

# NEW BUSINESS IDEA DEVELOPMENT METHODOLOGY: CASE OF LATVIA AND ESTONIA

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**Abstract.** Innovation is recognized as one of the main sources of economic competitiveness, job creation and wealth creation. According to the Innovation Union Scoreboard 2010, Latvia has the lowest innovation index compared with other EU countries. One of the main reasons for such a low innovation performance is the lack of new innovative business ideas. As crucial component of people's ability to innovate is creativity, our main task is to rise up the level of entrepreneurial creativity. This was implemented in the SIB Net project during four creativity seminars.

Aim of SIB Net project is to promote new innovative high growth firms by encouraging entrepreneurial creativity, providing needed support and evaluating needs for early stage risk finance. Ventspils University College is one of six partners responsible for creativity methodology design.

Series of creativity seminars included four ones aimed for encouraging entrepreneurial creativity to help idea holders to improve and develop their ideas into the real business plans. Participants of creativity seminars were new and nascent entrepreneurs, participants of cross border business idea competition organized within SIB Net project and also tenants of Business Incubators. Creativity seminar consisted of theoretical and practical part but emphasis was more put on practical part – working individually and in teams on creativity exercises and case studies. Almost 50 persons were trained to develop new ideas up to new commercial activities in these creativity seminars. Participants pointed out positive values of seminars: confidence, skills of entrepreneurial behavior, understanding of market opportunities, design of implementation plan.

**Key-words:** development of new business ideas, innovation, creativity, new firm

## Introduction

Europe faces a momentum of transformation. The crisis has wiped out years of economic and social progress and exposed structural weaknesses in Europe's economy. In the meantime, the world is moving fast and long-term challenges – globalization, pressure on resources, aging – intensifies. In order to take charge of Europe's future Europe Commission has developed strategy “Europe 2020” that should help Europe come out stronger from the crisis and turn the Europe Union into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion (European Commission, 2010).

“Europe 2020” puts forward three mutually reinforcing priorities: smart, sustainable and inclusive growth. This paper will be connected with the first of previously mentioned priorities - smart growth: developing an economy based on knowledge and innovation, if precisely – how to create new innovative business ideas.

## Results and discussion

Innovation is recognized as one of the main sources of economic competitiveness, job creation and wealth creation. If we look at the results of Innovation Union Scoreboard 2010, Latvia

has the lowest innovation index (0.20) among all EU countries (Figure 1). Our neighboring countries - Lithuania with the index value 0.23 and Estonia with the index value 0.47 have reached higher level of innovation development.

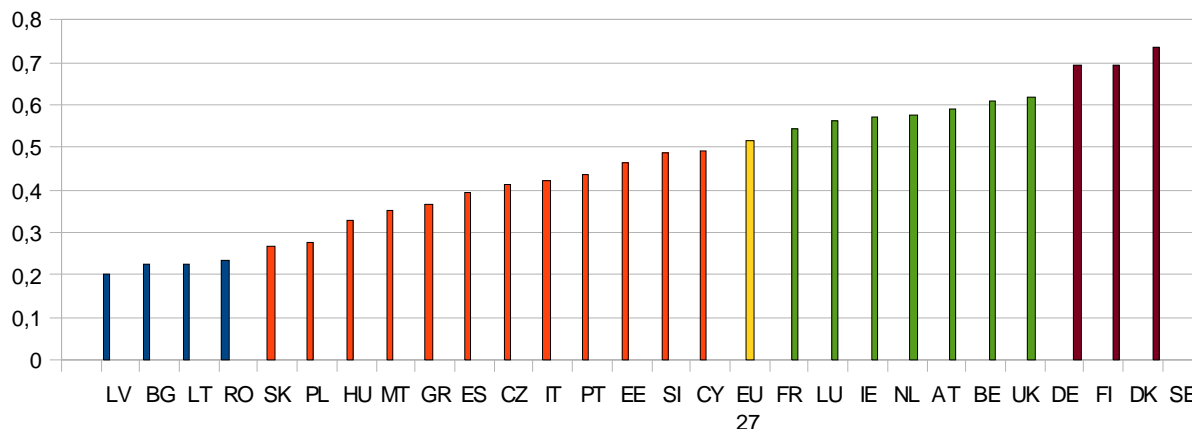


Figure 1: EU Member State's Innovation Performance

Source: Innovation Union Scoreboard 2010

According to the Research of Early Stage Financial Supply one of the main reasons for such a low innovation performance is the lack of new innovative business ideas. As crucial component of people's ability to innovate is creativity, our main task is to rise up the level of entrepreneurial creativity. This was implemented in the SIB Net project (“Small Innovative Business Promotion Network”) during four creativity seminars.

