supply, or new ways of organizing.<sup>14</sup> Favorable opportunities are those that are valuable, rare, costly to imitate, and fit the capabilities of the entrepreneur.<sup>15</sup> *Valuable* means there is a market of customers; *rare* means they offer some novelty that doesn't currently exist for customers; *costly to imitate* creates barriers to entry to other entrepreneurs; and *fit* aligns with the skills and knowledge of the entrepreneur or founding team. In this section, we focus on different pathways that entrepreneurs use to identify opportunities. Think of these pathways as steps, and as you travel the steps, reflect on how the opportunity identified is a bit more complicated and the environment in which it's identified is a bit more uncertain. The increase in complexity and uncertainty may yield more valuable opportunities (see Figure 3.3).

FIGURE 3.3

**Increasing Complexity and Unknowingness in Opportunity Creation**



Source: Neck, H. (2019). *Beyond the entrepreneurial mindset*. Keynote presentation for the Kern Entrepreneurial Engineering Network Annual Conference, January 5, 2019, Dallas, TX.

**Find pathway:** a pathway that assumes that opportunities exist independent of entrepreneurs and are waiting to be found.

**Search pathway:** a pathway used when entrepreneurs are not quite sure what type of venture they want to start, so they engage in an active search to discover new opportunities.

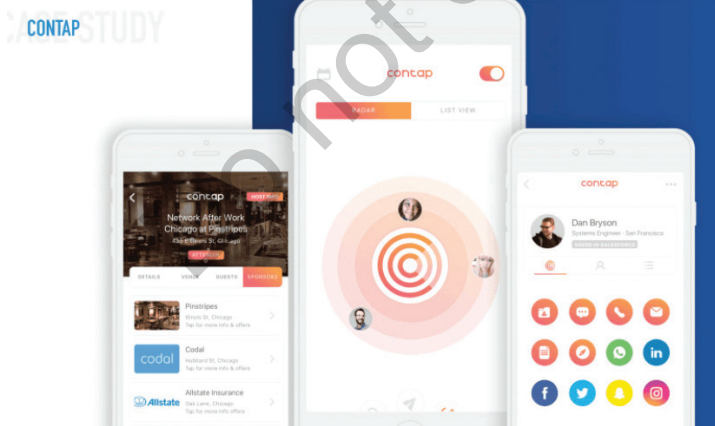
Finding opportunities is the least complicated and perhaps most common way to identify new opportunities. The **find pathway** assumes that opportunities exist independent of entrepreneurs and are waiting to be found. Generally, an opportunity is found when the entrepreneur sees a clear problem and develops a solution. The problem is known to most, but the entrepreneur is the one who acts on the potential solution. Jason Craparo saw a clear problem. Paper business cards are passé. Most people forget to carry them or lose the ones they are given by others. However, connecting to new people at events in order to follow up with them later is essential to business and networking. He founded Contap, an online platform that enables users to connect and share information. Users can connect with one another by tapping the Contap logo on their phones when they meet. They can instantly share numbers, email addresses, websites, and any other connected social media accounts. Jason found a solution to the business card problem.

The **search pathway** is used when entrepreneurs are not quite sure what type of venture they want to start, so they engage in an active search to discover new opportunities.<sup>16</sup> We all possess certain information sets or knowledge bases.<sup>17</sup> By actively searching these sets, we can access a wealth of information and uncover new opportunities.

Typically, entrepreneurs find an area that they are interested in and then start searching for business opportunities. For example, Jen Gutman and Liz King met in the International Culinary Center pastry program. During their program, they would travel around Chinatown and other areas of New York City, tasting everything. They knew they wanted to start a pastry business together but were not sure what they wanted to do. They knew New York City didn't need another bon bon, but they wanted to turn the beloved Snickers bar into candy that capital-

ized on the artisanal food trend. Their idea? Recreate and make better Snickers and similar candy using high-quality, local, and organic ingredients.<sup>18</sup> They each had independent jobs until Liz discovered the Brooklyn Flea, a flea market for new food products. They began selling at the Brooklyn Flea in 2009 on weekends.<sup>19</sup> Then they set up a pop-up store for a month, and soon their business, Liddabit Sweets, was growing!

Courtesy of Jason Craparo, Contap.



**Contap founder Jason Craparo found a solution to paper business cards with his online platform that allows people to share their information virtually.**



They developed an online store and even built a storefront in Brooklyn. Passion led their search, and their search led them to start Liddabit Sweets.

