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CHAPTER I
INTRODUCTION TO ENTREPRENEURSHIP:

A.   Entrepreneurs

B.   Entrepreneurial personality and intentions

C.   Entrepreneur's Characteristics

D.   Entrepreneur's Traits and behavior

E.   Entrepreneurial challenges

A.   ENTREPRENEUR

Who is an Entrepreneur?

Practically everywhere you'll read or hear about entrepreneurs. Pick up a current newspaper, newsmagazine, tune into a radio, TV news broadcast or log onto one of the Web's new sites. Chances are you'll find at least one story (and probably many more) about an entrepreneur or an entrepreneurial business.

Origin of word 'Entrepreneur' The origin of the basic word 'Entrepreneur' is from a French word 'Entreprendre', where it cradled and originally meant to designate an organizer of certain musical or other entertainments. The Oxford English Dictionary (of 1897) defines the term 'Entrepreneur' in similar way as the director or a manager of a public musical institution, one who get entertainment arranged, especially musical performance.

Initially in the early 16th century, it was applied to those who were engaged in military expeditions. In 17th century it was extended to cover civil engineering activities such as construction and fortification. Since then, the term 'Entrepreneur' is used in various ways and various views. These views are broadly classified into three groups namely: -

•   Risk-Bearer

•   Organizer Innovator

•   Innovator

Thus, a person who assumes and bears all types of risks involved in an enterprise,

who organizes the various inputs or factors of production and who innovates new ideas, concepts, strategies and methodology in business from time to time is known as Entrepreneur.

Entrepreneur: Definition & Concept

The concept is inter-disciplinary in nature, diverse and sometimes-conflicting views are put across on the subject of who an entrepreneur is. e economists, for example, have concentrated on entrepreneurship instead of the entrepreneur.

The word 'entrepreneur' is derived from the French verb " enterprendre". It means, " to undertake"

Historically, the first reference made to the term entrepreneur can be traced as far back as in the sixteenth century in the literature of France. e term was used to refer to a leader of a military expedition and then later to an architect and the contractors of public works.

Richard Cantillon (1755) was the first French economist to introduce the term in economic literature by using it to refer to the dealers who bought the commodities of the country. He defined the entrepreneur as an agent who purchased the means of production for combination into marketable products. He excluded princes, land owners and salaried workers from this class. Since then the term entrepreneur has come to be used widely and the concept of the entrepreneur has been developed by eminent economists like Jean Baptise Say, Adam Smith, Francies A. Walker, John Beats Clark, Frank Knight and Joseph A. Schumpeter.

J.B. Say (1803) identified the entrepreneur as an organizer of the business. According to him the entrepreneur as an organizer unites all the means of production for which he pays them interest, wages, and rent and hopes to earn profit for himself.

J.B. Say and F.A. Walker emphasized the distinction between capitalists as providers of capital and entrepreneurs as risk-takers by distinguishing between interest paid to the capitalists and profits earned by entrepreneurs.

Adam Smith, on the other hand, saw entrepreneurs and capitalists as close to each other. He did not see the distinct role of the entrepreneur as leader and director of activities.

For quite sometime, economists were in agreement that an entrepreneur was essentially a risk-taker. For example, Adam Smith (1937) identified him as a capitalist who risked his wealth in establishing a business, Cantillon, Say and Walker also saw him as the one who took risks and performed the functions of owner, planner, organizer and supervisor.

Frank Knight (1921), while defining an 'entrepreneur' called him a manager of uncertainty and explained that the profit was a residual share arising because of uncertainly and accruing to the entrepreneurs for undertaking that ultimate responsibility which by its very nature cannot be insured.

Clark explained the direct link between entrepreneurial profits and successful introduction of technological, commercial and organizational improvements in

the economic process. He implied that innovation was the hallmark of entrepreneurial function.

A significant contribution towards the understanding of the term entrepreneur was made by Joseph A. Schumpeter (1947). e context of Schumpeter's analysis was a perfectly competitive market in which with the given consumer tastes and technologies there existed a state of perfect equilibrium. Schumpeter saw the entrepreneur as one who upset this state of equilibrium by introducing new products or services, new method of production, new way of marketing or a new way of organizing. According to him, an entrepreneur was the one who made new combinations of the means of production.

As against the assumption of perfectly rational and competitive market by classical economists, Schumpeter assumed a political economy which included routine business practices, sunk costs, relatively fixed consumer habits, laws, and social conventions operating often against the entrepreneur. In order to overcome all these, the entrepreneur in the Schumpeterian sense had to be the one who possessed unusual traits of character and was also motivated by non-economic incentives such as the job of creating sometimes of getting things done, or simply exercising one's energy and ingenuity.

An entrepreneur was a multi-role character performing the roles of owner, manager, financier and promoter. Merely becoming the head of a firm, in his opinion, did not make one entrepreneur as it need not involve him to make a new combination of means of production.

Cole (1959) who worked with Schumpeter modified the Schumpeterian model a bit. Instead of concentrating on individual actors, he equated entrepreneurship with significant managerial functions. He defined an entrepreneur as one who was engaged in a purposeful activity, or in taking an integrated sequence of decisions. e term entrepreneur could include an individual or a group of individuals undertaking to initiate and/or organize a profit-oriented business unit for the production and/or distribution of economic goods or services.

By the end of mid-twentieth century, a certain degree of consensus had emerged as to the major functions of an entrepreneur and the process of entrepreneurship.

The economists seemed to agree on three basic functions of an entrepreneur, namely, innovating, risk-taking and coordinating /managing.

B. ENTREPRENEURIAL PERSONALITY AND INTENTIONS

Internal locus of control, need for achievement, risk tolerance, and entrepreneurial alertness are dimensions of personality traits which lead a person to develop the entrepreneurial intention. Effects of these personality traits dimensions on the entrepreneurial intention.

2.1. Locus of Control (LoC)

Locus of control (LoC) is the degree of control of a person over his/her life. Internal LoC shows that a person believes his/her decisions can control his/her life whereas external LoC shows that a person's life is affected from external factors such as destiny, luck, other people beyond his/her decisions. It is expected that people who have internal LoC can determine their career paths, have entrepreneurial intentions and start their own businesses. LoC is a measure of the belief of people in their ability for controlling the environment through their actions.

2.2. Need for Achievement (nAch)

Need for achievement (nAch) is the drive of a person to succeed. People who have high nAch have entrepreneurial intentions. They are eager for success. They want to show themselves as entrepreneurs who can establish successful businesses in competitive markets. The nAch can be defined as having a desire and ambition to be successful.

2.3. Risk Tolerance

Taking calculated risk is the latest approach in entrepreneurship. Risk taking can lead both success and failure. Thus, entrepreneurs should calculate risks of their actions before they take them, evaluate advantages and disadvantages of risk taking in all stages of entrepreneurship. Entrepreneurs tolerate risks more than other people. Tolerating risks is a major trait for entrepreneurs to succeed. Entrepreneurs take career, financial, family and reputation risks when they decide to establish their own ventures. People who can tolerate risks can have entrepreneurial intentions and start their own businesses.

2.4. Entrepreneurial Alertness

Entrepreneurial alertness is a major trait for entrepreneurs. Entrepreneurial alertness leads entrepreneurial intention. There are several researches verifying the effects of entrepreneurial alertness on entrepreneurial intention. Entrepreneurial alertness causes entrepreneurs to explore and get the advantage of new opportunities. Entrepreneurs need to conduct SWOT analysis for their ventures. They need to appraise strengths and weaknesses of their organizations. Also, they need to evaluate opportunities and threats of task environment and general environment. Entrepreneurs don't have to seek opportunities all the time. They should have knowledge and information about environment. They should take the advantage of opportunities when they realize them. They can develop new ideas, products, and services. There are studies which highlight that entrepreneurial alertness affects entrepreneurial intention.
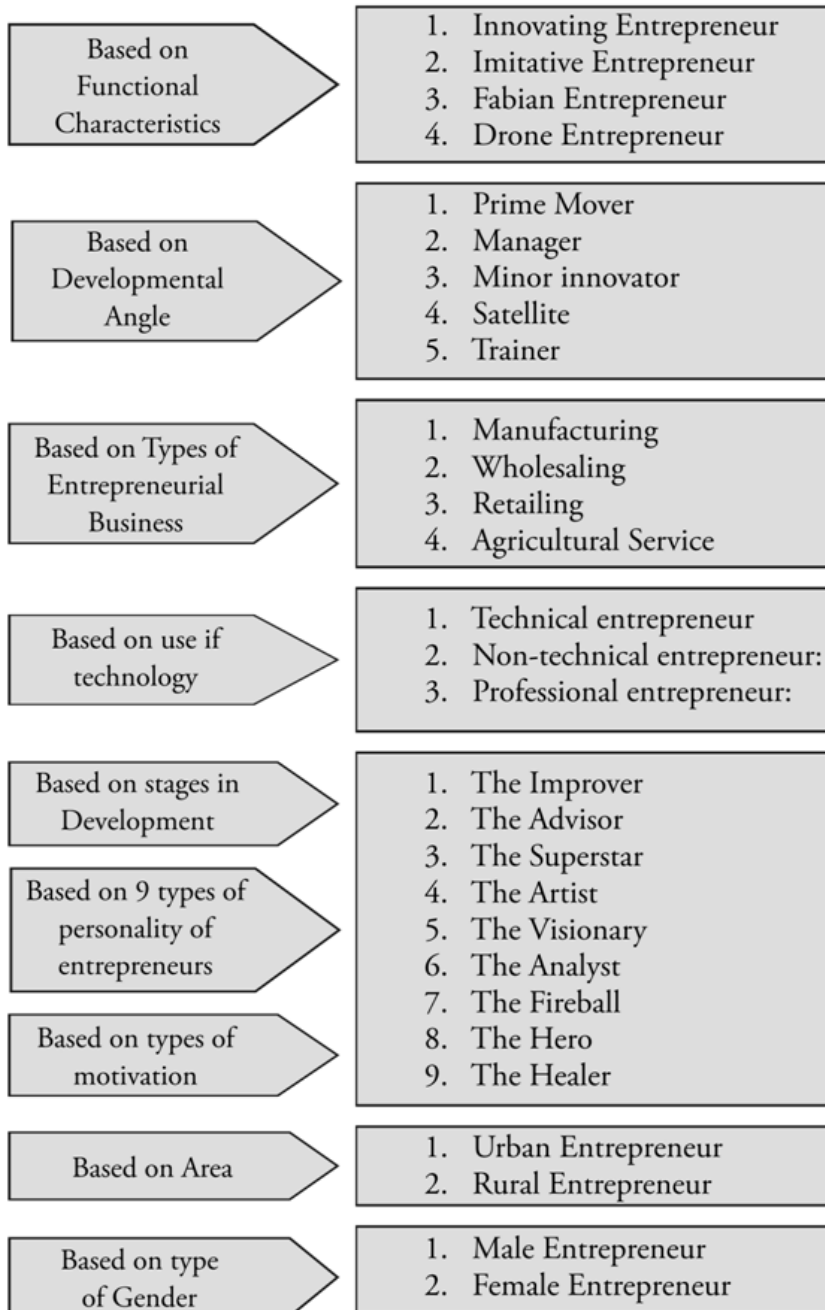
Entrepreneurial intentions are based on business plan development, resource acquisition, behaviors directed by objectives. Entrepreneurial intentions are also based on visions, dreams and feelings of entrepreneurs. Entrepreneurship starts

with entrepreneurial intentions. The entrepreneurial intentions depend on internal and external locus of control, which have different variables (environment, market, finance, and regulations).

Personality traits affects entrepreneurial intention. It has a positive effect on entrepreneurial intention.

C.   CHARACTERISTICS OF AN ENTREPRENEUR

Entrepreneur - Originator, Creator

Based on Functional Characteristics	1. Innovating Entrepreneur 2. Imitative Entrepreneur 3. Fabian Entrepreneur 4. Drone Entrepreneur
Based on Developmental Angle	1. Prime Mover 2. Manager 3. Minor innovator 4. Satellite 5. Trainer
Based on Types of Entrepreneurial Business	1. Manufacturing 2. Wholesaling 3. Retailing 4. Agricultural Service
Based on use if technology	1. Technical entrepreneur 2. Non-technical entrepreneur: 3. Professional entrepreneur:
Based on stages in Development Based on 9 types of personality of entrepreneurs Based on types of motivation	1. The Improver 2. The Advisor 3. The Superstar 4. The Artist 5. The Visionary 6. The Analyst 7. The Fireball 8. The Hero 9. The Healer
Based on Area	1. Urban Entrepreneur 2. Rural Entrepreneur
Based on type of Gender	1. Male Entrepreneur 2. Female Entrepreneur

D.   ENTREPRENEUR'S TRAITS AND BEHAVIOR,

i)   Entrepreneurial personality Trait

Personality traits include the human characteristics, abilities, motives, attitudes and values which shape the individual person's experiences and actions. Hence, personality traits cause the mental and behavioural processes of individuals.

Develop these nine qualities of an entrepreneur to help set yourself apart from the average worker.

1   Motivation.

2   Hard-working business owners are incredibly motivated to succeed.

3   Creativity.

4   Persuasiveness.

5   Vision.

6   Versatility.

7   Risk tolerance.

8   Flexibility.

9   Decisiveness.

Also, what kind of person makes a good entrepreneur? Passion, resourcefulness, willingness to improvise and listen to others and strong determination to succeed is what makes an entrepreneur successful.

Herein, what makes a person an entrepreneur?

Some type of innovation, a significant investment, and a strategy that values expansion generally characterizes entrepreneurship. The entrepreneur is often quite different in mindset from a manager, who is generally charged with using existing resources to make an existing business run well.

ii) Are entrepreneurs born or made? 5 behavioral traits

The question is entrepreneurs born or made?

At DNA Behavior International, we extensively researched the subject of Entrepreneurial Genetics using our validated Business DNA Natural Behavior Discovery Process as the foundation. Our analysis that a person is born with entrepreneurial genes is supported by other similar findings in academic research and studies. However, being genetically predisposed towards entrepreneurialism doesn't guarantee that an entrepreneur's journey won't be without challenges.

The research says entrepreneurs who have built a business with over $1m in turnover will have the following genes (natural hard-wired behavioral traits) in descending order of dominance:

1.   **Resilience –** achieves results, manages setbacks and rationally takes quick action.

2.   **Risk Taker –** confidently takes risks and tolerant of losses.

3.   **Creativity** – innovative with ideas and seeks to differentiate.

4. **Work Ethic and Focus –** pursues goals and is often ambitious and competitive.

5. **Charisma –** the ability to influence people to follow them, often having a balance between being outgoing and reserved.

These genes are more pronounced for those entrepreneurs who have built businesses with a turnover of more than $10m. And for the fast-growing number of women who are becoming entrepreneurs, the tendency for them is to be more moderate in the above-listed traits. However, they compensate with their natural ability to build stronger relationships.

"Entrepreneurs must be multifaceted and dynamic yet be laser sharp and narrowly focused."

Their many duties require a uniquely talented character, but differences in personality and perspective can determine success or failure. It is not surprising, therefore, that the number one genetic trait of an entrepreneur is resilience, as this is foundational to survival in life and business.

"Resilience is the ability to recover from setbacks, adapt well to change and keep going in the face of adversity."

Regardless of where you are on the entrepreneurial journey, there will be challenges. Without personal self-awareness of the above five key traits, even the most gifted entrepreneur will crash and burn. Whilst a strong sense of purpose will keep entrepreneurs motivated during challenging times, behaviorally smart individuals face challenges knowing that through them, they will learn and grow.

Look again at the five entrepreneurial genes and ask yourself these questions:

• Which of the above entrepreneurial genetic traits am I most dominant?

• Am I leveraging the dominant one? If not, why not?

• Who is alongside me as a partner or integrator (master key executive) to bridge the gap between the less dominate genes? And is that support successful?

• Who else do I need on the team and in what roles?

• Resilience is an essential quality to succeeding in any business, but how is my work/life balance?

Understanding the genes that make you a successful entrepreneur is very empowering. These insights provoke deeper thinking about the essential success factors and to consider how to activate your underused talents for building a business, and life, with meaning.

E. CHALLENGES FACED BY ENTREPRENEURS

Entrepreneurs face a number of problems in the establishment of units and during production, marketing, distribution, procurement of raw material and availing incentives offered by the State and Central Governments.

The problems of entrepreneurs may be divided into 2 groups

• Internal problems are those, which are not influenced by external factors. ?

- **External problems** – are those, which result from factors beyond the control of the entrepreneurs

Internal problems of entrepreneurs

Planning

- **Technical feasibility**
  - o   Inadequate technical know-how
  - o   Locational disadvantage
  - o   Outdated production process.

- **Economic viability**
  - o   High cost of inputs
  - o   Break-even point too high
  - o   Uneconomic size of project
  - o   Choice of idea
  - o   Feeble structure
  - o   Faulty planning
  - o   Poor project implementation
  - o   Lack of strategies
  - o   Lack of vision
  - o   Inadequate connections
  - o   Lack of motivation
  - o   Underestimation of financial requirements
  - o   Unduly large investment in fixed assets
  - o   Overestimation of demand

Production

- o   Production Management
- o   Inappropriate product mix
- o   Poor quality control
- o   Poor capacity utilization
- o   High cost of production
- o   Poor inventory maintenance and replacement
- o   Lack of timely and adequate modernization and so on.
- o   High wastage
- o   Poor production
- o   Labour management
  - ?   Inefficient handling of labour problems

- ? Excessive manpower
- ? Poor labour productivity
- ? Poor labour relations
- o Lack of trained skilled labour or technically competent personnel

Marketing management

- o Dependence on a single customer or a limited number of customers / ingle or a limited number of products.
- o Poor sales realization
- o Defective pricing policy
- o Booking of large orders at fixed prices in an inflationary market
- o Weak market organization
- o Lack of market feedback and market research
- o Unscrupulous sale or purchase practice

Financial Management

- o Poor resource management and financial planning
- o Faulty costing
- o Dividend policy
- o General financial indiscipline and application of funds for unauthorized purposes
- o Deficiency of funds
- o Over trading
- o Unfavorable gearing or keeping adverse debt equity ratio
- o Inadequate working capital
- o Absence of cost consciousness
- o Lack of effective collection machinery

Administrative management

- o Over centralization
- o Lack of professionalism
- o Lack of feedback to management
- o Lack of timely diversification
- o Excessive expenditure on R & D

External problems of Entrepreneurs

Infrastructural

- o Location
- o Power

- o   Water
- o   Communication
- o   Irregular supply of raw material
- o   Transport bottlenecks

Financial

- o   Capital
    - ?   Working capital
    - ?   Long term funds
    - ?   Recovery
- o   Marketing
- o   Taxation
- o   Raw material
- o   Industrial and financial regulations
- o   Inspections
- o   Technology
- o   Government policy
- o   Administrative hurdles
- o   Corruption
- o   Lack of direction
- o   Competitive & volatile environment

Specific management problems

- o   Deficiencies in Management
- o   Financial adequacy
- o   Manufacturing and technical problems
- o   Product planning
- o   Selection of equipment, plant and machinery
- o   Human Resource development
- o   Technical know how
- o   Preparation of project

CHAPTER II
INNOVATION:

A. Introduction & Meaning

B. Characteristics

C. Purpose/ goals of innovation

D. Sources of innovation

E. Types of innovation (service, process, product)

F. Radical vs incremental innovation

G. Innovation vs business model

H. Challenges to innovation

I. Differences between invention and innovation

J. Sustainability and Innovation

K. Innovation and entrepreneurship

A. INTRODUCTION & MEANING

The word 'innovation' brings with it a myriad thoughts and interpretations. It is sometimes also mistaken as "invention" only which it may not be. In simple terms it can be described as something, which makes a process easier, or something which helps reduce cost or something which combines present technologies available to create a new product or service.

The word "innovation" comes from the Latin word "Novus" meaning new. In too simplified terms anything new would mean innovation. According to Cambridge dictionary it means " a new idea or method, or the use of new ideas and methods". While according to Merriam Webster Dictionary it means "1: a new idea, method, or device: NOVELTY 2: the introduction of something new and synonyms are brainchild, coinage, concoction, contrivance, creation, invention.

Drucker's Five Principles of Innovation

Below are five principles that can help you take advantage of a new innovation you may have discovered.

1 Begin with an analysis of the opportunity.

2 Analyze the opportunity to see if people will be interested in using the innovation.

3 To be effective, the innovation must be simple and clearly focused on a specific need.

4 Effective innovations start small. By appealing to a small, limited market, a

product or service requires little money and few people to produce and sell it. As the market grows, the company has time to fine-tune its processes and stay ahead of the emerging competition.

5   Aim at market leadership. If an innovation does not aim at leadership in the beginning, it is unlikely to be innovative enough to successfully establish itself. Leadership here can mean dominating a small market niche.

According to Stephen Shapiro, Bestselling Author and World-Renowned Innovation Instigator –

What is your definition of "innovation"? Very simply put, innovation is about staying relevant. We are in a time of unprecedented change. As a result, what may have helped an organization be successful in the past could potentially be the cause of their failure in the future. Companies need to adapt and evolve to meet the ever-changing needs of their constituents.

The number of innovations during this pandemic must have surpassed the average per year by miles.

Meaning of Innovation:

According to Business Dictionary:

the action or process of innovating.

a new method, idea, product, etc.

plural noun: innovations

According to Cambridge Dictionary

a new idea or method, or the use of new ideas and methods:

According to Merriam-Webster Dictionary

a new idea, device, or method

According to Collins Dictionary

Innovation is a new thing or a new method of doing something.

You will see from above definitions that all the dictionaries have the same view about the word "Innovation"

Relative Advantage.

At any given time, many companies can be working on different innovations at the same time. It is necessary to find out which of the innovations has relative advantage. This has to be measured against adaptability, economics or cost, better service, better customization, saving time, lesser user effort, lesser environmental impact, saves money, saves space, saves time.

It is the abstraction of Emerson's "better mousetrap", and it has been identified as the most important predictor of an innovation's adoption rate.

"What does it mean to build a better mousetrap?

This well-known phrase is, of course, an idiom. It's a shortened version of:

"Build a better mousetrap, and the world will beat a path to your door."

Coined by American essayist and philosopher Ralph Waldo Emerson, its meaning is clear:

"To invent the next great thing, you have to have a better idea."

It's easy to say these words, but It's not so easy to put them into practice. In real terms, it can mean a smarter way to work, or a product or concept that is more advanced than what is currently out there (even possibly disruptive).

But a progressive product that reduces labour is not popular with everyone. There are Luddites everywhere.

Further, globalization has meant that any product that "builds a better mousetrap" must also be world-class, with widely appealing quality and management processes.

Businesses look for products that drive key quality and reliability metrics, and that also increase asset productivity.

Without meeting these demands, products will not sell.

Some great innovations in living memory that contributes to this trend:

Microsoft:

You would previously employ a typing pool to have your letters typed.

Then Microsoft Office came along, and you can do it yourself.

Caterpillar:

You used to use a spade to dig foundations by hand.

Then Caterpillar came along, and you can do it in a fraction of the time.

The Internet:

You used to use a travel agent to book your airline flights.

Then the Internet came along, and you can do it yourself.

Consider adding to this list the following:

LOBO:

You used to use a scaffolding contractor to work at height.

Then LOBO Systems came along, and you can now do it yourself.

