

WEEK 2: INNOVATION AND ENTREPRENEURSHIP (CREATING A BUSINESS)

INNOVATION: is the conversion of knowledge and ideas into new or improved **products, processes or services** which may be for commercial use or for the public good. It is not enough to have ideas; we need their related knowledge to carry out the idea.

ENTREPRENEURSHIP: is the process of creating or seizing an opportunity and pursuing it to create something of value regardless of current available resources.

-Not every small business is entrepreneurial or represents entrepreneurship. A husband and wife who open another bakery take a risk but are not essentially entrepreneurs. They do what has been done many times before and gamble on the interests of people's eating habits locally. McDonalds was an entrepreneurship, although it did not *invent fast food* it **applied management concepts and techniques by asking** what 'value' is to the customer? Creating a new market and customer. Entrepreneurial activity creates a "market niche" and technologies are used to enhance the conversion of an art to a scientific process e.g. shoe making. Entrepreneurship generally redesigns a market's structure, revolutionising how processes are undertaken. Entrepreneurship is a distinct feature whether of an individual or of an institution. Admittedly, all new small businesses have many factors in common. But to be entrepreneurial, an enterprise has to have special characteristics over and above being new and small. They create something new and different.

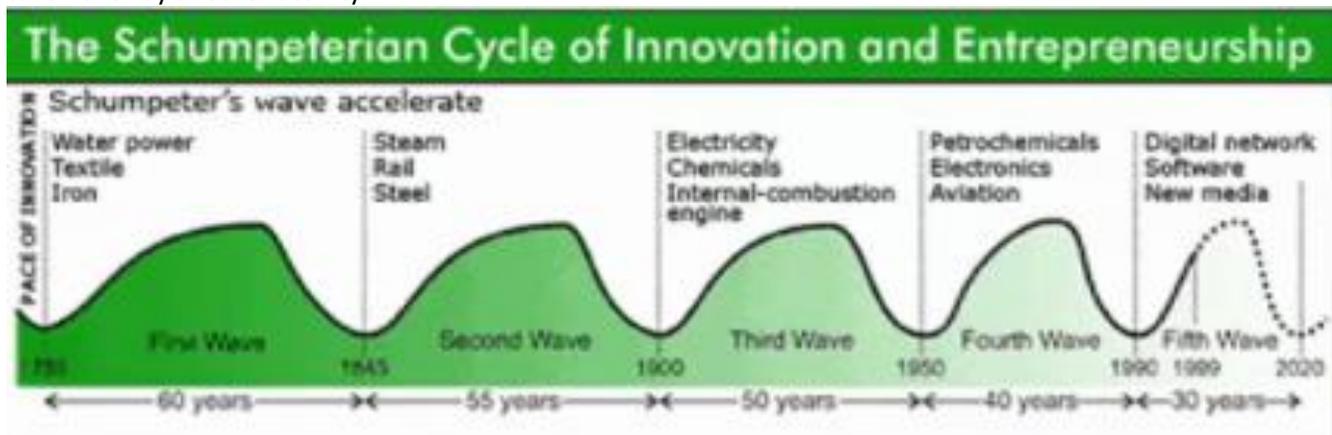
The theory sees change as normal and indeed as healthy. And it sees the major task in society - and especially in the economy - as doing something different rather than doing better what is already being done\

INTRAPRENEURSHIP: Are entrepreneurial efforts within a larger organisation.

Innovation and entrepreneurship affects society, firms and individuals.

What makes some societies richer than others (other than availability of resources)?

ECONOMIC GROWTH FUELED BY CREATIVE DESTRUCTION. For example, the typewriter, it was a booming industry when the PC was introduced many companies and the profession of typewriting disappeared. An existing activity was taken over by another activity.



THE LINEAR MODEL FOR STIMULATING ECONOMIC GROWTH:

As a starting point many societies have invested Science and Education and Universities in the hope that it will result in

→ Applying new knowledge and skills (creation of new companies and industries which will create opportunities for individuals improving their health and wellbeing)

→ New products and services for society

Moreover, firms investing in innovation are more profitable than firms that decide not to do so. In fact, not investing in innovation can be the death of a company, .e.g. Kodak, it is also important to find the RIGHT innovations to invest in.

As an individual, innovation is important because working for an existing business to create new products and services is both challenging and exciting and often takes place in very dynamic teams. Therefore making the working environment fun. Furthermore, being an entrepreneur who starts a business gives the opportunity to engage and make a living in what you truly believe in, also giving opportunities to enter the labour market. Additionally, entrepreneurship is the key to making a difference in the world. All societies are confronted with similar problems, poverty, securing clean water, shelter etc... thus entrepreneurs are needed to help deal with these societal issues.

Entrepreneurship for individuals results in great careers and work life that might make a difference.

INNOVATION IS ABOUT EXPLORING THE UNKNOWN IN TERMS OF:

- Markets: products and services must enter markets where there is existing demand or an existing need.
- Technologies: markets need the development of completely different solutions to the problems at hand.
- Business models: if the markets and technologies exist, we need to know how we can actually make a business out of it.

