



INNOVATION AND ENTREPRENEURSHIP

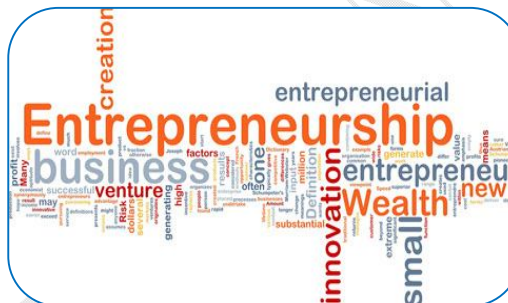
Dr. A. B. Dadas

Director , Neville Wadia Institute Of Management Studies And Research-Pune.

I) INTRODUCTION

A) INNOVATION

Innovation is the process of doing new things. This distinction is important. While innovativeness identifies with the capacity to consider, the development is doing new things. Thoughts have little an incentive until they are changed over into helpful items or administrations. Development changes imaginative thoughts into helpful applications. Subsequently, innovativeness is a pre-essential to advancement. As per Schumpeter a person is an entrepreneur only when he is engaged in innovative behavior. This innovative behavior is an entrepreneurial function.



According to Schumpeter, entrepreneurship is a creative activity. An entrepreneur is an innovator who introduces something new in an economy. Enterprise is doing things that are commonly not done in the customary course of business. Development might be in:

- Introducing another assembling procedure that has not yet been tried and financially misused.
- Introduction of another item with which the customers are not well-known or presenting another quality in a current item.
- Locating a new source of raw material or semi finished product that was not exploited earlier.
- Opening another market, up to this point unexploited, where the organization items were not sold before.
- Developing another blend of methods for generation.

Innovation involves problem solving and an entrepreneur is a problem solver. An entrepreneur does things in a new and a better way. A traditional businessman working in a routine manner is not entrepreneurial.

Schumpeter makes a distinction between an innovator and an inventor. An inventor discovers new methods and new materials. On the other hand an innovator is one who utilises or applies inventions and discoveries to produce newer and better quality goods that give greater satisfaction to the consumers and higher profits to entrepreneurs. An inventor produces ideas and an innovator implements them for economic gain. An inventor adds to the knowledge of the society, while an innovator adds to their satisfaction by means of newer and better products services. It is an innovator who commercially exploits an invention.

B) ENTREPRENEURSHIP

Entrepreneurship is an elusive concept. The idea of business has been a subject of much discussion and is characterized diversely by various creators. Some of them view it as 'risk-bearing'; others call it as 'advancements', yet others consider it as rush chasing'. In a meeting of enterprise held

in USA, it is characterized, as “**Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk taking appropriate to the opportunity and through the communicative and management skills to mobilize human, financial and material resources necessary to bring a project to fruition.**”

A.H. Cole has defined entrepreneurship as “the purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain or earn profit by production and distribution of economic goods and services”.

As per Heggins "Business is implied the capacity of looking for speculation and generation opportunity, sorting out a venture to attempt another creation procedure, raising capital, employing work, organizing the supply of crude materials and choosing top director's of everyday tasks.

As indicated by Joseph A Schumpeter business enterprise is basically an inventive action. It comprises of doing such things as are not commonly done in customary course of business. A business visionary is one who improves i.e., does new business.

Concurring MC Clelland, there are two attributes of business visionary: first is completing a thing in another and better way, second is basic leadership under vulnerability.

The different meanings of enterprise identify two essential components of business enterprise in particular development and hazard bearing.

Business enterprise utilizes creations and embraces advancements in the association. For instance so as to fulfill the changing needs of the clients, presently a-days natural product juice (mango, organic products and so forth.) is being served in tins, rather than jugs with the goal that clients can divert it and toss the compartments in the wake of drinking the juice. Ratan Tata did not develop vehicle. Predicting the people groups want to have little autos at lower value, he connected new techniques for mass assembling, utilized new, lights and generally less expensive materials. Subsequently enterprise needs to apply innovations consistently to satisfy clients changing needs for items.

As indicated by Peter Ducker, "Business enterprise is neither a science or a craftsmanship. It is a training.

