Business Start-up Training Programme

Trainee Workbook 2

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Modules

2. Business Idea Generation

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2. Business Idea Generation

Business idea generation is the initial approach to building a new business. Potential entrepreneurs should have a crystal clear idea about the importance of generating business ideas and the practical methods of business idea generation. In addition to this knowledge, they should have the business idea generating skills. Using these skills, they should make the first practical move in generating business ideas for their intended businesses.

Learning objectives:

At the end of this module, we will have developed our understanding and familiarity on practical skills on business idea generation. We also will have collected individually many business ideas to be considered in our business start-up process.

The module covers the following sessions:

2.1 What is a business idea?

2.2 Why idea generation for business start-ups?

2.3 Key methods for business idea generation

2.1 What is a business idea?

We need to understand what a business idea is. Let's do the following matching game to get this knowledge.

Exercise: Matching game

Your trainer will exhibit the following chart (Exhibit 1) prepared on a flipchart. The large group will be divided in to four small groups of trainees and you will belong to one small group. Trainer will provide each group with a set of flashcards which will have matching parts for each incomplete sentence given in the exhibit. Each group should discuss among its members, choose the matching flashcard and paste it against the respective incomplete sentence of the exhibit under their own group number within the allocated time of 20 minutes.

Exhibit 1 on the flipchart

	Group 1	Group 2	Group 3	Group 4
1. A business idea is…………………				
2. A business idea satisfies ……………				
3. A business idea should generate……				
4. A business idea gives an impression about…………………………………				

Trainer will summarize the group work and explain what a business idea is.

Example:

When Nimesh was thinking about starting a business, an idea of "making foldable office tables for sale" came to his mind because he knew that many small scale offices needed foldable office tables. Thus, his business idea was generated within a context of surfacing the customers' need, nature of the product, and type of customers within his mind.

2.2 Why idea generation for business start-ups?

What is the business that I can start? This is the first direct, business-related problem many potential entrepreneurs encounter. Identifying the most suitable business idea is the biggest task at this stage. If a wrong idea is selected, the whole purpose of establishing a successful business will be dangerously collapsed. There can be many bases on which a potential entrepreneur can identify a business idea. Some of them are given below.

Examples:

Base	An example of a relevant business idea
1. A creative idea that comes to his mind as a good solution to an existing problem	Making a biodegradable shopping bag
2. Search of a solution for a common problem many people are facing	Personal banking app to avoid frequent visits to the bank and utility bill payment centres
3. An improvement of an existing product or service	Adding the camera to the mobile phone
4. Work experience and close familiarity in a special domain	Starting a gym by a sportsman

People start businesses with business ideas identified through various sources – some ideas are disastrous, some are of average, some are good and in very few situations the idea identified can be excellent. It is said that over 70% of business start-ups die within three years, mainly due to the bad business idea. They are not logically screened ideas that are qualified as the base for a growing business. Following start-up scenarios are a reality today in our country.

- Nirosha followed a practical beauty culture course and started a beauty salon in her area after giving more publicity. But, she could not attract a sufficient number of customers because the girls and the women in the area were not much interested culturally in patronizing beauty salons. The business was a failure and she sold out all equipment after attempting to improve the business over eight months.

- Suresh wanted to start a business after coming from the Middle East employment. His wife suggested to him about a business idea which has a market demand- "selling handloom sarees" to the female employees of the city offices. After making arrangements with a supplier from Kandy, he started the "buying and selling business". In five months' time, he had to think about another business because the competition was so fierce.

Identifying a good, most appropriate business idea is not a simple task. If a potential entrepreneur comes up with a particular idea, it should be seriously tested for its suitability, viability and sustainability. Best practice for open-minded potential entrepreneurs is to generate as many business ideas as possible as the first step. When we pour a lot of ideas in to the screening funnel, the probability of identifying the best business idea is much higher.

2.3 Key methods for business idea generation

Different sources of business ideas

Business idea generation can be done in many ways. Interested persons can get the ideas from family members, friends, the other businessmen and various learned community, business chambers, surveying in the market, trade shows, magazines, trend observation and many more ways. In addition, there are creative methods for business idea generation. Brainstorming is the most popular idea generation method. We have discussed about this method in our first module "Practical Entrepreneurship".

