

Tool #7:

**Expanding the
Entrepreneur's
Opportunity Horizon**

WHAT IS AN OPPORTUNITY?

- » A favorable set of circumstances creating a need or opening for a new business concept
- » A situation where something can be improved at a profit
- » The existence of customer “pain” that can be removed ---something is unsatisfactory

HAVE YOU UNCOVERED AN ATTRACTIVE OPPORTUNITY?



EXAMPLES OF WAYS TO FIND OPPORTUNITIES?

- » Identify customer pain points
- » Recognize underserved markets
- » Discover niches within existing markets that have unique needs
- » Challenge existing assumptions
- » Look for patterns or trends (in markets, demographics, social behaviors, customer buying behavior, competitive practices, etc.)
- » Monitor changes in rules, laws, regulations
- » Look for under-utilized resources
- » Apply new knowledge or new technologies to address unmet needs or change ways needs are met

WHAT IS AN OPPORTUNITY HORIZON?

The poor tend to launch businesses that can have limited potential or that struggle to survive. The opportunity is just not large enough. A key factor explaining this tendency is the entrepreneur's opportunity horizon, or the range of possibilities they are able to perceive --- poverty restricts a person's vision of what might be possible.

When thinking of starting a business, a person in poverty tends to consider the things they know. The possibilities considered tend to be limited to:

- a) the needs we become familiar with in our daily lives as a mother, student, military veteran, victim, shopper, person with a health ailment or disability, owner of a pet, hobbyist, and so forth;
- b) the skills we possess and work experiences we have had; and
- c) things we directly observe in our surroundings, particularly our fairly immediate environment.

We are most influenced by that with which we are familiar. The person in poverty may be alert to opportunities, but the range of opportunities that he/she is able to recognize at any point in time is delimited by this horizon. Quite simply if a person has never been exposed to a computer, it is difficult for them to perceive opportunities related to computer equipment, software, networks, or services. Being in a circumstance of poverty can impose boundaries on the individual's opportunity horizon.

The opportunity horizon for each individual is unique. Consider an individual living in a low-income neighborhood, with high unemployment rates and low earnings for individuals with low levels of education. The neighborhood might be characterized by segregation, inequality, crime, gangs, violence, inadequate housing, lower quality schools, limited job opportunities, disorder, a lack of exposure to technology, and lots of families who struggle just to get by. The individual may have lived all his/her life in this kind of neighborhood, exposed to in-group socialization (i.e., establishing social ties and interacting with others from that same inner circle). This sort of

environment can limit the kinds of demographic, social, technological, competitive, regulatory or other developments of which one is aware or to which one is exposed. Yet it is these developments that produce opportunity. Thus, the opportunity horizon of such an individual is inevitably constrained, often to very small and short-lived openings in the marketplace.

Opportunity horizons can be characterized in terms of two dimensions: breadth and depth. Breadth refers to the range of different opportunity arenas within which the entrepreneur is able to perceive or recognize possibilities. While one may see opportunities in personal care, cleaning, transport, or construction, he or she may be unable to recognize opportunities related to genetic engineering of crops or design of underwater drones. Depth concerns number of possibilities that are apparent within the specific opportunity arenas apparent to the entrepreneur. So within plumbing, one may see the opportunity to provide plumbing services to households who have a specific problem, but not perceive the need for selling plumbing service contracts that provide preventative maintenance and repair at a fixed annual rate. A nurse may see opportunities to build a business around home health care visits, but not see the possibility of providing patient assistance via telemedicine.

Opportunity horizons can be changed. They can be enhanced where the individual is exposed to new sources or types of information, influences, and experiences. For example, as a teenager from such a context pursues an internship out of the neighborhood, joins the military and travels abroad, takes on a hobby that leads them to pursue whole new sources of information and expertise, is able to attend college, engages in or expands their social network by connecting with people in different social and economic milieus, they can be stimulated by a different reality and their opportunity horizon expands. The social context is particularly important for expanding the individual's opportunity horizon. Similarly, the institutional context matters. The culture, values, societal norms and attitudes of the neighborhood can serve to highlight opportunities in the informal economy, including technically illegal, anti-social or socially incongruent activities. Lack of support from formal institutions coupled with severe resource constraints can make the identification and exploitation of opportunities in the informal economy especially attractive.

Below is an attempt to graphically capture the opportunity horizon for someone in poverty. Here, factors at three levels influence one's opportunity horizon. At the core level, opportunity horizon in poverty can be expanded by exposure to new knowledge, information, education and observation of other realities. At a second level factors such as out-group socialization, peers and leaders, connections with different neighborhoods and communities, and role models become important. At a third and more macro level, institutional support, government support, empowering programs, and active civic participation can promote the expansion of opportunity horizons among the poor. It is at this third level where entrepreneurship intervention programs directed at the poor fit in.



SAMPLE WAYS TO EXPAND A PERSON'S OPPORTUNITY HORIZON:

- » diverse life experiences
- » work experiences
- » serving in the military
- » education (any form)
- » traveling
- » networking
- » volunteering
- » interning
- » putting yourself in new and uncomfortable circumstances
- » reading
- » searching the web