

## ROLE OF INNOVATION IN ENTREPRENEURSHIP DEVELOPMENT

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### ABSTRACT

*The entrepreneur is primarily concerned with developing new products, processor markets, the ability to bring something new into the market. The entrepreneur indulges in original thinking more than any other person thinks and he is able to produce solutions that fly in the face of established knowledge. Entrepreneurship tends to be innovation-driven and will also help generate solutions to country's social problems including high-quality education, affordable health care, clean energy and waste management, and financial inclusion and Innovation are at the heart of the spirit of enterprise. They seize the opportunity to innovate to make the lives more comfortable. The importance of innovation in entrepreneurship is key value for the longevity of a business. Entrepreneurs and businesses began with a need.*

*Innovation is the process of bringing the best ideas into reality, which triggers a creative idea, which generates a series of innovative events. An idea doesn't become an innovation until it is widely adopted and incorporated into people's daily lives. Most people resist change, so a key part of innovating is convincing other people that your idea is a good one – by enlisting their help, and, in doing so, by helping them see the usefulness of the idea. Enterprises throughout the world are experiencing what can be legitimately described as a revolution: the rising energy that can be achieved through innovation. Therefore innovation plays an important role in building up entrepreneurial spirit within. The article emphasizes on the role played by innovation in Entrepreneurship Development with clear description of the Elements of Innovation, principles of innovation and the success factors of innovation.*

**KEY WORDS:** Innovation, Entrepreneurship, Economy, Business idea

### INTRODUCTION

The economy is composed of enterprises and businesses. Our economy has survived because the industry leaders have been able to adapt to the changing times and supplied mostly the communities' needs. Any small business is integral part to the economy. Without it, our economy would not survive. But a business must also sustain itself, be able to constantly evolve to fulfill the demands of the community and the people. In every business, it is imperative to be industrious, innovative and resourceful. Creativity and Innovation are at the heart of the spirit of enterprise. It means striving to perform activities differently or to perform different activities to enable the entrepreneur to deliver a unique mix of value. Therefore In the growth of the economy, Innovation is emerging as a key driver, although this may neither be apparent nor readily visible.

Thus the value of creativity and innovation is to provide a gateway for statue entrepreneurship—actively searching for opportunities to do new things, to do existing things in extraordinary ways. Creativity and Innovation therefore, trigger and propel first-rate entrepreneurship in steering organization activities in whatever new directions are dictated by market conditions and customer preferences, thereby delighting the customers to the benefit of the stakeholders. Innovation also means anticipating the needs of the market, offering additional quality or services, organization efficiency, mastering details, and keeping cost under control. Entrepreneurship brings the innovation to the market. It produces financial gain and keeps the economy afloat, which gives rise to the importance of innovation in entrepreneurship. Entrepreneurs are innovators of the economy. It is not just the scientist who invents and come up with the solutions. Entrepreneurship also is the professional application of knowledge, skills and competencies and/or of monetizing a new idea, by an individual or a set of people by launching an enterprise or diversifying from an existing one, thus to pursue growth while generating wealth, employment and social good.

In a start-up, the entrepreneur is regarded as the key actor in developing a business idea, marshalling resources, and creating an enterprise to bring a new product or service to the market. In a competitive business environment, the entrepreneur and the enterprise should continue to seek out new opportunities and make the necessary arrangement to convert them into new goods and services. Innovation should, therefore, impregnate the entire enterprise for the creation and invention of competitive edge and relevancy in the market place. Innovation can take several forms like processes, products or services, management and work organization, and the exploitation of human resources, together with the capacity to anticipate techniques. At a time when policy makers are pooling efforts to restore growth and overcome the global economic and financial crisis, specific attention has been

focused on innovative entrepreneurship, as it can play an important role in contributing to economic growth, job creation and poverty reduction, and can help address key social challenges

Entrepreneurship can be seen as a process of improving existing products, where individual or a group of people gain profit from their innovative ideas. Entrepreneurs are driven by profits arising from temporary monopoly on their "new combinations" of ideas and resources and are sometimes seen as heroic figures whose innovative ideas improve existing way of living. There are some theories stating that large number of entrepreneurs often work on the thin edge between legal and illegal. In modern times entrepreneurship is often seen as process of creation of organizations. Despite the differences in definitions almost all researchers since Schumpeter agree on one thing- entrepreneurship is about change in some way, it is about innovation. Small businesses see the importance of innovation in entrepreneurship. They are able to compete with large industry and see their value in the economy.