Exercise: Write the ways you can collect business ideas. (Guide: Friends, trade shows, …)

My business idea collection – Step 1:

Activity – Brainstorming session

Participate in the business idea generation brainstorming session in the class. Your trainer will facilitate and guide you. The group will generate a significant number of business ideas during the brainstorming session. All the ideas are recorded in a flipchart and keep it for the trainees to see after the next step.

My business idea collection – Step 2:

Field Assignment: Business idea collection from other selected sources

Identify the relevant sources to gather business ideas for your intended business. Following format proposes only a few sources. You can think about the sources independently and indicate them on the "Source" column. Then, go to the field and collect as much as business ideas from the identified sources. There should be at least 5 different sources in addition to the brainstorming session done in the class.

Format – Business ideas from various sources

Source	Business ideas
Family members	
Friends	

Market (Observation)	
Businessmen	
Business chambers	
……………	
……………	
……………	

My business idea collection – Step 3:

Activity: Presenting the ideas collected through Step 1 and 2

Exhibit what you have collected during the field assignment next to the large list of ideas collected through brainstorming. Now, we have a massive collection of business ideas.

Our next step is business idea **screening and evaluation.**

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3. Business Idea Screening and Evaluation

Business idea generation is the first step of the staircase leading to starting a new business. As studied in the last module, business idea generation can be done through brainstorming, discussing and researching with closely known persons, business personnel, business chambers etc. When the number of ideas collected is large, we need to screen them, narrowing down the number of ideas through a process where unwanted ideas are eliminated while retaining more suitable ideas. The final outcome is a less number of qualified business ideas that can be further evaluated and screened.

Learning objectives:

At the end of this module, we will have an improved understanding and familiarity on practical skills on business idea screening and evaluation. Finally, each of us will have a smaller and manageable number of screened business ideas that fit the set of all relevant criteria used in business idea selection.

The module covers the following areas:

3.1 Importance of business idea screening and evaluation

Businesses of Purnima and her friend Vathsala

Purnima is a proud owner of an export-oriented business which manufactures singing soft-toys. When a business magazine interviewed her about the business success, she explained that her success started with the strong business idea she selected. Elaborating on it, Purnima revealed that she was a student attached to a technical course of a vocational training institute when she simultaneously participated in a business start-up training programme conducted by the same institute. During the business training course, all trainees generated a large number of business ideas through a brainstorming session and some field assignments. There were 210 business ideas altogether. Through a logical process, she selected "making singing soft toys". Using her knowledge on electronics studied at the vocational training institute, she said she designed an electronic chip that is inserted in the soft toy to make it a singing soft toy. Her lecturer has helped her to develop the electronic chip. Purnima is exporting her singing soft toys to Dubai and Japan.

In contrast, her vocational school batch mate Vathsala did not participate in the business start-up course although she was keen in starting a business after completing her technical course. When she saw several places that sell caged birds, she thought that supplying bird cages would be a good business. Thus, she started the bird cage making business. But, while doing this business, when she was moving closely with bird sellers, she felt that the business does not agree with her inner values. She gave up that business subsequently and started a business of making smoked rubber sheets from rubber latex. But, she had to discontinue that business too since it was difficult to find rubber latex.

Some points:

Business is a long term affair and it can affect our life positively or negatively because we are planning to build up our success on it. The seed of the business tree is the business idea. It is crystal clear that identifying the best business idea is what we need to do if we are planning to embark on a business life. We should select it from some opportunities available in the market. Many business ideas pinned to many business opportunities are prevalent around us. Each business idea can give different successes in the relevant business.

But, it is impossible to identify the best business idea if we scan through a handful of ideas or depend only on one or two business ideas. When we have a large amount of business ideas, we can screen them using logical processes, evaluate the selected few using relevant criteria and pick up the best business idea. Thus, business idea screening and evaluation plays a valuable role in the business start-up process.

3.2 Business idea screening

We have collected a large number of business ideas at present. It is now necessary to screen them to select 10 best ideas through a logical process. At the end of the process, we will evaluate those 10 business ideas by using a set of criteria to select the most suitable business idea which will be ultimately tested for its business viability. Screening of this large collection of ideas to select 10 best ideas will involve 3 Activity Steps.