### SIB Net project

Aim of SIB Net project is to promote new innovative high growth firms by encouraging entrepreneurial creativity, providing needed support and evaluating needs for early stage risk finance. Project aims to solve identified common market failures in partner regions (Kurzeme, Riga and South Estonia) and release innovative spin-outs from regional research centers and Higher Education Institutions fuelled by partnership, mutual learning and mobility activities, and required external competence. There are involved six partners in the project: Riga Planning Region as a lead partner, Ventspils University College, Ventspils High Technology Park, Stockholm School of Economics in Riga, Tartu Science Park and Institute of Baltic Studies. SIB Net is co-financed by the Estonia Latvia Programme, including co-financing of European Regional Development Fund and national co-financing. Implementation period of the project: June, 2010 – May, 2012.

To reach the main aim project activities there were planned several activities connected with entrepreneurial creativity and development of new business ideas – design of the methodology of the organizing of creativity seminars, four creativity seminars, development of creativity and matching methodology and methodological guide to develop new innovative business ideas by using creativity and business acceleration methods. The first two of aforementioned activities has been performed, other two will be developed till the end of the project.

### Creativity seminars

Series of creativity seminars included four creativity seminars – two in Riga, one in Ventspils and one in Tartu.

The first creativity seminar was organized on February 4<sup>th</sup> in Riga by Stockholm School of Economics in Riga (SSER). It was aimed to train the local experts – trainers of next three creativity seminars, and testing the practical part of the planned creativity seminars.

The second creativity seminar took place in Tartu on March 17<sup>th</sup> and 18<sup>th</sup> and it was organized by Institute of Baltic Studies (IBS). The third creativity seminar was organized by Ventspils University College (VUC) in Ventspils on March 24<sup>th</sup>. The fourth creativity seminar took place in Riga on March 25<sup>th</sup> and was organized by SSER.

Aim of the creativity seminars was by encouraging entrepreneurial creativity to generate new business ideas out of identified latent market opportunities. Creativity seminar was aimed to help idea holders to improve confidence and develop their ideas into the real business plans.

Participants of creativity seminars were new and nascent entrepreneurs, participants of cross border idea competition, organized in SIB Net project, and also tenants from Business Incubators. They represented very different areas of activities: from entertainment and sports to high technology with very different level of entrepreneurship skills. Their different problem-solving approaches revealed already in warm-up tasks – “Portrait of neighbor” and “12 circles”.<sup>13</sup> Almost 50 persons were trained in creativity seminars to develop new ideas until new commercial activities.

Within creativity seminars participants learned:

- benefits of thinking "Out of the Box";
- tools for opening "The Box";

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<sup>13</sup> Warm-up tasks had twofold objectives – to introduce participants each other and to initiate creative way of thinking

- tools for seeking and shaping opportunities;
- how to generate ideas alone or in groups;
- frameworks and criteria for evaluating new ideas;
- techniques for identifying and principles for overcoming blocks to implementation.

Creativity seminar consisted of theoretical and practical part but emphasis was more put on practical part – working individually and in groups on creativity exercises and case studies.

Creativity seminar started with the introduction with trainers, with agenda and purpose of creativity seminar. As warm up exercises were used tasks “Portrait of neighbour” and “12 circles”. In the first part of seminar participants were introduced with theory about creativity concept and creativity techniques. Six thinking hats model developed by E.de Bono (E.de Bono, 2009) also was presented. After theoretical introduction participants fulfilled creativity test “Testing left-brain/right-brain dominance” (Bragg A., 2002).

