

MODULE THREE: ENTREPRENEURSHIP AND INNOVATION

When people pass through the creativity stage they become inventors and not innovators. Invention is the creation of something new while innovation is the transformation of an idea into a useful application. However for an idea to have value it must be proved useful and marketable and to achieve either status, the idea must be developed through the innovation process.

THE INNOVATION PROCESS

➤ Analytical planning;

Here the entrepreneur identifies the product, service, design, marketing strategies and financial means. For example if an entrepreneur is going to manufacture a product the process will include obtaining materials, technical capabilities and staff to handle operations. In summary planning is all about preparation and identifying all the necessary resources before you start on the innovation.

➤ Organizing resources;

The entrepreneur obtains and puts together the resources needed to successfully implement an innovation e.g. man power (employees) to work with the organization, machinery, money, technology, buildings etc. Once organized and put together, the resources will help the entrepreneur to act upon his new idea in the next stage which is implementation.

➤ Implementation;

Here the entrepreneur implements his idea or takes action on his idea development to come up with efficient goods and services. In other words here the entrepreneur accomplishes his product or service design and starts offering such a product or service to the customers.

➤ Commercialization;

At this stage the product or service is ready to provide value to the customer, reward employees (salaries, benefits, and incentives), revenue for investors and satisfaction for the providers. Studies reveal that for an innovation to succeed there are three important people involved and serve important conditions to satisfy;

THREE IMPORTANT PEOPLE INCLUDE;

➤ Creative source;

This is the investor or organizer of the idea that lead to knowledge or vision of something new.

➤ Champion;

This is an entrepreneur or manager who pursues the idea, acquiring resources, establish markets through persistent planning, organizing and leadership.

➤ Sponsor;

This is a person or organization that makes possible the activities and the investors' dreams through support including advice, finance and contacts.

THE SEVEN CONDITIONS REQUIRED FOR AN INNOVATION ARE;

➤ **An outstanding leader;**

There must be a leader or executive person to support strategic decisions that encourage creativity and innovative development.

➤ **Manager;**

There must be a manager to carry out essential tasks of converting knowledge (product/service) into a commercial application.

➤ **Market;**

There must be a clear need for the product or service by sufficient potential customers to warrant the commitment of resources to innovation;

➤ **Product or service acceptance;**

The acceptance of the product or service as a useful innovation providing value to the society is so much important.

➤ **Cooperation;**

Good cooperation among employees in the different functions or departments, management, finance, marketing, research and development in an organization all of whom together must bring the idea to success.

➤ **Resource availability;**

Availability of resources and supporting technology to drive the success of the venture

➤ **Support from external sources;**

Cooperation and support from external sources can influence the success of an innovation for example government agencies, investors, vendors, suppliers, creditors, environmentalists and others.

According to Schumpeter innovation is the introduction of new goods and services. It could be the discovery of a new market, raw materials and customers.

The art of introducing something; a new and unusual thing;

It could be a creation resulting from the study and experimentation;

It could be the act of starting a new thing for the first time;

The implementation of a new or significantly improved idea, good, service, product; that is intended to be useful;

N.B

Innovation is supposed to add value. If an innovation satisfies the preference and tastes of people the price attached is value. In this case because it adds value, innovation leads to growth, quality, efficiency and productivity as well as competitiveness.

TYPES OF INNOVATION

➤ **Product innovation;**

This involves production of new goods and services that are substantially improved. This might include improvements in product characteristics, technical abilities or the ease of use and any other dimensions. E.g. addition of a radio, camera and internet on a mobile phone;

➤ **Process innovation;**

This involves introduction of a new method of production or a new way of handling a commodity commercially. For example communication from post office to telephone, fax and email;

➤ **Business/strategy innovation;**

This type of innovation stresses the growth need for today's organizations to proactively address the challenges of the future by undertaking radical innovation that will transform their environment and the market place.

➤ **Incremental innovation;**

This involves continuous improvement of the products, services and processes. Here you keep on making small changes or improvements at time so as to always be a head of others in the market.

