

2.4: Sources of Business Ideas

LEARNING OBJECTIVES

1. Understand that creativity and innovation are critical for small businesses.
2. Realize that innovation need not be limited to the creation of new products and services. It may involve seeing new uses for a product, new ways of packaging a product, or new ways of marketing a product.
3. Understand that creativity and innovation must be nurtured in any organization and that there are several areas small businesses must learn to avoid in order to promote creativity.
4. Realize that small businesses should be aware of social and consumer trends, which has been made easier because of the existence of online data sources.

Small businesses have always been a driver of new products and services. Many products and inventions that we might commonly associate with large businesses were originally created by small businesses, including air-conditioners, Bakelite, the FM radio, the gyrocompass, the high resolution computed axial tomography scanner, the outboard engine, the pacemaker, the personal computer, frozen food, the safety razor, soft contact lenses, and the zipper. Jerry Katz and Richard Green, *Entrepreneurial Small Business*, 2nd ed. (New York: McGraw-Hill, 2009), 17. This creativity and innovative capability probably stems from the fact that smaller businesses, which may lack extensive financial resources, bureaucratic restraints, or physical resources, may find a competitive edge by providing customers value by offering new products and services. It is therefore important to consider how small businesses can foster a commitment to creativity and innovation.

Creativity and Innovation

One way smaller firms may compete with their larger rivals is by being better at the process of innovation, which involves creating something that is new and different. It need not be limited to the creation of new products and services. **Innovation** can involve new ways in which a product or a service might be used. It can involve new ways of packaging a product or a service. Innovation can be associated with identifying new customers or new ways to reach customers. To put it simply, innovation centers on finding new ways to provide customer value.

Although some would argue that there is a difference between creativity and innovation (see [Note 2.38 "Video Clip 2.13"](#)), one would be hard pressed to argue that creativity is not required to produce innovative means of constructing customer value. An entire chapter, even an entire book, could be devoted to fostering creativity in a small business. This text will take a different track; it will look at those factors that might inhibit or kill creativity. Alexander Hiam (1998) identified nine factors that can impede the creative mind-set in organizations: Alexander Hiam, *Creativity* (Amherst, MA: HRD Press, 1998), 6.

1. **Failure to ask questions.** Small-business owners and their employees often fail to ask the required *why*-type questions.
2. **Failure to record ideas.** It does not help if individuals in an organization are creative and produce a large number of ideas but other members of the organization cannot evaluate these ideas. Therefore, it is important for you to record and share ideas.
3. **Failure to revisit ideas.** One of the benefits of recording ideas is that if they are not immediately implemented, they may become viable at some point in the future.
4. **Failure to express ideas.** Sometimes individuals are unwilling to express new ideas for fear of criticism. In some organizations, we are too willing to critique an idea before it is allowed to fully develop.
5. **Failure to think in new ways.** This is more than the cliché of “thinking outside the box.” It involves new ways of approaching and looking at the problem of providing customer value.
6. **Failure to wish for more.** Satisfaction with the current state of affairs or with the means of solving particular problems translates into an inability to look at new ways of providing value to customers.
7. **Failure to try to be creative.** Many people mistakenly think that they are not at all creative. This means you will never try to produce new types of solutions to the ongoing problems.
8. **Failure to keep trying.** When attempting to provide new ways to create customer value, individuals are sometimes confronted with creative blocks. Then they simply give up. This is the surest way to destroy the creative thinking process.
9. **Failure to tolerate creative behavior.** Organizations often fail to nurture the creative process. They fail to give people time to think about problems; they fail to tolerate the “odd” suggestions from employees and limit creativity to a narrow domain.

One of the great mistakes associated with the concept of innovation is that innovation must be limited to highly creative individuals and organizations with large research and development (R&D) facilities. “Innovation Overload,” *Trendwatching.com*, accessed

December 2, 2011, trendwatching.com/trends/pdf/2006_08_innovation_overload.pdf. The organization's size may have no bearing on its ability to produce new products and services. More than a decade ago, studies began to indicate that small manufacturing firms far exceeded their larger counterparts with respect to the number of innovations per employee. A. Roy Thurik, "Introduction: Innovation in Small Business," *Small Business Economics* 8 (1996): 175.