Second part of creativity seminar started with theory about new business idea development process, about first (seeking and shaping opportunities) and second (generating new ideas) steps in this process. Afterward participants were divided into groups of four people and started their work on first major task – case studies. Case studies prepared by project partners included aerial photography service provider, wooden toy manufacturer and furniture manufacturer. Participants provided different ideas and solutions for possible future actions to develop the businesses, expand operations and increase sales. After presentations it appeared that one of the seminar participants was founder of aerial photography company and an interesting discussion about provided ideas and actual developments of the company aroused.

The third step started with more theory on evaluating and selecting ideas and was followed by planning for implementation (fourth step), where participants once more were gathered in teams to develop their own business ideas. Each group member presented his/her idea to other group members and group members worked together to synergize the ideas into one brilliant idea for further development. Initial ideas included provision of web services, IT solutions, organizing trips, straw briquettes, production of special shoes, fishing equipment, museum etc. Some of the winning ideas represented merged and improved ideas.

The last task in this seminar for participants was work in teams with development of one new business idea by going through all four steps and by using methods (recommendable) described previously. Groups picked one idea (submitted in the SIB Net cross-border idea competition or developed initially in these seminars) and organized then their work to go through

four idea development process stages with these business proposals. Finally each team provided the results of all their work stages in short presentations.

The evaluation from participants was positive on average. They evaluated the novelty of the seminar. Participants considered the seminar useful for them, they received usable knowledge. They were found of practical examples and road map given to develop their own ideas. They all were active and participated with passion in all activities. Especially they liked creativity exercises and team work. In the evaluations participants have mentioned some aspects that could be developed further on but in general the conclusion is that the methodology that was prepared in this project by VUC and SSER works fine and only some minor adjustments are needed.

### Methodology of developing new business ideas

The idea development technique include four steps: seeking and shaping opportunities, generating new ideas, evaluating and selecting ideas and planning for implementation.

- *First step: seeking and shaping opportunities.*

The result of this first step is a much greater insight into the market which nascent entrepreneur is investigating, together with a sharper definition, or quite possibly redefinition, of the opportunity which he wish to size. Key to this step is awareness that those, who currently serve the market, have left gaps which could represent potential opportunities.

Methods for seeking and shaping opportunities: the “5 Ws plus H”, the lead-users technique, boundary-examination technique, boundary-hopping technique. (Bragg A., 2002)

- *Second step: generating new ideas.*

The techniques – use of stimulus materials, combinations, free association, upside-down thinking, analogical thinking and checklists – will help to generate a significant quantity of ideas which can be clustered into groups and carried forward to the next step. In this step quantity creates quality.

- *Third step: evaluating and selecting ideas.*

Frameworks to undertake this process include criteria grids, flowcharts, weighted criteria grids and the idea comparability matrix. The outcome of this step is the identification of the leading contender to be taken forward to the final step in the idea development process. As was the case with step two. Insights arising from ideas “rejected” at step three may yet provide the stimulus for further ideas and are fed back into earlier steps.

The best idea resulting from Step Three will be the one which not only offers the greatest chance of success in the market but also most closely matches ones own personal goals, skills, resources and appetite for risk.

- Fourth step: planning for implementation.

The fourth step explains how one can increase the likelihood of idea's success by identifying, and than resolving, potential blocks to implementation. Blocks will adopt many forms, from competitive reaction to lack of technical know-how, from lack of finance to inability to protect idea. A range of techniques exists to help identify the blocks specific to one's particular idea, including reverse brainstorming, force-field analysis and commitment charting. The very process of planning for implementation may lead to modification or refinement of the original business idea. At the conclusion of this fourth step, one will be ready to codify all the elements of one's business idea into a formal and fully fledged business plan.

Methodology used for generating new business ideas has presented its effectiveness. Created business ideas were involved in support processes for pre-incubator. Although it is too early to judge about vitality of created new business ideas, however achieved among scientists allows hopefully look at further application of developed methodology.

## **Conclusions**

1. The lack of new business ideas is one of the main obstacles to promote new high growth innovative firms.
2. Entrepreneurial creativity is the keystone of people's entrepreneurial behavior, spirit and capacity to innovate.
3. Seminars (creativity seminars) with thought-out agenda, competent trainers and qualitative materials can substantially raise creativity of its participants and promote birth of new innovative business ideas.

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