

# 15.1 Innovation and entrepreneurship

## Entrepreneurs

An entrepreneur is someone who takes on the risk of starting their own business. They see an opportunity or have an idea for a new business that will earn them an income and possibly satisfy other personal goals. However, not all businesses are successful. Many entrepreneurs risk losing the time, effort and money that they have invested in the business idea if it doesn't work out.

Successful entrepreneurs are often characterised by the following:

- willingness to take calculated risks
- resilience or the willingness to bounce back from failures
- strong work ethic
- passion for the business they are in
- understanding of finances.



**Source 1** Michael Malone started his company iiNet in a garage in Padbury, Western Australia, with his friend Michael O'Reilly. In 2015, they sold the internet company in a deal for over 1.5 billion dollars.



**Source 2** Janine Allis is an Australian entrepreneur who founded Boost Juice in 2000. Boost now has more than 350 stores in 17 countries.

## Innovation

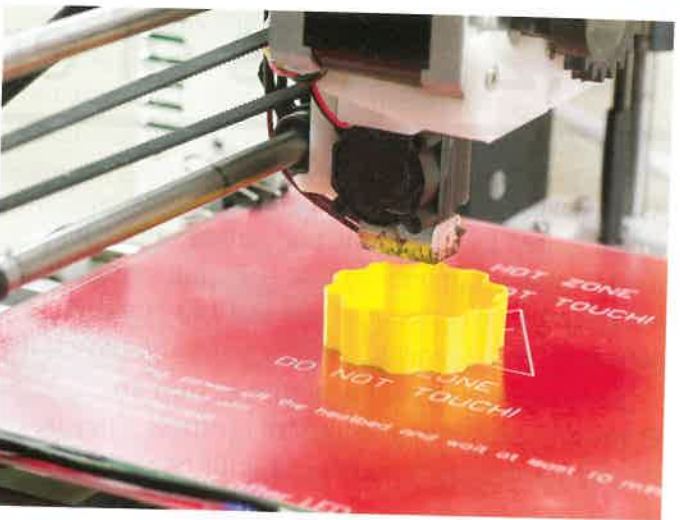
Innovation is the act of creating or starting something new and different. Innovators can improve on an existing idea or create something completely new from scratch. Businesses that are innovative will be successful as they are constantly finding new ways to stay ahead of their competition. This is known as a **competitive advantage** and is incredibly important for today's businesses, which can face competition from all over the world. Quite often, an innovative idea will present an opportunity for an entrepreneur to start a business. Innovation not only creates business opportunities but can benefit society as a whole. It is responsible for nearly every item that you use on a day-to-day basis.

Successful innovators are often characterised by the following:

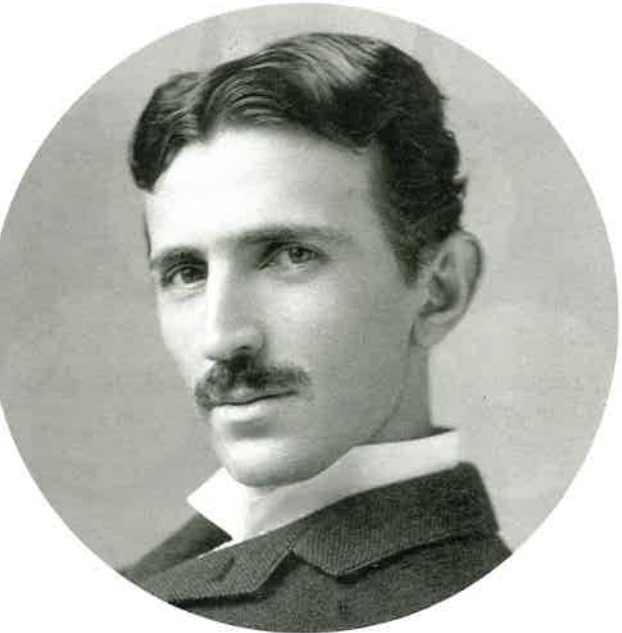
- 1 They question everything and consider new possibilities.
- 2 They observe their surroundings and look for ways to improve things.
- 3 They network with different types of people and are open to different ways of thinking.
- 4 They experiment with new ideas.
- 5 They draw connections between the different things that they learn about.

**Source 4** Serbian scientist Nikola Tesla had hundreds of inventions from AC and wireless electricity to the radio. He was not motivated by money but rather the desire to help people.

## 15A What are the characteristics of an entrepreneur?



**Source 3** New technologies such as this 3D printer are constantly creating new opportunities for businesses.



## Check your learning 15.1

### Remember and understand

- 1 What is an entrepreneur?
- 2 List the five common characteristics of an entrepreneur.
- 3 What is innovation?
- 4 List the five common characteristics of innovators.

### Apply and analyse

- 5 Why do you think each of the five entrepreneurial characteristics would be important for anyone who is starting their own business?

- 6 Look at Source 3. Explain how 3D-printer technology might create business opportunities.