At a fraction of the cost and time, the LOBO System is without question the "better mousetrap" of the maintenance and engineering world.

We can now add Zomato and Swiggy where they have made it easy to get the food you want. It is not necessary to visit a restaurant. It saves time, petrol and not to mention parking issues. And Dunzo delivers other items at a very reasonable price.

These are all innovations, which have made the customers happy. They are now almost in the "Necessity "category. During pandemic they have done yeoman service.

B. CHARACTERISTICS OF INNOVATION

Characteristics Of An Innovation

Individuals do not automatically adopt new products. They make a conscious decision of whether to use a particular one. That is, their decision to adopt an innovation is deliberate. Design teams must proactively address this step if they want individuals to decide on long-term use of their product.

The diffusion of innovations theory identifies the following five characteristics that determine people's use of an innovation.

1.   Relative advantage

Relative advantage measures how improved an innovation is over a competing option or the previous generation of a product. Potential users need to see how an innovation improves their current situation. Improvements can be in one or many of these areas:

*   Better service,

*   Consolidation of multiple functions into one tool,

*   Decreased need for supplies and equipment,

*   Empowerment of users,

*   Improved interface,

*   Increased customizability,

*   Increased longevity,

*   Increased productivity,

*   Reduced user effort,

*   Reduced environmental impact,

*   Saving of money,

*   Saving of space or storage,

*   Saving of time.

In the 1980s and early '90s, computer word-processing programs WordStar and WordPerfect demonstrated relative advantage over existing products. Most offices used typewriters, which took up a lot of space, performed only one function and required servicing, supplies (type ribbons, whiteout, etc.) and parts on a regular basis (they were also pretty loud).

As computers became more prevalent, WordStar and WordPerfect freed users from typewriters. The relative advantage was obvious. The word-processing programs didn't require any additional physical space aside from the personal computer, which already did a number of other office tasks; they reduced the need for ink and correction tape; documents could be easily edited prior to printing; and files could be saved and transported for editing on other computers using floppy disks. Soon, typewriters were being phased out of offices and replaced with these computer word-processing programs.

Relevance to your design team

Your design team will need to address relative advantage in multiple ways. Let's face it: If relative advantage isn't inherent to your product, then it isn't an innovation, and it might not be a venture worth pursuing at all. Your team should identify the potential relative advantage of your product in the planning stages of development. From that point on, your team should sharpen and enhance any relative advantage that your product has over the products of potential competitors.

Market research, should inform the underlying logic that drives your innovation's purpose. Have you identified the demand for your innovation? What competing products currently exist? Highlighting the issue that your innovation addresses and how it does so are good ways to start investigating where your innovation's relative advantage should lie.

You will need to be explicit about the relative advantage of your product in your marketing. How is your product an improvement over an existing product? How does it address an unmet need? Your design should clearly accomplish both of these things. Your marketing materials should clearly show how your product gives users an edge over competing products.

Your design team will need to conduct user research to back up your claims. For example, if you are going to say that your product is easier or more efficient than a competing product, then you will need data to back up this assertion. Have you tested users of your product against users of a competing product? Do users of another product find it lacking in a way that your product addresses? Does your product save people money or reduce their reliance on multiple products by consolidating a number of functions? Prove it, and then tout that fact in your advertising.

2. Compatibility

Compatibility refers to the level of compatibility that an innovation has with individuals as they assimilate it into their lives. Potential adopters need to know that your innovation will be compatible with their life and lifestyle. If an innovation requires a huge lifestyle change or if the user must acquire additional products to make your innovation work, then it is more likely to fail. Innovations meet with the greatest success when users are able to seamlessly adopt them — when they replace an existing product or idea, for the better.

Apple's iPad is an example of an innovation that had a high level of compatibility with potential users' lives when released. Many users were able to replace products they were currently using when the iPad was released, such as smartphones and laptop computers to check their email, to read books, magazines and blogs and to view videos online.

Relevance to your design team

Your design team needs to understand the infrastructure they are designing for, as well as what the planned improvements to the infrastructure will be. You wouldn't design an electric-powered innovation for a community that doesn't have access to, or believe in, electricity. You need a deep understanding of the

conditions that your innovation will be met with upon release. Answer the following questions when thinking about your innovation's compatibility:

- How will your innovation fit into users' lives?

- What shifts in behavior will need to occur for your innovation to be adopted?

- What additional products will be required for your innovation to succeed (for example, a high-speed Internet connection, a mobile phone plan with data, gasoline)?

- What existing products does your innovation replace?

- How does your innovation fit with potential adopters' mental model, beliefs and attitudes regarding the issue your innovation will address?

The questions above are not comprehensive. They are meant to highlight a design team's need to be aware of the characteristics of adopters as thoroughly as they are aware of their own innovation's characteristics. To be clear, the success of your innovation will depend on your team ensuring that the innovation aligns with potential users' beliefs, attitudes, values and behaviors.

Ensuring compatibility doesn't mean that your innovation can't be cutting- or bleeding-edge, just that you have to know things are moving in the direction your design is taking them. Let's examine the iPad's success once again, noting how key factors related to compatibility were in place to help ensure the product's success.

The iPad came at the right time in the evolution of people's beliefs, attitudes, behaviors and technology. Many individuals and businesses had reached a stage where they believed that new technologies to simplify daily activities were constantly emerging (belief), and that this is a good thing (attitude). Individuals were already using laptop computers and smartphones to surf the Web and to make digital transactions while away from their desktops (behavior). Wi-Fi Internet access was nearly ubiquitous among businesses and households in urban and suburban areas, which allowed the iPad to function as a useful tool in most areas (technology); also, mobile phone technology presented a more advanced option for users who were willing to pay for constant access to the Internet. Lastly, enough adopters were willing to spend money on these types of technologies to show that it was a viable option to later adopters (behaviour). These factors aligned to create the perfect timing for the iPad to be compatible with adopters' lives.

Apple's extensive knowledge of their market led to the iPad's success. The iPad would most likely not have had the same success if it had been released prior to ubiquitous Wi-Fi or the mass availability of digital movies and music. Your design team should have as strong an understanding of your potential market and what conditions need to be present to ensure the compatibility of your innovation with adopters' lives. If the success of your innovation depends on the availability of another product, then you'll need to know that this product is, or will be, common enough that it won't interfere with potential adopters' ability to use the functions of your product.

3. Complexity vs. Simplicity

Complexity or simplicity refers to how difficult it is for adopters to learn to use an innovation. Complexity slows down the gears of progress. The more complex an innovation, the more difficult it will be for potential adopters to incorporate it into their lives. Potential adopters do not usually budget much time for learning to use an innovation. The more intuitive an innovation, the more likely it will be adopted.

An Oreo cookie-separating contraption is an example of making something too complex to be useful. Even if people felt they needed a machine to separate their Oreos, the level of effort required to use such a device would be prohibitive to adoption. Potential adopters would need to read and reread an instruction manual to ensure they are setting it up correctly. This machine is another illustration of the characteristic of compatibility. The machine's size makes it incompatible for potential adopters who do not have an entire room to dedicate to an Oreo-separating machine. A handheld or pocket-sized version of this innovation would be much more likely to meet with success.

C.   PURPOSE / GOALS OF INNOVATION

Why would a company innovate?

If a company is doing reasonably well and is head of competition, why should it innovate? There is a saying that "in a competitive environment one has to run to stay in the same place". The competition is very stiff, cut throat. Every player in a specific space is trying to innovate. This can be divided into Macro and Micro goals

Micro Goals:

These are internal innovation goals

- Optimize or improve existing processes

- Increase overall efficiency

- Make improvements in existing products or services.

Macro Goals:

- Usually, the purpose of innovation is going to be to create value for your organization.

- Become a market leader

- Increase employee retention rate

- Launch new products or services

What is the purpose of Innovation?

For the past years, I have been asked many times by our partners to define the goal of innovation. Since innovation became a buzzword in every industry, I find many people confused about the objectives of innovation, what is considered to be

innovative and what is the role of the people who lead innovation processes in their organizations. Many words were dedicated to defining what is innovation.

The goal of innovation is:

Solving a significant problem in the simplest way for the end-user

Let's break this definition down:

1. **Innovation starts with a problem.**

   Innovation should be measured, at first, according to the significance of the problem that we wish to solve. The number 1# reason behind most startup failures is that there was no market need for their product. Think about it from a philosophical perspective: in a perfect world where all of our problems are solved and our needs are satisfied, there wouldn't be demand for new products or innovation that would make our lives better. Innovation happens if there is a real problem to solve. For this reason, many innovative solutions arise after crises.

2. **Innovation needs to improve the end-user's life.**

   In many cases, a new product or service that is adopted widely by its end-users signals that it is innovative. It means that you do not have to develop rocket science to create innovation. If the end-user's life is simpler than before, it doesn't matter if the solution is based on sophisticated technology or a simple mechanism. Depending on your product, end-users could be individuals, corporates, governments, or every other person that uses a specific solution.

3. **Innovation is relative to the end-user.**

   Imagine you visited an island where the residents are using only regular phones. If you introduced them to the first generation of mobile phones that enable them to communicate remotely from every place on the island, it would be innovative for them. It doesn't matter that in other places people widely use smartphones already. If communication between people was a problem before and now it's simpler thanks to the introduced solution, then we brought innovation to the island. Innovation is relative to the end-user's status.

In light of this, the connection between significant challenges and simple solutions is the goal of innovation. Other options can create innovative solutions, yet they won't stand the test of time: a complex solution for a minor challenge will be inefficient since the solution demands effort for a problem that doesn't have a significant effect on users. In the case where the suggested solution is simple to use, yet the problem is minor, it will be ineffective due to the unimportance of the problem. Moreover, developing a complex solution for a significant problem will be unsustainable since users will not repeatedly use a product that demands their time and effort.

Sharing two examples from the automotive industry to demonstrate the difference between innovative versus unsustainable solutions. Better Place was a promising

company that developed battery-charging and battery-switching services for electric cars. The company dealt with a significant global problem — gasoline is costly for drivers and causes significant air pollution. The solution seemed to create an alternative to this significant problem. However, one of the reasons that led to the closure of the company in 2013 was the complexity of the solution for the drivers (end-users); the driving range was very limited (100–120 km) and demanded drivers to charge the battery in special stations located in secondary roads.

Conversely, Moovit, which was acquired a few weeks ago for $900 million by Intel, solved the significant problem of public transportation navigation. By developing a simple, user-friendly app for commuters that provide route navigation based on real-time location, the app reached over 800 million users and provides services in 100 countries.

Finally, one note about pricing. Affordability indeed has a direct influence on the level of adoption of the solution by end-users. However, it remains a secondary issue. Cheap products that solve minor problems may not necessarily be purchased and expensive solutions may be adopted widely if they solve essential problems. Affordability doesn't create innovation — it increases the chances of adopting innovative solutions.

Innovation doesn't happen at once. Often, it is a process that starts from complex solutions lead by different people from different organizations until it is mature and ready to create impact and influence the market. However, if it is based on a real problem and is simple to use, it has the right ingredients to thrive.

D. SOURCES OF INNOVATION

Where Does Innovation Come From? The Seven Sources of Innovation

Innovation. We all know how important innovating new ideas are for the growth and future of the any business. But where does "innovation" come from? Do you just wake up in the middle of the night screaming, "Eureka!" or is it more nuanced than that?

One of the most prolific management thought leaders, Peter Drucker, defined seven sources of innovation in his book, Innovation and Entrepreneurship (1985):

1. **The Unexpected.** This is indeed the Eureka moment where something unexpected happens that leads to a new product or service. You weren't looking for it; the surprise found you! It is by far, the easiest and simplest source of innovation.

2. **Incongruities.** When there is a discrepancy between what is and what should be, you have an innovation opportunity. It's that weird feeling, an incongruity, between expectations and results. It's a disruption in the logic or rhythm of a process. It just doesn't feel right.

3. **Process Needs.** Perhaps there is a bottleneck or a weak link in a critical process. A substantial (not just a tweak) improvement to the process leads to innovation. The process innovator is always searching and saying, "There has to be a better way!"

4. **Industry and Market Structure.** Industry and markets are always in a continual state of flux. Regulations change, product lines expand, and others shrink. Those that watch these changes may recognize untapped opportunities for new types of products and services.

5. **Demographics.** The changing demographics (age, education, disposable income, etc.) and moving populations are rich sources of ideas for creating new products and services.

6. **Changes in Perception.** Meaning and Mood. Over time, populations and people change. The way they view life changes, where they take their meaning from and how they feel about things changes over time. Savvy innovators detect these shifts and leverage them.

7. **New Knowledge.** New technologies, knowledge and discoveries can completely change an industry. These types of innovations are usually what people mean when they talk about innovation, yet these sources have the longest lead times to commercial development.

   Take each of these sources of innovation and ask, what is going on today and what are the trends going out 3-5 years? What problem can you solve or opportunity can you leverage? These are rich sources of innovative thinking.

   It may not be a Eureka moment, but ALL innovation starts with a small seed of an idea and is refined with research, crowd sourcing and experimentation. Enjoy exploring!

E. TYPES OF INNOVATIONS
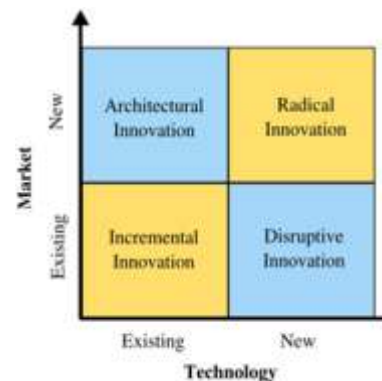
1. **Incremental innovation**

   This is perhaps the most common innovation that happens in every company. The company takes advantage of the technology in use at that point of time. Small incremental changes are made to the current product in terms of new features, design changes, sometimes even the look is changed although the basic product remains the same. This happens all the time. Sometimes the incremental innovation is done by the company itself and sometimes it is done based on market feedback. Actually, a feature could be removed if required. The whole idea is to add value or/and improve customer experience.

   Examples:

   We see in products and services all the time. The PC we used in 1990s and the laptops we use today are an example of incremental innovation. The innovation has happened in terms of memory, various features added and in case of laptops even their weight.

   We can see the same in the mobile handsets that we use. The number of features in the current handsets in comparison to the first handset is phenomenal.

   The same is the situation in our daily products such cars, refrigerators, washing machines etc.

2. **Architectural innovation**

   In case of incremental innovation, we only add to the present product but the product stays in the same market. In case of architectural innovation, the same set of skills, technology is used to create a product for another market. The advantage is that the skills already exist and hence no extra investment is required.

   Examples:

   An example that comes to mind is the use of Eddy Current technology for two completely different markets.

   A company which is working in Eddy Current technology space for non-destructive testing of metals, they used the same technology for detecting metal particles in pharmaceutical tablets. The technology is proven and hence no special new skills and technology are required.

   In case of networked computer systems and flexible manufacturing systems, the core components remain the same, but the relationship between these components and how they link to one another, changes.

3. **Radical innovation**

   It is an innovation replaces an existing business model. It destroys current or

existing business process. The replacement is something completely new. It is the ultimate innovation type. One of the best examples was when Fax communication completely replaced or destroyed the previous Telex communication system. In other words, radical innovation is not just a new product coming to the market but an entire new technology.

Examples:

Netflix started off as a video on demand and DVD by mail kind of a platform and then later expanded its services to even online video streaming, which was the spotlight of its developments. Netflix is a disruptive innovation because it revolutionized how people get their daily dose of entertainment.

4. **Disruptive innovation**

According to Harvard Business Review "Disruption" describes a process whereby a smaller company with fewer resources is able to successfully challenge established incumbent businesses. https://hbr.org/2015/12/what-is-disruptive-innovation

This innovation uses the current business models to offer less expensive and easily accessible products. Some of the examples are Amazon and Netflix are classic examples.

Service innovation and the examples

Service innovation refers to a new or significantly improved service concept, product or process in a new or existing market. It can be for example a new customer interaction or distribution channel, a system that improves the delivery process or new solutions in the customer interface.

The way you serve your customers is a great way to differentiate, generate more value for them and deliver more revenue for your organization. A big part of a successful business is the ability to make your customers lives easier and the better you're able to meet the needs and expectations of the ones you serve, the brighter your future looks like.

Uber is an example of a service innovation company that has created further growth outside its core business. With UberEATS, it has used its strengths and unique capabilities, such as its brand to enter into adjacent markets. The fact that they're already in peoples' phones and that they're already organizing transportation has helped them to extend their line of offerings and provide their customers with new value.

According to igi-global.com/dictionary

1   We define service innovation as any new services developed during innovation processes which are valuable for customers

2   Changes in service concepts or service delivery processes driven by new technologies or organizational competences that create added value

3   Service innovation implies developing a new service or renewal, modification of existing services.

4   Such as new knowledge or technologies that companies incorporate into their service offerings, which results in value for both customers and businesses

Mercedes Launches AR Owner's Manual:

Car owner's manuals are usually not easy to read and follow. Mercedes designed a personalized app that replaced the manual. It also enabled it to track everything about a car and driver. It is called The Mercedes Me service. The app shows a car's features without having to read a manual.

Airport Drop and pick up services:

Previously, the traveller had to be accompanied by someone to the airport especially those who stayed away from international airports. For example, a traveller from Pune would take someone along in train or book a full taxi. The time and expenses of the accompanying person was a total waste. Now the taxi or a mini bus picks up a passenger from home and takes him directly to the airport.

Process Innovation and the examples

A process innovation is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software.

Process innovations can be intended to decrease unit costs of production or delivery, to increase quality, or to produce or deliver new or significantly improved products.

Examples:

Cataract surgeries and McDonalds

*   "Tell me, can cataract surgery be marketed like hamburgers? Don't you call it social marketing or something?

*   There exists backlog of 20 million blind eyes in India", according to Dr Venkataswamy, the founder of Aravind Eye Hospital, India.

*   Established in 1976 with the mission to "eliminate needless blindness" Aravind is today the largest and the most productive eye care facility in the world.

*   Aravind got inspired by McDonalds, and wanted to market cataract surgeries like hamburgers and standardize its offerings across locations on a very premise that Human eye is the same across the world and the treatment could be standardized for improved efficiency and consistency.

*   Comparison can help design a product

Mc Donald's meets Formula 1 The Drive Thru concept is based on the principles of a fast Formula 1 pit stop

This is also an example for benchmarking where a company from one industry adapts a good process from another industry.

F.   RADICAL VS INCREMENTAL INNOVATION:

A radical innovation replaces an existing business model. It destroys current or existing business process. The replacement is something completely new. It is the ultimate innovation type. While in incremental the company takes advantage of the technology in use at that point of time. Small incremental changes are made to the current product in terms of new features, design changes, sometimes even the look is changed although the basic product remains the same. Sometimes the company does the incremental innovation by itself and sometimes it is done based on market feedback. Actually, a feature could even be removed if required. The strategy is to grow sales and profits for existing products and services and also to protect current business models.

An example of incremental innovation is the smartphone industry. Apple designed the first iPhone helped to create a new huge market. Then many companies developed their own first smartphones, willing to get some slices of the huge market.

An excellent example perhaps is the telecommunication industry. Once we sent company to company communication quickly using telex system. These were long message which if sent by telegram would be very costly. Also, there was a good chance of mistakes during the transmission of the message. However, once Fax communication was introduced, telex system became obsolete. Radical innovation is usually introduced through disruptive technology.

Disruptive technology is an innovation that significantly alters the way that consumers, industries, or businesses operate. A disruptive technology sweeps away the systems or habits it replaces because it has attributes that are recognizably superior.

Recent disruptive technology examples include e-commerce, online news sites, ride-sharing apps, and GPS systems.

In their own times, the automobile, electricity service, and television were disruptive technologies.

G. TECHNOLOGY INNOVATION VS BUSINESS MODEL INNOVATION.

In its simplest form, a business model provides information about an organization's target market, that market's need, and the role that the business's products or services will play in meeting those needs. Business model innovation, then, describes the process in which an organization adjusts its business model.

Business model innovation is usually more powerful than technical innovation; it is more disruptive and harder to copy than technical innovation. Business model innovation is usually more powerful than technical innovation; it is more disruptive and harder to copy than technical innovation

When starting a new business, there are two distinct ways to innovate that provide your company the ability to create a sustainable business. Understanding the difference between business and technological innovation and how those innovations are developed and sustained will provide you a clearer roadmap for your start-up.

There are two ways to start a successful business.

Invent something, or invent a better way to do something. Not all entrepreneurs have the technical capabilities to leverage technology to develop a new software program, pharmaceutical drug, or other product that relies heavily on technological innovation. The other option then is to find a better way of doing things using an innovative and disruptive business model as demonstrated by Southwest and Dell.

Many want to be entrepreneurs get bogged down with feeling that they have to create something new in order to be successful at business. Nothing could be farther from the truth. More successful businesses are founded based on the principles of business innovation rather than relying on technological innovation. Technologies change rapidly and new technologies which companies rely on can quickly become outdated leaving the company with no sustainable competitive advantage.

A few examples of companies who had great success with technological innovation, but quickly lost that business in which their technology was first employed are firms like IBM, who is credited with developing the first computers for consumers and businesses. IBM is no where near being the market leader in the consumer PC market, but they luckily held dominant positions in other markets. Lotus 123 developed the first spreadsheet program that quickly lost out to Microsoft Excel. Not because Microsoft Excel was any better than Lotus 123, but because Microsoft was able to deliver a greater value through its business model innovation that allowed them to have Microsoft Excel preloaded on all PC's sold through out the world. Wal-Mart, Dell, Southwest, and Costco all found ways to provide something better to customers, but not anything new for customers. Wal-Mart found a better way to provide lower cost goods to consumers. Dell found a way to deliver less expensive computers to consumers through business model innovation. The same goes for Southwest and Costco, both of whom used innovation in business models to create value for their customers. None of these 4 organizations created anything new that customers had not already purchased elsewhere, they simply created a better or less expensive way for consumers to purchase those same products and services.

According to Michael Porter, there are 3 generic competitive strategies that a firm can employ to create a sustainable competitive advantage and you must choose one for your firm otherwise you risk getting stuck in the middle.

1.   Cost Positioning

2.   Niche Positioning

3.   Unique Positioning

Technological innovation is great, but with out business model innovation, there will be no business. On the flip side, many businesses have thrived through business innovation, with out the need for developing new technology or anything new period.

By focusing on ways to deliver goods & services that we use today in a better manner through one of the 3 core strategies that Michael Porter employs, you can deliver substantial value to your customers. There are many ways to get form A to B, and finding a shorter or better path to helping your customers get to point B will help guarantee your success as a company.

H.   CHALLENGES IN INNOVATION:

The Global Innovation Index was released a few months ago and India was ranked 48th among 131 countries. The World Intellectual Property Organization ranked India 4 steps higher than its position in 2019. This is the first time that India ranked among the top 50 innovative countries in the World. Within six years India's rank rose from 86th in the world to 48.

Challenges Hindering Innovation in Your Organization

- **Mindset issue**

  Innovation is a mindset issue. Since childhood we are not encouraged to think independently. This freezes our mindset not to go for innovation. Once this sets in companies make the same thing and eventually lose out to competition. The concept of innovation needs to be inculcated during the formative years.

- **Innovation Culture**

  The lack of individual innovation or creativity is a challenge for innovation. Progress of the company depends on the employee's ability to generate new solutions and make complex decisions. If this does not happen, we call it lack of innovation culture. It is up to company leadership to make the necessary change.

