



Entrepreneurship And Innovation

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Abstract:

The term entrepreneurship has attracted thinkers and scientists in different areas of knowledge. Entrepreneur, originally regarded as an organiser of economic resources, has acquired a more complex, creative and leadership role in developed and underdeveloped countries. The psychologists are taking keen interest in finding out what motivates an entrepreneur. The economists are busy analysing effects of entrepreneurial talents on economic growth. Entrepreneurship is viewed differently as 'risk-bearing', innovating, thrill-seeking functions.

In a Conference on Entrepreneurship held in United States, the term 'entrepreneurship' is defined as-

“Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk-taking appropriate to the opportunity, and through communicative and management skills to mobilise human, financial and material sources necessary to bring a project to fruition”. Entrepreneur is a person whereas his function in the business is entrepreneurship.

Innovation is the process of creating a commercial product from an invention. It brings something new into use. Innovations are also new ways to achieve tasks. Innovations may be product innovations and process innovations. It the introduction of new ideas, goods, services, and practices that are intended to be useful. The main driver for innovation is often the courage and energy to better the world. An essential element for innovation is its application in a commercially successful way. Innovation has punctuated and changed human history (consider the development of electricity, steam engines, motor vehicles).

Induced innovations are those that respond to need and economic conditions. Inventors, investors and researchers put effort into solving burning problems, and that leads to innovations. The examples may be labour shortages leading to mechanized equipment, drought conditions leading to improved irrigation and energy crisis leading to higher efficiency cars. The scientific discoveries of the late 19th century gave rise to science-based innovations.

KEYWORDS:

Innovation, Entrepreneur, Entrepreneurship, Risk Bearing, Investment, Product ideas,

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D)INTRODUCTION**A)INNOVATION**

Innovation is the process of doing new things. This distinction is important. While creativity relates to the ability to conceive, the innovation is doing new things. Ideas have little value until they are converted into useful products or services. Innovation transforms creative ideas into useful applications. Hence, creativity is a pre-requisite to innovation. 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. Entrepreneurship is doing things that are generally not done in the ordinary course of business. Innovation may be in:

Introducing a new manufacturing process that has not yet been tested and commercially exploited.
Introduction of a new product with which the consumers are not familiar or introducing a new quality in an existing product.

Locating a new source of raw material or semi finished product that was not exploited earlier.

Opening a new market, hitherto unexploited, where the company products were not sold earlier.

Developing a new combination of means of production.

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 concept of entrepreneurship has been a subject of much debate and is defined differently by different authors. Some of them view it as 'risk-bearing'; others call it as 'innovations', yet others consider it as thrill-seeking'. In a conference of entrepreneurship held in USA, it is defined, 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”.

According to Heggins “Entrepreneurship is meant the function of seeking investment and production opportunity, organizing an enterprise to undertake a new production process, raising capital, hiring labour, arranging the supply of raw materials and selecting top manager's of day-to-day operations.

According to Joseph A Schumpeter entrepreneurship is essentially a creative activity. It consists of doing such things as are not generally done in ordinary course of business. An entrepreneur is one who innovates i.e., carries out new business.

According MC Clelland, there are two characteristics of entrepreneur: first is doing a thing in a new and better way, second is decision making under uncertainty.

The various definitions of entrepreneurship indentify two basic elements of entrepreneurship namely innovation and risk bearing.

Entrepreneurship uses inventions and adopts innovations in the organisation. For example in order to satisfy the changing needs of the customers, now-a-days fruit juice (mango, fruits etc.) is being served in tins, instead of bottles so that customers can carry it and throw away the containers after drinking

the juice. Ratan Tata did not invent automobile. Foreseeing the peoples desire to have small cars at lower price, he applied new methods of mass manufacturing, made use of new, lights and relatively cheaper materials. Hence entrepreneurship needs to apply inventions on a continuous basis to meet customers changing demands for products.

According to Peter Ducker, “Entrepreneurship is neither a science or an art. It is a practice.

Entrepreneurship can be defined as a creative and innovative response to the environment. Such responses can take place in any field of social Endeavour-business, industry, agriculture, education, social work and the like. Doing new things, doing things that are already done in a new way is, therefore, a simple definition of entrepreneurship.

