



# Key factors affecting opportunity identification



*Serendipitous discovery?*  
*i.e. stumbling on an opportunity*

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Hello and welcome back to the MOOC on launching new ventures. In this segment, you're going to hear about the key factors affecting opportunity identification. Conventionally, people may think, opportunity identification relies on serendipitous discoveries, meaning you stumble upon an opportunity. This is not necessarily the case.

Notes

Summary



0m 07s

# Key factors affecting opportunity identification



Source: Danneels, 2007  
Source: Danneels, 2007  
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Actually there are lots of research that shows now how you may systematically enhance your ability to identify opportunities, in that way, not rely so much on luck, the luck component in this whole process, which is also dissatisfying if you only wait for chance to happen. The quick question becomes actually which factors are driving opportunity identification? And if you'll relate those insights that you will gain in that module back to the previous segment, where we talked about technological resources, you will actually have a nice overview of the technology side and the market side that is driving your business.

Notes

Summary



0m 27s

# Key factors affecting opportunity identification



Certain factors shape

- the **type**
- the **number**
- the **variety**

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Researches have found a couple of key elements that are systematically shaping the type of opportunities you can see, the number of opportunities you can see, and the variety of opportunities you can see. So let's look at these factors in more detail.

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1m 02s

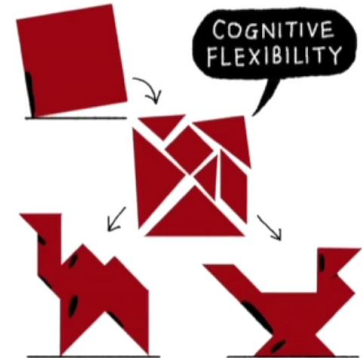
## Alertness



## Prior knowledge



## Cognitive flexibility



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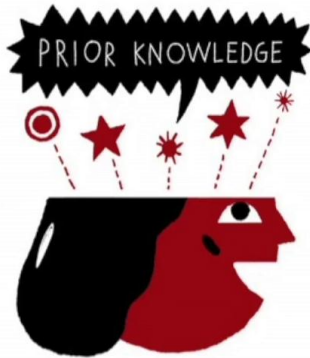
One is *alertness*. Another one is *prior knowledge*, the third one is *cognitive flexibility*. So what does *alertness* mean?

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# Key factors affecting opportunity identification



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Alertness really means that you are awake, that you are sensitive to opportunity identification. Some people might walk past opportunities but don't see that there's an opportunity because their mind is somewhere else. Alertness means you don't actively search for opportunity but rather stumble upon it. But the question is, "Can you practice to be more alert?" Yes, you can. You can read the newspaper in a more alert fashion, you can read the Internet in a more alert fashion.

Notes

Summary



1m 22s

# Key elements affecting opportunity identification

Alertness



Prior knowledge



Cognitive flexibility

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Always ask, "Well, is this problem that I am seeing here actually an opportunity to do business?" The second element that's important is *Prior knowledge*. What we have seen in research is that people tend to identify opportunities in the domains that they already know well. For instance, markets that they know well, customer segments that they know well.

Notes

Summary



1m 47s



# Key elements affecting opportunity identification

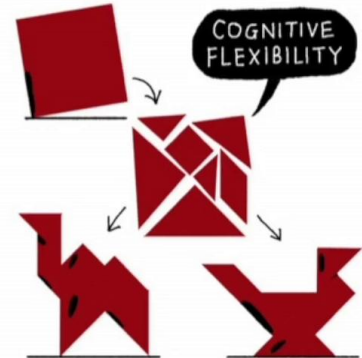
## Alertness



## Prior knowledge



## Cognitive flexibility



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So it's market knowledge, knowledge of customer problems, and other types of knowledge that drive the opportunity identification. and process as well. Finally, you have a third factor, *cognitive flexibility* that is shaping the opportunity identification process. It's the ability for entrepreneurs to see zoomed in and zoom out, from the more general to the more specific. And also to look at problems from multiple angles.

