CHAPTER 2:
ENTREPRENEURIAL IDEAS AND OPPORTUNITIES
LEARNING OBJECTIVES

At the end of this topic, student should be able to:

- Identify sources of entrepreneurial ideas (primary & secondary sources)
- Determine entrepreneurial ideas based on
  a) The suitability of ideas against person’s experience, knowledge, skills, capitals and interest
  b) The feasibilities of the ideas initially against legislation aspect, competitors, capital and risk
- Apply the process of generating and evaluating business ideas
When does business opportunity can exist?

- A product does not meet customer’s expectation
- Customer needs a product which is not available in market
HOW DOES IT HAPPEN?

CHANGES IN ENVIRONMENT

- ECONOMY
- SOCIAL
- POLITICAL
- LEGAL ASPECT
- TECHNOLOGY
HOW AND WHERE can we get the information?

By gathering it from

PRIMARY & SECONDARY SOURCES
PRIMARY SOURCES

- Refers to original data that is gathered and evaluated.

- Information collected firsthand from such sources as:
  
  OBSERVATIONS, SURVEYS, EXPERIMENTS, LITERARY TEXTS, INTERVIEWS, ARTISTIC WORKS, HISTORICAL DOCUMENT, DIARIES, MANUSCRIPTS, LETTERS
SECONDARY SOURCES

- Data already gathered for one use
- Information that has been gathered by researchers and recorded in books, articles, and other publications
- Type of secondary data:

  THESIS, DISSERTATION, JOURNAL, COMPANY REPORTS, NEWSPAPER, MAGAZINES, TEXTBOOKS, HISTORIES, CRITISMS, COMMENTERIES, ENCYCLOPEDIAS
THE PROCESS

4 major steps in identifying, evaluating and selecting a business opportunity

**STEP 1**: Identify customers needs and wants

**STEP 2**: Scan the environment and evaluate against self and community factors

**STEP 3**: Screen the business opportunity

**STEP 4**: Select a business and prepare business plan
STEP 1: IDENTIFY CUSTOMERS NEEDS AND WANTS

- Needs:
  - a requirement, necessity for something basic in life
  - deficiency would cause negative outcomes, such as dysfunction or death
  - things that is necessary to live a healthy life

FOOD, CLOTHING AND SHELTER
STEP 1: IDENTIFY CUSTOMERS NEEDS AND WANTS

Wants:
- human desire or craving for something beyond our needs
- something that is a person would like to have

DESIGNER CLOTHS, FANCY CARS,
EATING IN 5 STAR HOTEL, HABIB JEWEL RING JEWELLERY, LOUIS VUITTON HANDBAG
STEP 1: IDENTIFY CUSTOMERS NEEDS AND WANTS

- Human needs and wants are unlimited
- Society becomes richer each day so as their needs and wants
- An entrepreneur must be sensitive to these changes
- It is a **BIG OPPORTUNITY** for those who can see and identify the changes as business opportunity
STEP 2: ENVIRONMENTAL SCANNING AND EVALUATION

- By scanning the environment factors, it can lead to an idea that can be converted into business opportunity.
- There are 2 approaches in scanning the environment:
  - MACRO PERSPECTIVE
  - MICRO PERSPECTIVE
- Example, AGRICULTURAL INDUSTRY
MICRO PERSPECTIVE

FORESTRY
- VENEER
- PLYWOOD
- LOGGING
- FURNITURE
- SAWN TIMBER

FISHING
- FISHING EQUIPS.
- DEA-SEA FISHING
- FISH PROCESSING
- WHOLESALES / DISTRIBUTION
MICRO PERSPECTIVE

PLANTATION
- CLEARING PLANTATION
- PLANTING
- PROCESSING
- WHOLESALES / SUPPLIES

POULTRY
- POULTRY FARMING
- PROCESSING
- WHOLESALES / SUPPLIES
ENVIRONMENT FACTORS

1. Structure of population, income and tastes
2. Import and export data
3. Local resources & technological breakthrough
4. Industrial linkage
5. Government policies
6. Development projects (public and private sectors)
7. Local social problems
8. Local and foreign mass & electronic media
A change in the composition of the population, an increase in disposable income and a change in consumer preference can create business opportunity.

