

Anatomy of an Opportunity

By Lanny Vincent

What makes for an opportunity? The answer depends on how we understand the anatomy and physiology of what an opportunity is.

An opportunity is a value proposition. It is propositional because there may be evidence to suggest there is opportunity, but it is as yet unproven. Every opportunity remains a proposition until it is transformed and embodied into an innovation, which is then tested in the field under actual conditions. When it becomes an innovation is is no longer an opportunity.

The anatomy of a complete opportunity has four essential elements: there is a customer **need** and a **means** to satisfy that need, it provides **value** to the customer and has **profit** potential. The need and the means to satisfy it are arguably the two most important variables in the anatomy.

The third element—a proposed value that ranks relatively high in the hierarchy of what is important to customers—is always relative. Knowing where it ranks is important in understanding whether there is opportunity there or not. The fourth element is profit potential. Satisfying the need must cost substantially less to deliver than what the one is willing to pay to have his need satisfied.

Any potential entrepreneurial opportunity is incomplete until all four parts are present and cohere: a need, a way to satisfy it, a relative value, and a way to produce and deliver the satisfaction at a cost substantially less than the customer is willing to pay. Having a complete opportunity, however, doesn't necessarily mean you have a compelling one. □

The Proverbial Funnel

By Lanny Vincent

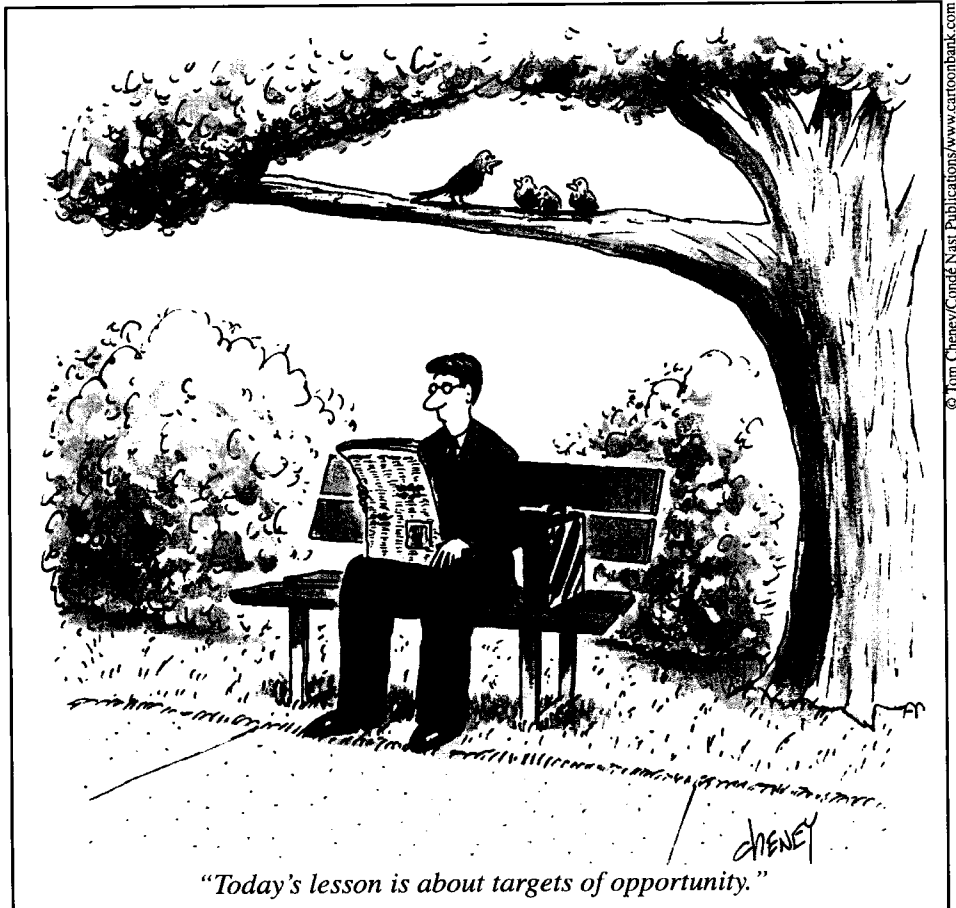
The funnel metaphor is often used to describe the “flow” at the front end of innovation systems and stage-gate processes. The image of the funnel was perpetuated in the 1960s by the consulting firm Booz, Allen & Hamilton after its new product development study with Sam Johnson and Johnson Wax Company. Almost 50 years later Henry Chesbrough described what many of us had already sensed: that the era of “open innovation” had arrived. This should have led most of us to conclude that the funnel was no longer tenable. The realities of the dynamics of open innovation poked permanent holes in the notion of upstream “funnels” and downstream “pipelines.” Funnels and pipes with holes in them do not work. Yet the proverbial funnel persists.

symbols and mental models linger until better ones come along. In this case, a better one hasn't come along yet. Another reason may be the associated notion that it takes a lot of ideas in the beginning to arrive at a good one in the end. That the flow of innovation starts with a wide diameter at one end of the funnel—taking in lots of ideas—and a narrow one at the opposite end where one works on only a few good ideas. A third reason that the funnel persists may be the over-riding concern among managers to conserve resources, which reinforces the need to narrow the number of ideas or concepts that can be worked on, given the reality of scarce resources.