The definition of innovative entrepreneurship used here is not synonymous with either small and medium-sized enterprises (SMEs) or business start-ups but is derived from the intersection of three areas of Innovative Businesses Young and High-Growth Businesses SMEs



Small businesses are important as they are directly involved in the community and therefore, contribute to their financial and economic gain. These small businesses know exactly what community needs and fulfill them. All things start small. People are looking for the right quality of products. You may be offering goods and services or both. The products you put out must have the required standards so that they can contribute to be of high quality. This should be in place without compromise. Also, there is quality in the sense of meeting specific needs that people have. For this reason, people will say that certain entrepreneurs have quality just because they offer timely products that manage to serve their needs. Being innovative doesn't happen overnight: it requires time and effort to create something truly innovative that will make difference. Innovation and creativity walk hand in hand when we talk about entrepreneurship.

### THE ELEMENTS OF INNOVATION

Innovation is the successful development of competitive advantage and as such, it is the key to entrepreneurship. The entrepreneurs are the "dreamers", who take hands on responsibility for creating innovation. It is the presence of innovation that distinguishes the entrepreneur from others. Innovation, must therefore, increase competitiveness through efforts aimed at the rejuvenation, renewal, and redefinition of organizations, their markets or industries, if business are to be deemed entrepreneurial. Fiona Fitzpatrick identified the following elements of innovation:

1. Challenge: What we are trying to change or accomplish-the "pull"
2. Customer focus: Creating value for your customers – the "Push"
3. Creativity: Generating and sharing the idea(s) - the "brain"
4. Communication: The flow of information and ideas –the "life blood"
5. Collaboration: People coming together to work together on the idea(s) – the "heart."
6. Completion: Implementing the new idea-the "muscle"
7. Contemplation; Learning and sharing lessons lead to higher competency-the "ladder"
8. Culture: The playing field of innovation includes:
9. Leadership :( sees the possibilities and positions the team for action-the role model)
10. People: (diverse groups of radically empowered people innovate –the source of innovation)
11. Basic values: (trust and respect define and distinguish an innovative organization-the backbone).
12. Context: Innovation is shaped by interactions with the world.

Purposeful, systemic innovation begins with the analysis of opportunities. The search must be organized and conducted on a regular basis. It seems that we may be getting hung up on “the fuzzy front end” and other views that make innovation seem really obscure. Drucker identified seven sources of opportunity that will ultimately drive innovation:

1. The organizations own unexpected successes and failures, and also those of the competition.
2. Incongruities, especially those in a process, such as production, distribution, or incongruities in customer behavior.
3. Process needs.
4. Changes in industry and market structures.
5. Changes in demographics.
6. Changes in meaning and perception.
7. New knowledge.

Innovation is both conceptual and perceptual. The imperative is to go out to look, to ask, to listen. Successful innovators use both the left and right side of their brains. They look at figures and they look at people. It is the successful development of competitive edge and as such, is the key to entrepreneurship. Creativity is the starting point for innovation. It is the implantation of creative inspiration. Innovation by definition will not be accepted at first. It takes repeated attempts, endless demonstrations, and monotonous rehearsals before innovation can be accepted and internalized by an organization. This requires “courageous patience.”  
– Warren Bennis

Thus successful entrepreneurs require an edge derived from some combination of a creative idea and superior capacity for execution. The entrepreneur’s creativity may involve an innovation product or a process that changes the existing order. Or entrepreneur may have a unique insight about the course or consequence of an external change. Entrepreneurship is the vehicle that drives creativity and innovation.