A more recent study, which covered the period from 2003 to 2007, showed that R&D performance by small US companies grew slightly faster than the comparable performance measures for larger US firms. During that period, small firms increased their R&D spending by more than 40 percent, compared to an approximate 33 percent increase for large companies. These smaller firms also increased their employment of scientists and engineers at a rate approximately 75 percent greater than larger companies. Further, the results of this study, which are presented in Figure 2.4.1, illustrate that particularly since 2004, smaller businesses have outpaced their larger rivals with respect to R&D intensity. The term R&D intensity refers to the current dollars spent on R&D divided by a company's reported sales revenue. L. Rausch, "Indicators of U.S. Small Business's Role in R&D," *National Science Foundation* (Info Brief NSF 10-304), March 2010.

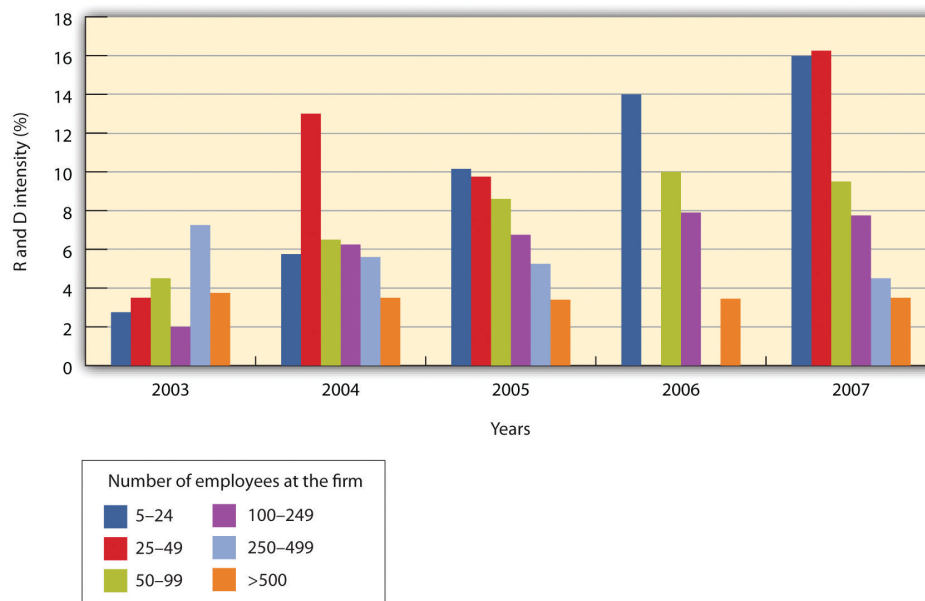


Figure 2.4.1: R&D Intensity by Firm Size

It cannot be over emphasized that innovation should not be limited to the creation of products or services. The following are just a few examples of innovation beyond the development of new products:

- In 1965, Thomas Angove, an Australian winemaker, developed the idea of packaging wine in boxes that had a polyethylene bladder. The package was not only more convenient to carry but also kept the wine fresher for a longer period of time. Jancis Robinson, "The Oxford Companion to Wine," 2nd ed., *Wine Pros Archive*, accessed October 8, 2011, www.winepros.com.au/jsp/cda/reference/oxford_entry.jsp?entry_id=430.
- Apple's iPod was certainly an innovative product, but its success was clearly tied to the creation of the iTunes website that provided content.
- Baker Tweet alerts customers via Twitter any time a fresh batch of baked goods emerge from a participating baker's oven. "Innovation Jubilation," *Trendwatching.com*, accessed December 2, 2011, trendwatching.com/trends/innovationjubilation.
- Patrons at Wagaboo restaurants in Madrid can book specific tables online. "Transparency Triumph," *Trendwatching.com*, accessed December 2, 2011, trendwatching.com/trends/transparencyttriumph.
- Restaurants often mark up bottles of wine by 200 percent to 300 percent. Several restaurants in New York, Sydney, and London have developed relationships with wine collectors. The collectors may have more wine than they can possibly drink, so they offer the wine for sale in the restaurant, with the restaurant selling it at a straightforward markup of 35 percent. This collaboration with customers is beneficial for the wine collector, the restaurant, and the customer.