Notes

Summary







## Alertness

- Propensity to identify opportunities without searching
- "Stumbling upon" an idea

### Example: **IKEA**

- flat-packaged
- self-pickup
- modular, ready-to-assemble

Source: Rowan Gibson, 2015

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Let us look at the concept of Alertness. As we have just seen, is the propensity to identify opportunities without searching. So it's the "stumble upon" an idea. One of the prime examples of this way of opportunity identification is IKEA. Actually, IKEA, you may know that company, It's a furniture store that is producing flat-packaged, self-pickup furniture, that is modular, ready to assemble. Most of you have probably engaged in building an IKEA chair and building an IKEA table before. But it's quite interesting to see how that concept came about. It was a co-worker, who, in the 1950s tried to remove the legs of a table in order to fit that table in a car. And in doing so, he had this idea of creating furniture that would be ready to assemble and could be more easily transportable to the homes of people.

Notes

Summary



2m 32s



## Prior Knowledge

- Knowledge of customer problems
- Knowledge of market trends
- Heterogeneous knowledge backgrounds maximize likelihood of opportunity identification.
  - age
  - industry experience
  - social level
  - others...
- Internal vs. external knowledge

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Very much the concept of IKEA that we still see today. Another key element that is shaping the opportunity identification process is your *Prior knowledge*. Think about your knowledge of customer problems, think about your knowledge about market trends, etc. What is important to reflect on is how heterogeneous, how different that knowledge is that you possess, and your team members possess. What we know from lots of research is that a key drive of opportunity identification that's this heterogeneous knowledge in a team, meaning specifically that you have different sets of exposure to customer problems that exist out there in the market, that tends to be higher if you have different age groups in your company, if you have different types of industry experience in your company, you come from different social levels, etc. So in other words, if you have a homogeneous team, you might say we're quite limited in types of customer problems that we can see. That means I might have to reach out to other people who come from different age groups, who have a different industry experience, who come from different social levels, in order to understand customer problems that I might not be able to see.

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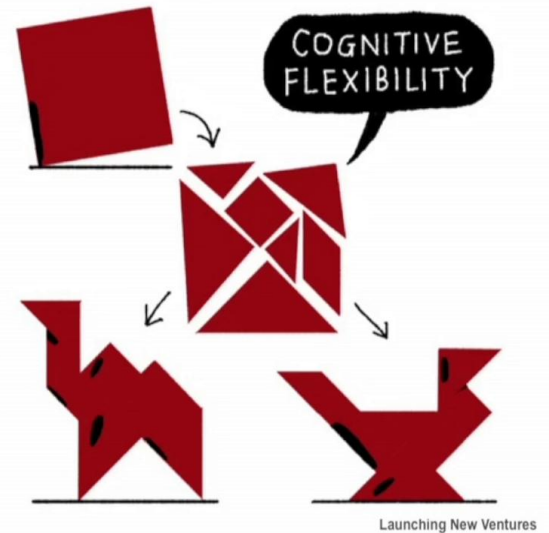
Summary



3m 26s



## Cognitive Flexibility & Creativity



Another element shaping the opportunity identification process is your *Cognitive Flexibility* and your *Creativity*. I've pointed out earlier in this MOOC that really good entrepreneurs are able to look at opportunities, at problems from multiple angles. They can change their perspective on problems and thereby, identify novel solutions. Let me make a little game with you in order to drive home that point.

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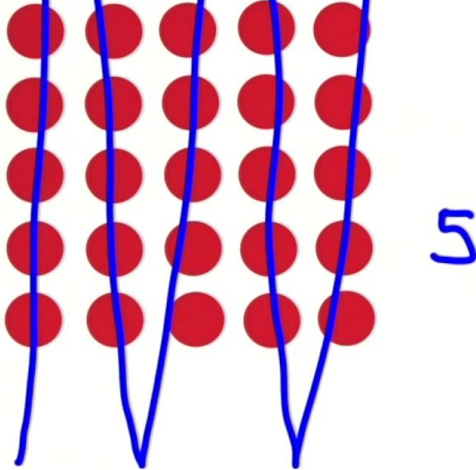


4m 41s

## Key drivers of opportunity identification

**Task:**

How many straight lines do you need to link these dots without lifting the pen off the paper? 9? 8? Less?