Effectuating opportunities involves using what you have (skills, knowledge, abilities) to uncover an opportunity that uniquely fits you. The opportunity builds on your experience, abilities, networks, and your confidence to act under conditions of uncertainty. Unlike finding and searching, the **effectuate pathway** is more about *creating* opportunities rather than simply uncovering them. To identify opportunities, this approach advocates using what you know, whom you know, and who you are. Your role as an entrepreneur is to take action and see how the market responds, recognize patterns, and learn from iteration to define the opportunity as it evolves. FlowDog, a canine aquatic and physical therapy facility for dogs, is a clear example of effectuation. Chris Cranston had deep knowledge of physical therapy, given her 13 years of practicing as a sports medicine physical therapist. She also had a deep love for animals. Tired of dealing with the human side of medicine, she enrolled in a canine physical therapy course at the University of Tennessee. Armed with her extensive knowledge in sports medicine and her newfound knowledge in canine physical therapy, she began testing the market in the Boston area. She started a mobile practice to treat dogs in their homes, then she started a physical therapy clinic for an animal hospital outside of Boston, and she eventually bought a dog swimming facility and converted it to a therapeutic and physical therapy clinic for dogs. Each iteration of her business helped her create more experience, build deeper networks, and take confident action. In 2017, after 10 years of operating the clinic, she sold it to a large animal hospital in New England.

The final pathway, the **design pathway**, is one of the most complex, yet it can be the most value-creating approach. It can uncover high-value opportunities because the entrepreneur is focusing on unmet needs of customers—specifically, latent needs (needs we have but don't know we have). Design is at the top of the staircase in Figure 3.3 and is considered the most complicated pathway because of the practice and imagination it takes to uncover true unmet needs. As a matter of fact, we devote an entire chapter (Chapter 4) to this pathway! Design is another way to create opportunities because by identifying unmet needs, the entrepreneur is creating a new market. The most iconic example of using the design pathway to create a new market is the iPhone. The introduction of the iPhone (even though the BlackBerry existed) created a new global market of communication and connection. When we look back we can ask ourselves, did we need an iPhone? If the answer is “Well, I can't imagine living without one today,” then you now understand what a latent need is!

The four pathways can be classified as either a discovery approach or a creation approach (see Table 3.1).<sup>20</sup> The discovery approach assumes that opportunities exist and we rely on entrepreneurs to discover them. Creating, on the other hand, assumes that the entrepreneur creates the opportunity rather than simply uncovering it.

**Effectuate pathway:** a pathway that involves using what you have (skills, knowledge, abilities) to uncover an opportunity that uniquely fits you.

**Design pathway:** a pathway that can uncover high-value opportunities because the entrepreneur is focusing on unmet needs of customers, specifically latent needs.

**TABLE 3.1**

Discovering or Creating Opportunities

	DISCOVERY	CREATION
Opportunity pathways	Find and Search	Effectuate and Design
Assumptions	The opportunity exists and is waiting to be identified	The entrepreneur creates the opportunity
Role of the entrepreneur	Be alert to and scan the environment	Take action, build, iterate
Level of experience and prior knowledge needed to identify	Low	High
Potential value of opportunity	Lower	Higher
Action orientation	Risky	Uncertain

Source: Alvarez, S. A., & Barney, J. B. 2007. Discovery and creation: Alternative theories of entrepreneurial actions. *Strategic Entrepreneurship Journal*, 1(1-2): 11-26.

## 3.4 ALERTNESS, PRIOR KNOWLEDGE, AND PATTERN RECOGNITION

### >> LO 3.4 Demonstrate how entrepreneurs find opportunities using alertness, prior knowledge, and pattern recognition.

As we have discussed, access to the right information is one of the key influences of opportunity identification. However, access to information is not enough—it is how this information is used that makes the real impact.

### Alertness

To address the question of why some people spot opportunities and some don't, researchers have suggested that opportunities are everywhere waiting to be discovered, but discovery is made only by those entrepreneurs who have **alertness**, which is the ability to identify opportunities in their environment.<sup>21</sup> This means that entrepreneurs do not necessarily rationally and systematically search their environment or their particular information sets for opportunities. Rather, they become alert to existing opportunities through their daily activities—in some instances, they are even taken by surprise by what they observe.

Think back to Dr. Spencer Silver, the inventor of Post-its®, mentioned earlier in this chapter. Silver was not actively searching for an opportunity to invent a specific adhesive to create sticky notes, but he became alert to the idea through his scientific experiments. He then collaborated with a colleague to create a product that would prove to be a huge market success. Silver's experience adheres to this concept of alertness that suggests that we are capable of recognizing opportunities even when we are not looking for them.