- **Lack of employee empowerment**

  If employees are not empowered, then innovation simply fails to take off. The law of inertia sets in.

  Innovation becomes a centralized issue possibly with only one group looking into it.

  This leads to other groups become disinterested which obviously is not good for the company.

- **Lack of collaboration**

  Innovation cannot be done in isolation. All departments within and possibly

some agencies outside need to collaborate to bring in innovation. This collaboration keeps new innovation coming in with every department pushing each other.

- **Lack of diversity**

    Lack of Diversity can hurt your innovation. A trait is defined as a quality of someone that is notable. Companies whose leaders exhibit at least three inherent and three acquired diversity traits as having two-dimensional diversity. They are seen to out-innovate and out-perform others.

- **Lack of management support**

    There can be incidences when employees or a group has come up with a innovate idea or concept. But if management does not support it or takes too long to approve, it ends up discouraging the team or individual. Hence management support is absolutely essential.

    Hiring for innovation and subsequently building diverse teams can provide the organization's innovation initiatives with a wealth of ideas generated from different perspectives.

- **Current product offerings are successful**

    Many organizations risk complacency once their current product offerings have reached success. The fear of pulling investment, resources or customer attention from existing offerings can be one of the biggest hindrances to future innovation. However, constant innovation is the key to sustained success long-term.

- **Missed connections with customers**

    Deep customer empathy is the key to understanding changes in demand and staying abreast of future trends; it provides the organization with a roadmap for what problems to solve next. Utilizing customer feedback sessions regularly can help keep your organization tuned in to the needs of your customers.

I. DIFFERENCES BETWEEN INVENTION AND INNOVATION:

Basis for comparison	Invention	Innovation
Meaning	Invention refers to the occurrence of an idea for a product or process that has never been made before.	Innovation implies the implementation of idea for product or process for the very first time.
What is it?	Creation of a new product.	Adding value to something already existing
Concept	An original idea and its working in theory	Practical implementation of new idea.

Skills required	Scientific skills	Set of marketing , technical and strategic skills
Occurs when	New idea strikes a scientist	A need is felt for a product or improvement in existing product
Concerned with	Single product or process	Combination of various products and process.
Activities	Limited to R & D department	Spread across the organisation

Reference: Solveo Co
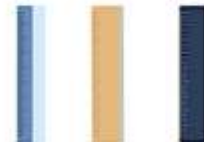
J. SUSTAINABILITY AND INNOVATION

Sustainability & Innovation

"Sustainability is strongly tied to the ability of the company to innovate. Our recent research demonstrates that being a sustainability leader can significantly raise your company's chances of being a top innovator."

\ Sustainability-Driven Innovation Report

Is there a link between innovation and sustainability?

"Sustainability leaders are over 400% more likely to be considered innovation leaders."

"Sustainability can also help drive innovation by adding constraints."

5 Stages of Sustainable Innovation

"Sustainability is a mother lode of organizational and technological innovations that yield both bottom-line and top-line returns."

They also found five key stages of sustainable innovation. They are:

Viewing Compliance as Opportunity

Making Value Chains Sustainable

Designing Sustainable Products and Services

Stage 1:	Stage 2:	Stage 3:
Companies can turn antagonistic regulators into allies by leading the way.	Once companies have learned to keep pace with regulation, they become more proactive about other environmental issues.	In order to identify product innovation priorities, enterprises have to use competencies and tools they acquired at earlier stages of their evolution.

"Sustainability can provide a different 'lens' for thinking: it helps companies to approach situations differently, either thinking about different subjects (e.g., emissions) or thinking differently about existing subjects (e.g., thinking about supply chains from the perspective of making suppliers more sustainable).

Thinking differently can unlock companies' innovative potential—they may see situations from a different point of view, they may reexamine their perspective of what's important, and they can tap into new ideas."

Sources:
http://www.greenprof.org/wp-content/uploads/2013/12/Sustainability_Driven_Innovation_102513.pdf

"Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service."

? Peter F. Drucker,

K.   INNOVATION AND ENTREPRENEURSHIP

"Entrepreneurs innovate. Innovation is the specific instrument of entrepreneurship. It is the act that endows resources with a new capacity to create wealth. Innovation, indeed, creates a resource. There is no such thing as a 'resource' until man finds a use for something in nature and thus endows it with economic value. Until then, every plant is a weed and every mineral just another rock." ? Peter F. Drucker,

Innovation, creativity and innovation are seen as essential for survival and sustainability in the present-day competitive business world. Entrepreneurs have to be in look out for sources of innovation. They have also to keep an eye for indicators, which indicate any opportunity for innovation. Demand for new products is growing exponentially and for doing this innovation is a must. If innovation is not done and supported as company policy, sustainability is simply not possible. We should remember that almost every product or a service has global angle.

Role of Innovation in Entrepreneurship

With the rising competition, many entrepreneurs have started discussing innovation. But what is the meaning of innovation, and why is it important for entrepreneurs? So, innovation is basically the replacement or improvement of something. Innovation is the particular instrument of entrepreneurs with the help of which an individual exploits the changes as a chance for a different business. An Innovative Entrepreneur is one who has the ability to tackle to produce innovative products to meet the market's demands and trends. Innovation in Entrepreneur plays a role in many ways like in:

1. **Creative Development**

   Innovation enhances the nature, creativity, and design thinking process of a brand. A new business can attain the height of success by learning the steps of creativeness. Innovation in Entrepreneurship can open the doors of various opportunities by helping the business to keep up with the current trends.

2. **Persistent Improvement**

   Innovation gives organizational durability when you are making continual improvements. A good entrepreneur will realize the importance of innovation, which will help in increasing the creativity of business.

3. **Reinforcing Your Brand**

   The process of development branding discloses the details, which helps the HR innovation leaders to learn different ways of being more innovative. This thing is highly crucial because it is among the main drivers for triumph.

4. **Making the best of your existing products**

   We know that for an entrepreneur, it is important to introduce new products but more than that, to maintain the innovation culture making the best of old products is more important.

   Improvement of existing products can help a company in increasing their efficiency, profits, etc. With the help of enhancing the design thinking process and with continuous innovative improvements, a company can attract better staff, improving a business's health.

5. **Responding to Trends and Competition**

   HR innovation responds to the current success and current needs and focuses on predicting future trends. With the help of innovation in entrepreneurship, responding to future trends can help an entrepreneur's business to come with solutions to make their business grow more.

6. **Having a Unique Selling Point**

   Consumers generally consider innovation culture as something that adds some interesting values to its products. Innovation in entrepreneurship can add advantages that can help the company in getting positive exposure.

7.   The Use of Social Media

With social media's help in an organization's innovation campaign, one can attract a wide range of ideas using social media. Social can be proved great for motivating, managing, and getting focused on your business.

Social media can help a business to know what are the basic needs of customers, and we can improve our products to fulfill their demands to make our business grow progressively.

Many companies have started arriving with various unique ideas to attract customers and meet their demands. With this thing, competition is also getting a new height, and in this era, it is not easy for an entrepreneur to survive. For an entrepreneur, it can get difficult to survive without any innovative idea, a good team, and various attractive deals.

To make your business survive and grow in this market, it is important to have the right skills with great knowledge to apply innovation to your business. And this thing can only be attained when one has gone to the right institute.

CHAPTER III
INNOVATION MANAGEMENT:

F.   Innovation Management Strategies,

G.   Definitions for innovation and innovation management;

H.   Innovation process,

I.   Intrapreneurship and Innovation- Innovative work environments,

J.   Driving intra-organizational innovation.

A.   INNOVATION MANAGEMENT STRATEGIES

Before we see these let's see what innovation strategies means and we will then discuss their management.

According to Julia Kylliäinen, "Strategy is about making choices between a number of feasible options to have the best chance at "winning", and innovation is just one of the means to achieve your strategic goals."

A company may come up with many innovations. They have to be evaluated in a proper way and then the management has to decide which is the best option going forward. This is absolutely necessary because the budgets are limited and hence best use of resources have to be made.

Company must see to it that their innovation goals and overall business objectives create a unified vision.

When a company has a few innovation options available, it should see which option works for them budget wise and also in which option they will be better than their competition.

Source: Harvard Business Review
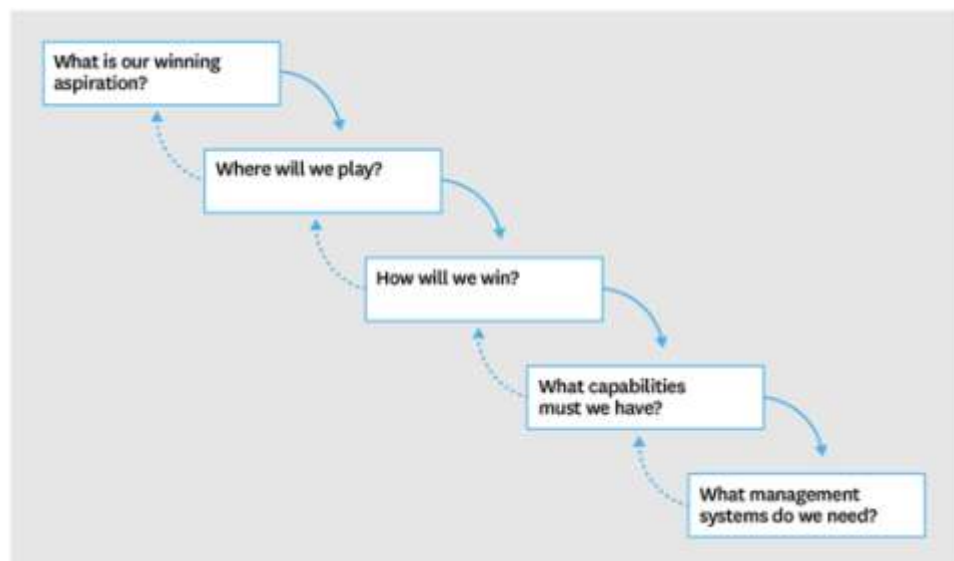
Let us discuss the above in detail.

1.   What is our aspiration?

Here we have to answer two questions.

• **What is our guiding purpose?**

Company's objective in terms of what it wants to achieve with the innovation should be clearly defined. Innovation cannot be done for the sake of it and in isolation. It should be confirmed if the innovation meets the company's overall objective.

• **Are the objectives measurable?**

The company needs to strategize if the objective is to only make an entry or capture a certain percentage market or wants to play in new geographies. This will also help decide the budget of the company. The company has to decide whether it is going to deploy Blue Ocean Strategy or look for a geography where they have no competition to begin with. Value innovation was first introduced in the HBR article called Blue Ocean Strategy and later in the classic book bearing the same name.

2.   Where will we play?

What should be our playing goal ?

In what spaces will we compete?

What current spaces should be changed?

Where will we focus?

3.   How will the company win?

The company has to make a clear strategy to decide it's uniqueness or Unique Selling Proposition USP or Value proposition.

Once this is clear then the related marketing strategies can be finalised. Once a company decides to go for Blue Ocean strategy, the idea is to make the competition irrelevant.

The company must be fully aware that whatever the competitive advantage the company enjoys will not last long as business rivals will attack quickly. Hence both the value proposition and USP should be outstanding.

4.   Assess and develop your core capabilities

The things to be considered are as follows:

• Culture

• R&D

• Behaviours

• Values

• Knowledge

• Skills

As stated in previous chapter, innovation culture takes precedence over everything else. If this culture is missing then other things don't really matter. Another important aspect is the R & D capability of the company and the general pro innovation behaviour of the employees. How much the company values it's innovation and how core much knowledge it already has needs to be evaluated. Innovation skills are different from the basic qualifications. This trait is a must for innovations to be happen in a company. Just saying the company has decided to innovate is not enough to achieve innovation.

Some of these traits are as follows:

The key characteristics of innovative people

- Continuous reflection.
- Unattached exploration.
- Iterating between abstract and concrete thinking.
- Action-oriented.
- Opportunity-focused.
- Mental resilience.
- Intellectual humility.
- Courage.

As one can see, these traits are not available in the market nor can be taught in a school or a college.

5.   Management systems required to take Innovation forward

Christopher Freeman defines the system of innovation as 'the network of institutions in the public and private sectors whose activities and interactions initiate, import, modify and diffuse new technologies'.

This includes the following elements:

- The role of company R&D, especially in relation to technology
- The role of education and training related to innovations
- The conglomerate structure of industry
- The production, marketing and finance systems

The following template will make it easy for the company to figure out if they are going in the right direction.

Source: The Canvas Revolution

To make it easy for the company to find what is required your strategy to work the following aspects must be considered

So, to find out what would have to be true for your strategy to work, consider the following aspects:

- Segments
- Channels
- Customers
- Capabilities
- Costs
- Competition

B.   DEFINITION OF INNOVATION &INNOVATION MANAGEMENT:

Innovation:

Oxford Dictionary

Noun - the action or process of innovating.

"Innovation is crucial to the continuing success of any organization"

a new method, idea, product, etc.

plural noun: innovations

Merriam Webster dictionary:

Essential Meaning of innovation

1: a new idea, device, or method.

2: the act or process of introducing new ideas, devices, or methods

Through technology and innovation, they found ways to get better results with less work.

Innovation Management:

Definition:

The word "innovation" comes from the Latin word "Novus" meaning new. In too simplified terms anything new would mean innovation. According to Cambridge dictionary it means " a new idea or method, or the use of new ideas and methods". While according to Merriam Webster Dictionary it means "1: a new idea, method, or device: NOVELTY 2: the introduction of something new and synonyms are brainchild, coinage, concoction, contrivance, creation, invention.

"Management" is a term that is constantly used in companies. Management or Manager is responsible for managing a task and coordinating activities to achieve a defined purpose and goals.

Therefore, innovation management is the systematic promotion of innovations in organizations and includes tasks of planning, organization, management and control.

The Four Key Elements of Innovation are:

1. Ideation
2. Collaboration
3. Implementation and
4. Value Creation

C. INNOVATION PROCESS

Innovation refers to the introduction of a new quality of a good or a new good, market, method of production, source of supply, and organization in an industry. The most promising thing about the innovation process is being able to actualize an idea into a successful concept.

Importance of Innovation

1. **Solving Problems –**

   If your business provides services, you might realize that your customers do not have an avenue to share their opinions, complaints, and compliments.

   So, to solve the problem, you could decide to operate a virtual office where customers' needs can be attended to within a short time. The customers will be happy and as a result, your sales will go higher.

2. **Adapting To Change –**

   Change is inevitable and innovation is the method to not only keep your

business afloat but also ensure that it remains relevant and profitable. So, when you develop an innovation culture, you remain relevant at all times.

3.   **Maximizing On Globalization –**

Markets all over the world becoming more interlinked and greater opportunities are emerging in these new markets.

For instance, if your company hopes to tap into this market share, innovation is a must to enable you to capitalize on the opportunities opening up.

4.   **Facing Up The Competition –**

To retain or establish your company's cutting edge, you can compete strategically by having a dynamic business that can make strategic and innovative moves and thus cut above the rest.

5.   **Evolving Workplace Dynamics –**

The demographics in the workplace are constantly changing. Innovation is therefore critical to ensure the smooth running of the company.

Customers' changing tastes and preferences: The current customer has a great variety of products and services available to him. Hence, the company must keep itself abreast of these evolving tastes and also forge new ways of satisfying the customer.

Steps of Innovation Process –

Step 1: Idea Generation And Mobilization –

New ideas are created during idea generation. Successful idea generation should involve the pressure to compete and the freedom to explore.

Mobilization occurs when the idea is moved to a different logical or physical location.

For instance, how Apple waited three years after MP3 players were introduced to create the iPod, which was attractive, intuitive, and offered capacity for up to 1,000 songs.

Step 2: Advocacy And Screening –

Advocacy and screening help to evaluate the feasibility of a business idea with its potential problems and benefits.

Hence, a decision can be made about an idea's future. Companies looking to develop a culture can establish a few best practices.

For instance, Employees should have plenty of avenues to receive advocacy and feedback. Also, organizations must understand the difficulties involved in evaluating truly innovative ideas. Also, organizations need to build transparent evaluation and screening protocols.

Step 3: Experimentation –

The experimentation stage tests the sustainability of ideas for an organization at a specific time. Experimentation generates new ideas with the information that is gathered on the results and feasibility of the original idea.

For instance, when Amazon tested its grocery delivery service in certain Seattle suburbs. After this, Amazon Fresh expanded to Los Angeles, San Diego, and New York City.

Step 4: Commercialization –

Commercialization develops market value for an idea by focusing on its impact. An important part is establishing the specifications of any given idea.

Commercialization is the stage that involves the change of focus developments to persuasion. After the idea is clarified and a business plan is developed, it will be ready for diffusion and implementation.

Step 5: Diffusion And Implementation –

Diffusion is the company-wide acceptance of an innovative idea, and implementation sets up everything needed to develop the innovation.

Diffusion and implementation allow the organization to determine the next set of needs for customers. Receiving feedback, indicators for success metrics, and other benchmarks enable the organization to stimulate the innovation process.

Why use a structured innovation process

- **Creates urgency**

    When innovations are being discussed, they are not discussed as it they are required tomorrow. The brainstorming sessions can go for some time and yet at the end of it all, no result is seen. If there is a process in place then deliverables will become possible. As a process, a certain time of the week can be set aside to discuss innovation. Thus routine work will carry on and yet innovation process will not be hindered.

- **Increases efficiency and effectiveness**

    Setting aside a time for innovation will increase the efficiency with which the work on it is being done.

- **Increases performance**

    Since there is a process, every one gets time to improve in weak areas. This is important. The step-by-step approach makes everyone comfortable and involved. Most importantly, it gives time to work on weak areas which everyone has.

Risks of the Innovation Process and their solutions

• **Technological Failure Of The Innovation –**

The biggest risk any company takes in the innovation process is whether or not the new product or idea will work once it is launched. To manage this risk, the company may carry out trials on a small scale to test its effectiveness.

So, if this is done, the necessary adjustments may be made to avert any huge losses once the product is mass-produced.

• **Financial Strain –**

The innovation process is faced with the challenge of draining out the company resources. This is because of the returns that are usually long-term as opposed to immediate.

So, if this is done, averting the necessary adjustments may be made to avert any huge losses once the product is mass-produced.

Create Financial Models With Ease, Make An Accurate Financial Report Today

• **Market Failure –**

Failure in the introduction of new products or technology to the market means that demand would be low and therefore the innovation is not viable commercially.

Hence, you should undertake extensive and in-depth market research before committing limited resources to its development and production.

• **Redundancy –**

With trends in the market, a profitable innovation today may be redundant shortly. Therefore, there must be constant research on how to improve the existing systems, and the factors influencing them to stay a step ahead.

• **Lack Of Capacity For Implementation –**

Lacking the structural and financial capacity to roll out the innovation is always risky. You may choose to look for partners who will assist in your area of lack and thus overcome the challenge.

• **Organizational Risks –**

These risks involve the structuring and running of the business. So, following proper planning and allocation of resources helps to ensure this does not happen.

• **Unprecedented Risks –**

They may involve changes in policies or political instability whose ripple effect spills over hindering the effectiveness of the innovation. Therefore, the business needs to keep a contingency plan to buffer it against such unseen events.

Although finding the right process for innovation may seem difficult, to begin with, the idea is not to follow just one of them. Instead, take some time to test the most promising one and combine different characteristics that might work best for your purposes.

Innovation techniques

Brainstorming

"You can design and create, and build the most wonderful place in the world. But it takes people to make the dream a reality." —Walt Disney

Brainstorming is serious business because this where most of innovative ideas for new product development, new services and intra innovations come up. Since this is an important part of innovation, many techniques have been devised. No one technique is perfect. Each group can work on any or combination or variation. The end result is important.

While the techniques are important, one has to beware of total waste. Team members throw their ideas but sometimes-bad behaviour creeps in, which completely defeats the purpose of brainstorming. Preparing notes and following them up is very important but some where along the line this is not done. Also those who get to speak at the end, lose interest or just cannot articulate their ideas. Hence following techniques meticulously is very important

Brain writing

In this method, a topic for discussion is given in advance and team members are asked to write down their ideas on paper anonymously. This helps avoid person bias and the ideas get discussed impartially. Usually, in brainstorming sessions first ideas get discussed and other ideas which may been better get consigned to the sidelines.

Brain writing

Figure Storming

In this technique, team members try and imagine how a certain celebrity industrialist would have seen the problem and solved it. It gives a member to see the overall picture from the top rather than thinking too personally. A member will think how Mr. Ratan Tata would have seen this idea. This is similar to the concept of 6 thinking hats.

Online Brainstorming – (Brain-netting)

This technique is very important because now global teams which are geographically located in different time zone. Also, in today's pandemic times there are more virtual teams to be handled. Usually, ideas can be tossed in emails

but it is difficult to archive them. These days cloud-based storage, remote working white boarding tools are used to see that the session happens as if they are all in one room. Time zone presents a challenge that needs to be overcome. There are many brainstorming tools that make online brainstorming more visual and collaborative.

Online brainstorming

Rapid Ideation

As the name suggests, this is a technique used when time is of the essence. The team leader gives information on topic, deadline and budget. The session time is also set. In this technique too much filtering of ideas is not done. The time for the session can be anywhere between 5 minutes to 45 minutes. It is like rapid fire questions. People sometimes work best under pressure.

Rapid Ideation

Round Robin technique

In this technique, a circle is formed. The topic is shared and each person gets to offer an idea as per seating position. The coordinator or facilitator writes down the ideas. Evaluation is done only after everyone has had an opportunity to share their idea. This technique is particularly helpful for the team members who keep quiet or are not aggressive.

Round Robin

Starbursting

In this technique the focus is on questions rather than answers. It is akin to a reporter who has questions regarding a story he or she is tracking. In this technique one writes down the problem in the Centre and then begins to answer the questions as seen the diagram below. This helps discuss all the aspects of the project. Asking good questions is the crux of this technique.

Star bursting

Stepladder technique

This is somewhat similar to round robin technique. Once all members gather and topic is shared. This technique was developed in 1992. The man advantage is that everyone in the team is encouraged. The facilitator or coordinator shares the topic and then except two all members are asked to leave the room. The idea is discussed and one more member is added. This continues till all the members have joined and shared their ideas. The stepladder technique is the most mature brainstorming technique as it incorporates both an individual and a group participation aspect.
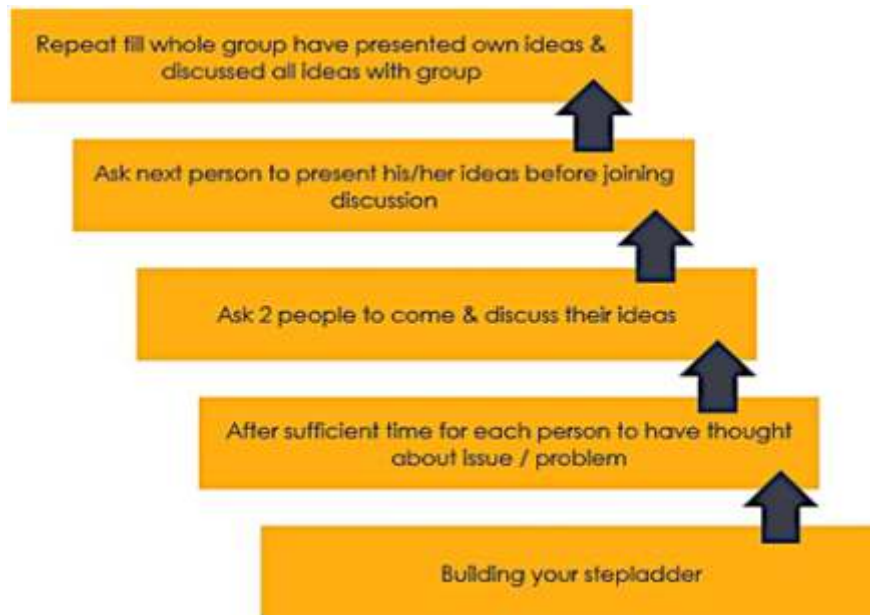
Stepladder

D. INTRAPRENEURSHIP AND INNOVATION

What Is Intrapreneurship?