“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)HYPOTHESIS

- 1)Innovation is the essential characteristic of an entrepreneur.
- 2)Entrepreneurship gets enhancement with innovation.
- 3)Innovation and Entrepreneurship are most essential for the economic development of a nation.

IV)METHODOLOGY

The data for this research paper collected is secondary data.
It is collected from books, periodicals, magazines, and news paper.

V)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.

Innovation implies doing new things or doing of things that are already being done in a new way. It includes introduction of new products, creation of new markets, application of new process of production, discovery of new and better sources of raw materials and developing a new and better form of industrial organisation. 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.

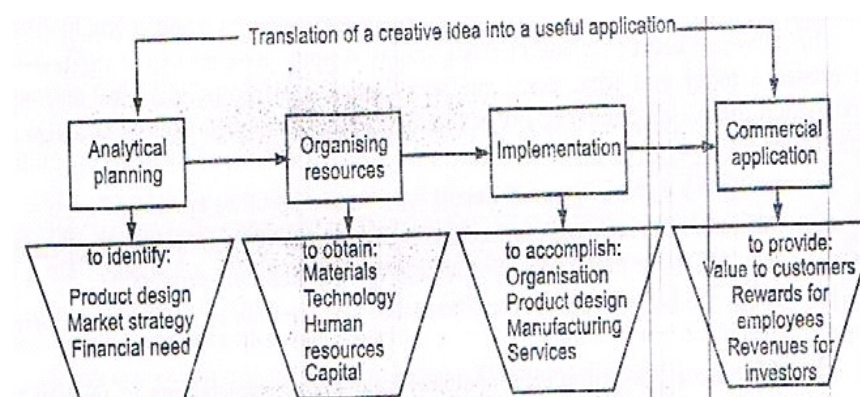
In the opinion of Schumpeter, innovations are found in following five types.

- [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.

Figure : Elements in Innovation Process

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.

1.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)m 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.

2.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.

D)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 a new enterprise involves risk. Doing something new and different is also risky. The enterprise may earn profit or incur loss, which depends on various factors like changing customer preferences, increased competition, shortage or raw materials etc. An entrepreneur needs to be bold enough to assume the risk involved and hence an entrepreneur is a risk-bearer not risk-avoider. This risk-bearing ability keeps him to try on and on which ultimately makes him to succeed. The Japanese proverb “Fall seven times, stand up eight” applied to entrepreneur.

3)Innovation (Energetic Innovative Activity: Innovation is doing something new or something different. Entrepreneurship uses inventions and adopts innovations in the organisation. For example in order to satisfy the changing needs of the customers, now-a-days fruit juice (mango, fruits etc.) is being served in tins, instead of bottles so that customers can carry it and throw away the containers after drinking the juice. Ratan Tata did not invent automobile. Foreseeing the peoples desire to have small cars at lower price, he applied new methods of mass manufacturing, made use of new, lights and relatively cheaper materials. Hence entrepreneurship needs to apply inventions on a continuous basis to meet customers changing demands for products.

- 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.

II)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. Fundamentally it is a creative activity manifested by initiating and building an enterprise or an organisation. It is a knack of sensing an opportunity where others see chaos, contradiction, and confusion. Entrepreneurship can be viewed as a creative and innovative response to the environment and an ability to recognise, initiate and exploit an economic opportunity.

III)LINKAGE BETWEEN INNOVATION AND ENTREPRENEURSHIP

1.Innovation is utilization of inventions to produce new and better quality of products that give greater satisfaction to the consumer and higher profits to the entrepreneur. An inventor gives idea and an innovator implements the idea for economic gain. 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.

IV) 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 promotes capital formation by mobilizing the idle saving of the public.
2. It provides immediate large-scale employment. Thus it helps to reduce unemployment in the country.
3. It provides balanced regional development.
4. It helps reduce the concentration of economic power.
5. It stimulates the equitable redistribution of wealth, income and even political power in the interest of the country.
6. It encourages effective resources mobilization of capital and skill which might otherwise remain unutilized and idle.
7. It also induces backward and forward linkages which stimulated the process of economic development in the country.
8. It promotes country's export trade i.e. an important ingredient for economic development.

V) 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”.

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