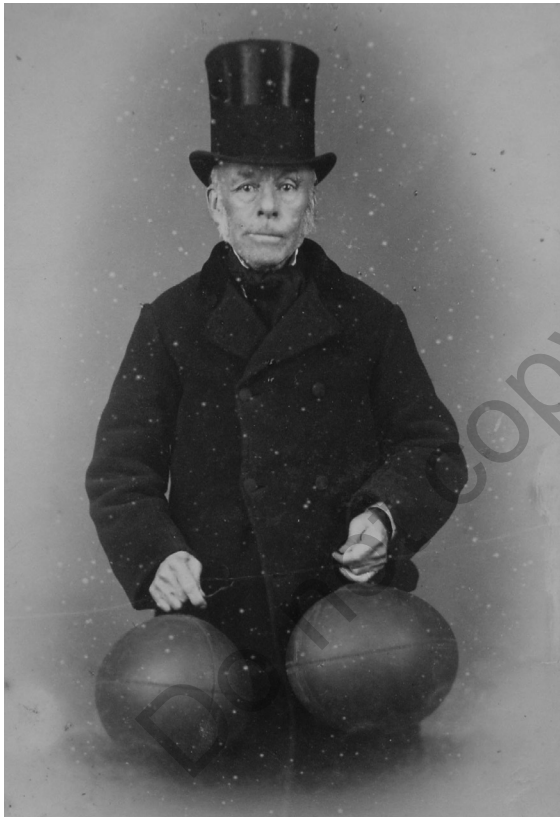
The origin of the rugby football is another interesting example of alertness.<sup>22</sup> Until 1860, footballs were made of animal bladders, which were blown up into a plum or pear shape, then tied and sealed. Because the bladders were constantly exploding, shoemakers were often called upon to encase the bladders in leather to protect them from bursting so easily. A young shoemaker in the town of Rugby, England, named Richard Lindon was employed in this trade, and he enlisted the help of his wife to inflate the bladders by blowing air into them. However, after his wife died from an illness attributed to contact with infected pigs' bladders, Lindon started to look for a safer option. He found a way to replace the bladders with inflated rubber tubes and used a pump to inflate the footballs without any contact with the mouth. He is credited with inventing the oval rugby football we know today, as well as the hand air pump. The point is that although Lindon had not started out looking to revolutionize the football, he was able to recognize an opportunity when it appeared.

Some researchers believe that entrepreneurs may be more adept at spotting opportunities than non-entrepreneurs for several reasons:

- They have access to more information.
- They may be more prone to pursuing risks than avoiding them.
- They may possess different cognitive styles from those of non-entrepreneurs.

These reasons can be attributed to an entrepreneur's level of alertness as well as their persistence and optimism. Persistence helps entrepreneurs power through obstacles and optimism helps drive persistence.<sup>23</sup> The combination of persistence and

**Alertness:** the ability some people have to identify opportunities.



Credit: Wikimedia Commons/Public Domain

**Richard Lindon with enhanced rugby balls**

optimism encourages a state of alertness and readiness to identify and act on new opportunities that others may miss or just don't see.

## Building Opportunities: Prior Knowledge and Pattern Recognition

There has been a great deal of research on measuring how entrepreneurs recognize opportunities. We have explored the importance of actively searching for opportunities, alertness to recognizing opportunities when they arise, and the importance of taking action to support the formation of opportunities. But once entrepreneurs have identified opportunities, how do they go about building on them?

Researchers have identified two major factors in the building of opportunities: prior knowledge and pattern recognition.<sup>24</sup> As described in our earlier discussion of the finding approach, **prior knowledge** is information gained from a combination of life and work experience. Many studies indicate that entrepreneurs with knowledge of an industry or market, together with a broad network, are more likely to recognize opportunities than those who have less experience or fewer contacts.<sup>25</sup> Successful entrepreneurs often have prior knowledge with respect to a market, industry, or customers, which they can then apply to their own ventures.<sup>26</sup>

Allen Lim, founder of Skcratch Labs, a company that provides tasty, natural hydrated food and drinks to athletes, was able to apply the knowledge he gained while working as a sports scientist and coach for professional cycling teams.<sup>27</sup>

Similarly, Sara Blakely, founder of Spanx, spent weeks researching the shapewear industry before using the knowledge she gained to create her seamless pantyhose product. Steve Sullivan, founder of functional and fashionable outdoor clothing company Stio, spent a number of years working in outdoor retailing before launching his venture.