### PRINCIPLES OF INNOVATION

As 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 like steelmaking, although the Linotype machine became successful primarily because there were not enough skilled typesetters available to satisfy a mass market. 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 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. Effective innovations start small. They are not grandiose. It may be to enable a moving vehicle to draw electric power while it runs along rails, the innovation that made possible the electric streetcar. Or it may be the elementary idea of putting the same number of matches into a matchbox (it used to be 50). This simple notion made possible the automatic filling of matchboxes and gave the Swedes a world monopoly on matches for half a century. By contrast, grandiose ideas for things that will “revolutionize an industry” are unlikely to work.

### KEY SUCCESS FACTORS IN AN ORGANIZATION:

To develop creativity, innovation entrepreneurship in an organization, some conditions are required that if they are achieved, creativity will be flourished among members and they enthusiastically start innovating. By the combination of creative and innovative actions, we hope to implement the appropriate form of entrepreneurship in the organization.

Some important factors to be mentioned are:

1. Strategy and prospects in the organization.
2. Organizational Intelligence.
3. Creativity management and idea.
4. Organizational encouragement.
5. Systems and organizational structures.
6. Culture of risk taking.
7. Technology management in organizations.
8. Leadership in organization.

Considering the above factors and recognizing the value and philosophy of an innovative and creative entrepreneur organization, we can be hopeful to increasing development, and creation of strategic thinking in an organization. Strategic thinking in both individual and organizational levels helps better understanding of the organization and leads to repeated creativities by creating coherence and foresight. In addition, more communications and interactions are provided among managers and employees and they lead to benefit from the genius and creativity of the organization's staff. Organizational entrepreneurship has significant results in improving organizational performance, in an overall view we can create collaboration and progress together over a long time and sustainable development in various aspects of the community.

Companies and enterprises keep innovation as part of their organization. Innovations contribute to the success of the company. Entrepreneur, as innovators, see not just one solution to a need. They keep coming up with ideas and do not settle until they come up with multiple solutions. Innovation is extremely important that companies often see their employees' creativity as a solution. They come up with seminars and trainings to keep their employees stimulated to create something useful for others and in turn, financial gain for the company. Another form of quality is meeting the level of expectation where clients and customers are concerned. You need to meet the expectations of most people so that you can grow progressively. If your products meet unforeseen needs of the future your quality will be higher and this is very common in the market. Entrepreneurs who are able to understand the dynamics of quality will not be disappointed and will not disappoint.

Innovation can also play a critical role in addressing socio-economic objectives, which are affected by the following factors.

- **Economic growth and employment.** Neoclassical growth models consider knowledge accumulation and technological progress as the only way to achieve long-run growth to reduce effect of diminishing returns to capital. Advances in growth theory have recognized the endogeneity of the accumulation of knowledge capital and human capital: human and knowledge capital derive from investment decisions of individuals and firms in response to economic incentives and therefore to policies and institutions. Innovation is also often associated with setting up new enterprises to provide the market with new offerings and create new jobs. At the same time, innovation can lead to firm closures and job destruction if products or services become obsolete or are displaced by more competitive offerings.
- **Environmental challenges.** Innovation is increasingly perceived as crucial for tackling environmental challenges like limiting climate change and global greenhouse gas emissions and maintaining biodiversity. Innovation can contribute to addressing environmental challenges through the introduction of new technologies and non-technological innovations. These non-technological innovations—in particular, organization innovation—are needed to make environmental technological innovation effective. For example, evidence shows that innovation in climate change mitigation technologies is accelerating and that in recent years manufacturing companies have also been upgrading their efforts towards sustainable manufacturing, from introducing pollution prevention to designing integrated approaches that take into account product lifecycles and wider impacts.
- **Social challenges.** Innovation can help alleviate social challenges, which encompass health and demographic challenges, and social exclusion and inequalities, among others. As an example, innovation can help elderly individuals remain healthier, live independently longer, and counteract the diminishing of physical capabilities that become more prevalent with age. Innovation can also provide more personal, predictive and preventive health care products that improve the quality of human health. In addition, frugal or inclusive innovations that basically are cheaper and simplified versions of existing goods help reduce differences in living standards between groups in society. In addition to innovation addressing social exclusion social benefits arise by creating employment opportunities and addressing particular challenges faced by lower income groups.