## Cognitive Flexibility & Creativity

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You see on that slide here, 5 dots times 5 dots. So 25 dots in total, and the task would be to link those dots with straight lines. The question is, how many straight lines do you need in order to link all of these dots without lifting the pen off the paper? So one solution might be the following one. And this is 1, 2, 3, 4, 5, 6, 7, 8 straight lines that are connected. The question is, are there other opportunities to link those dots? And the goal is of course to have fewer and fewer lines as possible. One way, and please try this at home, and I give you half a minute to try this and think about this problem. If you do not have the slide in front of you just draw up these 25 dots in front of you and try to connect them. OK? So these are 1, 2, 3, 4, 5 lines. They should be of course straight lines so forgive me that it's a bit shaky, but it's very hard to draw on this monitor. Why do many people not arrive at this solution? Because you typically do not want to extend the space of your paper and draw for instance on your desk if you want to do this. So it's a bit thinking out of the box.

- Notes

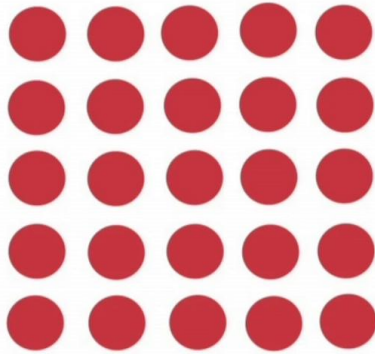
## Summary



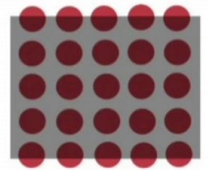
# Key drivers of opportunity identification

## Cognitive Flexibility & Creativity

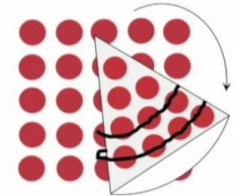
**Task:** How many straight lines do you need to link these dots without lifting the pen off the paper? 9? 8? Less?



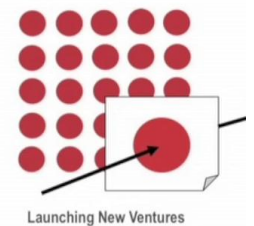
Solution 1



Solution 2



Solution 3



Another solution is the following. You might actually say, "OK, I used a very, very thick pen, a much thicker pen that I use here." Say, I use actually one line, and that line cuts across like this. So you would have a very strong line like this. Another one would be, and if I could lift that up, if you have a paper, you can draw this, you make a cylinder and actually have a line, a spiral that spirals around the cylinder. Yeah, which is also one line. Another solution would be to fold your paper up and actually have all the dots on top of each other so you actually need only a dot to connect these different dots which is like a minor line if you would want to say that. But what this tells us is that you need some cognitive flexibility and creativity to come up with new solutions. In that case, you come up with new solutions in a way that is thinking outside the box. You might ask yourself, "Why didn't I come up with the idea to use a different set of pens?" Because you have been using that same pen all day, and that pen has been rendering its services well. You could be-- you were able to make notes.

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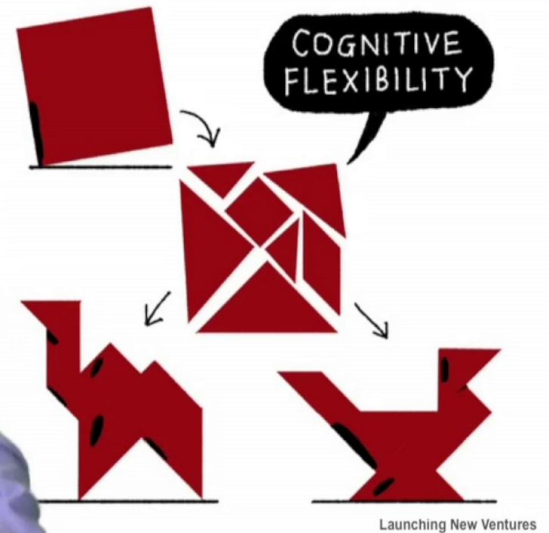
Summary







## Cognitive Flexibility & Creativity



So cognitive flexibility has this one component, you look at the problem with different sets of tools with creativity, you think outside the box.

Notes

Summary



7m 46s

## Example of cognitive flexibility: EndoArt



### **stent:**

a splint placed temporarily inside a duct, canal, or blood vessel to aid healing or relieve an obstruction.