Business enterprise can be characterized as an imaginative and creative reaction to nature. Such reactions can occur in any field of social Endeavor-business, industry, horticulture, instruction, social work and such. Doing new things, doing things that are now done in another manner is, in this manner, a basic meaning of business enterprise

“If self help is the best help, then self employment is the best employment and entrepreneurship, the most exciting level of self employment”.

II) OBJECTIVE OF THE STUDY

- 1) To study the nature of innovation.
- 2) To study the special features of Entrepreneurship.
- 3) To study the relation between innovation and entrepreneurship.

III) METHODOLOGY

The data for this research paper collected is secondary data.

It is collected from books, periodicals, magazines, and news paper.

AN ANALYTICAL STUDY:

NATURE OF INNOVATION AND INVENTION

According to **Schumpeter**, an entrepreneur is basically an innovator who introduces new combinations of means of production. Entrepreneurship is a creative activity and the entrepreneur introduces something new in any branch of economic activity. The carrying out of a new combination implies employment of productive means in a changed form. It is not necessary that new combination is carried out by people who control the product or commercial process. A new combination can be

carried out by employing both unused and used means of production. As an innovator, entrepreneur forces the potentially profitable opportunity and tries to exploit it. He is a problem solver and gets satisfaction by attacking problems.

Development infers doing new things or doing of things that are as of now being done in another manner. It incorporates presentation of new items, formation of new markets, use of new procedure of creation, revelation of new and better wellsprings of crude materials and building up another and better type of modern association. Innovation should be differentiated from research and invention. Research seeks to produce knowledge whereas innovation seeks to produce objects which work and can be sold. Innovation may be based on the application of knowledge produced by research but it may also be completely independent of research. Research and innovation are based on different skills. Innovation requires relevant information about markets, patents and management which have little to do with research. As practice often precedes theory, innovation may open the way to research.

1. Sources of Innovative and Creative Ideas

The various sources of idea generation are:

- Present and potential consumers, Existing Companies
- Raw material providers Distributors and retailers
- Research and development Existing employees

2. Great MYTH of Innovation

- 1) **MYTH 1:** There is a great deal of misunderstanding in considering innovation & creativity as synonymous to invention. But innovation is the utilisation of inventions that lead to increase in the overall growth and profitability of the organisation.
- 2) **MYTH 2:** Innovation is planned and predictable: This myth is based on the old concept that innovation should be left to the research and development department under a planned format. In truth, innovation is unpredictable and may be introduced by anyone.
- 3) **MYTH 3:** Technical specifications should be thoroughly prepared: this is a myth, as thorough preparation often takes too long. Quite often it is more important to use a try/test/revise approach than spend time in preparation and planning.
- 4) **MYTH 4:** Creativity relies on dreams and ideas: Even this is not true. The fact is that accomplished innovators are very practical people; they create (and not dream) useful products from the innovations they make.
- 5) **MYTH 5:** Technology is the only driving force of innovation and success: This again is a myth. Technology is certainly one of the sources of innovation, but it is not the only one. Moreover, the customers/market/ changing demands are the driving forces behind any innovation. In fact, market-driven or customer-based innovations have the highest probability of success.

3. Entrepreneurs believing in Innovations

Innovations include, creating something completely new or doing old thing in a new manner.

In the opinion of Schumpeter, innovations are found in following five types.

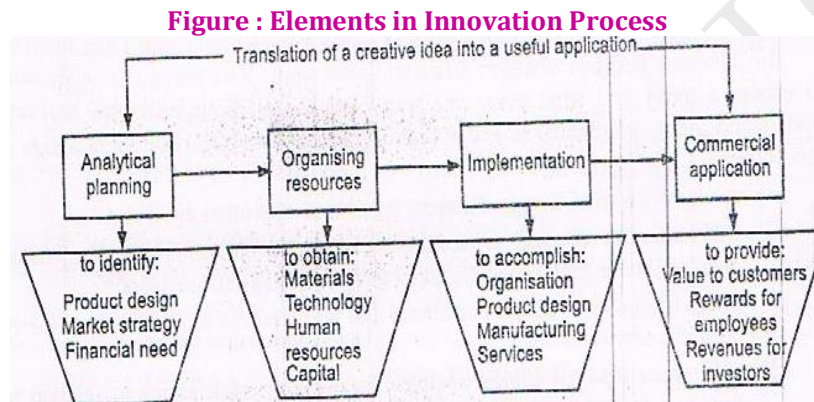
- [1] Creation of a new product – production of such product, which is not used by the consumer so far or products of new quality.
- [2] Using new method of production, which is not experimental by any one so far.
- [3] Finding new market – such market in which this type of product was not there so far.
- [4] Availing raw material or semi finished goods through new avenue at a cheaper rate.