Activity Step 1 – Picking 50 business ideas from the bulk

First, we need to select about 50 business ideas from the large number of business ideas recorded in the flipcharts. This is an elimination process. At this level, we can start the

process by eliminating the ideas we don't like. Potential entrepreneur's interest about the business idea is very important throughout the business journey. Therefore, we delete the ideas for which our interest is less. Thereby, we select 50 business ideas which we prefer most. Now, we have 50 screened business ideas. The criterion used at this screening level is "my interest".

Activity Step 2 – Reducing 50 business ideas to 20

This step needs further elimination of business ideas. We have to eliminate ideas which have less market demand and select 20 business ideas which have better market demand. "Market demand" is the criterion at this step. It is more appropriate to use "Pair-wise Ranking Method" - a logical technique to prioritize the 50 business ideas according to the market demand and take the high ranked 20 ideas.

We should apply the pair-wise ranking method for the 50 ideas in this case. At the end of this exercise, we have 20 business ideas.

Let's learn how to use Pair-wise Ranking Method in ranking business ideas.

Exercise: **Ranking business ideas of Nilu**

Nilu had 5 business ideas namely, selling organic vegetables, making decorative candles, online counselling service, fruit juice bar, and social media marketing service. She wanted to select the best two ideas out of those 5 business ideas considering the market demand as the screening criterion. Nilu used pair-wise ranking method for this purpose using the following steps:

Step 1: Create the Pair-wise Matrix as given below and insert the 5 business ideas in the starting column and the top row.

	OV	DC	CS	FJ	SM	*Result*
Selling organic vegetables -OV						
Making decorative candles -DC						
Online counselling service -CS						
Fruit juice bar -FJ						
Social media marketing service -SM						

Step 2: Market demand is the criterion in comparing each pair. Compare two ideas related to each unshaded cell, decide which idea has a better market demand and indicate it (as a code owing to limited space) in the relevant unshaded cell.

	OV	DC	CS	FJ	SM	*Result*
Selling organic vegetables -OV		OV	OV	FJ	OV	
Making decorative candles -DC			DC	FJ	SM	
Online counselling service -CS				FJ	SM	
Fruit juice bar -FJ					FJ	
Social media marketing service -SM						

Step 3: Count the number of times each idea has been preferred and enter in the *Result* column. Rank ideas based on the count.

	OV	DC	CS	FJ	SM	*Result*
Selling organic vegetables -OV		OV	OV	FJ	OV	3 OVs
Making decorative candles -DC			DC	FJ	SM	1 DC
Online counselling service -CS				FJ	SM	0 CS
Fruit juice bar -FJ					FJ	4 FJs
Social media marketing service -SM						2 SMs

According to the *result* column, Fruit juice bar has been identified 4 times, which is the highest preference. Therefore, it is the best business idea for Nilu when the market demand is considered. Similarly, the next best idea is selling organic vegetable.

Activity Step 3 – Reducing 20 business ideas to 10

We use pair-wise ranking method for the 20 business ideas at hand, in order to reduce it to 10 ideas, but using a different criterion-**start-up capital requirement**.

We have now 10 screened business ideas to be evaluated in order to select the best ideas. It is important to understand the basics of business idea evaluation at this stage.

3.3 Business idea evaluation

Screened business ideas should be evaluated for their respective position in terms of degree of effectiveness as a good business idea. This process is called business idea evaluation.

Evaluation criteria

For an idea to be a good business idea, first of all the potential entrepreneur should like it. It should have a better market demand. The potential entrepreneur should be able to find out raw material easily to manufacture it. Thereby, the business idea should satisfy a set of vital criteria. These are called business idea evaluation criteria.

Large group exercise 1: State examples of some factors that can be used as criteria for business idea evaluation.

Large group exercise 2: What will happen if we select a business idea without considering whether the raw material is available or not?

It is important to assess the position of each business idea in respect of each factor such as 'my interest', marketability, availability of raw material, ability to meet start-up capital requirement, competition, risks involved, and similar factors.