The notions that one should select from a large set of options—the larger the set the better the selection—and the need

One reason for this persistence may be that

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to conserve resources may be worth re-examining. The first notion may be simply inaccurate and mistaken. The second one may be sound logic but overlooks how precious a resource a complete and compelling opportunity actually is.

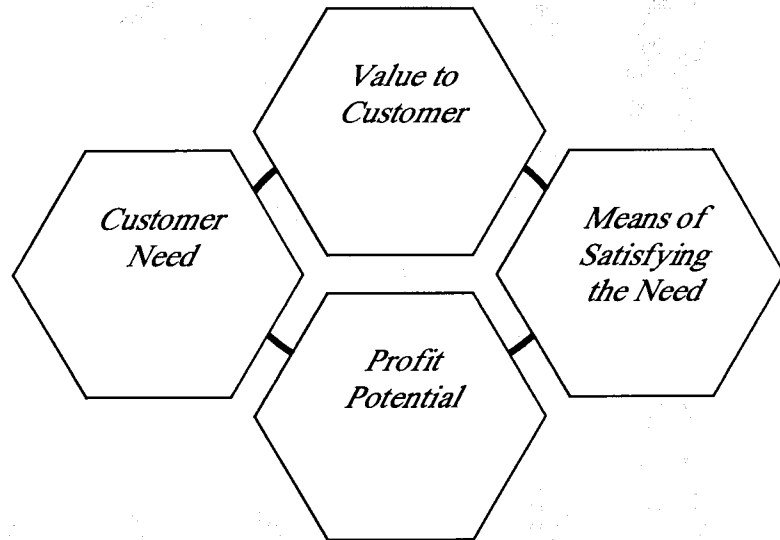
The word “opportunity” comes from the Latin *opportunus*—a word associated with the mythological Portunus, the god of harbors (*portus*). According to the dictionary, Portunus governed local conditions (wind and tide) near the harbor. Imagine entering or leaving the harbor under sail, the normal mode of power at the time. Sailing under favorable wind and tide conditions and at the right time can prove to be the difference between success or ending up on the rocks.

Opportunities also derive much of their essence from timing and surrounding conditions. This is why the expression “window of opportunity” works for well. Like conditions in a harbor, the “window” can open or close depending upon which way the tide is running and how strong, and which way the wind is blowing and how strong. What makes an opportunity compelling, therefore, has to do with whether the time is right and the conditions are favorable.

“The overwhelming majority of successful innovations exploit change.” This is how Peter Drucker described what makes for compelling opportunities. This is often overlooked, partly because innovators are usually regarded as the ones who make change. But this is only partially true. Innovating is first about diagnosis, then prognosis. It is about spotting and understanding opportunities that emerge from the flow of change. As such, innovators are change spotters before they become change makers. Successful innovators are among the first to spot changes. Their ability to diagnose and decipher the opportunities lurking within changes happening around them is their “core competence.”

Knowing what innovators are looking for—compelling and complete opportunities (see adjacent insert)—and how to recognize them, is one thing. Knowing where to look for opportunities is another. Assuming that change is constant and happening all around

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us, how does the innovator know where to look for a compelling opportunity? How do they know what changes to attend to and which ones they can ignore?

Drucker gave us an answer to this question years ago. He pointed to seven sources of innovation and ranked them in order of their predictability and reliability. The first and most reliable source of innovation he listed was The Unexpected, whether an unexpected success or failure. The second he called The Incongruity—a difference between the way things are and the way things should be. Third on his list was what he called a Process Need. Customers have jobs they need to do and steps by which they accomplish those jobs, needs can and do arise within the context of the steps. Completing the top tier of Drucker’s list of the more reliable sources of innovation are Changes in Industry or Market Structure, particularly those changes that catch everyone off-guard, not unlike the unexpectedness of the first and most reliable on his list.

What is worth noting about Drucker’s list is how immediate—present, available and accessible—each of the more reliable sources of innovation actually are. It is not about some clever and counterintuitive analysis, nor does it require a super creative brain. These sources of innovation are right under our noses, they are the signals

and symptoms that present themselves, especially to the knowledgeable and experienced among us.

Several years ago I conducted an experiment with a colleague at Hewlett-Packard, which was inspired by Drucker’s observation that the most reliable sources of innovation comes from the unexpected. Over the course of a couple of days at HP we asked several respected and veteran engineers to think back over the course of their work in the past year. We asked them if they could list a circumstance that piqued their curiosity and wonder—anything unexpected, surprising, curious or unexplained—which, if they were given the time and space, they would want to explore. In every instance, each of these engineers came up with at least two or three items. It could be that compelling opportunities are sitting there, waiting for us to discover them. All it may take, at least initially, is a little time and space, which may be well worth it, given that a compelling opportunity may be our most precious and scarce resource.

Instead of filling the funnel with lots of ideas, perhaps it makes more sense to spend less of our time and energy generating ideas, and more of our time and energy diagnosing the present manifestations of where the unexpected is showing up, and dig deeper there to understand the needs we find underneath. □