The term intrapreneurship refers to a system that allows an employee to act like an entrepreneur within a company or other organization. Intrapreneurs are self-motivated, proactive, and action-oriented people who take the initiative to pursue an innovative product or service. An intrapreneur knows failure does not have a personal cost as it does for an entrepreneur since the organization absorbs losses that arise from failure.

An intrapreneurship is a phenomenon of empowering the employees within the organization, by valuing their ideas and converting them into a profit-making model for the business. The organization would bear the associated risk and loss if the intrapreneur's project failed.

It is the combination of employee responsibilities with his/her entrepreneurship skills that creates an intrapreneur. An intrapreneur is the employee who avails an opportunity, develops an idea and takes it to the next level for the betterment of the organization

Encouraging intrapraneurship

For intrapraneurship to truly work, Thompson believes that it must deliver real business value, not just ideas that are never developed and implemented.

"There is a balance that must be achieved for companies seeking to benefit from intrapreneurs," he says. Operations-centric cultures have to discover the value of the creative process, and Thompson believes that creative thinking has been

devalued over the years. "However, there seems to be movement towards valuing ideation and the creative process more, which is a good thing."

And while he believes that companies should listen to ideas from intrapreneurs, he says this should only occur when the ideas have been accompanied by a thorough implementation plan.

Thompson also provides the following five principles to help foster and encourage intrapreneurship:

1. Value the creative process as truly productive time, and (when necessary) give ideas time to incubate

2. Encourage employees to step outside their normal scope of work when they have an idea that's worth exploring

3. Host brainstorming sessions where "outside-the-box" thinking is encouraged

4. Once it's been incubated, ensure that a creative idea is accompanied by a solid operations plan

5. The speed of change in business is at an all-time high and will only move faster; your content and knowledge must be shared across your organization much faster and more broadly

What is intrapreneur example?

One of many great intrapreneurship examples is DreamWorks Animation. The media behemoth that gave us "Madagascar" and "Kung Fu Panda" offers classes in script writing to its animators so they can develop and pitch their own scripts within the company.

Intel

Known for investing in Silicon Valley entrepreneurs, Intel started investing in the ideas of its own staff in 1998. This was called - "new business initiative."

In a year, more than 400 ideas came of which Intel funded about two dozen after evaluation. One of its most successful ventures has been the Vivonic Fitness Planner founded by former Intel engineer Paul Scagnetti, which helped users meet nutrition and exercise goals.

Infosys

With its Zero Distance Innovation Programme, Infosys has been able to create a culture where its employees can think beyond their day-to-day jobs and bring about process improvements and innovation.

It stands testimony to this culture that OnMobile Global, a mobile value-added services firm incubated within Infosys Technologies Ltd. grew into a full-fledged company, and even went public. Infosys also has some great programs like the Infosys Expert Track for extraordinary programmers who can work on futuristic projects. In order to motivate its army of engineers, Infosys also has a lucrative compensation structure where innovation and improvements are incentivized.

Even in Google, employees can use company machines to develop their ideas after office hours. These are discussed once ready and implemented once they are found to be good. Employees are rewarded accordingly. This is an excellent employee incentive.

Intrapreneurship empowers employees within the organization. This is done by valuing their ideas and then offering them an opportunity to convert them into a profit-making model for the business. This has two advantages. The company.

Intrapreneurship is an excellent way to reward self-motivated employees.

The digital camera, conceived by an engineer at Kodak then. It is another story that cameras in smart phones have taken over the market.

10 Intrapreneurship examples from International and Indian companies

- Infosys Technologies.
- ITC India.
- Google (Alphabet)
- SAP Labs India.
- Bosch IERO.
- SONY Computer Entertainment.
- Ford Motor Company.
- Hindustan Unilever.

Comparisison parameter	Entrepreneur	Intrapreneur
Who?	A person who sets up his own enterprise that is fuelled by an idea	An employee of an orgnisation who undertakes innovation
Resources	Uses his/her own resources	Resources are provided by the company
capital	Boot strapped or funded	Financed by the company
enterprise	Newly established	Existing enterprise
Risk	Borne by the entrepreneur	Borne by the company

Examples of intrapreneurship

Innovative work environments

The best incentives do not create an ideal environment for innovation. There are some principles, which the company must follow.

Google perhaps is such a company where the environment is very conducive to innovation.

1. **Flexible working hours**

   Every person has his own space when he works at his best. Needless to say, that flexible working hours cannot be provided in establishments like Banks and Utilities.

   Some persons are loners and they work best when alone, others like a buzz around them. Each one of us follows a circadian rhythm or cycle. Hence some people work best in mornings and others are more efficient later in the day or evening. These cycles must be respected in case of employees who are innovators.

2. Inspiring Interiors

Office décor and productivity are interlinked. An office with a drab look or dark colours or not enough bright light discourages employees in general and definitely innovators in particular. Something as simple as houseplants can help increase productivity. This should not be seen as cost but as an investment.

Photo: Slide in Google to come to lower floor

Swimming Pool, Infosys

3. Opportunities to learn

Innovation cannot happen if the team is not given their space to learn. This could include sending the team to various seminars. Even setting aside a time during company hours to allow them to read and browse would help create the environment to innovate.

4. Relaxation

Too much stress is not conducive to innovation. In most companies the innovators have to also do routine work. If we add to it the stress of commuting, very rush hour working style to meet targets is a sure way for a quick burn out. Lunchtime meditation sessions, short walks can help them relax.

E. DRIVING INTRA-ORGANIZATIONAL INNOVATION.

Innovation is an important source of growth and a key determinant of competitive advantage for many organizations. Achieving innovation requires the coordinated efforts of many different actors and the integration of activities

across specialist functions, knowledge domains and contexts of application.

An organization may have everything in place to take innovation forward but unless internal changes are made in the organization of its workplace or in its external relations, there will be no improvement to use of knowledge available and achieve workflow efficiency.

Creating And Driving A Culture Of Innovation In The Workplace

We live in a modern business world, which is competitive and creative than it was in the past. A more pragmatic system of promoting creativity in the workplace is to assemble an innovation team tasked to come up with ideas and improving a more distinctive aspect of the workplace.

Innovation is not just limited to a group or department, it can occur anywhere within the organization. It makes workflow processes easier with a new technical approach, cost-efficiency with a new solution, or finds a way to make a task more productive.

The bottom-line in becoming an innovative company is to create a culture of innovation in the workplace.

A culture of innovation can be a difference between success and failure in today's competitive environment. Fostering a culture of innovation comes with a preloaded benefit of improved employee engagement and better solutions to a business challenge.

The key to creating a culture of innovation in the workplace is to make innovation a part of day-to-day work life. Employees feel challenged, engaged and valued when they are encouraged to innovate and in turn, positively impacts on employee performance and job satisfaction.

According to recent Accenture study, over 90% of executives think innovation is key to their business success.

A major challenge for any organization is how to build a culture of innovation. There are many strategic ways to influence the flow of innovation and ideas at the organizational level.

Here Are Few Ways To Bolster Innovation In The Workplace:

Choosing The Trailblazer

Identifying the right leader to blaze a trail for innovation at an organization level.

This is one of the crucial steps for organizations who are looking to drive a culture of innovation. Driving innovative culture is not similar to running a business, it needs a strategic approach that encourages the employees to participate in innovative initiatives. Trailblazer can:

1.   Be a frontrunner with imaginative thinking, holistic approach and a fine balance of intuition and rational judgment.

2.   Create positive belief about bringing innovative changes in the organization.

3.   Create dynamic work culture where innovation is the only way to enhance productivity.

4.   Build in the confidence to express creative ideas.

5.   Encourage innovative ideas to take risks and learn from failure.

Build Innovation Culture

Learning processes are critical aspects of innovation. The journey of innovation that results in a sustainable, enterprise-wide adoption depends on multiple factors.

Innovation is everyone's job. In order to make it everyone's job, organizations need to develop key objectives transforming the company to meet the challenges of a fast and challenging future.

Any organization that is about to build a culture of innovation needs to establish: processes for high-quality learning conversations, socializing platforms, idea management tools to gain a significant improvement in creating and capturing ideas.

Ideas Are The Lifeblood Of Business. Capture Every Fleeting Idea And Drive For Change– Richard Branson

Idea management tools like Wave play a great role in fostering employee engagement and involvement using techniques like gamification.

Collaboration

Big wins of tomorrow fundamentally require world-class teams operating in perfect lockstep. Similar minds never produce anything phenomenal. Companies always have a demanding need to work with the unusual suspects. The collaborative approach is remarkably effective at building consensus, increasing levels of motivation and participation, pulling teams together, and training members. It provides a productive deck for experimentation, resulting in more creative ideas.

Introducing collaboration tools in an organization bring people together and provide a modern workplace for experimentation, sharing ideas, building unity and fostering innovation culture.

Artificial intelligence and machine learning applications are taking the collaboration to the next level and allowing humans and machines work together enhancing productivity. Mesh an AI-powered intranet drives collaboration and helps capture effective ideas from employees within the organization.

Invest Time In The Creative Nourishment

The soul of innovation is achieved when organizations are able to build a way for employees to encourage innovative work culture in their workplace. Organizations innovation capacity comes down to its talent pool and its

commitment to building knowledge and competencies one individual at a time.

Don't just address the importance of creativity, demonstrate how does an innovative culture make an organization more effective and innovative ways to find creativity so that they can implement innovation at work.

For example, organizations can dedicate a day to motivate employees to experiment with creative ideas besides their actual job work.

Google founders Larry Page and Sergey Brin wrote in their 2004 IPO letter that "We encourage our employees, in addition to their regular projects, to spend 20% of their time working on what they think will most benefit Google".

Google was the first company to create a business based on innovation. It allows its employers to dedicate 20% of their time to personal projects. Employees who have an idea not related to their job will focus 5-10% of their time on a personal project until they demonstrate the impact of the idea. This initiative has generated some of Google's most successful products including Gmail, AdSense and GoogleTalk.

Respect Failure

Failure is part of the innovation and learning process. Companies should make sure that not every idea will be a success. The essence of innovation is that it takes multiple experiments to successfully create new products and solutions. Organizations should respect every failure, when employees don't have fear of failure, they will take risks for innovation and come up with great ideas.

As risk and return are the two faces of the same coin, organizations looking for higher ROI need to drive the culture of taking the risk. To reduce the chances of failure, organizations need to take a calculated risk.

However, innovation is not about failure but more about the frequency of trial. For example, people or companies like Walt Disney, Arianna Huffington, Steve jobs and many others have built on their failures.

"The phoenix must burn to emerge"

– janet fitch

Recognize And Reward Innovative Talent

An organization has to focus on the effort involved by an employee in the innovation of ideas and reward to drive and create a culture of innovation in the workplace. These way employees get motivated and keep posting their ideas.

The reward system must be designed in such a way that risk taken to create an idea should be valued more than the outcome (from failure). Here are few guidelines that can be used for designing reward system:

- Reward by performance evaluation program focused to encourage innovation.

- Recognize and reward for failure which is learning for future.

- Recognize people in front of group, leaders, large gathering etc. for motivating other employees to innovate.

- Create an accelerated career growth plan for leading innovators.

According to The Deloitte Millennial Survey 2017, Millennials want to work in places where they feel empowered and accountable – where they feel they can make a difference and have an impact.

As organizations focused to prioritize developing an innovative work culture, it is important to consider implementing the right strategies to bring solutions for business challenges. Integrating an idea management software into the digital workplace can capture, collaborate, evaluate and select ideas that will make a great difference.

CHAPTER IV
CREATIVITY:

A.   What is Creativity?

B.   Components of Creativity

C.   Creativity Process and Techniques

D.   Barriers to creativity

E.   Organization and personal factors to promote creativity

F.   Principles and Techniques for Creative Ideas

G.   Six Hat Thinking Exercises and Lateral Thinking Exercises

H.   Methods and Tools for Creative Problem Solving

A.   WHAT IS CREATIVITY?   (AND WHY IS IT A CRUCIAL FACTOR FOR BUSINESS SUCCESS?)

What is creativity and how is it different from innovation?

Creativity is the act of turning new and imaginative ideas into reality. Creativity is characterized by the ability to perceive the world in new ways, to find hidden patterns, to make connections between seemingly unrelated phenomena, and to generate solutions. Creativity involves two processes: thinking, then producing.

If you have ideas but don't act on them, you are imaginative but not creative.

"Creativity is a combinatorial force: it's our ability to tap into our 'inner' pool of resources – knowledge, insight, information, inspiration and all the fragments populating our minds – that we've accumulated over the years just by being present and alive and awake to the world and to combine them in extraordinary new ways."   — Maria Popova, Brainpickings

"Creativity is the process of bringing something new into being. Creativity requires passion and commitment. It brings to our awareness what was previously hidden and points to new life. The experience is one of heightened consciousness: ecstasy."   -Rollo May, The Courage to Create

Is this possible in business? I believe so, but you have to be willing to take risks and progress through discomfort to get to the finish line.

"A product is creative when it is (a) novel and (b) appropriate. A novel product is original not predictable. The bigger the concept, and the more the product stimulates further work and ideas, the more the product is creative."

—Sternberg & Lubart, Defying the Crowd

Why does creativity matter?

Creativity and Economic Development:

We are living in the age of creativity. Daniel Pink in his book, *A Whole New Mind: Why Right-Brainers Will Rule the Future* (2006) defines Economic Development as:

1.   Agriculture Age (farmers)

2.   Industrial Age (factory workers)

3.   nformation Age (knowledge workers)

4.   Conceptual Age (creators and empathizers)

Pink argues that left-brain linear, analytical computer-like thinking is being replaced by right-brain empathy, inventiveness, and understanding as skills most needed by business. In other words, creativity gives you a competitive advantage by adding value to your service or product and differentiating your business from the competition.

As Sam Palmisano said when he was CEO of IBM

"Either you innovate or you're in commodity hell. If you do what everybody else does, you have a low-margin business. That's not where we want to be."

In 2012 IBM started reinventing itself to become a design company, investing $100 million USD to hire designers, and educate 100,000 employees to become design thinkers. IBM helped expand design thinking at the organization over three years to penetrate one quarter of the entire portfolio, enabling $18.6M in increased profits.

Creativity is the Most Crucial Factor for Future Success

IBM's 2010 Global CEO Study stated:

The effects of rising complexity calls for CEOs and their teams to lead with bold creativity, connect with customers in imaginative ways and design their operations for speed and flexibility to position their organizations for twenty-first century success.

Will the rise of Artificial Intelligence (A.I.) put you at risk or make you more competitive?

The Creativity Gap

A 2012 Adobe study on creativity shows 8 in 10 people feel that unlocking creativity is critical to economic growth and nearly two-thirds of respondents feel creativity is valuable to society, yet a striking minority – only 1 in 4 people – believe they are living up to their own creative potential.

Can creativity be learned?

The short answer is yes. A study by George Land reveals that we are naturally creative and as we grow up we learn to be uncreative. Creativity is a skill that can be developed and a process that can be managed.

How to be more creative

Creativity begins with a foundation of knowledge, learning a discipline, and mastering a way of thinking. You can learn to be creative by experimenting, exploring, questioning assumptions, using imagination and synthesizing information. Learning to be creative is akin to learning a sport. It requires practice to develop the right muscles and a supportive environment in which to flourish.

Studies by Clayton M. Christensen and his researchers uncovered The Innovators **DNA:** Your ability to generate innovative ideas is not merely a function of the mind, but also a function of five key behaviours that optimize your brain for discovery:

1. **Associating:** drawing connections between questions, problems, or ideas from unrelated fields

2. **Questioning:** posing queries that challenge common wisdom

3. **Observing:** scrutinizing the behavior of customers, suppliers, and competitors to identify new ways of doing things

4. **Networking:** meeting people with different ideas and perspectives

5. **Experimenting:** constructing interactive experiences and provoking unorthodox responses to see what insights emerge

Sir Richard Branson has a mantra that runs through the DNA of Virgin companies. The mantra is A-B-C-D. (Always Be Connecting the Dots). Creativity is a practice, and if you practice using these five discovery skills every day, you will develop your skills in creativity and innovation.

"Creativeness is the ability to see relationships where none exist."

— Thomas Disch, author, 334, (1974)

For example you can make comparisons between your company and others outside of your industry. Questions I ask my clients' teams in advance of our creativity and innovation ideation sessions are: What companies do you most admire and why? What are they doing that you could adopt or adapt to your own company?

Overcoming myths about creativity

Beliefs that only special, talented people are creative (and you have to be born that way) diminish our confidence in our creative abilities. The notion that geniuses such as Shakespeare, Picasso, and Mozart were `gifted' is a myth, according to a study at Exeter University. Researchers examined outstanding performances in the arts, mathematics, and sports, to find out if "the widespread belief that to reach high levels of ability a person must possess an innate potential called talent."

The study concludes that excellence is determined by:

- Opportunities
- Encouragement
- Training
- Motivation, and
- Most of all, practice.

"Few showed early signs of promise prior to parental encouragement." No one reached high levels of achievement in their field without devoting thousands of hours of serious training. Mozart trained for 16 years before he produced an acknowledged masterwork. Moreover many high performers achieve levels of excellence today that match the capabilities of a Mozart, or a Gold Medalist from the turn of the century." (The Vancouver Sun, Sept.12/98)

Fostering Creativity at Work: Rules.

Follow these simple rules and you will foster a culture of creativity and innovation: HP, which in fact started in a garage, defined These.

- Believe you can change the world.
- Work quickly, keep the tools unlocked, work whenever.
- Know when to work alone and when to work together.
- Share – tools, ideas. Trust your colleagues.
- No politics.
- No bureaucracy. (These are ridiculous in a garage.)
- The customer defines a job well done.
- Radical ideas are not bad ideas.
- Invent different ways of working.
- Make a contribution every day. If it doesn't contribute, it doesn't leave the garage.
- Believe that together we can do anything.
- Invent.

B.   COMPONENTS OF CREATIVITY,

Creativity is comprised of four factors. Just remember this equation:

Creativity = Surprise + Originality + Beauty + Utility.

These creativity test results are scored keeping in mind a number of different creativity criteria.

The most common (common to all of the above) criteria are:

1. **Flexibility:** This captures the ability to cross boundaries and make remote associations. This is measured by a number of different categories of ideas generated.

2. **Originality:** This measures how statistically different or novel the ideas are compared to a comparison group. This is measured as a number of novel ideas generated.

3. **Fluency:** This captures the ability to come up with many diverse ideas quickly. The total number of ideas generated measures this.

4. Elaboration: This measures the amount of detail associated with the idea. Elaboration has more to do with focusing on each solution/idea and developing it further.

    Convergent thinking is measured by tests like remote associations test or insight problems. These problems are solved when you apply one of the methods below:

1. Make a unique association between parts of the problem. This looks again similar to flexibility or how fluid is your categorization schema enabling you to think out of the box and not be limited by typical categories or associations.

2. Take a novel approach (and not the typical approach) to problem solving. To me, this again looks similar to originality.

3. See the problem from a different perspective. To me, this looks like how quickly you can adopt multiple perspectives – the speed with which you can take alternate perspectives and is similar to fluency.

Creativity is also defined as coming up with something that is both novel and useful.

A quote by Oscar Wilde:

"We can forgive a man for making a useful thing as long as he does not admire it. The only excuse for making a useless thing is that one admires it intensely. All art is quite useless."

I understand Wilde to mean that art need not be useful or fulfill the criteria of utility, but is more measured by whether it fulfills the criterion of aesthetics or beauty. As long as one considers art as an integral part of creativity, I think we need to make room for beauty as part of defining what is creative: **creativity = utility + beauty + novelty.**

Novelty itself can be either because the thing in purview is really new or original or it can be familiar yet enigmatic (like Mona lisa's smile) and thus be surprising, or novel/ captivating in that sense.

Thus the modified equation looks like: creativity = surprise + originality + beauty + utility

Taken together these criteria/strategies/definitions that are used to measure and define creativity and solve creative problems, also hint at the underlying factor structure of creativity.

Creativity is made of four factors:

1. The first factor is SURPRISE: whether one produces something that continues captivating attention, even though it becomes familiar over time. This may result from a rare and remote association of ideas or a recombination process that brings familiar things together in an unfamiliar/unexpected way. This is the ability to think beyond conventional boundaries or categories, loosen up the associations and make remote associations between and within categories. This is also related to flexibility with which you can walk across categories and disciplines. An example might be Mona Lisa by Da Vinci or putting a urinal in an art gallery.

2. The second factor is ORIGINALITY: whether one produces something that is really unique and novel and unheard of before. This is creativity that is not just combinatorial but perhaps associated with transforming and transcending. As pre-Pribram novelty is a result of new rearrangements of old ideas. If the first factor is about combination, this may be thought of as permutation or reordering. This is related to originality scores. An example might be cubism by Picasso where the face/familiar objects are rearranged, sort of.

3. The third factor is BEAUTY: whether one produces something that is appealing and aesthetically satisfying. Beauty lies in the eyes of the beholder and is related to subjective preferences. Identifying beauty is a fast and frugal process and as per one conception, we find something beautiful, if we can process it easily (that is why average faces are more beautiful-ease of processing). This is related to fluency scores or the ease with which you can ideate. Expressionisms by Monet et al looks beautiful because it's easy on eyes.

4. The fourth factor is UTILITY: whether one produces something that is useful. As evident from the alternate uses task the utility of something is ambiguous and context-dependent and yet measured objectively and not subjectively. Creativity is the ability to deal with this inherent ambiguity, be comfortable with it, and look at things from multiple simultaneous perspectives to find useful contexts in which to use/ apply it. This is the ability to see if the solution actually solves the problem. Also the ability to elaborate an idea and add details to it, so as to make it useful/ relevant. Here,

one can focus on one stream of thought/ idea and take it to a logical conclusion, adding details and making it complex. The Miniature art of India, that has elaborate details, is an example of this form, and is useful in reconstructing history.

To put in simple words, creativity is generation of new, unexpected, likeable and useful/complex ideas/ things, etc. Creativity happens if something 'stands out' from the crowd.

C.   CREATIVITY PROCESS AND TECHNIQUES

The 7 Steps of the Creative Process

Creativity can however be increased through a combination of the two using the creative process which is composed of seven individual steps.

Creativity and innovation, creativity, innovation

1. **Preparation –** This is the first stage at which the base for creativity and innovation is defined; the mind is prepared for subsequent use in creative thinking. During preparation the individual is encouraged to appreciate the fact that every opportunity provides situations that can educate and experiences from which to learn.