Business idea evaluation methods and tools

There are many methods and tools for business idea evaluation. The following table contains only a very few out of them.

Idea Checklist Evaluation	Delphi Technique
Evaluation Matrix	Consensus Mapping

Plus-Minus-Interesting Analysis	SWOT Analysis
Idea Evaluation by Weighted Criteria	Value Analysis

However, we will evaluate our 10 business ideas and select the best one using the following business idea selection process.

- **Method:** A combined method of **MACRO ANALYSIS** and **MICRO ANALYSIS**
- **Tool:** **EVALUATION MATRIX** will be the tool used in both steps on the method.

3.4 Evaluating business ideas using Macro Analysis and Micro Analysis

We are going to evaluate our 10 business ideas available with us to find out the most suitable business idea to start our business.

This evaluation process has two steps namely, Macro Analysis and Micro Analysis. In both steps, the analysis is done after recording the facts in an Evaluation Matrix format. Evaluation matrix is a table-like format where we can give each business idea a score against a selected criterion. The process is simple and non-complicated.

Macro analysis is the first step. Selected ideas are assessed against a few vital criteria using an evaluation matrix and then ideas are ranked according to the total score given. In the micro analysis, the same process is followed, using a broader set of criteria which include the criteria used in macro analysis. Ideas are then ranked accordingly. If there is a significant difference in ranking by macro analysis and micro analysis, we should re-check where the mistake is. The following example will provide practical insights in this regard.

Example: Amal's 6 business ideas

Amal needs to find out the ranking position of the following 6 business ideas using macro analysis and micro analysis, so that he can check the viability of the best business idea.

Six business ideas:

(1) Three wheeler service centre, (2) Manufacturing LED bulbs, (3) Web marketing consultancy, (4) Making first aid kits, (5) Publishing a business magazine, and (6) Manufacturing school bags

He was advised by his consultant to use the under mentioned criteria sets for macro analysis and micro analysis.

For macro analysis: 4 evaluation criteria

1 Personal match (agree with my interest, my expectations, my personal values) [PM], 2 Market demand [MD], 3 Easy to start [ES], and 4 Manageable start-up capital [SC]

For micro analysis: 7 evaluation criteria

1 Personal match (agree with my interest, my expectations, my personal values) [PM], 2 Market demand [MD], 3 Easy to find out raw material [RM], 4 Ability to get technology [TE], 5 Technical skills [TS], 6 Easy to start [ES], and 7 Manageable start-up capital [SC]

Step 1: **Macro Analysis**

Criteria

Business Idea	1 PM	2 MD	3 ES	4 SC	Total	Rank
(1) Three wheeler service centre	4	8	6	4	22	3
(2) Manufacturing LED bulbs	4	4	4	6	18	5
(3) Web marketing consultancy	10	6	8	8	32	1
(4) Making first aid kits	4	2	6	4	16	6

| (5) publishing a business magazine | 8 | 4 | 4 | 4 | 20 | 4 |
| (6) Manufacturing school bags | 6 | 8 | 6 | 4 | 24 | 2 |

Scores:

Very bad	Bad	Average	Good	Very good	Excellent
0	2	4	6	8	10

According to the macro analysis, the best business idea is Web marketing. 'Manufacturing school bags' and 'Publishing a business magazine' take the second and third positions.

Let's see how he did the Micro Analysis.

Step 2: **Micro Analysis**

Business Idea	1 PM	2 MD	3 RM	4 TE	5 TS	6 ES	7 SC	Total	Rank
(1) Three wheeler service centre	3	4	5	5	4	2	2	25	2
(2) Manufacturing LED bulbs	2	3	4	3	3	3	3	21	5
(3) Web marketing consultancy	5	5	5	4	4	4	5	32	1
(4) Making first aid kits	2	1	3	3	4	3	4	20	6
(5) publishing a business magazine	4	3	3	4	2	2	5	23	3
(6) Manufacturing school bags	3	4	4	3	3	2	3	22	4

Scores:

Weak	Good	Satisfied	Highly satisfied	Excellent
1	2	3	4	5

According to the micro analysis also, the best business idea is Web marketing. But, the 'Three wheeler service centre' and 'Publishing a business magazine' have taken the second and third positions respectively. Since there is no dispute about the best business idea, Amal identified 'Web marketing consultancy' as the best business idea out of the six ideas evaluated.