These are just a few examples of how prior knowledge can be crucial in an entrepreneur's ability to build on an opportunity.

Another key factor in building and recognizing opportunities is **pattern recognition**: the process of identifying links or connections between apparently unrelated things or events. Pattern recognition takes place when people "connect the dots" in order to identify and then build on opportunities.<sup>28</sup> The "nine-dot exercise" (Figure 3.4) illustrates the limitations of our thinking. The challenge is to connect nine dots by drawing four



Courtesy of Skcratch Labs

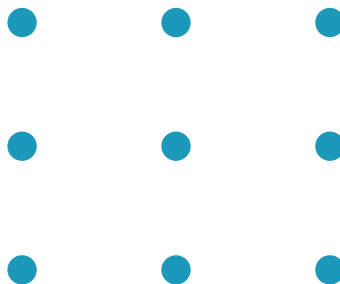
**Allen Lim was able to use his prior knowledge to build his company, Skcratch Labs.**

**Prior knowledge:** the information gained from a combination of life and work experience.

**Pattern recognition:** the process of identifying links or connections between apparently unrelated things or events.

FIGURE 3.4

### Nine-Dot Exercise



Puzzle: Copy the above image to paper. Draw no more than four straight lines (without lifting the pencil) and connect all nine dots. No back-tracking either.

Source: Raudsepp, E., & Hough, G. (1977). *Creative growth games*. New York, NY: Jove. The nine-dot exercise is referred to as "Breaking Out" and is found on page 29. The solution is on page 113.



straight lines without lifting your pen from the paper and without backtracking. If you have difficulty completing the task, your mind may be blocked by the imaginary “box” created by the dots. Try to look beyond that imaginary constraint.

In a recent study, highly experienced entrepreneurs were asked to describe the process they used to identify opportunities.<sup>29</sup> Each entrepreneur reported using prior knowledge to make connections between seemingly unrelated events and trends. In cognitive science, pattern recognition is thought to be one of the ways in which we attempt to understand the world around us.

Some of the simplest ideas are born from making links from one event to the other. For example, keen travelers Selin Sonmez and Niko Georgantas were fed up with hauling their baggage around with them while waiting to check in to their accommodation. Sonmez said, “Niko and I always ended up schlepping our luggage around on the first and last days of our Airbnb stays. Similarly, we oftentimes wished to go to an event or go shopping but decided against it to because carrying bags around is a hassle. We hoped someone would find a solution to rid us of the burden. For months we wished. In the beginning of 2017, we decided to CREATE the solution.”<sup>30</sup>

To solve this problem, Sonmez and Georgantas cofounded luggage storage company Knock Knock City, which partners with different shops to allow people to drop off their luggage for \$2 an hour. Not only do travelers have the opportunity to explore new cities baggage-free, but the shops get to earn revenue by renting out unused space.

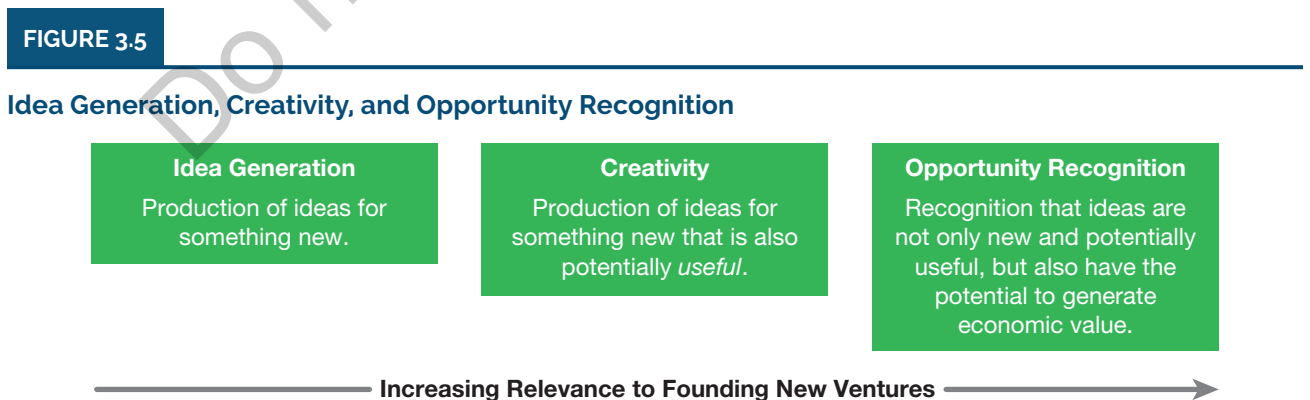
Moving from the idea to identifying an opportunity may seem like a daunting prospect, but we can all train ourselves to get better at recognizing opportunities. We do so by identifying changes in technology, markets, and demographics; engaging in active searches; and keeping our mind open to recognizing trends and patterns. And always look beyond the imaginary box!