Innovation and creativity can be victims of some long existing constraints. According to (Andrews, 2006) some of them are inadequate funding, incorrect values, time constrains, risk avoidance, rules and rigidness, wrong creativity upbringing. The analysis brings out the following organizational constrains.

#### ORGANIZATIONAL CONSTRAINTS AGAINST INNOVATION

A qualitative analysis of the cases brought out the following organizational constraints against innovation:

1. Absence of failure-analysis systems (100%)
2. Lack of patenting initiatives (97%)
3. Lack of recognition for innovations in non-core areas (94%)
4. Poor handling of change management (90%)
5. Informal team formation (81%)
6. Low emphasis on dissemination and commercialization (77%)

7. Inadequacy of rewards and recognition (65%)
8. Procedural delays (58%)
9. Poor documentation and maintenance of records (58%)
10. Easy access to foreign technologies (55%)
11. Unclear norms on linking innovations with career growth (48%)
12. Lack of recognition for contributions by support functions (45%)
13. Ambivalent support from the immediate supervisor (39%)
14. Inadequate systems for the promotion and management of ideas (35%)
15. Lack of facility for pilot testing (29%).

The main reasons for the failure of creativity, innovation and entrepreneurship in the organization: seems that despite the importance of individual creativity, our organizations were not already successful in providing an appropriate atmosphere for this matter. Also, the atmosphere of organizations is in a way that (lack of serious competition, lack of quality, broad political and financial support of the government, etc.) has not challenged the organizations in applying creativity.

On the other hand, managers, deliberately or not, have not made efficient use of human or material resources to apply creative programs. In order to promote creative activities, organizational environment should make organizations face risky competitions; government should revise before supporting the organizations comprehensively. In these conditions we can expect that the organization feels the need for creativity.

#### **SUGGESTIONS FOR STRENGTHENING OF CREATIVITY AND INNOVATION IN ENTREPRENEURSHIP:**

1. Innovations require not just inputs and capacity but also a political economy of reform. This involves creating a constituency for innovation where Government, academia, industry and the citizenry are all participants in the innovation movement.
2. The Government can drive innovation through appropriate education policy and skill development.
3. With increasing access to the internet and the Information and Communication Technologies (ICT) revolution, along with wider penetration of media, there is tremendous scope for using these channels to disseminate information on innovation and create platforms for participation.
4. Systematic reform of the higher education system (including skill based marketable vocational education) in India, which would act as an enabler for developing the required intellectual capital as well as lay the foundation for effective collaboration between industry

#### **CONCLUSION**

Entrepreneurs have always been seen as free spirits, heroic figures that defy existing way of thinking. They are "creative destruction" force that is always trying to find better way through innovation .As we can see creativity has always been closely connected to innovation. Innovation is the process through which the entrepreneur converts market opportunities into workable, profitable, and marketable ideas. It is an application of something creative that has a significant impact on an organization, industry or society. Entrepreneurship is the continuing generation of Innovation in response to perceived opportunities in the business environment. In this approach, entrepreneurship is therefore concerned with newness: new ideas, products, services or combinations of resources aimed at meeting the needs of consumers more efficiently. Innovation is important not just in entrepreneurship. As individuals, we are innovators by adapting well to our needs and create our own solutions. Entrepreneurs are the same. The innovation in entrepreneurship helped the country by changing with the times and producing new products and service from ones that already exists. Innovation is "value" – the creation of value adding value to customer's satisfaction- "delighting the customers. And, being innovative has helped us become successful in all our endeavors.

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