

INNOVATION AND ENTERPRENUERSHIP: RELATIONAL ASPECT

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Abstract

This paper is an attempt to describe the relationship between entrepreneurship and innovation. From the discussion, it has been found that both are having bi-directional relationship with each other. Business cannot be regarded as successful enterprise unless the beneficial and useful innovation is not adopted by it at right time. On the other hand, innovation can only be successfully implemented if the entrepreneurs are efficient enough to drive it into the business in appropriate manner so that it can be useful for the business as a whole. In this paper, various factors influencing the innovation in entrepreneurship have also been elaborated. Moreover, from Indian context, some recommendations have also been made which can further encourage the adoption of innovation in an enterprise.

Keywords: Innovation, Entrepreneur, Determinants, Adoption.

Introduction

Entrepreneurship is the act of being an entrepreneur which is a French word meaning one who undertakes an endeavor. Entrepreneurs assemble resources including innovations, finance and business acumen in an effort to transform innovations into economic goods. The behavior of the entrepreneur reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture. The acts of entrepreneurship are often associated with true uncertainty, particularly when it involves bringing something really novel to the world, whose market never exists. However, even if a market already exists, there is no guarantee that a market exists for a particular new player. However, According to Baruah (2001), entrepreneurship involves:

1. A continuous process of economic development.
2. A risk taking factor which is responsible for an end result.
3. Usually understood with reference to individual business.
4. One of the main factors of production, which performs the functions of enterprise.
5. Creates awareness among people about economic activity.
6. Generates Self-employment and additional employment.

At different point of time, various scholars defined entrepreneur as person who explore new ideas and undertake risks to implement them.

1934: Schumpeter: According to him entrepreneurs are innovators who use a process of shattering the status quo of the existing products and services, to set up new products, new services.

1961: David McClelland: An entrepreneur is a person with a high need for achievement. He is energetic and a moderate risk taker.

1964: Peter Drucker: An entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur hence an effective entrepreneur converts a source into a resource.

From the above discussions it is very much clear now that the entrepreneurship involves the entrepreneur's capacity to take risks; ability to own; and organize and desire and capability to innovate and diversify (Iyer, 2004). In this paper, an attempt is made to study the role of the Entrepreneur as an innovator who combines technical innovations and financial finesses in producing competitive products, processes and services which are new to the market.

Entrepreneur as an Innovator: A New Phenomenon

Innovation is by far the primary factor that governs the very creation of a small business or entrepreneurship. Innovations can be processes or even products. One example of a process could be

the creation of ideas through the written word. However, innovations can also be anything that it introduces the inventions of new products that change the marketplace or create a new marketplace. Some of these innovations may even replace current innovations to become the preferred product or process. When a person chooses to become an entrepreneur he chooses to be an organizer. An entrepreneur is a person who can take an idea for an innovation which enables to produce goods or services on demand for the general public, the government or even the military (Bhattacharya, 2006). Ideal Entrepreneurs possess the ability to organize multiple people and tasks on any given day. They are inventive, can organize resources and others' time/needs/wants/money, etc. They can perceive opportunities where others cannot, can perceive risk levels and tend to least influenced by others' opinions of their innovative ideas (Baruah, 2001).

Most of all, they are not faced by rejection of their ideas, innovations, inventions or creations as they personally believe in what they are producing. However, the most successful type of entrepreneur can take constructive criticism of their business and make adaptations to achieve the best product possible with the lowest cost and the highest quality. Business entrepreneurship is a unique and special part of society that is dominated by leaders, not bullies, they are the people who have the skills to share their knowledge, creativity, inventiveness and leadership with others by producing products or services that are beneficial to a particular business market. The life of an entrepreneur is one of hard work, long hours and constant devotion to their dream. (Hisrich et. al, 2005)

In almost all of the definitions of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes: (1) initiative taking, (2) the organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account, (3) the acceptance of risk or failure.

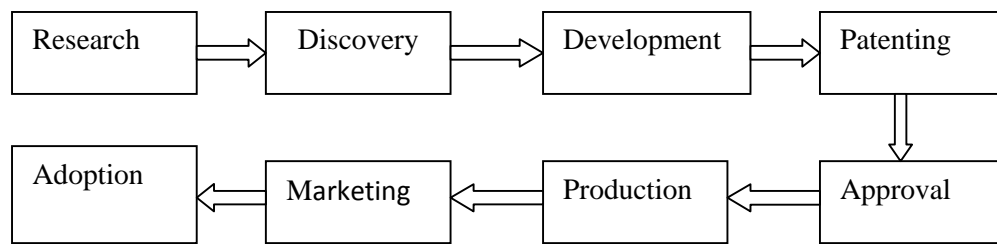
Entrepreneurship begets and also injects entrepreneurship by starting a chain reaction when the entrepreneur continuously tries to improve the quality of existing goods and services and add new ones. E.g. when computers came into the market there was continuous improvement in the models, their functions etc. like first generation computers, personal computers, laptops, palmtops etc. Not only had this fostered the development of the software industry, computer education institutes, computer maintenance and stationery units etc. but also other industries like banking, railways, education, travel, films, medical and legal transcriptions, business process outsourcing [BPOs] etc. In this manner by harnessing the entrepreneurial talent a society comes out of traditional lethargy to modern industrial culture. India needs entrepreneurs to capitalize on new opportunities and to create wealth and new jobs (Sethi, 2004).