For example, a higher disposable income can lead higher purchasing power and customer affordability.
2. IMPORT AND EXPORT DATA

- Increase in import and export data reflects a potential market, both local and international market.

- For example, palm oil and palm oil-based product ranked as second largest export in 2010.
3. LOCAL RESOURCES & TECH. BREAKTHROUGH

- There are still an abundance of local resources that are untapped and have the potential to be developed.
- For example, Tanjung Piai is known as the point of Peninsular Malaysia and thus the most southern point of mainland Asia.
- It is popular with mangrove habitats and bird watch (migratory season - September & March)
4. INDUSTRIAL LINKAGE

- Big companies are depending on small companies for its inputs.
- APM Automotive Holdings Bhd, NHFHB and Sunchirin supply components to Proton and Perodua
5. GOVERNMENT POLICIES

- Rules and regulation enforced by the government indirectly create business opportunity
- For example, smoke control, speed traps, black box for express buses, use of safety belt for passenger at the back seat, and wearing batik on every Thursday for public servant
6. DEVELOPMENT PROJECTS

- Various development projects either by both government and private agencies have opened up business opportunity.

- Example, Putrajaya, Iskandar Malaysia, Proton City
7. LOCAL SOCIAL PROBLEMS

- Social problems can actually become a business opportunity for entrepreneurs.
- Example, child care, housebreaking, rempit, lodging
By reading local and foreign newspaper and magazines as well as surfing the internet, entrepreneur can identify business opportunity.

Example, advertisement by vendors and suppliers
Besides scanning the environment, part of identifying business opportunity is to see what is available in oneself.

Factors to be considered are:

- EXPERIENCE
- KNOWLEDGE
- SKILL
- FINANCIAL SITUATION
- INTEREST
- NETWORKING
Many entrepreneur involve in businesses related to their former career

Example, fashion design lecturer = ???????

or a chef in hotel or restaurant = ????????
Knowledge & skills are important for an entrepreneur since it could help him or her to master in whatever business they are into.

It can benefit in terms of increasing the confidence level and etc.
Adequate sources of funds is required to determine the size and type of business.

Smaller funds might offer certain range of business.
Business which is established from one’s interest, can create more confidence, passion, and sense of responsibility among the entrepreneur.
A business with limited networking might need to face more difficulties compares to those who know many people and contacts.

For example, a contractor needs to know people from banks, insurance company, politics, supplier, and other contractors to expedite their jobs.
VALUES & NORMS OF THE COMMUNITY

- Any kind of business, **MUST** complies with the community values and norms especially the local community.

- Example, poultry farm near residential area or casino/gambling club in *Muslim* community area.
STEP 3: SCREEN THE BUSINESS OPPORTUNITY

- After the 2 steps, entrepreneur may end up with 2 or more business ideas.
- Need to select only ONE which is the best to be implemented.
- This process known as **SCREENING**.
- Screening process involves for factors:
  - LEGALITY
  - LEVEL OF COMPETITION
  - CAPITAL REQUIREMENTS
  - RISKS
Make sure the chosen business is LEGAL

Illegal business will cause problem fines by the local authority department, police, or could be charge in court
LEVEL OF COMPETITION

- An entrepreneur must consider the level of competition before make his/her choice.
- Business with high competition can create a fierce competition.
- Avoid business that is monopolized by certain group of people.
Capital is required to finance investment of assets and working capitals.

Source of capital can be from entrepreneur’s own money, or loans from banks, finance companies, cooperatives, etc.

These capitals are for:

- **Start-up** – buy fixed assets, payment for working capitals
- **Expand business**
Must consider risk in business

Risk is possibility and uncertainty that can lead either towards business success or failure

2 types of risk:

a) Business risk

- risk that can be transferred to other party, – risk that can be controlled

- risk that cannot be controlled

b) Financial risk

- liquidity level, loans, credit and foreign exchange
STEP 4: SELECT A BUSINESS & PREPARE BUSINESS PLAN

- After identifying, scanning, evaluating and screening of business ideas – entrepreneur would be able to decide and choose the BEST business idea.

- Therefore, the next step would be PREPARING BUSINESS PLAN