Video Clip 2.4.1:

Vijay Govindarajan: *Innovation Is Not Creativity*



An interview with Vijay Govindarajan on the difference between creativity and innovation.

Video Clip 2.4.2:

Where Good Ideas Come From



(click to see video)

*This cartoon was developed for Steven Johnson's book on innovation. He concluded that with today's tools and environment, radical innovation is extraordinarily accessible to those who know how to cultivate it. *Where Good Ideas Come From* is essential reading for anyone who wants to know how to come up with tomorrow's great ideas.*

Video Clip 2.4.3:

Steven Johnson: Where Good Ideas Come From



This relatively long presentation (eighteen minutes) by Steven Johnson maps out the ideas presented in his book.

Video Clip 2.4.4:

Encouraging Innovation with Employees: Innovators Forum Guest Danika Davis



Danika Davis, Innovators Forum guest and CEO of the Northern California Human Resources Association, discusses the ways to reward innovation among employees and how to foster innovation in your small business. Discuss this and other topics at <http://blogs.cisco.com/category/smallbusiness>.

Video Clip 2.4.5:

Creating an Innovation Mind-set



Vijay Govindarajan discusses that to create an innovation mind-set, managers must bring in fresh voices from outside the company, encourage collaboration, and consider how emerging market needs can spur ideas for innovative offerings.

Video Clip 2.4.6:

Tom Peters: Innovation Is Actually Easy!



Tom Peters declares war on the worthless rules and absurd organizational barriers that stand in the way of creativity and success.

Video Clip 2.4.7:

How to Spot Disruptive Innovation Opportunities



Disruptive innovation occurs when an innovator brings something to market that is simple, convenient, accessible, and affordable. Here are some tips to help you pinpoint disruptive opportunities within your organization.

Social and Consumer Trends

Not all businesses have to concern themselves with social and consumer trends. Some businesses, and this would include many small businesses, operate in a relatively stable environment and provide a standard good or service. The local luncheonette is expected to provide standard fare on its menu. The men's haberdasher will be expected to provide mainline men's clothing. However, some businesses, particularly smaller businesses, could greatly benefit by recognizing an emerging social or consumer trend. Small businesses that focus on niche markets can gain sales if they can readily identify new social and consumer trends.

Trends differ from fads. Fads may delight customers, but by their very nature, they have a short shelf life. Trends, on the other hand, may be a portend of the future. MakinBacon, "Why and How to Identify Real Trends," *HubPages*, accessed October 8, 2011, hubpages.com/hub/trendsanalysisforsuccess. Smaller businesses may be in a position to better exploit trends. Their smaller size can give them greater flexibility; because they lack an extensive bureaucratic structure, they may be able to move with greater rapidity. The great challenge for small businesses is to be able to correctly identify these trends in a timely fashion. In the past, businesses had to rely on polling institutes for market research as a way of attempting to identify social trends. Harris Interactive produced a survey about the obesity epidemic in America. This study showed that the vast majority of Americans over the age of 25 are overweight. The percentage of those overweight has steadily increased since the early 1980s. The study also indicated that a majority of these people desired to lose weight. This information could be taken by the neighborhood gym, which could then create specialized weight-loss programs. Recognizing this trend could lead to a number of different products and services. "Identifying and Understanding Trends in the Marketing Environment," *BrainMass*, accessed June 1, 2012, http://www.brainmass.com/library/viewposting.php?posting_id=51965.