We have several entrepreneurial examples in India too. Reliance Industries Limited (RIL) started first with its textiles business in Naroda, Gujarat, and then gradually went on to diversify and set up new entrepreneurial businesses — polyesters, fibres and fibre intermediaries, chemicals, polymers, petroleum products, telecom, energy, finance, and others — in a relatively short span of 25 years. In the information technology sector too, there are some notable examples such as Infosys Technologies, Wipro Infotech, Tata Consultancy Services (TCS), and Satyam. In the telecom sector, there are similar examples such as Bharti, Reliance Infocomm, and the Tatas (Bhattacharya, 2006).

The Innovation Process in Enterprise

The Innovation process in Entrepreneurship is summarised in Figure 1. According to most of the researchers, innovation must be followed by the reality in the market. Entrepreneurs should have the detailed knowledge about the present demand prevailing in the market as well as the aspirations and desires of the customers leading to future demand. For this purpose, firstly he has to conduct the market research which can further lead to the introduction of something new in the market known as innovation and its adoption (Iyer, 2004).

Figure 1: The Innovation Process in Enterprise



Source: Iyer et.al, 2004

Hence, the innovation process relates to the creating of something different, with value, by devoting necessary time and effort, by assuming the accompanying financial, psychological, and social risks, and receiving the resulting rewards of monetary and personal satisfaction (Hisrich et. al, 2005). Thus, Entrepreneurship is simply the combining of ideas, hard work, and adjustment to the changing business market. It also entails to meet market demands, management. Hence, the Entrepreneur can lead innovation in the business by the following main activities:

- Improvements in design of existing product.
- Inventions of new products.
- Outsourcing of R&D and innovation
- Innovation based on process need
- Changes in industry and market structure

Bhattacharya, S. has specifically focused on the essence of entrepreneurial management, its policies and practices with relation to innovation in entrepreneurship. According to him, the entrepreneur must be such that it is receptive to innovation and new views as an opportunity rather than a threat. It must be organized in a manner that it is willing to take up the challenge and do the hard work of entrepreneur. However, he also suggested that the entrepreneur should avoid innovative efforts that take the existing business out of its own field as they are rarely successful.

Factors Influencing Innovation in Entrepreneurship

Entrepreneurs should be encouraged and promoted through openness to new ideas, freedom from investigation of operation, and promotion and pay based on merit encourage entrepreneurship. Excessive regulation, rigid hierarchy, lack of freedom, and excess control always discourage entrepreneurship to get into innovation confidently. The entrepreneurial function transforms society with new products, technologies, markets, processes and organizational forms, it represents a significantly different commercial activity from the traditional sector. Under this view, the innovation process is the essence of entrepreneurship (Larson, 2000). Some main factors influencing innovation in entrepreneurship have been elaborated as follows:

Entrepreneur Cooperatives

Entrepreneur Cooperatives are a form of organization that can help private sector businesses, professionals or public bodies to improve their effectiveness through enhancing access to goods and services that otherwise would not have been available. Most Entrepreneur Cooperatives in developing countries provide their members with assistance for the promotion of products, Marketing service and education and training services which are helpful to the entrepreneurs. Aside from the direct benefits to members, Entrepreneur Cooperatives can have broad reaching positive effects that can be attributed to the specific organizational characteristics of Entrepreneur Cooperatives and the positive impact on that they have on the businesses of their members (Ravensburg, 2009).

Entrepreneur Leadership

Entrepreneurial leadership is about designing, cultivating and refining (including paring back and augmenting) the networks of relationships between firms and individuals who come to see their own visions and economic aspirations achieved through union with a team of like-minded people and organizations. It includes an ability to manage to control the process by which information, capital, and other resources are pulled together. When viewed through the entrepreneurship lens, the entrepreneurial leader's creativity includes the producing and managing of a new supply chain that generates innovation (Larson, 2000)

Globalisation

In this globalization era, an industrializing economy move towards an innovation based economy which requires capability, infrastructure and resources. Also, due to the advent of globalization, the entrepreneur is now open to start any business of his choice which goes beyond the boundaries even. It leads to the overall growth of business and businessman as a whole. The restriction on the business in the form of licensing etc. are no more now, which ultimately encourage the enterprise to try the new ways of producing products even by transfer of technology etc (Amit et.al, 1993).