    The creativity aspect is kindled through a quest to become more knowledgeable. This can be done through reading about various topics and/or subjects and engaging in discussions with others. Taking part in brainstorming sessions in various forums like professional and trade association seminars, and taking time to study other countries and cultures to identify viable opportunities is also part of preparation. Of importance is the need to cultivate a personal ability to listen and learn from others.

2. **Investigation –** This stage of enhancing entrepreneurial creativity and innovation involves the business owner taking time to study the problem at hand and what its various components are.

3. **Transformation –** The information thus accumulated and acquired should then be subjected to convergent and divergent thinking which will serve to

highlight the inherent similarities and differences. Convergent thinking will help identify aspects that are similar and connected while divergent thinking will highlight the differences. This twin manner of thinking is of particular importance in realizing creativity and innovation for the following reasons:

- One will be able to skim the details and see what the bigger picture is

- The situation/problem's components can be reordered and in doing so new patterns can be identified

- It will help visualize a number of approaches that can be used tosimultaneously tackle the problem and the opportunity

- One's decision-making abilities will be bettered such that the urge to make snap decisions will be resisted

4. **Incubation** – At this stage in the quest for creativity and innovation it is imperative that the subconscious reflect on the accumulated information, i.e. through incubation, and this can be improved or augmented when the entrepreneur:

- Engages in an activity completely unrelated to the problem/opportunity under scrutiny

- Takes time to daydream i.e. letting the mind roam beyond any restrictions self-imposed or otherwise

- Relax and play

- Study the problem/opportunity in a wholly different environment

5. **illumination –** This happens during the incubation stage and will often be spontaneous. The realizations from the past stages combine at this instance to form a breakthrough.

6. **Verification –** This is where the entrepreneur attempts to ascertain whether the creativity of thought and the action of innovation are truly effective as anticipated. It may involve activities like simulation, piloting, prototype building, test marketing, and various experiments. While the tendency to ignore this stage and plunge headlong with the breakthrough may be tempting, the transformation stage (3rd) should ensure that the new idea is put to the test.

7. **Implementation –** This is where the product of creativity and innovation is made into a reality and it's what defines the difference between inventors and entrepreneurs.

C.   CREATIVE THINKING TECHNIQUES AND THE TOOLS TO USE

Below are eight of my favourite creative problems solving techniques. These don't just apply to content creation either; they can be used in all aspects of life.

1. Mind Mapping

Let's begin with a timeless classic. Mind mapping (aka brainstorming or spider diagrams) is the little black dress of idea generation; it never goes out of fashion. It almost feels wrong to walk into an agency and not see some form of mind map on a whiteboard somewhere.

The key to mind mapping is to take note of every idea that comes up. Don't neglect anything, no matter how far-fetched it may seem. Save the critical selection process for later. Generate as many ideas as possible; the more you jot down, the bigger chance of finding that golden ticket idea.

2. The Checklist

Young children are amazingly creative. Their curiosity, imagination and thirst for knowledge seem boundless. They ask questions about everything, because practically everything is new to them. If you've ever played the 'Why?' game with a kid, you'll know exactly what I'm talking about*. It's infuriating, yet surprisingly enlightening.

As we get older, we tend to stop asking so many questions. We accept a lot more, because it's all been explained to us before. Perhaps it's because of this, that adults are stereotypically perceived as having very little imagination.

Maybe if we asked more questions, our content might be a little bit more imaginative. This is where the checklist technique can help. This is essentially a list of questions, which you should ask yourself before beginning your work.

There are six universal questions that can be asked:

- Why?
- Where?
- When?
- Who?
- What?
- How?

Ask yourself these question (in some form) every time you create content, and chances are you'll come up with some pretty interesting answers.

3. Six Thinking Hats

Developed by Dr Edward de Bono in the early 80s, this popular technique is now used by businesses all over the world. They involve putting on a selection of metaphorical hats when it comes to making a decision. Each hat represents a different direction of thinking.

- White Hat – Facts
- Red Hat – Emotions
- Black Hat – Judgment, Caution

- Yellow Hat – Logic
- Green Hat – Creativity
- Blue Hat – Control

This method can be used in a group or on your own, and you may find yourself 'wearing' more than one hat at once ,You can use the hats to take the ego out of the equation.

4. Lateral Thinking

Another term coined by Dr Edward De Bono, this involves looking at your situation in a different way. The simplest answer is not always right. We solve most problems in a linear fashion, i.e. if something happens it must have been… because of….

We take a step-by-step approach to finding our answers. De Bono encouraged others to look at their situation differently, to step sideways for a second if you will. This allows people to re-examine their predicament from a much more creative point of view.

Say for example you have a client who sells tractors. If you were thinking in a linear fashion, you may feel the need to create content about how great tractors are because you need to sell tractors. Thinking about things laterally though opens up a world of possibilities. Try looking at the bigger picture.

Tractors are a key component to farming, farming produces food and resources. Farms also house animals. A popular children's rhyme about farm animals is Old McDonald, you may wonder how that rhyme came to be. Why not create content around the origin of that rhyme?

That's just a (very) basic example, but you can clearly see how lateral thinking can be used to help inspire you.

5. Random Word Generation

Simply pick two random words and try and tie your content to it in the most imaginative way possible. Simple as that.

6. Picture Association

If you're truly stuck for ideas, perform an image search on your topic of choice, pick a random photo. Work backwards from the picture, developing a story around how the photo was taken.

For example, if you see a picture of a dog looking up at the night sky, ask yourself what it could be thinking. Is it a stargazing dog? Does that dog secretly long to be an astronaut? Perhaps a story about a space dog would be awesome! In fact a space dog would make a great mascot for any business so we could look at the best business mascots. So on so forth.

Characterize the people within the image and the more imaginative of you out there will prevail to develop some fantastic ideas through this technique.

7.   Change Perspective

This can often be hard to do, but try putting yourself in other people's shoes. Sometimes you can get too attached to your own work, I know I always do it. You may be too close to notice that there are faults visible from afar.

Share your ideas with others, and get a fresh pair of eyes to look at your work. Encourage constructive criticism, you don't have to take it all on board, but it may offer up some seriously beneficial observations.

8.   Get Up and Go Out

People underestimate the value of being bored. If you work around screens all day, if can often prove both relaxing and rewarding to just get up and walk about for a bit. Let your mind wander instead of focussing on a task so hard it hurts.

Take a walk around your local woods, indulge yourself in your own personal contemplation montage as you skim rocks across a pond. Let the miracle of nature, and that brief moment of what is hopefully peace and quiet, inspire and energise you.

Similarly, many believe that the practice of meditation, clearing their mind of all thoughts and allowing themselves to be at peace, is a fantastic method to help spur creativity. Although I've never personally tried it, I can see how people might find it rewarding.

Let's Get Tooled Up

Remember that when it comes conjuring ideas, you're limited only by your imagination. Don't hold back either, even the worst of ideas may have some use. The more ideas you generate, the bigger your chances of finding the right solution.

D.   BARRIERS TO CREATIVITY

The better you become at finding creative ways to solve the unavoidable problems of daily life and work, the more successful you will be.

Have you ever felt blocked and uncreative or feel like you can't solve even a simple problem?

You have amazing creative talent and skills; you just have to learn how to unlock your abilities. There are six major obstacles to creative thinking that could be preventing you from learning how to improve your problem solving skills for business success. If you fail to recognize any of them, they could be holding you back.

1.   Lack Of Direction From Yourself or Others

The first obstacle to creative thinking is the lack of clear goals and objectives, written down, accompanied by detailed, written plans of action.

When you become crystal clear about what you want, and how you are going to achieve it, your creative mind springs to life. You immediately

begin to sparkle with ideas and insights that help you to move forward and improve your creative skills.

2. **Being Afraid of Failure**

The second major obstacle to creative thinking is the fear of failure or loss.

It is the fear of being wrong, of making a mistake, or of losing money or time. As it happens, it is not the experience of failure that holds you back. You have failed countless times in life and it hasn't done you any permanent damage.

It is the possibility of failure, the anticipation of failure that paralyses action and becomes the primary reason for failure and ineffective problem solving.

3. **Being Afraid of Rejection**

The third major obstacle to creative thinking is the fear of criticism, or the fear of ridicule, scorn or rejection.

It is the fear of sounding dumb or looking foolish. This is triggered by the desire to be liked and approved of by others, even people you don't know or care about. As a result, you decide that, "If you want to get along, you have to go along."

It is amazing how many people live lives of underachievement and mediocrity because they are afraid to attempt to sell themselves or their ideas for success.

They are afraid to ask someone to buy or try their product or service. As a result of these fears of rejection and criticism, they play it safe and settle for far less than they are truly capable of earning.

4. **Never Changing or Adapting to the Situation**

A major obstacle to creative thinking is called "homeostasis." This is a deep subconscious desire to remain consistent with what you have done or said in the past.

It is the fear of doing or saying something new or different from what you did before. This homeostatic impulse holds people back from becoming all they are capable of becoming and from achieving success.

In homeostasis, there seems to be an irresistible unconscious pressure that brings you back to doing what you have always done.

Unfortunately, this tendency leads you into your own "comfort zone." Your comfort zone, over time, becomes a groove, and then a rut. You become stuck. All progress stops. In no time, you begin to use your marvelous powers of rationalization to justify not changing.

5. **Not Thinking Proactively**

The fifth obstacle to creative thinking for success is passivity. If you do not continually stimulate your mind with new ideas and information, it loses its vitality and energy, very much like a muscle that is not exercised.

Instead of thinking proactively and creatively, your thinking becomes passive and automatic.

A major cause of passive thinking is routine. Most people get up at the same time each morning, follow the same routine at their jobs, socialize with the same people in the evenings, and watch the same television programs.

As a result of not continually challenging their minds, they become dull and complacent. If someone suggests or proposes a new idea or way of doing things, they usually react with negativity and discouragement. They very soon begin to feel threatened by any suggestion of change from the way things have been done in the past.

6.   You Rationalize and Never Improve

The sixth obstacle to creative thinking is rationalizing. We know that human beings are rational creatures, but what does that mean?

Being rational means that we continually use our minds to explain the world to ourselves, so we can understand it better and feel more secure. In other words, whatever you decide to do, or not do, you very quickly come up with a good reason for your decision.

By constantly rationalizing your decisions, you cannot learn to improve performance.

E.   ORGANIZATION AND PERSONAL FACTORS TO PROMOTE CREATIVITY.

What are the organizational factors that affect creativity?

There are five key factors that affect organizational creativity, namely organizational climate, leadership style, organizational culture, resources and skills and the structure and systems of an organization.

How can organizations promote creativity?

Six ways to inspire creativity in the workplace

1.   Encourage creativity with an inclusive team environment. ...

2.   Promote creativity through office design. ...

3.   Provide freedom and flexibility in how work is done. ...

4.   Offer the space for knowledge sharing. ...

5.   Encourage the practice of self-reflection. ...

6.   Support employees in creative risk-taking.

What are the factors that encourage creativity?

Individual characteristics of creativity favoring the process and product of creativity. Sternberg and Lubart (1995) propose that personality, intelligence, knowledge, thinking style, motivation, and environment are factors associated with creativity.

F.   PRINCIPLES & TECHNIQUES FOR CREATIVE IDEAS

Three Basic Principles Behind Creative Thinking

Unfortunately, this variety leaves the impression that no one really knows how to stimulate creativity. However, rather than being an indication of chaos in the field, the variety of methods is really an indication of just how easy it is to develop your own creative thinking tools.

Despite the diversity of tools to support creative thinking, all such tools are based on three simple principles: attention, escape, and movement.

The tools of creative thinking are simply various combinations of practical ways to implement this heuristic—to focus attention, escape the current reality, and continue mental movement. The relative weights given to attention, escape, and movement, and the mechanics of directing these three mental actions, vary among the methods. But this variation makes sense because each situation we encounter is different, each group is different, and each person is different. Once we understand these three basic principles, we can adapt techniques to suit various needs, situations, and personalities.

1.   Attention

Creativity requires that we first focus our attention on something; typically something that we have not focused much attention on before. The primary innovation of the Apple Macintosh computer in the early 1980s was that its designers focused not on raw computing power, but on the user interface. By focusing attention on things that are normally taken for granted (in this case, the command line interface predominant in the early 1980s), creative thinking techniques prepare our minds for breakthroughs (here, the graphical user interface).

All methods for creative thinking require that we do something to focus attention. For example, one author proposes that we construct a mental, slow motion movie of a situation looking for aspects that we have previously overlooked. Similarly, Nadler and Hibino (1994) suggest that we spend time writing alternative statements of an issue and placing them in what they call a purpose hierarchy, rather than simply diving into the issue.

2.   Escape

Having focused our attention on the way things are currently done, the second principle behind all creative thinking methods calls us to mentally escape our current patterns of thinking. For example, stating what is known as a Leaping Provocation is a direct method for inviting mental escape from current patterns of thinking. To a group working to decrease the time that customers wait to receive a service, we might say, "They have passed a law making it illegal for customers to wait more than 30 seconds; what are we going to do now?" The statement invites us to escape our current paradigm about customer flow and, for a moment, imagine a very different world.

The principle of escape explains why a simple walk in the woods can bring

about creative thoughts. When we walk in the woods, we escape the confines of the current ways, both mentally and physically. Similarly, staring at yourself in the mirror while you shave or put on make-up provides a momentary mental escape that may allow a novel mental connection about a work problem to emerge. I am not suggesting the use of these relatively passive techniques in the active pursuit of directed creativity. I think we can do better. But, to the extent that simple distraction works in creative thinking, it works because it is a means of mental escape.

3.   Movement

Simply paying attention to something and escaping current thinking on it is not always sufficient to generate creative ideas. Unfortunately, the natural mental processes of judgment tend to reject new thoughts as not productive or too ridiculous to dwell on. Movement—the third underlying principle behind the diverse tools of creative thinking—calls us to keep exploring and connecting our thoughts.

Movement is a key principle behind the classic creative thinking technique of brainstorming. The ground rules of brainstorming are to generate as many ideas as you can, with no criticism, building on the ideas of others. In other words, keep moving. Similarly, asking a group to come up with a sketch that illustrates their vision of the company's future is also a movement technique. You can't simply state the vision and be done with it, your mind must dwell on it long enough to complete the sketch. During that time, the mind—which is never idle—generates new connections and ideas that might expand the basic concept.

4.   The Value of Understanding the Three Principles

The benefit of this simple, three-part structure is that it opens the way to the development of an infinite number of methods for directed creativity. You can now develop your own techniques. Importantly, you can develop techniques that are specifically suited to the issues you are dealing with, to your own personality and preferences, or to the subtle dynamics of a particular group. As long as your new technique contains elements that focus attention, provides escape from the mental patterns normally associated with the topic, and encourages a high level of flexible mental movement, you can be reasonably assured that it stands as good a chance of working as any other technique you may have read about. If your technique doesn't bring you success initially, you can modify the means or mixture of attention, escape, and movement and try again. There is no magic in the methods written down in books; at least no magic that you cannot duplicate on your own.

G. SIX HAT THINKING EXERCISES AND LATERAL THINKING EXERCISES.
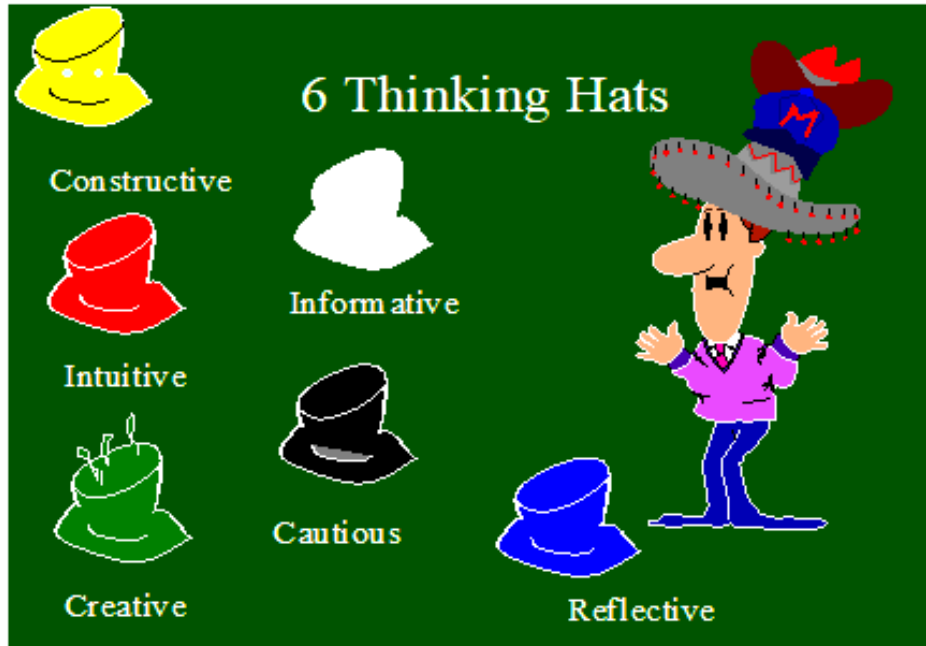
Six Hats Thinking Exercises

Since business leaders do so much of their work as teams, teamwork skills and interpersonal communication are increasingly important for professional success. To help students develop competency in these areas, many educators believe that we need to do more than simply give them teamwork experience; we need to teach teamwork.

We use a number of methods to teach teamwork—conventional methods such as information about teamwork in the textbook and regular coaching of teams, plus more innovative methods, such as our team process checks, emphasis on team standards, and teamwork memos to help students reflect on what their teamwork experience and on themselves as team members.

The "Six Hats" exercise, from Edward De Bono, is an exercise that John Boyce introduced on teamwork. The exercise promotes collaboration and creativity by providing a structured way for team members to analyze their design concepts and prototypes.

How the exercise works

Each team member adopts a different role—or "wears" a different hat—to offer a perspective on the design. This encourages a variety of ideas, thus helping the team avoid "groupthink." Referring to the hats by their color instead of their symbolic characteristic (see below) encourages honest discussion while preventing people from feeling attacked. For example, it's less confrontational to say to someone, "Take off your black hat for a moment" than to ask him or her to "stop being so critical and negative."

The exercise can be used to analyze one or more designs. If time permits, team members can switch roles (or "hats"). Alternatively, the whole group can wear the

same color hat and give an opinion from that perspective, before assuming a different color hat.

Colour	Characteristic	Typical action
Black hat	Gloomy & logical-negative, but truthful; negative assessment (but not an argument, & not negative	Point out what might not work. Examine assumptions & implications. Identify patterns, risks, and possible failures. Yes that works, but . . .
Yellow hat	Sunny & positive, optimistic, hopeful (but not unrealistic, not just "good feelings"; positive assessment	Look at the benefits; explore possibilities. Make something better. Offer suggestions. Generate proposals.
White hat	Neutral, objective, concerned with facts &figures	Give or ask for information, facts, figures – without making an argument about them. Decide if things (information) are completely true, sometimes true, never true etc.
Red hat	Emotional, opposite of neutral, maybe angry	Give your gut feeling, speak your hunches; no need to justify your reaction; you don't have to be consistent while wearing your red hat.
Green hat	Creative, abundant, growing (think "grass")	Cut across patterns (new thinking). Replace "judgment" with "movement"; try to think forward instead of backward. Provoke new ideas. Offer alternatives.
Blue hat	Cool: controlled, organized; big picture	Ask questions; define problems; set tasks. Choreograph the other hats. Observe, comment, summarize, conclude

Lateral Thinking — How to Boost Your Creativity

Lateral thinking means taking a creative approach to a problem or challenge. It's a great skill to have at work.

Here we'll talk you through what the ability is, and give some examples of lateral thinking skills.

What is lateral thinking?

It essentially means being able to think creatively or "outside the box" in order to solve a problem.

Usually, logical thinking is used to solve problems in a direct, straightforward way (also known as vertical thinking). Lateral thinking however, looks at things from a sideways perspective (also known as horizontal thinking), in order to find answers that aren't immediately apparent.

Vertical and Lateral Thinking

When we solve problems, when we ideate new concepts or when we generate new ideas, we generally choose between two different approaches: the vertical and the lateral thinking one. We do this unconsciously. — However, most of the time we stay in the vertical thinking mode.

Why do we bother about all this stuff? — Vertical thinking is synonymous with logical thinking. In vertical thinking mode, we carry a chosen idea forward. We come to a solution by deducting logically one piece from the other. When thinking vertically we are analytical, careful and precise, taking the data around a problem and analyzing it with defined methodologies to find logical solutions.

Instead, lateral thinking triggers fresh ideas by changing the frame of reference continuously. In lateral mode, we view a certain subject from different perspectives. A lateral thinker understands vertical thinking but chooses deliberately to think outside of this bounded thought process. Lateral thinking is solving problems through an indirect and creative approach, using reasoning that is not immediately obvious and involving ideas that may not be obtainable by using only traditional step-by-step logic.

Edward de Bono coined the term of lateral thinking first. For de Bono lateral thinking is "addressing the problem always from different perspectives." ((see Wikipedia, Lateral Thinking.)) The most prominent lateral thinking technique is his "Six Thinking Hats".

Edward deBono introduced his "Six Hats" technique to address issues from all different perspectives as possible: Information: (White) – considering purely what information is available, what are the facts? Emotions (Red) – instinctive gut reaction or statements of emotional feeling (but not any justification). Bad points judgment (Black) – logic applied to identifying flaws or barriers, seeking mismatch. Good points judgment (Yellow) – logic applied to identifying benefits, seeking harmony. Creativity (Green) – statements of provocation and investigation, seeing where a thought goes. Thinking (Blue) – thinking about thinking.

Here is probably the best known and most celebrated of all lateral thinking puzzles. It is a true classic. And although there are many possible solutions which fit the initial conditions, only the canonical answer is truly satisfying.

The Man in the Elevator

A man lives on the tenth floor of a building. Every day he takes the elevator to go down to the ground floor to go to work or to go shopping. When he returns he takes the elevator to the seventh floor and walks up the stairs to reach his apartment on the tenth floor. He hates walking so why does he do it?

Here's the solution

For example, when solving creepy riddles like Black Stories the players use lateral thinking. They focus their solution proposals from several different perspectives. The suggestions made necessarily are not related to each other nor a logical consequence. Merely, the players follow an indirect and creative approach. They throw ideas on the table that may not be obtainable by using only traditional step-by-step logic. They jump from one option to a totally different by random — only guided by the more or less illustrative or cryptic hints of the narrator.

Why Is Lateral Thinking Difficult?

Ok, all of us admit that lateral thinking is very helpful to support ideating new and fresh ideas. However, most of the time all of us stuck always in the vertical mode, instead. Switching from vertical to lateral thinking is extensively and takes us quite an effort. And we do it deliberately only.

Why takes us always lateral thinking quite an effort? — Why do we use lateral thinking deliberately only?

How to Apply Lateral Thinking to Your Creative Work

The magic of lateral thinking is that it breaks up your frame of thinking. However disruptive breakthroughs you get only if you break your habits and assumptions. Use the following five tricks to trigger lateral thinking in your daily work.

1. **List the assumptions** — when faced with a question (problem, challenge, etc.), write out the assumptions inherent to the question.

2. **Verbalize the convention** — ask yourself "What would the straightforward approach be?". Map out the obvious, straightforward solutions. Then question the conventions: "What else would work?"

3. **Question the question** — Try to rewrite the question. Rearrange the pieces to form a new scenario.