Individual activity- Evaluating my 10 business ideas

Individually, we should evaluate our 10 business ideas through the following 5 steps and select the 1st (best), 2nd and 3rd business ideas.

Step 1: Identify the evaluation criteria for macro analysis; following 5 criteria are recommended.

Evaluation criteria for macro analysis:

1 Personal match (agree with my interest, my expectations, my personal values) [PM],

2 Market demand [MD],

3 Easy to start [ES],

4 Technical skill capture within a short period [TS], and

5 Manageable start-up capital [SC]

Step 2: Identify the evaluation criteria for micro analysis; following 17 criteria are recommended.

Evaluation criteria for micro analysis:

1. Personal match (agree with my interest, my expectations, my personal values) [PM],

2. Market demand [MD],

3. Easy to find out raw material [RM],

4. Ability to get technology [TE],

5. Technical skills [TS],

6. Marketing strategies [MS],

7. Easy to start [ES],

8. Ability to face competition [FC],

9. Ability to identify and face risks [OR]

10. Easy to find labour requirement [LR],

11. Infrastructure facilities [IF],

12. Better profits [BP],

13. Social agreeability [SA],

14. Government priorities [GP],

15. Manageable start-up capital [SC],

16. Environmental friendliness [EF],

17. Adaptability to digital marketing [DM],

Step 3: Use the same score systems used in analyses of Amal's example above.

Step 4: Carry out both analyses- macro and micro for 10 business ideas

Step 5: Select the 1st (best), 2nd and 3rd business ideas.

Demonstration by the trainer- Evaluating a true sample

Trainer will demonstrate using a true sample of one of our trainees how to rank 10 business ideas already screened. We should observe it, participate in the demonstration and reinforce our understanding so that we can use macro and micro analyses for our 10 business ideas.

After the demonstration, each of us should do this analysis, select the 3 best business ideas and present to the large group.

Next step is to finalize the best business idea using field research and micro analysis.

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4. Business Idea Selection

We have three business ideas screened through several levels of screening. These three ideas should be tested using a deeper analysis of micro screening in order to find out the most suitable and growth-bound business idea. It is essential to have more reliable information to perform a deeper analysis. Therefore, this module involves some field research work.

Learning objectives:

At the end of this module, we will be able to:

- ✓ Understand how to use selection criteria for deeper evaluation through micro analysis evaluation matrix,
- ✓ Do a field research to collect business information for micro analysis,
- ✓ Finalize the best business idea, while developing our skills in conducting simple field research.

The module covers the following areas:

4.1 Business idea selection approach & Evaluation criteria

4.2 Field research for information collection

4.3 Finalization of the best business idea

4.1 Business idea selection approach & Evaluation criteria

Business idea selection approach

Our business idea selection process involves the following:

a. Identification of the 1st , 2nd and 3rd ranked business ideas from the previous micro analysis (done at the end of Module 3)

b. Identification of the evaluation criteria

c. Collection of information related to the above criteria for three business ideas through field research

d. Micro analysis of the three business ideas using the identified criteria

e. Selection of the best business idea

Evaluation criteria

Since we should do a deeper evaluation at this stage, our in-depth understanding about the composition of each criterion is valuable. We use 10 criteria for this purpose. The following table gives the selected criteria and the composition of each criterion.

Criterion	Composition (contents of the criterion)
1. Perfect personal match	- I like the idea. I can do it joyfully. - A business based on the idea is compatible with my dream. - My family likes it. - My skills match with the idea.
2. Market	- Easy to find customers. - There is a sizeable market. It is expanding.