Innovation starts off with a high level of uncertainty and stepwise this uncertainty must be reduced while also committing more resources in the process and creating radical or incremental change. The outcome is radical new inventions (something unique) e.g. landline to mobile → may serve the same needs, but they are totally different in the area of technology and business models. Innovation deals with both radical and incremental changes (products are improved)

-Classical economics focuses on getting the most out of existing resources and aims at establishing equilibrium. It cannot handle the entrepreneur but consigns him to the shadowy realm of 'external forces', together with climate and weather, government and politics, pestilence and war, but also technology. The entrepreneur always searches for change, responds to it and exploits it as an opportunity. The entrepreneur, shifts resources from areas of low productivity and yield to areas of higher productivity and yield.

ENTREPRENEURSHIP deals with opportunities for new products or opportunities based on more radical or incremental innovations. → Opportunities are not obvious, not something that is stumbled over but are recognised by signals.

In order to move from opportunities to full grown business' a toolbox is needed which helps shape ideas into opportunities.

TOOLS: Aids for a successful innovation or start-up

BEING ABLE TO STOP OPPORTUNITIES: investigate markets we are investing in, or we might get some potential customers with more advanced needs who can explain why/how they will use the product when suited to their needs. As a result we can start developing our product or service/process.

PLANNING: Business plans are tools that help analyse opportunities in a structured way to look at markets: where are they? How can we access it? Cost of developing the product, how can we manufacture/ create it?

PERSONAL NETWORK: Maintaining relationships allows for contacts to give you feedback on your ideas, access resources and give advice.

MONEY: Developing knowledge on raising capital, e.g. mortgage, borrow, reinvestments into developing new products or services.

It is very important to recognise that both innovation and entrepreneurship has a great value for society and offers outstanding opportunities for individuals, in order to get involved the competencies and the practicing of it at an early stage is important to be successful

ENTREPRENEURSHIP is 'risky' mainly because so few of the so. called entrepreneurs know what they are doing. They lack the methodology. They violate elementary and well-known rules. This is particularly true of high-tech entrepreneurs. Even so, entrepreneurship must be systematic, managed and based on purposeful innovation. Innovation is the specific function of entrepreneurship, whether in an existing business, a public service institution, or a new venture. It is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth. Most innovations, however, especially the successful ones, result from a conscious, purposeful search for innovation opportunities, which are found only in a few situations. Four such areas of opportunity exist within a company or industry: unexpected occurrences, incongruities (Lack of congruence, things that don't fit, don't belong or that disagree.), process needs (social innovations), and industry and market changes (Managers may believe that industry structures are ordained by the good, but these structures can-and often do-change overnight. Established companies, concentrating on defending what they already have, tend not to counterattack when a

new come challenges them. Indeed, when market or industry structures change, traditional industry leaders again and again neglect the fastest growing market segments.

NEW OPPORTUNITIES rarely fit the way the industry has always approached the market, defined it, or organized to serve it.

Innovators therefore have a good chance of being left alone for a long time. Such change creates tremendous opportunity for **INNOVATION. DEMOGRAPHICS** (The Japanese are ahead in robotics because they paid attention to demographics) Managers have known for a long time that demographics matter, but they have always believed that population statistics change slowly. In this century, however, they don't. **CHANGES IN PERCEPTION:** All factual evidence indicates, for instance, that in the last 20 years, Americans' health has improved with unprecedented speed. Rather than rejoicing in great improvements in health, Americans seem to be emphasizing how far away they still are from immortality. This view of things has created many opportunities for innovations: markets for new health care magazines, for exercise classes and jogging equipment, and for all kinds of health foods **NEW KNOWLEDGE:** innovations rank high Knowledge-based innovations differ from all others in the time they take, in their casualty rates, and in their predictability, as well as in the challenges they pose to entrepreneurs. Like most superstars, they can be temperamental, capricious, and hard to direct. They have, for instance, the longest lead time of all innovations. To become effective, innovation of this sort usually demands not one kind of knowledge.

Three additional sources of opportunity exist outside a company in its social and intellectual environment: demographic changes, changes in perception, and new knowledge. Innovation requires knowledge, ingenuity, and, above all else, focuses.

PRINCIPLES OF INNOVATION: Purposeful, systematic innovation begins with the analysis of the sources of new opportunities. Depending on the context, sources will have different importance at different times. Demographics, for instance, may be of little concern to innovators of fundamental industrial processes. By the same token, new knowledge may be of little relevance to someone innovating a social instrument to satisfy a need that changing demographics or tax laws have created. But whatever the situation, innovators must analyze all opportunity sources.

Because innovation is both conceptual and perceptual, would-be innovators must also go out and look, ask, and listen. Successful innovators use both the right and left sides of their brains. They work out analytically what the innovation has to be to satisfy an opportunity. Then they go out and look at potential users to study their expectations, their values, and their needs. To be effective, an innovation has to be simple, and it has to be focused. It should do only one thing; otherwise it confuses people. Indeed, the greatest praise an innovation can receive is for people to say, "This is obvious! Why didn't I think of it? It's so simple!" Even the innovation that creates new users and new markets should be directed toward a specific, clear, and carefully designed application. In innovation, as in any other endeavor, there is talent, there is ingenuity, and there is knowledge. There is, of course, far more to entrepreneurship than systematic innovation-distinct entrepreneurial strategies, for example, and the principles of entrepreneurial management, which are needed equally in the established enterprise, the public service organization, and the new venture. But the very foundation of entrepreneurship is the practice of systematic innovation.