## 3.5 FROM IDEA GENERATION TO OPPORTUNITY RECOGNITION

### >> LO 3.5 Connect idea generation to opportunity recognition.

As we have explored, for an opportunity to be viable, the idea must be new or unique or at least a variation on an existing theme that you are confident people will accept and adopt. It must involve something that people need, desire, find useful, or find valuable, and it must have the capacity to generate profit. We cannot credit divine intervention as the source of new ideas, nor is every idea an opportunity. The best ideas are based on knowledge and the ability to transform the idea into a viable opportunity.

Let’s take a look at the process that connects idea generation to opportunity recognition (see Figure 3.5). Typically, entrepreneurs go through three processes before they are able to identify an opportunity for a new business venture: idea generation, creativity, and opportunity recognition.



Source: Baron, R. A., & Shane, S. A. (2008). *Entrepreneurship: A process perspective* (p. 69). Mason, OH: Thomson/South-Western Educational, a part of Cengage Learning, Inc. Reproduced by permission. [www.cengage.com/permissions](http://www.cengage.com/permissions)

The journey from idea to opportunity is important to recognize because the difference between someone who comes up with an idea and an entrepreneur is that the entrepreneur turns this idea into an actionable opportunity that has the potential to become a viable business and generate profit. Figure 3.5 illustrates the journey from idea to opportunity. Though the goal is recognizing a value opportunity, the journey starts with lots of ideas—let’s say 100 ideas. These ideas can be generated in many ways, potentially through the strategies we discussed earlier in the chapter. Of those 100 ideas, you need to determine which ones are the most useful for potential customers. Let’s say, then, that the original 100 are narrowed to 25. Of the remaining 25 ideas, you then need to determine which ones can generate economic value, which is profit. Finally, the entrepreneur is the one who acts on the opportunity.

Along this continuum of idea generation to creativity to opportunity recognition depicted in Figure 3.5, educators and entrepreneurs Dan Cohen and Greg Pool have developed an empirically proven method for identifying and selecting high-potential ideas that can be converted to new opportunities. Their approach is called IDEATE: Identify, Discover, Enhance, Anticipate, Target, and Evaluate (see Table 3.2).<sup>31</sup>

Let’s apply the IDEATE method to the evolution of the modern-day gourmet food truck.

The mobile food business is not a new concept, but traditionally street food has been associated with fast food such as burgers, hot dogs, and ice cream; these are the menu items often sold from food trucks, kiosks, and food carts. Yet in the past decade, the nature of the mobile food business has changed as the street food industry has become increasingly upscale and popular with “foodies.” Using the Identify stage, we could observe that food trucks are popular but customers really want more healthy options. A possible concept could be a food truck that serves fresh seasonal salads and healthy grain bowls, with a menu that changes with the seasons.

Building on this food truck concept in the Discover stage, the opportunity could morph into an entirely different concept that takes into consideration social, demographic, political, or other environmental changes. For example, given that waste management is a significant issue in the world, and islands of plastic are forming in our oceans, the salad food truck mentioned above could promote itself not only as healthy for people but also healthy for the planet.<sup>32</sup> All plates, cups, and utensils would be compostable—even the straws! (see [https://www.ecoproducts.com/compostable\\_straws.html](https://www.ecoproducts.com/compostable_straws.html)). Note how the idea of the food truck has become a bit more innovative and meets the needs of customers, too.

**TABLE 3.2**

### The IDEATE Model for Opportunity Recognition

Identify	Identifying problems that customers are currently trying to solve, are spending money to solve, but are still not solved to the customers’ satisfaction. Also identifying the underlying causes of the problem.
Discover	Actively searching for ideas in problem-rich environments where there is social and demographic change, technological change, political and regulatory change, and/or change in industry structure.
Enhance	Taking the ideas and expanding to new applications or adding innovative twists. Or simply enhancing existing ideas.
Anticipate	Studying change and analyzing future scenarios as they relate to social, technological, and other global changes and trends.
Target	Defining and understanding a particular target market, validating new ideas with early adopters.
Evaluate	Evaluating whether the solution solves a problem, size of target market, degree of personal interest by the entrepreneur, and skills and abilities of the entrepreneur.