[5] Implementing new organisations e.g. creating monopoly or finding monopolistic conditions.

Ten essential factors for management of improved innovations are Understanding, Approving, Analysing, Estimation, Taking Measurement, Valuation, Determination, Improvement, Development, Implementation and presentation of report.

4. Elements of Innovation Process

Innovation is the development process as shown in Figure. It is the translation of an idea into an application. It requires persistence in analytically working out the details of product design or service, to develop marketing, obtain finances, and plan operations. If the entrepreneur is going to manufacture a product, the process includes obtaining materials and technical manufacturing capabilities, staffing operations, and establishing an organisation.



Some people believe that innovations are carried out by big firms. The truth is that most of the innovations are the handiwork of small firms. Large firms may have strong organisation structures and management skills but they lack flexibility. De to their intrinsic flexibility small firms can react rapidly to new demands and easily exploit new ideas. A large firm working under the constraints of size and competition tends to perfect existing lines of production in order to increase profits. On the other hand, a small firm tries to exploit the gaps in the production system. Unlike the giant, it is not obliged to engage in expensive conversion and can launch itself on new, narrow or risky markets.

Innovation is the conversion of something new into useful goods or services. Innovation is perhaps the heart of entrepreneurship. Entrepreneurs may also be inventors, but the take the action necessary to redirect resources and convert creations into reality. They build organisations and systems needed to champion ideas and to exploit opportunities.

5. Seven Streams of Innovative Opportunities

Peter F. Drucker has found seven streams of innovative opportunities.

1) The unexpected:

The first important stream of innovation is unexpected success or unexpected failure. (America was never a country buying books-unexpected wave came).

2) Incongruities:

Incongruity is a sign of change. Different types of incongruities are-

- (a) Differences in relation to economic conditions of businesses (e.g. rising demand, stable profits) or differences in relation to public services.

- (b) Difference between actual conditions and assumptions in relation to industry or public service sector.
- (c) Differences between efforts, customer values and expectations in relation to industry and public services.
- (d) Uncertainty in the process rhythm or logic.

3) Process Need:

Need is the mother of all inventions. The innovation which is based on process need takes full advantage of uncertainty. For that purpose, one must understand need exactly.

4) Industry and Market Structure:

The changes in the structure of the industry make incomparable opportunities available. These opportunities are visible and new. Change in the industry or market structure is a very important opportunity for innovation.

5) Demographics:

Amongst outside factors, demographics is a very important factor. Demographics is defined as changes in the population in relation to size, age group, structure, employment, educational qualifications and income. Its results can be estimated. Demographics strongly affect 'what, where and how much will be purchased?'

6) Change in Perception:

It is the way how we are looking towards situations, happenings and people in the society and grab the opportunities.

7) New Knowledge:

Innovation based on the knowledge is the highest stage of entrepreneurship. It gets tremendous popularity. It also generates income. All the innovations based on knowledge are important. (e.g. invention of engine, invention of aeroplane.)

Computers include the combination of more than five knowledges, (1) Scientific Invention, (2) Audiation Tube, (3) Major Mathematical Discovery, (4) Binary Theorem, (5) New Logic, (6) Design concept of punch card, (7) Concept of programme and feedback., Till all these factors were not available, it was not possible to make computer.

James Garden Bennet combined the knowledge of telegraph and speed printing and established the profitable 'New York Herald'. Without losing his editorial freedom and without any political interference he made it possible to achieve the sale on a very large scale.