4. **Start backwards** — often solving a problem is easier, when you start with the solution first, and try to work backward.

5. **Change perspective** — to kickstart lateral thinking, you might do well to pretend you were someone else trying to solve the problem.

Lateral Thinking Exercises

CREATE AN ADVERTISEMENT TO SELL A MOBILE HOME

Consider the perspectives of prospective buyers.

Elderly people:

- Safety and security imagery;

- Images of a close community/bond with neighbors;

- Show off the security at the entrance to the park;

- Make sure you highlight any "convenience" advantages like shops/bus/doctor etc.

Investors:

- Give an estimate of the rent potential;

- Explain the low maintenance features;

Buying for relocation:

- Demonstrate/explain mobility;

- Show any versatility of the layout/interior/extensions;

- Show imagery of "granny flat" potential.

I rushed this exercise due to family about to arrive. The above ideas took about one or two minutes, and I'll bet that they already SMASH the ideas of competitive ads. Alternative Perspectives is a very powerful and easy to use lateral thinking tool.

YOU TRY THIS:

1. Imagine that you are creating an ad to sell a boat;

2. Consider the ALTERNATIVE PERSPECTIVES of others to see what great ideas you can come up with.

THE TOP FIVE LATERAL THINKING PUZZLES

Lateral thinking puzzles are strange situations in which you are given a little information and then have to find the explanation. They are solved through a dialogue between the quizmaster who sets the puzzle and the solver or solvers who try to figure out the answer. The puzzles as stated generally do not contain sufficient information for the solver to uncover the solution. So a key part of the process is the asking of questions. The questions can receive one of only three possible answers – yes, no or irrelevant.

When one line of enquiry reaches an end then another approach is needed, often from a completely new direction. This is where the lateral thinking comes in.

Some people find it frustrating that for any puzzle it is possible to construct various answers which fit the initial statement of the puzzle. However, for a good lateral thinking puzzle, the proper answer will be the best in the sense of the most apt and satisfying. When you hear the right answer to a good puzzle of this type you should want to kick yourself for not working it out!

This kind of puzzle teaches you to check your assumptions about any situation. You need to be open-minded, flexible and creative in your questioning and able to

put lots of different clues and pieces of information together. Once you reach a viable solution you keep going in order to refine it or replace it with a better solution. This is lateral thinking!

This list contains some of the most renowned and representative lateral thinking puzzles:

1.   **The Man in the Elevator**

A man lives on the tenth floor of a building. Every day he takes the elevator to go down to the ground floor to go to work or to go shopping. When he returns he takes the elevator to the seventh floor and walks up the stairs to reach his apartment on the tenth floor. He hates walking so why does he do it?

This is probably the best known and most celebrated of all lateral thinking puzzles. It is a true classic. Although there are many possible solutions, which fit the initial conditions, only the canonical answer is truly satisfying.

2.   **The Deadly Dish**

Two men went into a restaurant. They both ordered the same dish from the menu. After they tasted it, one of the men went outside the restaurant and shot himself. Why?

3.   **The Coal, Carrot and Scarf**

Five pieces of coal, a carrot and a scarf are lying on the lawn. Nobody put them on the lawn but there is a perfectly logical reason why they should be there. What is it?

4.   **Trouble with Sons**

A woman had two sons who were born on the same hour of the same day of the same month of the same year. But they were not twins. How could this be so?

5.   **Push that Car**

A man pushed his car. He stopped when he reached a hotel at which point he knew he was bankrupt. Why?

H.   METHODS AND TOOLS FOR CREATIVE PROBLEM SOLVING.

7 steps of the creative problem solving process

The creative problem solving process can be broken down into seven steps.

1. **Identify the goal**

   Before solving the problem, you need to fully understand the problem you're trying to solve. You may have overlooked or misunderstood some details. Take some time to analyze the conflict and clear up any confusion.

2. **Gather data**

   Once you know what the problem is, you need to learn all you can about it. Who does the problem affect? Who is involved in solving the issue? Gather all the knowledge you can to gain a better understanding of the issue and to solve it.

3. **Formulate challenge questions**

   After you've gathered the details, turn the problem into a question. Word the question in a way that encourages suggestions or ideas. It should be short, concise, and only focus on a single issue. Once you've created one or two questions, start trying to answer them.

4. **Explore ideas**

   This step is where the brainstorming begins. You will be creating possible ideas or solutions to the problem you're facing. This is usually when the creativity really starts to flow. With so many ideas flowing, it's crucial that you write each of them down—even the stupid ones. Even if the idea you come up with has little to no chance of working, write it down. Trying to sort out bad ideas from the good ones during this step can squash creativity.

   To keep your ideas organized, consider using flowcharts or mind mapping templates from lucid chart. They will capture all your ideas and help you zero in on the perfect solution.

5. **Come up with solutions.**

   Weed out the average ideas from the winners by testing each one. See if the possible solution actually solves the problem and if you can implement it successfully. If the potential solution doesn't resolve the issue, move on to the next idea. Evaluating each idea will help you zero in on the perfect solution.

6. **Create an action plan**

   Now that you have the perfect solution, you'll need to create an action plan outlining implementation steps. Consider what resources you'll need and how long it will take. Then write it all down. Once you create the plan, communicate the approach to the rest of the team so they're aware of what's happening.

7. **Take action**

   With your plan created and your team on board, it's time to implement your solution and resolve the problem.

Creative Problem solving (CPS) techniques

Just knowing the process behind CPS isn't enough. Below are a few of the techniques you can use to help you through the CPS process:.

Brainstorming: Using this technique allows you to collect a number of ideas that can be a potential solution to a problem and can be used in either a group or individual setting.

Mind mapping: Mind mapping helps keeps your ideas organized by representing them in a graphical manner.

Reversal of problem: Trying to solve a problem using traditional problem solving methods can sometimes end in roadblocks. This technique forces you to think about a problem from a new perspective.

Looking beyond something's function: Thinking about how you can use something beyond its typical function is a common CPS technique.

SCAMPER: This acronym can help you come up with new ideas. Each letter stands for a way you can manipulate an original idea to come up with something new:

- Substitute
- Combine
- Rearrange
- Eliminate
- Put to other uses
- Magnify
- Adapt

Why use CPS

No matter what profession you're in, you will face challenges. There will be times when traditional problem solving techniques just don't do the trick. That's when you can take advantage of CPS to help uncover the best solution to your problem.

CHAPTER V
CRAFTING BUSINESS MODELS
AND LEAN START-UPS:

A.   Introduction to business models

B.   Creating value propositions

C.   Conventional industry logic

D.   Value innovation logic

E.   Customer focused innovation

F.   Building and analyzing business model

G.   Business model canvas

H.   Introduction to lean startups

I.   Business Pitching

A.   INTRODUCTION TO BUSINESS MODELS

Understanding how businesses work is the first step to initiate any business model innovation process. If we can't grasp the essentials of what makes a proper business model it would be very difficult, if not impossible, to change the way our company works. For that purpose, we need some tools that help us to focus on what really matters and avoid cognitive traits and misunderstandings. In this post we would like to show a glimpse to BMI Lab´s method for business model innovation. We will explain how you can define any business model and we will give you some examples of successfully used business model patterns.

Defining business models

Defining a business model requires a framework to address the basic elements that make it. In BMI Lab we have developed an analysis framework, which shows the four key elements we need to keep in mind: Who?, What?, How?, and Why?.

Why do we need a business model?

Business model is important because it provides the investors the knowledge about the competitive edge of the company and provides better insight into working of the company. A strong business model leads to cash generation and future expansion.
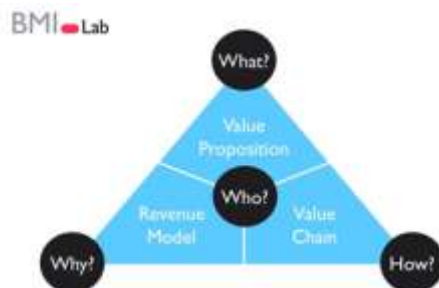
Types of Business Models:

We will discuss here about 4 types of business models:

1. **Business -To- Business Models (B2B):**

    When the dealings or the transactions take place between two companies or the business then this type of business model is known as business to business models.

    It has good market predictability and more market stability. Since under B2B sale is made in bulk amount this model leads to lower cost for the businesses.

    The best example of this type of business model in India is IndiaMart which is a wholesale B2B marketplace. It offers millions of products to its customers, which includes consumer electronics, machinery, apparel and many more.

2. **Business -To-Consumer Models (B2C):**

    Business-2-consumer business model is a model that refers to businesses that sell their services or the products directly to the consumer who are the end users of the products or services.

    There is an ongoing demand for the products as it provides the essential items. This thus eliminates the risk of fluctuation in demand and helps in maintaining consistency in the business. Since direct contact is there with the customer's so information is shared with them directly and easily.

    Customers are given products at a low price compared to its competitors for the business to run smoothly.

3. **Subscription Based Models:**

    Any application based businesses or software companies have subscription based business models. They offer their product as a onetime purchase, in return company earns monthly or annual revenues.

    This type of business model allows the company to earn regular income by giving the client the opportunity to pay for the cost of the purchase in 12 equal payments rather asking them to pay the wholesome amount at one go.

4. **On-DEMAND BUSINESS MODEL**

    It is the most recent form of model, which is made out on the need by answering immediately. Under this type of business model is prepared in such a way where all the questions will be answered by just a click of a button in seconds.

    It is very much convenient and easy for customers as even before customers have visited the particular city they get their hotels or places booked.

    One of the example is make my trip which allows the customers to plan the holidays and make the bookings in advance.

Advantages of Business Models

- A good business models gives the company a competitive edge in the industry.

- A strong business model provides the company good reputation in the market place encouraging the investors to remain invested in the company.

- Making the business model strong leads to an ongoing business profit leading to increase in cash reserve and new investments.

- Proven business model brings a financial stability in the organization.

- Business models have disadvantages as well.

Disadvantages of Business Model:

- Once a business model is created, then it restricts to implement new ideas for the product.

- Creating a business model is time consuming, as lot of factors needs to be considered.

- There might be a chance that business model may turn out to be inaccurate.

- Apart from the disadvantages, business model is mandatory to be prepared before starting of a new project.

B. CREATING VALUE PROPOSITIONS
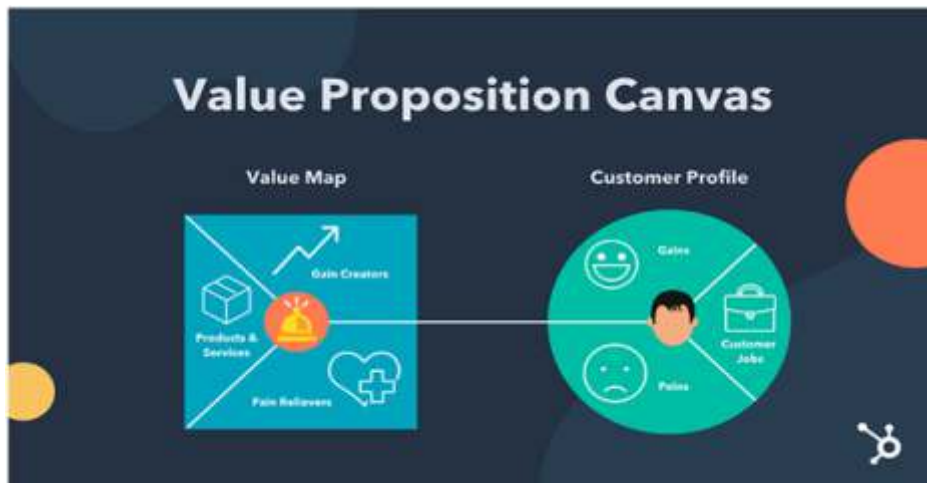
What is a value proposition?

A value proposition is a statement that conveys what a brand does and how it differs from competitors. It's typically developed as part of a broader marketing strategy and no more than a few sentences long. The initial proposition can be bolstered with statistics and facts that prove the brand's stated value.

Having a value proposition is important because it clearly and concisely communicates what customers can gain from selecting your brand over that of your competitors. This statement can be used in several ways, including:

- On your company's website to help convert potential leads into customers

- When pitching your company to investors

- As an answer to the question, "So, what exactly does your company do?"

As an entrepreneur, it's your job to be your organization's number one advocate and garner the support of others. A short, clear value proposition can stick in the minds of investors, potential customers, friends, and relatives, ensuring your brand's value isn't lost in translation.

To begin crafting your brand's value proposition, start with an understanding of the jobs to be done theory.

How to Write a Value Proposition

1. Identify your customer's main problem.

2. Identify all the benefits your product offers.

3. Describe what makes these benefits valuable.

4. Connect this value to your buyer's problem.

5. Differentiate yourself as the preferred provider of this value.

Step 1: Identify your customer's main problem.

While this will require some upfront research, you can get a head start on this aspect of the value proposition by speaking with different members of your team. Customer service reps, marketing specialists, and salespeople can fill in the gaps about what problems your customers are looking to solve by using your product or service.

For example, let's say your business sells tax software on a subscription basis and automated templates are included in the software package. Your ideal customer is looking for an affordable and user-friendly way to access complicated tax documents for their business. In this example, your business's offerings could be the solution they need.

Step 2: Identify all the benefits your products offer.

This step can be as simple as listing out every product you sell and describing its benefit. The benefit should be concise and focused on a single customer need.

In our tax software example, you'd list each tax template, explain the benefit it provides, and why a customer would need it.

Step 3: Describe what makes these benefits valuable.

Next, add another sentence that explains why this benefit matters to the customer.

Using the same example above, the value would be that customers have affordable tax documentation at their fingertips — something that would normally cost them thousands of dollars.

Step 4: Connect this value to your buyer's problem.

Next, pair the buyer's problem to the elements that make your product or service

valuable. Do they align? If so, you're ready to refine your value proposition to differentiate your offerings from the competition. If they don't align, repeat the steps above until you find a valid buyer need and a viable solution your business offer to meet that need.

Step 5: Differentiate yourself as the preferred provider of this value.

Finally, polish your value proposition to make it unique. Is there a specific customer service offering your business provides that others don't? Do you offer any additional services that other companies charge for? These elements can help differentiate your value proposition from competitors while keeping the focus on the buyer's needs.

Tactics to Develop an Effective Value Proposition

1. **Conduct research to determine the value proposition of your competitors.**

    Because your value proposition is the differentiating factor between your business and the competition, it's important to research the propositions of your closest competitors. You can use the value proposition canvas below to determine how each company meets the needs of your buyer persona.

    Be honest here — it's tempting to focus on the areas in which your competition doesn't excel, but you'll have a better idea of where your product or service fits within the market if you key in on your competitors' strengths.

2. **Explain the value of your products and services.**

    You're probably familiar with outlining the features and benefits of your product and service offerings. This tactic takes that concept a step further. By matching the benefits of your offerings to specific values that your customers have, you'll be able to align what your business provides with what your customers need.

3. **Describe the benefits your ideal customer will experience when they choose your product or service over the competition.**

    When crafting this part of your value proposition, include details about how your product or service will benefit the customer and use examples where you can. Videos, photos, and live demonstrations are all effective ways to illustrate your value proposition because they show the customer exactly what they can expect from your business.

4. **Develop a unique value proposition for each buyer persona you serve.**

    Ideally, you'll be focusing your marketing efforts on a specific target audience. You'll also find that this audience will have different needs based on their buying behaviors. Buyer personas can help you segment your larger audience into groups of customers with similar desires, goals, pain points, and buying behaviors. As a result, you'll need a unique value proposition for each persona. Different products and services you offer

may solve certain customer pain points better than others, so developing a value proposition for each persona will better serve each one.

5. **Test your value proposition with your audience using various marketing channels.**

   Each of these tactics will likely be developed internally by your team which means you'll want to validate your work with your target audience. Your value proposition will be communicated through various marketing channels like your website, social media accounts, video, audio, and in person. Test your proposition with members of your audience (both existing customers and non-customers) using each of these channels. Tools like UserTesting can help you streamline this feedback process so that you can implement changes quickly to finalize your value proposition.

What makes a good value proposition?

- **Clear Language**

  Your value proposition should aim to address a primary customer need. This limited focus helps keep your value proposition clear and easy to understand. With just one main idea to comprehend, your audience will be able to quickly decide whether or not your product or service will be the best solution for them.

- **Specific Outcomes**

  Next, you'll want to communicate the specific outcomes your customer can expect to receive from your product or service. Will they save time? Demonstrate how. Will their workflow become more manageable? Show a before and after workflow diagram. The specific outcomes will be critical components of your value proposition as they'll exemplify exactly how your customers will use your solution to solve their problems.

- **Points of Differentiation**

  Not only are your potential customers evaluating your business's offerings based on their own needs, but they're also comparing what you offer against competitors. As a result, your value proposition will need to include detailed points of differentiation. These key points will help customers understand exactly what sets your company apart.

Value Proposition Canvas

A value proposition canvas is a visual tool that helps you position your business's product or service around your customers' needs. The goal of the value proposition canvas is to identify how your business provides value within the market. You can use the value proposition canvas when introducing a new offer into the market or when enhancing an existing one.

The value proposition canvas is made up of two major components: the customer profile and the value map.

- **Customer Profile**

  The customer profile makes up the first half of the value proposition canvas. When performing this exercise you'll want to start with this section first so that their wants and needs can influence the overall value proposition canvas.

  The customer profile consists of three areas that we'll detail below.

- **Customer Jobs**

  What is the task your customer needs to complete or the problem they're trying to solve with your product or service? The answer to this question sums up the "customer job" or the purpose of your product or service in the eyes of the customer.

- **Gains**

  No matter what you sell, your ideal customer will have an expectation of what that product or service will do for them. In this section, you'll use research to explain what your customers expect from you in order to purchase your product.

- **Pains**

  As your customer completes their "customer job", what pains do they experience? Do they take any risks while they do the customer's job? Do they experience any negative emotions? These pain points should be considered so that you include the most helpful products and services on the value map side of the value proposition canvas.

- **Value Map**

  In this section of the value proposition canvas, three specific sectors help describe what the business offers to the customer.

- **Gain Creators**

  These are features your products or services have that make the customer happy. Think creatively about the elements of happiness your customers experience. Consider their financial and social goals as well as their psychographics.

- **Pain Relievers**

  In the section above, we discussed customer pains. This section will define exactly how your business will help them overcome those pain points.

- **Products and services**

  While this section won't list every single product or service your company offers, it should include the ones that will create the most gain and alleviate the most pains for your customers.

- **Determine Value Proposition-Customer Fit**

  Once you've completed the value proposition canvas exercise, the next step will be to determine how your value proposition fits with the customer

profile. To do this, you'll use a ranking process that prioritizes products and services based on how well they address the customer profile.

C.   CONVENTIONAL INDUSTRY LOGIC

Two Strategic Logics

Industry Assumptions.

Many companies take their industries' conditions as given and set strategy accordingly. Value innovators don't. No matter how the rest of the industry is faring, value innovators look for blockbuster ideas and quantum leaps in value.

Strategic Focus.

Many organizations let competitors set the parameters of their strategic thinking. They compare their strengths and weaknesses with those of their rivals and focus on building advantages. In 1980, CNN came on the scene with a focus on creating a quantum leap in value, not on competing with the networks. CNN replaced the networks' format with real-time news from around the world, 24 hours a day. CNN not only emerged as the leader in global news broadcasting—and created new demand around the globe—but also was able to produce 24 hours of real-time news for one-fifth the cost of one hour of network news.

Conventional logic leads companies to compete at the margin for incremental share. The logic of value innovation starts with an ambition to dominate the market by offering a tremendous leap in value. Value innovators never say, Here's what competitors are doing; let's do this in response. They monitor competitors but do not use them as benchmarks. SAP, the global leader in business application software, puts it this way: "I'm not interested in whether we are better than the competition. The real test is, will most buyers still seek out our products even if we don't market them?"

Because value innovators don't focus on competing, they can distinguish the factors that deliver superior value from all the factors the industry competes on. They do not expend their resources to offer certain product and service features just because that is what their rivals are doing. CNN, for example, decided not to compete with the networks in the race to get big-name anchors. Companies that follow the logic of value innovation free up their resources to identify and deliver completely new sources of value. Ironically, even though value innovators do not set out to build advantages over the competition, they often end up achieving the greatest competitive advantages.

Ironically, even though value innovators do not set out to build advantages over the competition, they often end up achieving the greatest competitive advantages.

BLUE OCEAN

D.   VALUE INNOVATION LOGIC

What is value innovation

Value innovation is the cornerstone of the Blue Ocean Strategy theory and framework developed by W. Chan Kim and Renée Mauborgne in their book with the same title.

First things first, what is Blue Ocean Strategy?

Blue oceans refer to all the unexplored or unknown markets. Red oceans, the existing markets, are filled with fierce competition that eliminates profit whereas the blue ones are untouched by competition and thus full of opportunity for profitable growth. So, the Blue Ocean Strategy simply refers to creating new demand by developing uncontested market space instead of competing in the crowded red ocean colored by the blood of everyone that swims in it.

How can one achieve that? Through value innovation.

Value innovation is the simultaneous pursuit of differentiation and low cost. The conventional approach to market differentiation is to choose between higher value and lower cost. But when you successfully combine low cost and high value, you have succeeded at value innovation.

When you successfully combine low cost and high value, you have succeeded at value innovation.

However, to get there, you can't just make minor tweaks to what competitors are doing. Instead, you need to rethink the market, uncover currently unmet needs and opportunities, while simultaneously eliminating elements already provided by others in the market. Usually this will lead to you serving a specific sub segment of the market, or to finding an adjacent one.

It's not easy to merge a paradoxical combination of high value and low cost but getting there is a strategic move with plenty of benefits. Let's see what those are.

Why is value innovation important?

It's only natural that every company wants to avoid competition. Going outside of their market boundaries is one way to do that.

This approach could go two ways: you either run from your competitors but land in another market with new competition, or you create uncontested market space. Your goal is the latter and value innovation can help you get there. And along the way you can reap other benefits too:

Make the competition irrelevant

As mentioned, in a traditional setting, growth and performance are achieved when you manage to beat competition. When you focus on beating the competition you work on small improvements, which are good, but not enough to give you a leading position for too long.

Even more, this approach means that you limit the time and resources you allocate to identifying new innovation opportunities. When you pursue value innovation you focus on adding higher value at lower costs, so you make the competition irrelevant.

Let's take a classic example of value innovation from the early 2000s. Back in the days when high-resolution graphics where the new thing in the console games industry, Microsoft, Sony and Nintendo were competing for the leading position.

Nintendo decided not to focus on HD and created the Nintendo Wii, aimed at serving a new market, the casual gamers. By not pursuing the technologically most demanding segment of the market, they were able to lower production costs while increasing value for the customers in their new target segment, the casual gamer consisting primarily of families with young children.

A great success at the time, becoming a sales-leaders with over 100 million units sold, Nintendo is also the perfect example that makes the point about staying vigilant. The company's initial success was short lived, and Wii was ultimately outperformed and discontinued.

They made a comeback with the Nintendo Switch, but in terms of costs, they didn't quite hit the value innovation goal. However, it's important to note that their approach is a good example of Blue Ocean Strategy as they were not competing with high-end PS and Xbox consoles but addressed an entirely new segment.

Cost savings

Usually, high value comes at a higher cost for the company. But with value innovation you can have the cake and eat it too.