**Source:** Adapted from Cohen, D. Hsu, D. & Shinnar, R. (2018) Enhancing Opportunity Identification Skills In Entrepreneurship Education: A New Approach and Empirical Test (forthcoming); and Ideate: An empirically proven method for identifying and selecting high potential entrepreneurial ideas. Workbook.

## Practicing “Identify” in the IDEATE Model

Important to the IDEATE methodology is the ability to identify “headache problems.” They are called headache problems because when one has a headache one usually buys aspirin. Consumers don’t buy products or services; they buy solutions. In the case of a headache, the solution is an aspirin, so they buy aspirin. But other solutions could exist as well. What’s important is your ability to identify headache problems *before* thinking about solutions. In this Mindshift, you are to identify five headache problems and then create five solutions per problem. We give you an example to help you get started:

Example headache problem: It’s not easy to quickly exchange contact information and younger people don’t carry business cards.

Possible solutions:

1. Contap (discussed in this chapter)
2. Phone bump attachment so when you bump phones the information is transferred automatically

3. QR code that can quickly be scanned
4. I look at my friend’s phone and it recognizes me using iris recognition technology
5. Something connected to LinkedIn that recognizes all the people in your immediate vicinity and will send them requests to connect

At this point, we are not evaluating the ideas above. We are just helping you practice finding headache problems.

### Critical Thinking Questions

1. How difficult was it to identify headache problems?
2. How will you analyze whether some of your solutions have customers who are willing to buy?
3. Do a quick Google search for your solutions. How many already exist? What does that tell you? ●



PriceM/Shutterstock

Food truck

As you enter the Enhance stage, you could morph the food truck opportunity again. Enhancing the idea requires you to expand concepts to new applications or add innovative twists. Maybe the food truck turns into “fresh food” vending machines that are in strategic urban locations and the machines are restocked daily. Or maybe they could be placed in airports, where more and more people want access to healthy food to bring on their flights. Notice now that with the twists, our market just got bigger! We gain more customers by solving more headaches.

Applying the original food truck concept to the Anticipate stage could result in an entirely new concept. Here we are forced to think about future scenarios. Food deserts are becoming a serious problem. A food desert is an area that lacks access to affordable healthy food such as fruit, vegetables, grain, and other nonprocessed food. Most of these food deserts are in rural, minority, and low-income neighborhoods with very little access to supermarkets and fresh produce—places where there are more convenience stores than grocery stores.<sup>33</sup> Ultimately the health of these populations is at risk. How can we morph the food truck concept and anticipate the future? Now we can perhaps think about creating a fleet of food trucks that act as “mini” produce markets. These trucks travel through low-income areas selling healthy food at reasonable prices while also educating the public on how to eat healthy on tight budgets.

In the Target stage, you could take the food-truck-in-food-deserts concept and choose a low-income urban area in which to test the idea before investing in trucks. Or you could take the original food truck concept of seasonal salads and test it in downtown Denver, Colorado—one of the healthiest cities in the United States. The idea here is to find that niche market of early adopters who will help validate your idea.



## RESEARCH AT WORK

## Testing IDEATE in the Entrepreneurial Classroom

Researchers Cohen, Shinnar, and Hsu (2019) set out to study the impact of the IDEATE method (discussed in Section 3.5 above) versus more traditional methods of opportunity identification. To compare the quality of ideas generated by each method, they took a group of U.S. undergraduate students enrolled in six sections of an Introduction to Entrepreneurship course. Out of the six sections of the course, three sections were taught the IDEATE method while the other three sections (the control group) learned a more traditional opportunity recognition method. Using the IDEATE method, the students were required to generate 100 high-quality ideas, or 25 ideas per IDEATE stage (see Mindshift: Practicing “Identify” in the IDEATE Model).

Because the IDEATE method is rooted in deliberate practice, the researchers hypothesized that this approach was more likely to sharpen students’ skills in opportunity identification. When the experiment was complete, the researchers found “a significant correlation between the IDEATE teaching method and the innovativeness

of the opportunities students identified”; they also discovered that “the students taught in sections using the IDEATE approach identified opportunities that were more innovative than the opportunities identified by students in the control sections.” Overall, the researchers concluded that the IDEATE approach proved to be more effective in opportunity identification than any other of the methods tested.