Competitiveness

The doors open to the international trade enhance the competitiveness in the market or economy. Entrepreneur is the agent of change who identifies an innovation to match a market opportunity and mobilizes the human and financial resources to deliver the product at competitive cost. Hence where, the competitiveness on the one hand leads to improvement in the quality of product, on the other hand the success of other enterprises that drives the innovation in the market also encourage another entrepreneurs to adopt the innovation accordingly (Parthasarthy and Yoku, 2006).

Image Building

Successful entrepreneurs, whatever their individual motivation — be it money, power, curiosity or a great desire for fame and recognition — try to create value and make a tangible contribution. It is true that successful entrepreneurs aim high; they are not contented simply to improve on what already exists or to modify it. They try to create new and different value propositions to convert a 'material' into a 'resource,' or to combine the existing resources in a new or more productive configuration. And, it is this change that always provides the opportunity for the new and different (Bhattacharya, 2001).

Entrepreneurs' Personal Traits

Entrepreneurs need a keen eye to understand economic, social, and scientific realities and the capacity to understand evolutionary processes in the future. They need to understand how institutions work, and individuals react in order to introduce activities and products that serve peoples' need and that are sustainable economically and politically. Entrepreneurs also need dedication and commitments and the capacity to overcome failure (Zilberman, 2008).

Incentives for innovation

The incentives in the form of copyrights, patents, trademarks and awards and subsidies should be given to the innovative entrepreneurs. Like, Patent protection allows publication of research findings that leads to innovations. Tax benefits, advertising and promotional campaigns are other encouraging factors to drive innovation in the enterprise.

Government Initiative

The role of the state has been critical in identifying, encouraging, and developing competitive advantages in strategic industrial sectors. As regard to innovation in enterprises the government

should try to encourage them to drive innovation in the market. The government should establish long term national competitiveness strategy, the policy environment and regard to enable the entrepreneur to do what he knows best, that is create productive enterprises and employment (Lalkaka, 2002).

Financial Support

To promote the innovation, in most industrializing countries, there exist a variety of financing sources for enterprises but these are often poorly managed without an understanding of the mentality and special needs of the innovator (Lalkaka, 2002). In case of India too various such schemes have been launched but further information on how to access this money is not available.

Education system

In India, the education system is such that the youth are not prepared to face the outer world with own creativeness. They are having less enthusiasm. Moreover, youth here come into the category of professionally unemployed persons. Thus major investments are essential in strengthening the research and learning bases, starting at the school level through education and vocational training, including the capabilities required for measured risks to grow or start a business to the benefit (Medhora, 1965 and Battacharya, 2006). Also, the myth that entrepreneurs are born with some innate traits is fortunately no longer held. Many research studies have brought out that entrepreneurship can be taught and learned. Entrepreneurship is a discipline and like all disciplines it has models, processes and case studies, which can help an individual to study this subject. The necessary competencies required of a successful entrepreneur can be acquired through training and development (Sethi, 2004).

Recommendations

1. The research institution should be provided with the proper infrastructure for future and quality research in the various fields.
2. Subsidies and various incentives should be given by the government to the entrepreneurs to encourage them for the adoption of innovation.
3. Family encouragement should be there in case of entering into the new businesses by the youth so that they feel confident while adopting the innovation.
4. The financial institutions should provide the cheap loans in the form of seed capital to the new entrepreneurs at the lesser rate of interest.
5. The establishment of Small and Medium scale Enterprises (SMEs) should be encouraged by providing them with the incentives.
6. Entrepreneurship Development Programs (EDPs) should be conducted which will further provide the training to newly entering entrepreneurs. Vocational training should also been provided to the individuals.
7. The liberalization of the economy which tends to encourage the innovation in enterprise is half baked in India. Thus the economy should be fully open to reach to the international standards.

Conclusion

It can rightly be said that entrepreneurs are individuals who innovate, identify and create business opportunities assemble and coordinate new combinations of resources so as to extract the most profits from their innovation in an uncertain environment (Hill, J. 2001). To be entrepreneurial in the real sense, an enterprise needs to have special characteristics over and above being new and small. It needs to create something new, something different that would change the rules of the game and transmute values. If the enterprise does not innovate, it will inevitably age and decline rapidly. Sometimes, successful and financially healthy businesses do run the risk of becoming bureaucratic and complacent which could become a serious impediment to entrepreneurship and innovation (Bhattacharyya, 2006). Succeeding as an entrepreneur and an innovator in today's world is vastly

different from what it was earlier. Now, times are radically different, the challenges are enormous, and innovations are now the only way businesses can be succeeded in the long run.

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