	▪ I can reach the market easily. ▪ Customers don't grumble about the market price. ▪ Easy to formulate marketing strategies.
3. Competition	▪ Competition is not heavy. ▪ I know the details of the competitors. ▪ I will have competitive advantages.
4. Technology & equipment	▪ It is easy to acquire technology. ▪ I know how to get technology. ▪ Obtaining equipment is easy.
5. Production easiness (Operation in case of a service)	▪ Raw material is available freely. ▪ Production process is not complicated. ▪ Production infrastructure can be arranged easily. ▪ No scarcity of production inputs.
6. Human resource factor	▪ Skilled human resources are available. ▪ Employee demands can be met. ▪ I have an idea about the HR requirement.
7. Environmental protection	▪ Environmental restrictions are less. ▪ This business doesn't harm environment. ▪ Environmental-related risks are less. ▪ Obtaining environmental clearance is easy.
8. Easiness for digital marketing inclusivity	▪ It is easy to link with digital marketing. ▪ Adaptability to digital technology can be done.
9. Capital factor	▪ This idea needs less capital. ▪ Sources are available for finding capital need.
10. Government support	▪ Government support schemes are available. ▪ Idea belongs to a priority industry sector.

Practical application:

- ✓ We should get ready to do micro analysis of the three business ideas using above criteria.
- ✓ For that purpose, we need to understand the meaning and the contents of each criterion so that we can collect field information through field research.
- ✓ We should use this knowledge to understand whom to get information from and what information should be collected.

4.2 Field research for information collection

Getting ready for field research

Questions of Akila

Akila wants to select the most promising business idea from three favourite business ideas screened from a large collection of ideas. They are "manufacturing and marketing a creative door-lock", "Producing banana biscuit" and "Boat engine repairing service". He has decided to use the set of 10 criteria given in the table above. He understands that he needs to find out answers to 5 questions mentioned below before going to the field for collection of information for micro analysis.

Question 1: Whom to meet to collect information? What institutes to be visited?
Question 2: What questions to be asked from relevant entrepreneurs?
Question 3: What questions to be asked from appropriate customers?
Question 4: What questions to be asked from relevant experts?
Question 4: What questions to be asked from relevant experts?

Small group activity – Questions of Akila

The large group is divided in to four small groups and one question is allocated to one group. Each group should find out their response to the allocated question. After 15 minutes, each group should present their solutions.

Preparations for the field research and conducting it

Prior to going to the field to collect information, our basic preparation should focus on the above mentioned 4 questions. With this preparation, it is easy to go to the field and collect relevant information. We prepare the list of persons and institutions to be visited as the next step. Similarly, we should prepare the questionnaires for each interviewee category. Then, we go to the field, meet the interviewees and collect the information.

After obtaining the above understanding through the example of Akila's three business ideas, we can now undertake working on our main task. Let's do the necessary activities that lead to finalize our best business idea out of three ideas already selected through a long screening and evaluation process.

4.3 Finalization of the best business idea

Individual activity – Selection of the best business idea

This is an important activity in our training process. It includes class room exercises in performing the micro analysis using the information collected from the field research. Activity Steps are lined up as follows.

Activity Step 1: Preparation of the micro analysis template with three business ideas and ten criteria

Activity Step 2: Performing the micro analysis for three business ideas

Activity Step 3: selection of the best business idea

We have a sufficient knowledge, skills and information to complete each activity step. Each of us should perform all these activity steps very carefully.

Activity Step 1: Preparation of the micro analysis template with three business ideas and ten criteria

Criteria	Business idea 1	Business idea 2	Business idea 3 ....
1. Perfect personal match			
2. Market			
3. Competition			
4. Technology & equipment			
5. Production easiness (Operation in case of a service)			
6. Human resource factor			
7. Environmental protection			
8. Easiness for digital marketing inclusivity			
9. Capital factor			
10. Government support			
Total score			
Position			

Activity Step 2: Performing the micro analysis for three business ideas

We should complete the micro analysis using the above matrix. Trainer will provide necessary guidelines and assist us. We need to pay specific attention in allocating scores for each criterion under each business idea, because each criterion has some constituent factors as we have learnt earlier.

Activity Step 3: Selection of the best business idea

The business idea which obtains the highest total score is the best business idea.

For our attention

Finally, our selection was based on multi-level screening, and matching with vital criteria for better compatibility as a business idea in our context. Therefore, what we have selected at this stage can be considered as the most compatible business idea for us to proceed with.

During the next stage, we can develop this idea as a real business idea that can be tested and validated for the next stages of the business start-up process.

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