If you want to get value innovation right, you reduce costs by eliminating and reducing factors that don't meet the market standards or are simply unnecessary.

Let's take the example of the Accor Company, and their Formula 1 range of hotels launched in the mid-80s. To provide their customers with a good night sleep at a low price, they removed costly features such as lobbies, 24/7 open receptions, big closets, desks, or stationery.

Saving costs on building rooms and employing personnel allowed them to invest in what customers would value more: a good bed that provided a good sleep.

Create an exponential mindset

Another noteworthy benefit of value innovation is the unconventional thinking that it comes with.

Successful companies focus on exponential value, not just on incremental improvements. While both have their role in the growth of a business, there is a big difference between the two.

Incremental thinking is about making something 10% better while the exponential thinking is about how to be 10x better by making something different. The 10% is a plane taking you from A to B, while the 10x is a rocket launching into space.

When companies compete for the same market share, their strategy is mostly built around incremental improvements that give a competitive advantage, until they are surpassed or outperformed again, and the process starts all over.

However, with value innovation you take a different path that requires an exponential kind of mindset, which means that you constantly look for new opportunities. Leaders that pursue value innovation and have an exponential thinking want to be 10x better, not just to improve 10%.

How to get started

Value innovation is the cornerstone of Blue Ocean Strategy so it's good to start by revisiting your existing strategy within a specific project or a department. Any good strategy has a clear focus and precise goals. When you want to succeed with value innovation these don't have to change.

However, you should drift away from the competition obsession and focus on the "noncustomers" and how you can create more value for them.

For this you don't have to leave your existing market, but you need to identify the opportunities for differentiation so you can create new markets. In the process you'll have to find new ways to provide value for customers and for the company too.

Let's see how you can get started in five steps and what it takes to achieve value innovation in your organization.

1. **Analyze your current state**

Where are you positioned on the market, what is your role in the industry in terms of what needs you meet compared to other competitors? Can you see any differences and similarities between your overall strategy and the one of your competitors?

The purpose of this lightweight benchmarking is not to replicate what others do but to spot the differences and the gaps that you could fill. The Innovation System coaching program we developed for innovators comes with a ready-made Blue Ocean Strategy template you can use at this stage.

2. **Reveal the four actions framework**

The framework can help you discover new possible offerings on the market.

There are four questions you should ask yourself to discover the action frameworks.

The first two are related to ways through which you can eliminate and reduce costs and the other two provide insight into how you could raise more buyer value and create new demand.

a. **Which factors that are taken for granted in the industry should be eliminated?**

The first question should make you think of competitors' offering if what they compete for no longer brings value or what customers value has changed. This can happen when companies are too busy competing against each other and end up in a race for features.

b. **Which factors should be reduced below the industry's standard?**

The answer to the second question should help you uncover products and services that have been over-designed or over-engineered for competitive advantage – or just for the sake of innovation.

Love them or hate them, E-scooters, use similar technology and bring value innovation to the equation. Features such as a long-lasting battery were eliminated since nobody is on a scooter for that many hours at a time, and it was also made much smaller for easier transportation and storage, and it all came at a lower cost. No wonder cities around the world are now packed with these e-scooters.

c. **Which factors should be raised above the industry's standard?**

The third question can reveal the compromises customers have to make when choosing a solution. If you can pinpoint to these compromises, and eliminate them, your solution should replace them with something better.

d. **Which factors should be created and are not available in the industry?**

The fourth question completes the previous one and helps you discover completely new value sources. Based on this you can create new demand.

3.   **Rethink your strategy**

After you gathered all the information is time to go back to the drawing board and rethink your strategy. As mentioned, you probably have a core strategy and goals on which you can build. So most likely you won't start from zero.

Use the answers from the previous step to create your own value curve. A value curve is a graphic depiction of your performance across the industry's key success factors. This will clarify your position in the market and the touch points to work on.

4.   **Action plan**

Based on your strategy, you should be ready to draw an action plan for implementation. The smart way to go around this is to start on a small scale, to test if your assumptions were actually correct.

5.   **Keep a superior value curve**

Highly performing companies keep an eye on the competition to see if they are trying to imitate their value curve. The speed at which others might try to catch up and imitate your value curve depends on the industry. However, it seems inevitable for that to happen.

So maybe even better than looking out for the competition, is to focus on value creation. You never know when you have to jump to a next value innovation.

Conclusion

In theory, value innovation is simple and straightforward, but you should keep in mind that putting it in practice is rarely easy, and often requires big changes throughout the business.

On a more positive note, if you shift your attention from the race to match competition to creating value for customers, you can make competition irrelevant. This starts with a nuanced understanding of your industry and customers. With the right choices, you can often achieve both differentiation and low cost.

While value innovation is a powerful tool to drive profitable growth, it won't miraculously fix everything. Finding the right ways to pursue value innovation should always be a part of your strategic innovation efforts.

E. CUSTOMER FOCUSED INNOVATION

Culture of customer-focused innovation

Innovation in customer experience is all too often either not talked about or not prioritized. When innovation is addressed, it is most commonly approached through the lens of technology.

Certainly, much innovation in the customer experience space has been generated through advancements in technology.

Yet, customer-focused innovation, the kind that centers around the experience of the customer, has to be about more than technology; it has to be about a deep-rooted organizational desire to always improve the customer's journey.

Innovation in customer experience has to be more than just another time-saving device or a more accurate personalization engine; it has to be a cultural spirit of consistently reexamining the customer experience and figuring out ways to create more impactful, more emotionally resonant interactions.

Why Innovation Doesn't Happen

The reality is that customer experience and particularly its major subset, customer service, is a day-to-day grind, one that leaves little time for introspection and innovative thought. Innovation generally requires one to step away from the problem, to look at the challenge through a fresh lens.

If you're customer facing, then you know the deal: we're not in the stepping away business.

Finding the time to break away from the day-do-day to focus on strategy is hard enough, to then be asked to invent new and novel ways to address the challenges our customers and organization face or to "solve" issues that customers don't even know they have can seem like a downright herculean task.

How many Organization Can Start a Culture of Innovation

In large corporations, innovation is often approached through a formal process. Large corporations focused on innovation often put together cross-functional teams, bring in experts, and do a series of brainstorming, ideation, and work shopping exercises to innovate around experience.

However, you can push past the complexity and start a culture of customer-focused innovation by simply changing your approach.

You simply need to be willing to ask the right questions, listen to the answers, and help your team create their own questions and answers without you.

Customer-focused innovation begins by listening to the ideas that your frontline team has for resolving customer issues and improving customer experiences. Your frontline team members can illuminate the challenges that require innovative ideas and provide many of the ideas themselves.

We as leaders just need to listen and create a safe environment for open dialogue.

To innovate customer experience, we as leaders should listen to our teams and create a safe environment for open dialogue.

Frontline team members can also share the challenges they face for which they don't have a solution, challenges they don't have the empowerment or breadth of knowledge to solve.

The key is creating a culture and a system where those ideas can filter back up.

This is where middle management comes in.

Middle Management's Role in Innovation

Middle management is often where innovation goes to die, but it should be the engine behind making innovation happen.

Middle managers are still in touch with the day-to-day. They still work with the more challenging customer service situations.

They have a feel (or should!) for not only what is happening on the front lines but also for the bigger picture budgetary and operational constraints that affect experience delivery.

Middle management is the key to driving a culture of innovative thinking and a culture where information flows freely up and down a corporate structure.

While anyone who wants to get serious about innovation should hire an innovation expert, simply beginning substantive dialogues in an open exchange of ideas can get your team's creative juices flowing and get them focused on non-obvious solutions to problems and creative ideas for improvement.

It can start to shift a culture from one of status quo acceptance to innovative problem solving.

Innovation Is Human

As we enter the brave new world of artificial intelligence and customer personalization, it behooves us to remember that all innovation begins with a human idea.

Even the best technological innovations are effective because they are a useful approach to solving an experience issue identified by a human being on behalf of a human being.

Most industries have been asked to do more with less for a long time now, and we seem primed to enter an economic cycle where this dynamic will increase in intensity.

Innovation is the answer to this challenge, for only innovative solutions will help us improve the customer and employee experience with a decreasing amount of resources to do so.

Want to innovate your customer experience? Start a culture of customer-focused innovation today.

F.   BUILDING AND ANALYZING BUSINESS MODEL

Business Analysis: How To Analyze Any Business

Business analysis is a research discipline that helps driving change within an organization by identifying the key elements and processes that drive value. Business analysis can also be used in Identifying new business opportunities or how to take advantage of existing business opportunities to grow your business in the marketplace.

A quick intro to the Business Analysis framework

What does moat mean in business?

A company's moat refers to its ability to maintain the competitive advantages that are expected to help it fend off competition and maintain profitability into the future.

Core moat:

• What's the key asset? (core asset)

Market moat:

• Who's the key stakeholder? (stakeholder profiling)

• What player is competing for the same customer? (context mapping)

• What's the key touchpoint between the brand and the customer? (core distribution)

Financial moat:

• How does it make money? (revenue generation)

• Where's the real cash? (cash generation)

• How does the company spend money? (cost structure)

The purpose of the financial moat is to follow the money to dig deeper into the business and move toward what gives it a real market advantage, and eventually, we'll look for the business core asset.

G.   BUSINESS MODEL CANVAS

Business Model Canvas

Got a new business idea, but don't know how to put it to work?

Want to improve your existing business model?

Overwhelmed by writing your business plan?

There is a one-page technique that can provide you the solution you are looking for, and that's the business model canvas.

What is a Business Model Canvas

A business model is simply a plan describing how a business intends to make money. It explains who your customer base is and how you deliver value to them and the related details of financing. And the business model canvas lets you define these different components on a single page.

The business model canvas is a strategic management tool that lets you visualize and assess your business idea or concept. It's a one-page document containing nine boxes that represent different fundamental elements of a business.

The business model canvas beats the traditional business plan that spans across several pages, by offering a much easier way to understand the different core elements of a business.

•   The right side of the canvas focuses on the customer or the market (external factors that are not under your control)

•   The left side of the canvas focuses on the business (internal factors that are mostly under your control).

•   In the middle, you get the value propositions that represent the exchange of value between your business and your customers.

The business model canvas was originally developed by Alex Osterwalder and Yves Pigneur and introduced in their book 'Business Model Generation' as a visual framework for planning, developing and testing the business model(s) of an organization.

Business Model Canvas

Why You Need a Business Model Canvas

- The BMC provides a quick overview of the business model and is devoid of the unnecessary details compared to the traditional business plan.

- The visual nature of the business model canvas makes it easier to refer to and understand by anyone.

- It's easier to edit and it can be easily shared with employees and stakeholders.

- The business model canvas can be used by large corporations as well as startups with just a few employees.

- It clarifies how different aspects of the business are related to each other.

- You can use a BMC template to guide a brainstorming session on defining your business model effectively.

How to Make a Business Model Canvas

There are nine building blocks in the business model canvas and they are customer value proposition, customer segments, channels, customer relationships, revenue streams, key resources, key partners, key activities, and cost structure.

When filling out a business model canvas, you will brainstorm and conduct research on each of these elements. The data you collect can be placed in each relevant section of the canvas. So have a business model canvas ready when you start the exercise.

What are the 9 Components of the Business Model Canvas?

1   Customer Segments

2   Customer Relationships

3   Channels

4   Revenue Streams

5   Key Activities

6   Key Resources

7   Key Partners

8   Cost Structure

9   Value Proposition

Let's look into what the 9 components of the BMC are in more detail.

Customer segments

These are the groups of people or companies that you are trying to target and sell your product or service to.

Segmenting your customers based on similarities such as geographical area, gender, age, behaviors, interests, etc. gives you the opportunity to better serve their needs, specifically by customizing the solution you are providing them.

After a thorough analysis of your customer segments, you can determine who you should serve and ignore. Then create customer personas for each of the selected customer segments.
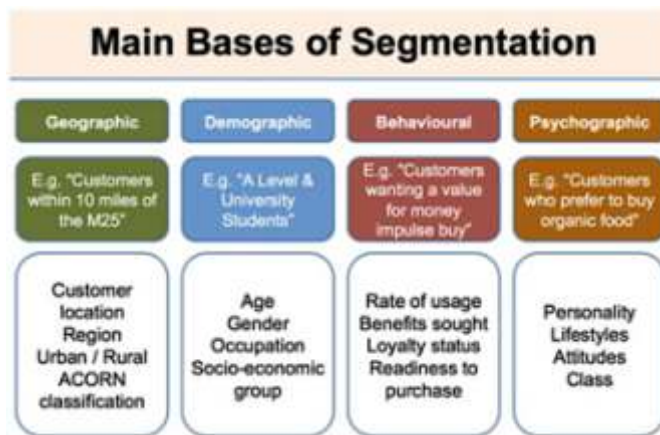
There are different customer segments a business model can target and they are;

- **Mass market:** A business model that focuses on mass markets doesn't group its customers into segments. Instead, it focuses on the general population or a large group of people with similar needs. For example, a product like a phone.

- **Niche market:** Here the focus is centered on a specific group of people with unique needs and traits. Here the value propositions, distribution channels,

and customer relationships should be customized to meet their specific requirements. An example would be buyers of sports shoes.

- **Segmented:** Based on slightly different needs, there could be different groups within the main customer segment. Accordingly, you can create different value propositions, distribution channels, etc. to meet the different needs of these segments.

- **Diversified:** A diversified market segment includes customers with very different needs.

- **Multi-sided markets:** this includes interdependent customer segments. For example, a credit card company caters to both their credit card holders as well as merchants who accept those cards.

Customer relationships

In this section, you need to establish the type of relationship you will have with each of your customer segments or how you will interact with them throughout their journey with your company.

There are several types of customer relationships

- **Personal assistance**: you interact with the customer in person or by email, through phone call or other means.

- **Dedicated personal assistance:** you assign a dedicated customer representative to an individual customer.

- **Self-service:** here you maintain no relationship with the customer, but provides what the customer needs to help themselves.

- **Automated services:** this includes automated processes or machinery that helps customers perform services themselves.

- **Communities:** these include online communities where customers can help each other solve their own problems with regard to the product or service.

- **Co-creation:** here the company allows the customer to get involved in the designing or development of the product. For example, YouTube has given its users the opportunity to create content for its audience.

You can understand the kind of relationship your customer has with your company through a customer journey map. It will help you identify the different stages your customers go through when interacting with your company. And it will help you make sense of how to acquire, retain and grow your customers.

Sample of Journey map

Channels

This block is to describe how your company will communicate with and reach out to your customers. Channels are the touch points that let your customers connect with your company.

Channels play a role in raising awareness of your product or service among customers and delivering your value propositions to them. Channels can also be used to allow customers the avenue to buy products or services and offer post-purchase support.

There are two types of channels

• **Owned channels:** company website, social media sites, in-house sales, etc.

• **Partner channels:** partner-owned websites, wholesale distribution, retail, etc.

Revenue streams

Revenues streams are the sources from which a company generates money by selling their product or service to the customers. And in this block, you should describe how you will earn revenue from your value propositions.

A revenue stream can belong to one of the following revenue models,

• **Transaction-based revenue**: made from customers who make a one-time payment

• **Recurring revenue:** made from ongoing payments for continuing services or post-sale services

There are several ways you can generate revenue from

• **Asset sales:** by selling the rights of ownership for a product to a buyer

• **Usage fee:** by charging the customer for the use of its product or service

• **Subscription fee:** by charging the customer for using its product regularly and consistently

- **Lending/ leasing/ renting:** the customer pays to get exclusive rights to use an asset for a fixed period of time

- **Licensing:** customer pays to get permission to use the company's intellectual property

- **Brokerage fees:** revenue generated by acting as an intermediary between two or more parties

- **Advertising:** by charging the customer to advertise a product, service or brand using company platforms

Key Activities

What are the activities/ tasks that need to be completed to fulfill your business purpose? In this section, you should list down all the key activities you need to do to make your business model work.

These key activities should focus on fulfilling its value proposition, reaching customer segments and maintaining customer relationships, and generating revenue.

There are 3 categories of key activities;

- **Production:** designing, manufacturing and delivering a product in significant quantities and/ or of superior quality.

- **Problem-solving:** finding new solutions to individual problems faced by customers.

- **Platform/ network:** Creating and maintaining platforms. For example, Microsoft provides a reliable operating system to support third-party software products.

Key Resources

This is where you list down which key resources or the main inputs you need to carry out your key activities in order to create your value proposition. There are several types of key resources and they are

- **Human** (employees)

- **Financial** (cash, lines of credit, etc.)

- **Intellectual** (brand, patents, IP, copyright)

- **Physical** (equipment, inventory, buildings)

Key Partners

Key partners are the external companies or suppliers that will help you carry out your key activities. These partnerships are forged in oder to reduce risks and acquire resources.

Types of partnerships are

- **Strategic alliance:** partnership between non-competitors

- **Competition:** strategic partnership between partners

- **Joint ventures:** partners developing a new business
- **Buyer-supplier relationships:** ensure reliable supplies

Cost structure

In this block, you identify all the costs associated with operating your business model.

You'll need to focus on evaluating the cost of creating and delivering your value propositions, creating revenue streams, and maintaining customer relationships. And this will be easier to do so once you have defined your key resources, activities, and partners.

Businesses can either be cost-driven (focuses on minimizing costs whenever possible) or value-driven (focuses on providing maximum value to the customer).

Value propositions

This is the building block that is at the heart of the business model canvas. And it represents your unique solution (product or service) for a problem faced by a customer segment, or that creates value for the customer segment.

A value proposition should be unique or should be different from that of your competitors. If you are offering a new product, it should be innovative and disruptive. And if you are offering a product that already exists in the market, it should stand out with new features and attributes. Value propositions can be either quantitative (price and speed of service) or qualitative (customer experience or design).

Value Proposition Canvas
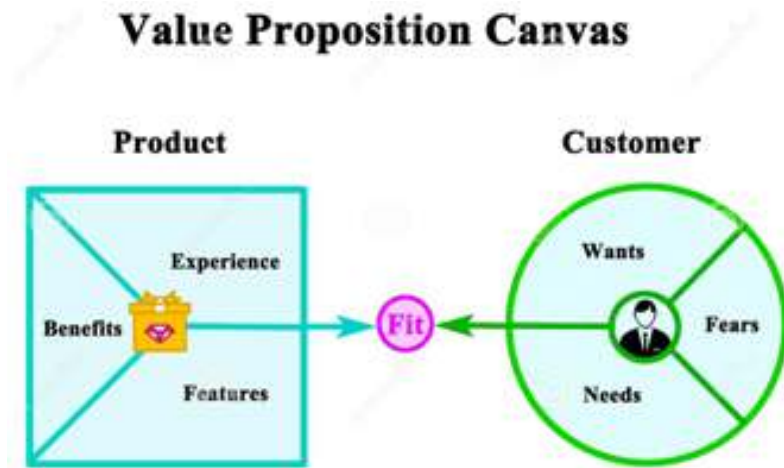
The business model canvas is a living document, therefore after completing it you need to revisit and ensure that it is relevant, updated and accurate.

H.   INTRODUCTION TO LEAN STARTUPS

This fact is not to hinder you from carrying out your dream venture but a reminder that not every idea that shapes into a business model will succeed. And apparently, most of them don't!

So, an entrepreneur must not take a leap of faith into a certain business idea and before venturing into a business, they must have a contingency plan for what if the business fails. When the business fails, an entrepreneur might not have lost all their finances and resources, but they lose their willpower to work on a new idea.

To avoid this issue, a solution to it is a methodology to make and execute a strategy to accelerate the go to the market time and the feasibility of business. Such methodology is called Lean Startup.

Lean Startup: What Does It Mean?

Lean Startup is a methodology of deriving the shortest possible way of developing a product by reducing the time and fund invested in development cycles and it is also used to undertake a feasibility test of whether it is viable to carry out a certain business or not.

But, most of the entrepreneurs and corporate leaders have misconceptions and faulty understanding of this approach.
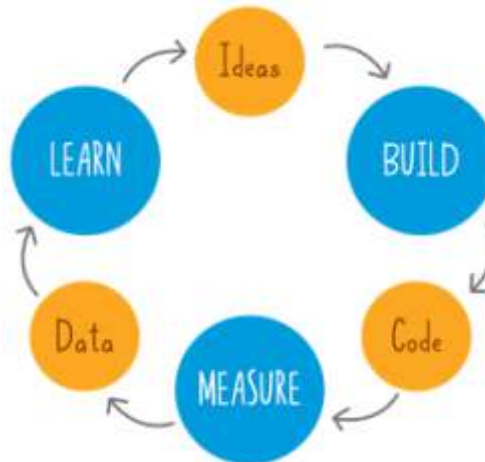
Myths About Lean Startup

- Lean means you're not thinking big

- The first thing is to validate a solution

- Lean startup focuses on Failure

- Lean approach is not for the large enterprise; it's only for startup

- Lean startup replaces vision with data and customer feedback

However, in reality, any company big or small can benefit from Lean Startup techniques. GE Fast Works launched 100 projects globally by using the Lean Startup approach. The other supporter includes QUALCOMM, Intuit to the name of few.

Lean has nothing to do with how much money a company makes or invest rather it's all about meeting the customer's demand with the least amount of resources.

Let's see why customer development is important and what methodologies can be used?

Lean Startup Methodology: The Customer Development Manifesto

The Lean Startup Methodology is based on the customer development methodology. Developed by Steve Blank it emphasizes "Learning about customers and their problems as early in the development process as possible."

Lean Customer Development in Action

Customer Development helps to avoid mistakes and identifies new market opportunities. Instead of assuming your beliefs about your businesses to be true, entrepreneurs must focus on scientific methods to validate the idea.

Before, proceeding with product development ask yourself

• Who are your customers?

• What are their needs and what problems they are facing?

• What is the existing scenario?

• What solution you can provide your customer?

• How you will provide solutions that work?

To come up with the best product, Eric Ries in 2011 proposed Lean Startup methodologies which describe:-

• **Hypothesis- Driven Experimentation:** Rather than focusing on only planning and research, entrepreneurs must think about new ideas to achieve an expected outcome. Conducting hypothesis-driven experiments to validate ideas can eliminate uncertainty. This ensures that teams are getting their task done by discarding bad ideas. Lean isn't just about failing fast, failing cheaply. It is about putting a process, a methodology around the development of a product.

• **Iterative Product Releases:** If the companies invest their time in iteratively building products to meet the needs of early customers, they can reduce the market risks and can even avoid the large funding and expensive product launches and failures.

• **Validated Learning:** The process involves the testing iterations at every step. Through validated learning, it is possible to make decisions based on the data rather than speculations.

By employing these methods, the businesses will have a certain way of getting to a conclusion instead of employing trial and error method.

What is the process of successfully employing Lean Startup methodology?

To understand how you can shorten the product development cycle and how you can check the feasibility of the business, below is the process of employing Lean Startup methodology:

The Process of Lean Startup: Build-Measure-Learn Feedback loop

The first thing that an entrepreneur needs to understand is that the Lean Startup is not a onetime process, it is a loop that needs to be followed at each stage of the business and the process of Lean Startup is actually a loop.

Calculated Ideation

As said earlier, ideas and businesses are to be based on statistics and figures and not on sentiments and assumptions! While it might not be possible to study the whole market, but it is essential that certain sample research is done before identifying a pain point or a gap in the market and then ideating it into a certain business model.