6. Factors Complimentary to Innovations:

- (1) Meaningless thinking: e.g. If I can fly! If road disappears! Plastic Heart! Although these ideas are found funny, they have seed of innovation in it.
- (2) Expressing new ideas by giving trouble to brain.
- (3) Making a list of needs of relatives.
- (4) Asking doubts and inquisitively finding reasons.
- (5) Bringing two things together which do not have relevance to each other. (e.g. Pen and Electronic Watch).

Every generation needs a new revolution – **Thomas Jefferson.**

IV) MAIN CHARACTERISTICS OF ENTREPRENEURSHIP

The most important features of entrepreneurship are explained below:

1) Accepting Challenges: Entrepreneur should accept the challenges created in the society due to change in situation, happening, or uncertainty.

2) Risk Taking (Accepting): Giving birth to another endeavor includes chance. Experimenting and diverse is likewise dangerous. The undertaking may acquire benefit or bring about misfortune, which relies upon different components like changing client inclinations, expanded challenge, deficiency or crude materials and so on. A business person should be sufficiently strong to expect the hazard included and thus a business visionary is a hazard conveyor not chance avoider. This hazard bearing capacity keeps him to attempt endlessly which at last makes him to succeed. The Japanese saying "Fall multiple times, stand up eight" connected to business person.

3) Innovation (Energetic Innovative Activity): Innovation is doing something new or something different. Entrepreneurship uses inventions and adopts innovations in the organisation. For instance so as to fulfill the changing needs of the clients, presently a-days natural product juice (mango, organic products and so forth.) is being served in tins, rather than jugs with the goal that clients can divert it and toss the compartments in the wake of drinking the juice. Ratan Tata did not develop vehicle. Predicting the people groups want to have little vehicles at lower value, he connected new strategies for mass assembling, utilized new, lights and moderately less expensive materials. Thus business enterprise needs to apply innovations consistently to fulfill clients changing needs for items.

4) Decision Making: Entrepreneur has to take decisions about their products, process, and sale etc. during uncertainty.

5) Organisation Skill: Entrepreneur should organise the different factors of production in a systematic way so that easy operation or functioning is possible.

6) Skillful Management (Knowledge of the Result): Management means taking work done from others and seeking proper results out of the business operations. This skill of entrepreneurship is most important for achieving effectiveness and efficiency in achieving business goal.

7) Anticipation of Future Possibilities (Making an Enterprise a Success): The entrepreneur should be a doer not a dreamer or he should bring the dream in reality, so also he should have foresighted vision to peep in future for capturing new opportunities and making his enterprise a success.

V) RELATION BETWEEN INNOVATION AND ENTREPRENEURSHIP

Entrepreneurs bring about changes in the use of resources in a society. They setup new ventures, which shift the resources into areas of higher productivity and greater yields. In fact, entrepreneurship is a process of wealth creation and not wealth accumulation. As defined earlier, pure entrepreneurs depend upon innovation to setup new ventures. Innovation helps in development of new ideas through which the opportunities are identified and new ventures, that add value to the society, are established.

J. A. Timmoans has defined entrepreneurship as "the ability to create and build something from practically nothing. Essentially it is an imaginative action showed by starting and building a venture or an association. It is a skill of detecting an open door where others see turmoil, inconsistency, and disarray. Enterprise can be seen as an inventive and creative reaction to the earth and a capacity to perceive, start and endeavor a monetary chance.

VI) LINKAGE BETWEEN INNOVATION AND ENTREPRENEURSHIP

1. Innovation is use of innovations to create new and better nature of items that give more prominent fulfillment to the buyer and higher benefits to the business person. A designer gives thought and a pioneer executes the thought for financial addition. Some individuals can be both inventors as well

innovators. The innovator (entrepreneur) commercially exploits the invention produced by him or by any other person. Similarly entrepreneur also exploits even creative ideas for commercial gains.

2. The importance of creativity and innovation has swelled with the rising competition amongst corporate. Successful entrepreneurs are realizing that 'creativity, innovation and even incremental value additions are imperative ingredients to survive the ever rising competition.