➤ **Radical innovation;**

This leads to change but it does not lead to a new industry. It leads to the establishment of a new dominant design and high degree of change in human behavior. E.g. Computers changed the way of communication and data storage and management.

➤ **Fundamental innovation;**

This depends mainly on a new scientific knowledge. It normally opens up completely new industries. However for it to succeed it must have a strong scientific base e.g. research and development;

DRIVERS OF INNOVATION

- Technological changes
- Competition
- Market changes
- Research and development
- Changes in tastes and preferences
- Globalization
- Shorter product life cycles
- Financial pressure i.e. to reduce cost and improve efficiency
- Value migrations; as products lose value, the need is to retain it through product improvements;
- Strict regulations e.g. ISO, RNBS, etc
- Community and industry changing needs
- Education

- Personality
- Creativity
- Enabling environment;

IMPORTANCE OF INNOVATION AND CREATIVITY

- Reduces cost of production and distribution due to new and cost effective methods and processes of production.
- Improvement in Quality and Quantity.
- Customer satisfaction.
- Corporate image
- Customer loyalty
- Competitive advantages
- Motivation to Employees
- Expansion of Business
- Financial rewards
- Achievement of team goals
- Sharing mental models e.g. for others to be innovative
- Increase performance in terms of market share and profitability

METHODS OF ENCOURAGING PEOPLE TO BE INNOVATIVE;

- Encouraging open communication between bottom and top management
- Training employees
- Rewarding employees appropriately. Link reward to innovative capacity and contribution to the organization in terms of new ideas
- Recognition of innovative employees to encourage others. Creating scenery periods and recognize innovative people before others in big gatherings.
- Promotion of employees.
- Facilitation and support during innovation process
- Recruitment of innovative employees
- Creative training
- Empowering employees to be innovative
- Idea capture schemes
- Management support

INNOVATIVE CAPACITY

This is the ability to continuously absorb, accumulate and create new knowledge necessary to spur a new idea through environmental screening to identify new ideas, promote idea generation and adopt useful innovations.

HOW TO ENHANCE INNOVATIVE CAPACITY

- Create a fluid notion of organizational boundaries and an open market for talents

- Transform an organization's strategy- create strategic or business plans on an ongoing basis
- Create an open market for capital investment and reward innovative, strategic thinking and support useful innovations.
- Manage the risk; In creativity and innovation, it is trial and error. Thus the strategy must be sufficiently valid to allow organizational flexibility.
- Create a culture and structure that promotes innovation. Spend a significant amount of time looking for opportunities outside the business or organizations.
- Deconstruct the dominant mental models and mind sets; eg those who think that business or trade is a bad or poor investment.
- Open up innovation opportunities to all staff.

INNOVATIVE SYSTEM

This is a system which focuses on recruiting and retaining skilled employees giving them access to knowledge, encouraging and enabling them to think creatively and innovatively.

COMPONENTS OF INNOVATIVE SYSTEMS

- Organizational culture that values innovations
- Responsibility for innovation is placed on all staff.
- Put in place human resource systems that encourage employees to be innovative e.g. effective reward and motivation
- Linkages with the marketing function i.e. understand your customers' tastes and preferences as well as competitors to survive.
- Knowledge acquisition and management process that continuously bring into the organization new ideas, concepts and knowledge.
- Performance measurement system that measures the innovative pulse/rate of the organization
- Intellectual property management systems that identify, protect, value, manage and audit the organizations intellectual property.
- Collaboration with organizations that contribute to innovation

Differences between creativity and innovation

Creativity	Innovation
1. Involves discovering the existence of opportunities	1. Involves utilizing the opportunities generated by increasing efficiency or effectiveness.
2. Idea generation	2. Idea selection, development, coordination and implementation.
3. Generates original or novel ideas	3. It builds on existing concepts

4. Exploration or adventure of non existing or undiscovered resources	4. Revolution, automation, rationalization of procedures, business process reengineering and a paradigm shift
5. Way of thinking shaped by perception	5. Implementing thoughts to turn them into practical business
6. Bring forth, conceive, generate patterns, ideas and new formulas	6. Conversion of ideas, patterns and formulas into new products