In the past, the major challenge for smaller businesses to identify or track trends was the expense. These firms would have to use extensive market research or clipping services. Today, many of those capabilities can be provided online, either at no cost or a nominal cost. Rocky Fu, "10 Excellent Online Tools to Identify Trends," *Rocky FU Social Media & Digital Strategies*, May 9, 2001, accessed October 8, 2011, www.rockyfu.com/blog/10-excellent-online-tools-to-identify-trends. Google Trends tracks how often a particular topic has been searched on Google for a particular time horizon. The system also allows you to track multiple topics, and it can be refined so that you can examine particular regions with these topics searched. The data are presented in graphical format that makes it easy to determine the existence of any particular trends. Google Checkout Trends monitors the sales of different products by brand. One could use this to determine if seasonality exists for any particular product type. Microsoft's AdCenter Labs offers two products that could be useful in tracking trends. One tool—Search Volume—tracks searches and also provides forecasts. Microsoft's second tool—Keyword Forecast—provides data on actual searches and breaks it down by key demographics. Facebook provides a tool called Lexicon. It tracks Facebook's communities' interests. (Check out the Unofficial Facebook Lexicon Blog for a description on how to fully use Lexicon.) The tool Twist tracks Twitter posts by subject areas.

Trendpedia will identify articles online that refer to particular subject areas. These data can be presented as a trend line so that one can see the extent of public interest over time. The trend line is limited to the past three months. Trendrr tracks trends and is a great site for examining the existence of trends in many areas.

Online technology now provides even the smallest business with the opportunity to monitor and detect trends that can be translated into more successful business ventures.

Websites

- Google Trends: www.google.com/trends
- Microsoft AdCenter Labs: adlab.microsoft.com
- Microsoft AdCenter Labs Keyword Forecast: adlab.microsoft.com/Keyword-Forecast/default.aspx
- Unofficial Facebook Lexicon Blog: www.facebooklexicon.com
- Twitter Grader: <http://tweet.grader.com>
- Trendpedia: www.attentio.com
- BuzzMetrics: www.nmncite.com/wp-content/uploads/2010/06/MyBuzzMetrics.pdf
- NielsenBuzzMetrics: nielsen-online.com/products_buzz.jsp?section=pro_buzz
- Trendrr: www.trendrr.com
- Google Analytics: code.google.com/apis/checkout/developer/checkout_analytics_integration.html

KEY TAKEAWAYS

- Small businesses must be open to innovation with respect to products, services, marketing methods, and packaging.
- Creativity in any organization can be easily stifled by a variety of factors. These should be avoided at all cost.
- Small businesses should be sensitive to the emergence of new social and consumer trends.
- Online databases can provide even the smallest of businesses with valuable insights into the existence and emergence of social and consumer trends.

EXERCISES

1. Generate a new product or service idea. You should be able to describe it in two or three sentences. Work with your fellow students in groups of three to four and then ask them to review their ideas and select one for presentation in class. At the end of the presentation, everyone should write what he or she saw as occurring during the process of group decision making. Did it make the process more creative? Did it allow for the better evaluation of ideas? Do they see problems with this type of group innovation thinking?
2. In Exercise 1, students were asked to develop a new product or service. Repeat this exercise but now ask students to think up an innovation for an existing product in the area of either packaging or marketing. Again, ask them the following questions after the group decision-making process: (a) Did it make the process more creative? (b) Did it allow for the better evaluation of ideas? (c) Do they see problems with this type of group innovation thinking?
3. Consider that you are at the gym mentioned earlier in this section. This gym is considering adding a weight-loss program. Use some of the online tracking programs with respect to the term *weight loss program*. What useful information could be extracted from these searches?

This page titled [2.4: Sources of Business Ideas](#) is shared under a [CC BY-NC-SA](#) license and was authored, remixed, and/or curated by [Anonymous](#).

- [2.4: Sources of Business Ideas](#) by Anonymous is licensed [CC BY-NC-SA 3.0](#). Original source: <https://2012books.lardbucket.org/books/modern-management-of-small-businesses/>.