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An interesting example of cognitive flexibility that comes from the entrepreneurial space is *EndoArt*. EndoArt is a company that was created here, on the Lausanne campus by Nicolas Stergiopoulos, a fellow professor of mine. And he explained to me his company definition and opportunities he saw in the following way. He started producing *stents*. And *stents* could be applied in the body, in particular, to prevent and address congenital heart disease.

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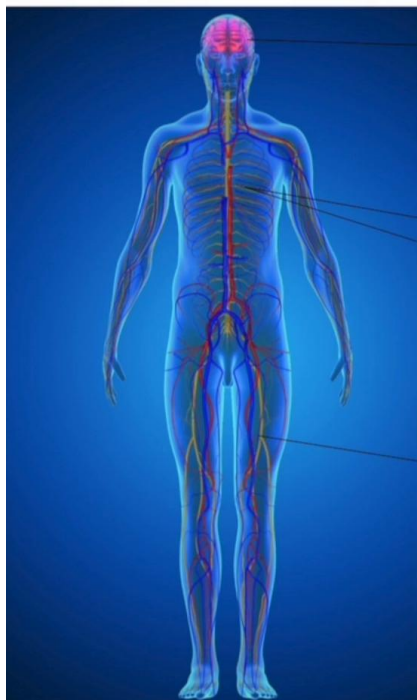
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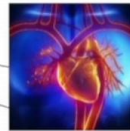
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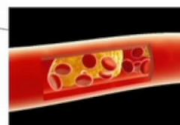
# Example of cognitive flexibility: EndoArt



Cerebrovascular Disease



Congenital Heart Disease  
Aortic Aneurisms



Artificial Vessels (grafts)

Source: N. Stergiopoulos, EPFL

## EndoArt Focus

Intelligent use of blood flow technology

- new solutions
- superior therapeutic product performance

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But stents could also be applied elsewhere in the body. That's how he saw his company. He basically said, "Well, stents, its technology, could be applied across the body wherever blood flows." So his definition of the company was intelligent use of blood flow technology. And if you think about that, he could even have zoomed out one step more, and said, "OK, it's flow technology. wherever something flows, not necessarily blood, we could apply potentially this technology." Provided that it renders some kind of benefit relative to competitive offerings in those spaces.

Notes

Summary



8m 22s

# Key factors affecting opportunity identification



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So if you think about this process that I just described, it's a zooming out process that is purely cognitive, i.e. it costs you only cognitive effort, but not a real expense up to this point, which enlarges your view of the opportunity space that may be in front of you. So you come from the specific solution that addresses congenital heart disease to other solutions that address blood flow, and then to "Flow Technology". And I think this is a quite interesting intellectual exercise for entrepreneurs that is worth doing because it exactly helps you to understand what type of opportunities are in front of you. So what can you do? Based on these insights, what can you do to broaden your vision on the opportunity landscape? I think it's straightforward now. First, try to be more alert. Meaning, when you look out for opportunities, you see them more easily. Maybe you try to anticipate the future: how will prices change, what are the kind of trends you will see? Maybe then you can connect the dots when you stumble upon an opportunity. And also ask yourself, how do you interpret things? Are you more of a "half glass full" person or the more "the glass half empty" person?

Notes

Summary



## Stay alert

- When you're on the look-out for opportunities, you see them more easily
- Anticipate the future: prices, etc.
- How do you interpret things?
- Internal locus of control



## Acquire new knowledge/insights

### Internally

Systematically: Scan industry categories (e.g., sectors, SIC codes);

Think about possibilities in these categories:

- medical
- consumer
- automotive
- etc.

### Externally

If you have a team with diverse knowledge, make use of their diversity, or:

Involve others ("crowdsourcing")

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Do you see a problem or do you see an opportunity to solve that problem? The second element would be acquire new insights, new knowledge. You can read the newspapers, you can read more broadly and get a more systematic understanding of application domains that way. All that takes some time, so you might want to opt for the quick route. You can systematically scan industry categories, sectors, SIC codes, industry codes that is, in order to understand. Ask yourself, "Can my technology be applied in those sectors?" "Can my competences be applied in those sectors?" For instance, in medical, consumer, automotive, etc., industry. Or you might turn, as we discussed, outside and say, "OK, if your team have diverse knowledge, make use of that diversity," and involve others. So the question is, what about crowdsourcing?