### Critical Thinking Questions

1. What are the benefits of the IDEATE method versus the traditional methods of opportunity identification?
2. Which method would you choose to generate your ideas, and why?
3. What would you do with your ideas after you generated them? ●

**Source:** Cohen, D., Shinnar, R. S., & Hsu, D. K. (2019). *Enhancing opportunity recognition skills in entrepreneurship education: A new approach and empirical test*. 2019 Babson College Entrepreneurship Research Conference, Babson Park, MA.

Finally, the Evaluate stage encourages you to take all of the ideas and begin to “size” the problem:

1. food truck with salads and bowls
2. food truck (same as #1) that only uses compostable packaging and utensils
3. fresh food vending machine
4. fleet of trucks that offer “mini” produce markets in food deserts

For each concept, what is the size of the market? Is the customer reachable? Do I have the ability to reach the customer? Do I even want to work on any of these opportunities? Do I have the skills and ability to execute them? Do I know people who can help me? These are all questions we will be answering throughout this text. ●

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## SUMMARY

### 3.1 Explain how the entrepreneurial mindset relates to opportunity recognition.

Having the right entrepreneurial mindset is essential to identifying opportunities and taking action to start new ventures. It gives entrepreneurs the confidence to network and find unmet needs in the marketplace and the ability to persist with ideas and build on opportunities.

**3.2 Employ strategies for generating new ideas from which opportunities are born.**

Of the nearly countless ways of generating ideas, seven strategies have been outlined by researchers: analytical strategies, search strategies, imagination-based strategies, habit-breaking strategies, relationship-seeking strategies, development strategies, and interpersonal strategies.

**3.3 Apply the four pathways to opportunity identification.**

The four pathways (design, effectuate, search, and find) are useful for explaining how entrepreneurs identify and exploit opportunities.

**3.4 Demonstrate how entrepreneurs find opportunities using alertness, prior knowledge, and pattern recognition.**

To find opportunities, entrepreneurs need to be alert to random opportunities when they arise, possess knowledge based on past experience, and identify connections between seemingly unrelated things or events through pattern recognition.

**3.5 Connect idea generation to opportunity recognition.**

IDATE (identify, discover, enhance, anticipate, target, and evaluate) is an empirically proven method for identifying and selecting high-potential ideas that can be converted to new opportunities.

**KEY TERMS**

Alertness 68	Find pathway 66	Pattern recognition 69
Analytical strategies 63	Habit-breaking strategies 63	Prior knowledge 69
Design pathway 67	Imagination-based strategies 63	Relationship-seeking strategies 63
Development strategies 64	Interpersonal strategies 64	Search pathway 66
Effectuate pathway 67	Opportunity 57	Search strategies 63

**CASE STUDY****Jillian Lakritz, founder, Yoee Baby**

Jillian Lakritz's first job, after earning her MBA in 1997 from the University of Colorado–Boulder, was working on the national expansion of a chain of early childhood development centers called Crème de la Crème. These centers provide early education and childcare services for children up to 6 years old and after-school services for students between 5 and 12 years old. From her work at Crème de la Crème, Jillian learned that the most important window for cognitive development in children is the first 3 years of life, as a great deal of brain architecture is shaped during this period. This contributes directly to cognitive, linguistic, social, emotional, and motor development. Additionally, the earliest months of a baby's life also lay the foundation for all future learning, behavior, and health. Furthermore, Jillian said, "I also learned that playtime contributes significantly to this development and that it is important to make every moment count. These early play moments help build healthy brain architecture in babies, setting them up for a healthy future."

In 2009, Jillian gave birth to her daughter, Yoe. Of course, Jillian recalled her learnings during her time at Crème de la Crème and she knew that Yoe's early development needed help! "Yoe had lots of toys, but none that were really age appropriate," Jillian recalled. "Most toys are not meant for newborns. They are for children who can sit up and grab things." Jillian found herself looking for new ideas so she and Yoe could play, bond, and develop together.