3. Different kinds of innovation and different degree of innovation are essential for the entrepreneurship in the survival of the business.

4. Irrespective of the sector, creativity and innovation have become imperative for thriving in business. Organizations recognize the fact that to maintain a competitive advantage they must continually seek to identify, develop and make best use of all available resources.

5. In response to the rapid rate of change in competition and the pressures of technological advances, corporate executives are unanimous in their stated desire to make their employees and their organizations more "entrepreneurial". The "entrepreneurial" organization has been seen less as an organization in which innovativeness is an embedded part of the organization's process and structure, and more as the "place" within which innovations have been developed, innovative people happen to reside and work, and whose controls are capable of being overcome so that the top management can reluctantly agree to accept the innovation.

6. Corporate executives then seek to find means by which to unleash the creative talents of their people and to lower the built-in-barriers to new ideas that could spring up from the depths of the organization.

7. Encourage the creativity that leads to profitable innovations is to inundate marketing people and scientists with exhortations to "think outside the box", to think "sidewise" about problems, and to "network" with others with different perspectives.

8. Rewards and recognition's to successful innovators should be granted and formal procedures may be established by which to winnow out and bless the further development of those project proposals which seem most likely to feed the needs of the new product development schedules, or have the potential to provide useful new directions for research or development.

VII) NEED OF INNOVATION AND ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT OF A NATION

Economic development of a nation depends upon creation of goods and services by value addition to the raw materials. It is possible by innovative and creative ideas which are commercialized by entrepreneurs.

1. Entrepreneurship advances capital arrangement by preparing the inert sparing of general society.

2. It gives quick expansive scale business. Hence it lessens joblessness in the nation.

3. It gives adjusted territorial improvement.

4. It lessens the centralization of monetary power.

5. It invigorates the evenhanded redistribution of riches, pay and even political influence in light of a legitimate concern for the nation.

6. It energizes powerful assets preparation of capital and aptitude which may somehow or another remain unutilized and inert.

7. It likewise instigates in reverse and forward linkages which invigorated the procedure of monetary improvement in the nation.

8. It advances nation's fare exchange for example an imperative element for monetary advancement.

VIII) CONCLUSION

1. Making a corporation more creative, more innovative, more entrepreneurial has gone from being a nicety or a slogan; it is now a minimum requirement in many industries, simply to stay in the competitive game.

2. Entrepreneurship is a process which involves various activities to be undertaken to start an enterprise. It is a process of giving birth to a new enterprise. In nutshell, entrepreneurship is what entrepreneurs do. Entrepreneurship involves innovation and risk-bearing.
3. Innovation helps a business house to survive when the winds of change hit the market; innovation fuels the winds of change.
4. Innovation is not just creation of new ideas/thoughts, but it is also about translating them into products/services.
5. Innovations help in making the product, service or process simple and understandable, making the product, service or process customer-based.
6. Innovation refers to a process of creation/value addition of a product/service/process that can solve existing problems or tap opportunities.
7. The overall role of entrepreneurship and innovation in economic development of an economy is put as "*an economy is the effect of which innovation and entrepreneurship is the cause*".

REFERENCES

- 1) Madhurima Lall, Shikha Sahai, 2008, *Entrepreneurship*, published by Excel Book.
- 2) A. Sahay, V. Sharma, 2008, *Entrepreneurship and New Venture Creation*, published by Excel Book.
- 3) Veerabhadrapa Havinal, 2009, *New Age Management and Entrepreneurship*, published by New Age International Publishers.
- 4) Srivastav R.P.S., 2007, *Entrepreneurship Development and Production Management*, published by Himalaya Publishing House.
- 5) Neeta Baporikar, 2007, *Entrepreneurship Development & Project Management*, published by Himalaya Publishing House.
- 6) S. S. Khanka, 2001, *Entrepreneurial Development*, published by S. Chand & Company Ltd., New Delhi.
- 7) Dr. Mahesh A. Kulkarni, Nov. 2009, *Entrepreneurship Development and Project Management*, published by Nirali Prakashan.