Notes

Summary

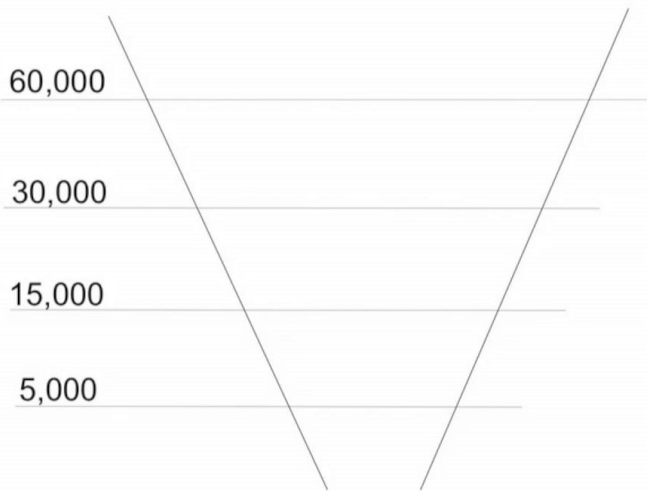


10m 08s

# Broaden your vision on the opportunity landscape

## Cognitive Flexibility

- look at problems from multiple angles
- zoom in and out



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And thirdly, you could say, I try to increase my cognitive flexibility. You can look at problems from multiple angles. You can zoom in and zoom out as we have seen with the EndoArt example.

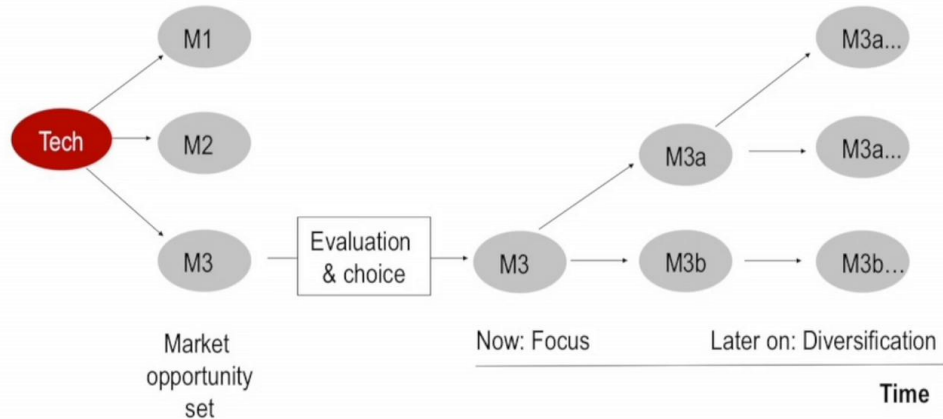
Notes

Summary



11m 00s

## Charting firm growth options



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So summing up, this hopefully gives you a number of opportunities that you could exploit. Charting the firm growth options - which is the topic of the next module, as well as one of the next segments - is that we identify an opportunity set. You focus on one opportunity and have a much nicer growth story for your company as if you would be the one trick pony where you exploit one market over time only.

Notes

Summary



11m 10s



***The mind  
is your limit!***

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So summing up, we have seen that several factors are instrumental in shaping opportunity identification processes. It's the alertness to opportunities, it's your knowledge of markets of customer needs. It's also cognitive flexibility to zoom in and out. And coming back to the previous segment, we've also seen that the de-linking and re-linking process is quite essential on that front. Meaning that you have certain technologies, and you try to understand what is the scope of these technologies by asking yourself what is this technology really doing? What is general about it, what is specific about it? What does this technology do in its own right decoupled from any market application that you might have thought of in the beginning. So ultimately, if you think about these three elements that we discussed, this element shaping the opportunity identification process, knowledge, flexibility, alertness, the de-linking and re-linking process, and these external knowledge resources oftentimes, your mind is the only limit that you have, what you can imagine, what you can dream about, what you can think of. In that sense, I wish you good luck with your entrepreneurial endeavor for now. In one of the next segments, we'll talk about the growth options that you have, how you select among multiple market opportunities, and I look forward to seeing you again.

Notes

Summary