### Evaluate and create

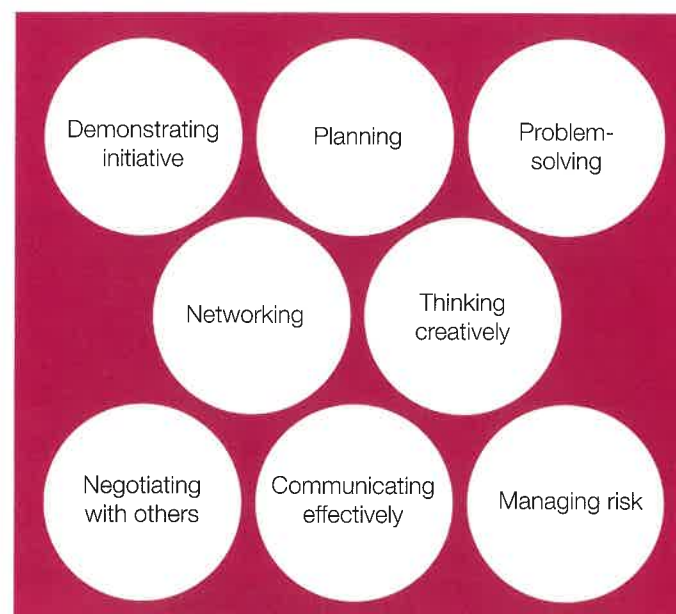
- 7 Use the internet to research a famous entrepreneur. Write a short biography and list the key characteristics that you think would have helped them to become a successful entrepreneur.
- 8 Use the internet to research a famous innovator. Write a short biography and list the key characteristics that you think would have helped them to become a successful innovator.



# 15.2 Skills of entrepreneurs

As we have learned, entrepreneurs are often characterised by their resilience, strong work ethic, passion and willingness to take risks. But being a hard working risk taker does not automatically make a person an entrepreneur. Entrepreneurs also have skills.

Entrepreneurs have the ability to turn an innovative idea into a successful business. They do this by combining a number of skills (see Source 1).



Source 1 Skills often required by an entrepreneur

## Demonstrating initiative

Entrepreneurs can demonstrate initiative in many different situations. This means they take action before others when they see an opportunity or problem that needs to be addressed.

Entrepreneurs can demonstrate initiative by keeping up with change, developing new ideas and acting on them to stay ahead of competitors and becoming (or remaining) leaders in their chosen field.

People who do not have the skills to show initiative can struggle in the business environment. Without ideas and the ability to put them into action, a person could not be considered an entrepreneur.

The business environment is constantly changing, as fashions and trends change the needs and wants of consumers. For example, new and improved smartphones are frequently released by Apple and Samsung, meaning the market for phones or smart devices is always developing. Businesses that cannot keep up with new developments in the market or consumer demand will fall behind or possibly even fail.

## Planning

Entrepreneurs need to be able to plan in order to make their ideas a reality. We don't know what will happen in the future, but making plans can prepare us for different possibilities.

Entrepreneurs need to make plans and strategies in order to turn their ideas into a real business. For instance they might plan:

- what goods or services a business will provide or sell
- how these products will be produced and distributed
- how to brand or market the business (i.e. how do they want the business to be known, will there be logos, colours, slogans associated with their business's identity)
- where the business should be located to reach the most consumers
- how they will compete with similar businesses (if any exist).



Source 2 The quick development of mobile phones is a good example of how entrepreneurs and their businesses must demonstrate initiative to keep up with competitors and consumer demand.



Source 3 Entrepreneurs must have the ability to respond innovatively to problems and change.

## Problem-solving

A major part of being an entrepreneur is the ability to solve problems. It is usually in the process of solving problems that entrepreneurs come up with an idea for a business or organisation. For example, Professor Graeme Clarke invented the 'bionic ear' in the 1960s because he wanted to solve the problem of people not being able to hear. The bionic ear, otherwise known as the cochlear implant, is an electronic device that can create a sense of sound for people who are deaf or hard of hearing. Now manufactured by Cochlear Ltd, the bionic ear has allowed over 180 000 people around the world to hear sound.

The ability to problem-solve is also important for keeping up with and responding to the business environment. Businesses are faced with different problems every day. For example, there might be another business selling the same product, or consumers have become bored of a product that used to be fashionable. Entrepreneurs take these problems as challenges, and rather than giving up, come up with solutions to these problems that might make their business even better than it was.

## Networking

Networking refers to the way people can build relationships with others that may be helpful in the future. Have you ever heard the expression 'It's not what you know, it's who you know'? This expression

## 15A What are the characteristics of an entrepreneur?

refers to the way the contacts people make can be more important to a person or entrepreneur's success than any practical skills they might have.

Networking can be useful for many reasons. For example, entrepreneurs might rely on contacts or connections to help them get funding, or money, to start their business. They might also network to seek advice from other experienced entrepreneurs.

Entrepreneurs can build their business by developing good relationships with their customers. Customers who have good relationships with a business, and who like a business owner, may be more willing to recommend the business to others. Known as 'word-of-mouth' marketing, businesses can generate a lot of business from customers who recommend them to their friends. It can also be a cheaper way of spreading the word about a product than traditional advertising.

## Check your learning 15.2

### Remember and understand

- 1 Name and describe two skills of an entrepreneur.
- 2 How did Professor Graeme Clarke show skills as an entrepreneur?

### Apply and analyse

- 3 What do you think is the most important skill for an entrepreneur to have? Justify your answer.
- 4 Look at Source 1. Choose one of the skills not already described in this unit and suggest why you think this skill might be important.

### Evaluate and create

- 5 Using the Internet, research one business (such as one we have discussed in this chapter) to answer the following questions.
  - a What is the business?
  - b How is the business innovative? (E.g. do they offer something other people don't? Is there something creative about their business?)
  - c How do the people who run the business show entrepreneurial skills? (E.g. do they demonstrate initiative? Or have they solved any problems?)
  - d If you were an entrepreneur working for the business, how do you think it could be improved?