Jillian started searching for play activities on popular websites and portals like babycenter.com. As she searched, she learned body awareness and sensory development are important in the first 6 months of life. One post on babycenter.com suggested that she take a feather or a piece of silk or velvet and gently caress her baby's body with it. When Jillian tried it for the first time, Yoe started laughing and smiling in a way Jillian had not seen before. "It was a really transformative moment for me because it was so joyful to see my new little baby smile. As new parents, we live for that smile—it makes your heart melt. Not only that, it was something we could do together," recalled Jillian. She also knew that while Yoe enjoyed the activity, it was also contributing to her body awareness and sensory development. Vision and hearing are the first sensory pathways that develop in a child. These are followed by early language skills and cognitive development. Sensory development is an important foundation for lifelong learning, behavior, and health. Feather playing became Jillian and Yoe's favorite pastime, but when Yoe turned 6 months old and started putting the feather in her mouth, Jillian said, "I was afraid that she would choke and this amazing activity that we did together could kill her!"

Jillian didn't want to put Yoe in danger, but she also didn't want to stop playing! That's when the "Aha!" moment occurred. She knew that if she could create a soft, irresistibly touchable baby-safe feather out of fabric, she could keep playing with her child and also share the same joy with as many new parents as possible around her. This is what inspired her to invent the product now called Yoee Baby.

After leaving Crème de la Crème in the early 2000s, Jillian worked as a product innovation, consumer insight, and brand strategy consultant for a consumer packaged goods company. Although she did not have any experience in designing and making toys, her experience in concept development enabled her to flesh out the idea. She first sketched the idea on paper, noting all the value she hoped the toy would capture. She then developed prototypes of the toy and looked long and hard for a toy designer. The initial idea was to create a character—a plush animal that had a feather-like tail. However, based on ongoing customer feedback, she made more than 15 prototypes that each tested different additions, like a handle or a teething ring. But, as Jillian says, "The feather had always been our 'holy grail.' How do you replicate nature's perfection and the gentle caress of the feather on your skin through manmade materials?"

After multiple brainstorming sessions, trying 50 types of fabrics and iterations, and early consumer testing, Jillian finally had a prototype ready to test with her consumers. Jillian also reached out to many other stakeholders to incorporate their feedback. She spoke to other manufacturers and distributors at trade shows, pediatricians, occupational therapists, neuroscientists, preschool teachers, and every other early childhood development expert she could find to help her get to a market-ready product (see image below).



### The Yoee Baby toy

Around the fall of 2016, Jillian finally had a working prototype that she felt good about. She had invested close to \$100,000 of her own money in product development. She raised a total of \$535,000 from friends and family through convertible debt. An accelerator program in Colorado also invested \$30,000. Also around this time, Jillian brought her Yoee Baby product to a trade show by the American Specialty Toy Retailers Association in Denver. The trade show further validated her idea. The show had many small, independent stores, and they all loved the product. She left the trade show with 40 orders for Yoee Baby.

With greater confidence in the product, she visited a factory in China that could produce the product while also launching a \$25,000 Kickstarter campaign to raise additional funds. It became one of the highest funded baby toys in Kickstarter history as of 2016, surpassing her goal and raising almost \$36,000. But Kickstarter was both a blessing and a curse. She was working to fulfill her Kickstarter promises during December 2016 when there was a major fabric failure: Big plugs of fabric were pulling out of the tail of the toy. She immediately started getting emails from Kickstarter backers complaining that Yoee Baby was a safety hazard. Jillian quickly recalled all products, hired a safety consultant to figure out what the issue was, and switched factories in China—twice—all in the first year of operations. Jillian said, "It was a huge challenge that took almost a year to work through. It was one of the most difficult times at Yoee Baby."

Jillian attributes her success, in general and on Kickstarter, to her network. She reached out to people for introductions and support. Jillian passionately believes that "People are everything!" She reached out to everyone she knew to help back her project. She has assembled a very impressive board of directors, including people from Mattel, Fisher Price, and Sesame Street. Jillian hopes to raise additional capital very soon, and she is quite hopeful about the future success of Yoee Baby. "The feedback we get from new parents is off the charts! Parents love the product and are writing to us every day, sending pictures and videos of how their babies are reacting to the product. It's amazing! I love it!" Jillian exclaims.



The journey continues for Jillian and Yoee Baby. "If you really want to do this," notes Jillian, "the P-words are the most important: persistence, passion, perseverance, patience." Today, Yoee Baby has a 4.5 average rating on Amazon. Jillian has positioned Yoee Baby as a product that enables bonding through play because she feels that bonding is one of the most important parts of a parent and child relationship. New products are on the horizon!

### Critical Thinking Questions

1. What strategy or strategies did Jillian employ to identify the Yoee Baby opportunity?
2. What headache problem is Jillian solving with the Yoee Baby toy?
3. What's more important, the idea or the network, to help you act on the idea?

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