Accelerated Development of Minimum Viable Product (MVP)

A business idea may comprise of many different products and services, but, an entrepreneur must understand that it is a bigger financial as well as strategic risk to launch a business to the end-customer only after completing the whole product or service. And instead of taking such risk, an entrepreneur must break their product into phases and launch it to the customers as soon as they have a Minimum Viable Product.

MVP is developing a product with all the basic requirements and launching it to a smaller group of customers. This will enable them to test and measure the performance of their product in the market and before the whole product is ready to be launched in the market for mass consumption, it will already have a strong base of established customers.

Even developing an MVP can be accelerated! Below are the factors to be employed to attain accelerated development of MVP:

- Unit Tests
- Usability Tests
- Continuous Integration
- Cluster Immune System
- Just In Time Scalability
- Cloud Computing

Continuous Measurement

As soon as the product is launched in the market, it is to be measured continuously. Employing the following tasks and methodologies can attain continuous measurement:

- Split Tests
- Continuous Deployment
- Clear Product Owner
- Real-time monitoring
- Funnel Analysis
- Net Promoter Score
- Real-time Alerting
- Predicting Monitoring

So, if the performance of the MVP is as expected, then the development can be

carried forward towards the next phase, and if there are certain setbacks, they need to be rectified and ensured that they are not repeated in the further development.

But, if the product fails at capturing the market, it is a clue to the entrepreneur to initiate major changes in the business model by identifying the problem or to shut the doors permanently to avoid further damage.

Continuous Learning

One of the most important aspects of Lean Startup is learning, as soon as an entrepreneur launches a product in a market, they start generating data. And it is essential that all that data is analyzed and certain outcomes or learning is derived from it. Then that outcomes or results are to be used for the betterment of the rest of the product and making the wider product more profitable.

The Pivot

Pivot is changing a business strategy to test a new approach for your product after receiving direct or indirect feedback. Taking a pivot decision is one of the toughest decisions for entrepreneurs as they have invested much time and money with the high expectations of the product. There are different types of Pivot, each designed to test the viability of the products. It includes:-

- **Zoom-In Pivot:** Entrepreneurs can use this pivot when they see that one feature in the product is gaining a lot of traction than others. They can then pivot, by offering the whole new product with a single feature.

- **Zoom-Out Pivot:** It's a reverse of the above pivot. Sometimes features in the product are insufficient to support the large customer base. You need to broaden your product to support more features. In this case, the whole product becomes a single feature of the much larger product.

- **Customer-segment Pivot:** Your product may have got good ratings in the market but not from the users, which you have targeted. In such a scenario, you need to redefine your product positioning, value proposition, pricing, and channels.

- **Customer-need Pivot:** From customer feedback, you may realize that the problem your product is not really very important to customers. In this case, you must understand the problems more deeply. You may need to do repositioning or build a new product to solve their problem.

- **Platform Pivot:** In this case, you need to change your application platform or vice versa. You may be surprised to know that brands like Uber, Airbnb, eBay etc. need to opt form platform pivot to support certainty.

- **Business architecture pivot:** There are two types of business: high-margin, low-volume businesses and low-margin, high-volume businesses. You cannot be both but sometimes you can pivot from one to the other.

- **Value Capture Pivot:** This refers to the modification in revenue or monetization model. When you change the strategy of making money it impacts the product, business, sales, marketing and operational sides of the business model.

- **Engine growth Pivot:** Generally startups use three primary growth engines: the viral, sticky and paid growth model. They can pivot from one of this growth engine to another.

- **Channel Pivot:** Here you need to change how and where you sell your products and services. (In-store, online, in-app etc.)

- **Technology Pivot:** Use of modern technology to achieve the same outcome. It is helpful if technology provides a cost-effective or better-performing solution.

Apart from this, there are certain principles that an entrepreneur must follow for successful execution of Lean Startup methodology. Those principles are mentioned below:

Lean Startup Principles To Shape Your Business

Entrepreneurs are everywhere

Anyone who has a startup is an entrepreneur, according to Eric Ries. He defines a startup as "a human institution designed to create a new product or service under conditions of extreme uncertainty" Regardless what size the company is, what type it is; anyone can become an entrepreneur if they're facing uncertainty. There has never been a better time to innovate than today. Think Big — Start Small — Scale Fast.

Innovation accounting

Accounting is just not only limited to financial-based documenting revenues, losses, profits, and sales but also refers to how to measure progress, how to set up milestones, how to prioritize work etc. This type of accounting is termed innovation accounting. Think of the creative ways to solve the problem so that it has enough points of differentiation to gain an edge in the market.

Entrepreneurship is management

An entrepreneur must not forget that a business is not just a product, customer and an owner; it is an organization that comprises many different entities and subordinates. Today startups require a new type of management which have to be geared towards the context. Because there are many businesses that had amazing products and a huge market, but they failed because of their failure in management.

Validated Learning

While most of the entrepreneurs wish to make big in the market and aim at developing a successful brand, they often restrict their vision to money making. When you run a business, it is essential to understand the market and to validate all the learning with scientific tools and methods to look over all the elements of the business and eventually develop a sustainable brand for a long and successful business future.

Build-Measure-Learn

Lean startup is all about turning ideas into products by building the simplest

product called the MVP. This is done by evaluating through tests and user feedback to collect data on how the targeted user accepts the product. As stated earlier, to build a successful business, it should be processed in the feedback loop.

Compelling Benefits Of Deploying Lean Startup

- The scientific approach to understanding the feasibility of the business

- Reduces the risk of economic loss

- Accelerates development of a product that is at an initial stage

- Quickly helps to learn what is not working, to make changes immediately

- Recommends to pivot or stop, if the initial plan is not working

- Progress can be tracked by user activity, engagement, and retention

The Limitations Of Using Lean Startup: When Not To Use It

- Design and product seems disorganized at the development process

- Reveals the venture idea to the competitors

- Hard to create MVP for most of the products

- Coming up with an innovative approach is a difficult job

- Uncertain projects need more time to reach their payback time

Real-Time Example

Dropbox

Drew Houston — the CEO of Dropbox came up with an idea of providing storage facility in 2007. He validated his idea by releasing a simple video explaining what the product is about, how it benefits the user. He used the Dig platform and targeted the audiences that were early adopters of the technology.

Casually, the video looked like the product demonstration but fortunately, he received 5000 to 75000 sign-up forms overnight. After receiving overwhelming customer feedback, Drew was confident about releasing the final product as it focused on solving the actual storage problem and secured file sharing. After coming up with the final version, Dropbox catered 1 million users in less than 10 months.

Summing It Up

It is necessary to understand that a big bang product launch is the perfect recipe for failure in today's marketplace. For this big-bang, all you have to do is follow principles, keep experimenting and focus on adding value for the customers with less resource. Learn to lean to achieve favorable outcomes.

This is all an entrepreneur needs to know about Lean Startup. And it is essential to understand that, the Lean methodology is a continuous process and it is to be carried out time and again in the business.
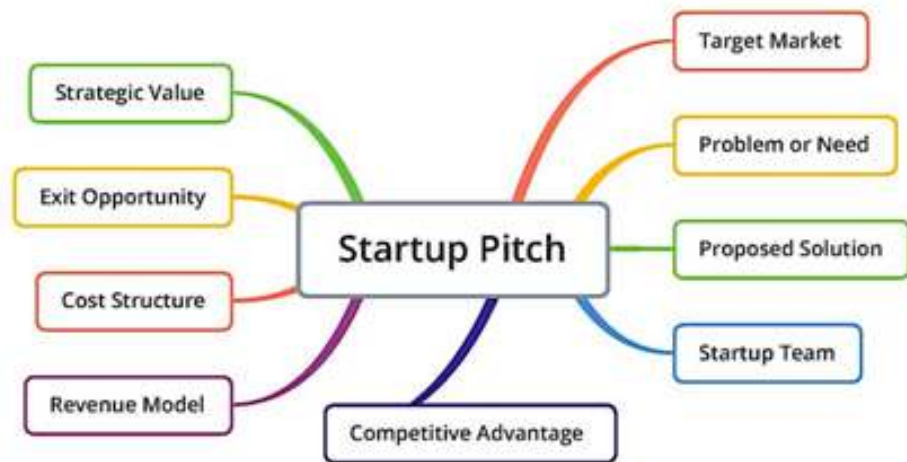
I.   BUSINESS PITCHING

How to Create a Successful Business Pitch

What is a Business Pitch? A business pitch is a business plan that you present to your potential investors to secure funding. The pitch helps you explain your business to investors to enable them to make the right decisions

A good pitch balances business and emotional needs. Whether you're pitching to a company, an investor, a customer, or a potential partner, you have to hit a person on both emotional and business levels. Without this, your pitch is almost certain to fall flat. A good pitch is succinct.

Pitching to investors can be challenging if you don't know how to go about it. This is why we've put together this guide on creating a successful business pitch.

To craft a perfect pitch that stands out to investors, you must prove that you understand the market and show that your project's financials will help them get excellent returns out of their investments.

What is a Business Pitch?

A business pitch is a business plan that you present to your potential investors to secure funding. The pitch helps you explain your business to investors to enable them to make the right decisions.

One of the best ways you can use to deliver a business pitch is by using visual communication to incorporate diagrams and other visuals in your presentation to make your audience more attentive and interested.

You can also create a stunning pitch deck using a starter template that gets you started off on the right foot.

Additionally, if you want to create a unique presentation that helps you to stand out in the crowd, present your business idea through a well-tailored mind map.

Simply put your idea in the centre of the map and arrange related subtopics around that idea. This can help to fully illustrate your plan and ensure potential investors understand your goals.

10   Tips for Creating a Successful Business Pitch

If you're getting ready to create a business pitch deck for your startup or new business plan, there are several things you need to keep in mind.

We're going to walk you through this guide to creating your own business pitch as well as share a variety of pitch deck templates that can help you see success.

1.   Be Concise and to the Point

A good business pitch requires you to provide crucial points regarding your business. You can use statistics and visual presentation to explain your issues. Simplify the expression and ensure that the investors understand the facts right away.

Getting to the point will hook your potential investors into following your topic without losing interest. To achieve this, you have to focus on crucial aspects of your business and summarize them into simple terms.

2.   Create an Elevator Pitch

An elevator pitch is a brief business presentation delivered quickly, such as during an elevator ride. Describe your business' nature, what you do, and show why you are the best candidate for funding.

To compose an excellent elevator pitch, ensure you describe your business well to help investors understand it without any struggle.

3.   Practice Your Timing

Practice whatever you are going to present and ensure that you keep time during the rehearsal. You may let your colleagues track the time and observe your body language and speech. That way, they will give you candid feedback regarding the quality of your practice.

Bear in mind that you'll need to present your pitch within a short time. Depending on the organizer's specifications, ensure to deliver your pitch within the allocated time.

Summarize your content, and focus on your selling proposition but don't rush to finish your speech prematurely.

4.   Pay Attention to Details

Once you've presented a brief description of your business, get into the details and justify why investors should invest in your business idea, and show how you will offer solutions to societal problems.

For example, based on industry analysis, demonstrate how your business compares with others in the niche and which approaches you will use to perform better than your competitors.

Additionally, don't forget to add financial projection to your presentation. Potential investors take a keen interest in reviewing this information than others. Make the prediction simple and be ready to answer any questions that investors may ask.

5. **Understand Your Audience**

Before you think of an effective business pitch, don't hesitate to find out about your potential investors and create a pitch tailored to them. Give a brief description of how your product works and demonstrate how you intend to grow your business.

Let the investors understand what your business does and convince them that you deserve funding. More importantly, talk about your business idea and show the problem you are planning to solve.

Bear in mind that investors want to hear how your business will generate returns for them. Therefore, show them how you will create demand for your product and present realistic financial projections.

Showcasing something like a clear product roadmap can be a great way to get investors on your side.

6. **Address a Real Customer Experience**

Use real customer experiences to highlight an existing problem and demonstrate how your idea will solve it. Tell a story regarding real customer challenges and avoid the technical talk. More importantly, ensure that the story you give relates to your target market.

For instance, mention your customer's name and show how your business managed to solve the problem they had. Be realistic and let your audience connect with your story.

Research shows that a compelling story will make investors relate to your business situation and better understand your business idea.

7. **Outline Your Business Model**

Once you furnish your investors with what your company does, they'll be interested to know how to generate income. A business model entails your assets, business activities, and what you do to get customers and make money.

Inform your investors about the duration you're likely to take in each stage of development. Have in mind that businesses are different. For instance, some companies' product development may take many years, while others will take a few months.

Whichever stage your company is in, show the investors that your team is competent to manage your business at any particular stage.

In your revenue model, describe how you will generate income for the next few years. For instance, provide a five-year financial projection showing total revenues, profit before tax, operating expenses, and net income.

8. **Talk About Your Team**

Investors are interested to know if you have the right team to implement your business strategies. Highlight the most important details about your team, such as experience and qualifications.

You don't have to give details of everyone working for you. However, you may talk about the founders of your company. Give a brief bio of members in the founding team, and ensure that they are diverse in gender and other aspects.

Investors believe that a diverse team has a unique approach to solving issues, which is right for your business.

In your presentation, ensure to highlight the following about the founding team:

- A brief biography of each member
- Names and titles
- Members' photos
- Social media (e.g., LinkedIn) profiles

In any business, a team is one of the most important assets a company has. Investors are concerned with whether the topmost people in your company have the expertise and experience to lead your startup to success.

9. **Show How You'll Deal With the Competition**

In the competition slide, show investors what sets you apart from other players in the industry. Highlight the company's vision and let investors determine your ability to become a key player in your niche.

Demonstrate how the product is competitive in the market and show your industry knowledge regarding possibilities and obstacles.

Ensure to quantify the product benefits you plan to include in the competition slide. For instance, you can say that your product is 3 times powerful than the competitors'. And don't forget to prove that!

List your product benefits in priority order based on your business' value proposition and customer needs.

When creating your competitor slide, make your differentiators as straightforward as possible. For example, if your startup has a crucial benefit but competitors don't have it, mark its column and leave those of competitors unmarked.

Ensure that your power grid competition slide looks clear to investors during the presentation.

Use a competitor matrix to understand your market, learn about competitors, and create excellent business strategies.

10. **Go-To-Market Strategy**

Explain to investors how you intend to market your products or services. More importantly, show how much money you will spend to acquire new customers.

It is vital to demonstrate to investors that your projected value of revenues will be more than customers' acquisition costs.

Here is what you are supposed to highlight in the go-to-market strategy.

- Identify the problem in the market and show how you will address it

- Provide details on how your product will solve the existing problem in the market

- Describe the target markets in terms of size. Give details of the market's buying power

- Provide market research findings to support the viability of the product

- Give information on how you intend to place products in the market to achieve maximum profitability

Time To Craft a Perfect Business Pitch

Before you craft a business pitch, you have to familiarize yourself with the audience and know exactly what they want. Make your pitch concise and present it within the allocated time.

Angel investors and venture capitalists like to know whether you have the right team to run your business. Therefore, highlight your team members' details, such as their names, titles, bios, and photos.

Don't forget to demonstrate the market strategies you will use to get more customers than the competitors. Give details regarding marketing costs and expected revenues.

To make your presentation more perfect and appealing, it is advisable to learn about data visualization best practices.

CHAPTER VI
ORGANIZING BUSINESS AND ENTREPRENEURIAL FINANCE

A. Forms of business organizations

B. Sources and selection of venture finance options and its managerial implications.

C. Policy Initiatives -role of institutions in promoting entrepreneurship.

A. FORMS OF BUSINESS ORGANIZATIONS,

Various Forms of Business Organizations

Business organizations can be of different types, depending upon factors like their nature, the extent of operation, ownership, legalities, terms, financial structure, liabilities, etc. The form of a business is likely to have long-term impacts on the company. Thus, the members of an organization must choose wisely as to which sort of business would be ideal for them.

The primary aspect, based on which forms of business organizations are decided, is its characteristics. Various factors determining the character of business include:

- Ease of Formation
- Capital or Financial Requirements
- Nature of Liability
- Control
- Stability and Continuity
- Flexibility to Conduct Operations.
- Secrecy
- Legal Aspects

Depending on the factors mentioned above, there can be seven different forms of business organizations. They are as follows:
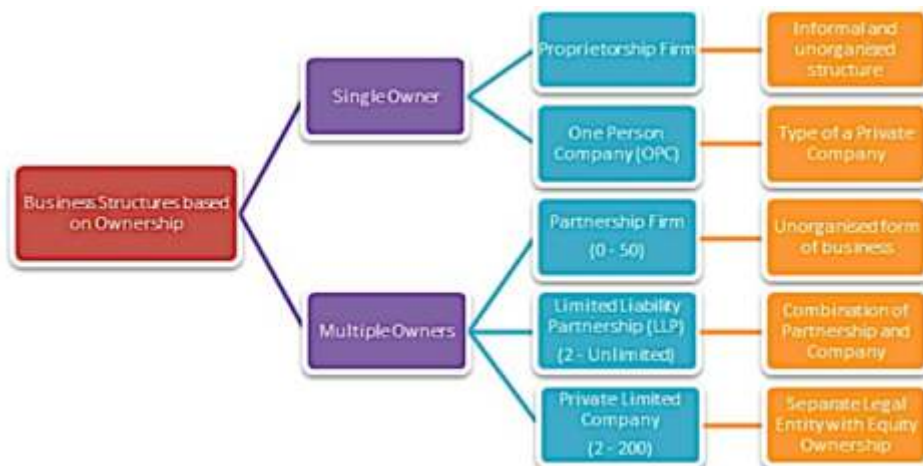
B.   SOURCES AND SELECTION OF VENTURE FINANCE OPTIONS AND ITS MANAGERIAL IMPLICATIONS.

What is Venture Capital?

It is a private or institutional investment made into early-stage / start-up companies (new ventures). As defined, ventures involve risk (having uncertain outcome) in the expectation of a sizeable gain. Venture Capital is money invested in businesses that are small; or exist only as an initiative, but have huge potential to grow. The people who invest this money are called venture capitalists (VCs). The venture capital investment is made when a venture capitalist buys shares of such a company and becomes a financial partner in the business.

Venture Capital investment is also referred to risk capital or patient risk capital, as it includes the risk of losing the money if the venture doesn't succeed and takes medium to long-term period for the investments to fructify.

What is Venture Capital Fund and Venture Capital Financing?

Venture Capital is a private institutional investment made to start-up companies at early stage. Venture capital funds are the investments made by the investors who seek private equity stakes in small to medium business which are potent enough to grow. These investments are generally high-risk/high-return opportunities. The ventures involve risk in the expectation of sizable gain. The people who invest this money become the financial partners are called venture capitalist (VCs). Venture capital is the most suitable option for funding a costly capital source for companies and mostly for Venture capital is the most suitable option for funding a costly capital source for companies and mostly for business that have huge capital requirement with no other cheap alternatives. The most common cases of venture capital investments are seen in the fields of Software and other Intellectual property as the value is unproven and are considered to be the fastest growing.

Venture capital financing is a type of financing by venture capital. It is private equity capital provided as seed funding to early-stage, high-potential, growth companies (start-up) or more often it is after the seed funding round as a growth funding round (also referred to as series A round). It is provided in the interest of

generating a return on investment through an eventual realization event such as an IPO or trade sale of the company.

Therefore from the above definition we can say that venture capital investments have the following features:

- It is a high risk investment made with an intention of making high profits
- The investment made are based on long term goals
- The investments are made in a start-up which are potential enough to grow
- The start-ups have lack of funding
- Money is invested by buying equity shares in the start-up company
- Investments are generally done in innovative projects like in the fields of technology and biotechnology
- Supplier of venture capital participate in the management of the company

What are the types of Venture Capital Financing?

The various types of venture capital are classified based on their application on various stages of business. The three main types of venture capital financing are:

- Early stage financing
- Expansion financing
- Acquisition financing

The various financing based on the stages of business development are as follows:

- Low level financing for proving and fructifying a new idea
- Start-up financing where the new firms need funds for expense relating marketing and product development

Features of Venture Capital investments

- High Risk
- Lack of Liquidity
- Long term horizon
- Equity participation and capital gains
- Venture capital investments are made in innovative projects
- Suppliers of venture capital participate in the management of the company

Methods of Venture capital financing

- Equity
- Times

Example of venture capital funding

- Pepperfry.com, India's largest furniture e-marketplace, has raised USD100 million in a fresh round of funding led by Goldman Sachs and Zodius

Technology Fund. Pepperfry will use the funds to expand its footprint in Tier III and Tier IV cities by adding to its growing fleet of delivery vehicles. It will also open new distribution centres and expand its carpenter and assembly service network. This is the largest quantum of investment raised by a sector focused e-commerce player in India.

C. POLICY INITIATIVES - ROLE OF INSTITUTIONS IN PROMOTING ENTREPRENEURSHIP.

• Initiatives under "Make in India" and "Startup" Programs;

'Make in India' is an initiative:

Initiative was launched on 25th September, 2014, to facilitate investment, foster innovation, building best in class infrastructure, and making India a hub for manufacturing, design, and innovation. The development of a robust manufacturing sector continues to be a key priority of the Indian Government. It was one of the first 'Vocal for Local' initiatives that exposed India's manufacturing domain to the world. The sector has the potential to not only take economic growth to a higher trajectory but also to provide employment to a large pool of our young labour force.

Make in India initiative has made significant achievements and presently focuses on 27 sectors under Make in India 2.0. Department for Promotion of Industry and Internal Trade is coordinating action plans for manufacturing sectors, while Department of Commerce is coordinating service sectors.

The Government of India is making continuous efforts under Investment Facilitation for implementation of Make in India action plans to identify potential investors. Support is being provided to Indian Missions abroad and State Governments for organizing events, summits, road-shows and other promotional activities to attract investment in the country under the Make in India banner. Investment Outreach activities are being carried out for enhancing International co-operation for promoting FDI and improve Ease of Doing Business in the country.

Steps taken to improve Ease of Doing Business include simplification and rationalization of existing processes. As a result of the measures taken to improve the country's investment climate, India jumped to 63rd place in World Bank's Ease of Doing Business ranking as per World Bank's Doing Business Report (DBR) 2020. This is driven by reforms in the areas of Starting a Business, Paying Taxes, Trading Across Borders, and Resolving Insolvency.

Recently, Government has taken various steps in addition to ongoing schemes to boost domestic and foreign investments in India. These include the National Infrastructure Pipeline, Reduction in Corporate Tax, easing liquidity problems of NBFCs and Banks, policy measures to boost domestic manufacturing. Government of India has also promoted domestic manufacturing of goods through public procurement orders, Phased Manufacturing Programme (PMP), Schemes for Production Linked Incentives of various Ministries.

Further, with a view to support, facilitate and provide investor friendly ecosystem to investors investing in India, the Union Cabinet on 03rd June, 2020 has approved constitution of an Empowered Group of Secretaries (EGoS), and also Project Development Cells (PDCs) in all concerned Ministries/ Departments to fast-track investments in coordination between the Central Government and State Governments, and thereby grow the pipeline of investible projects in India to increase domestic investments and FDI inflow.

Startup India:

Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities.

The activities under the Make in India initiative are being undertaken by several Central Government Ministries/ Departments and various State Governments. There is no fund allocation from DPIIT to States/ UTs under 'Make in India' initiative. Further, Ministries formulate action plans, programmes, schemes and policies for the sectors being dealt by them. This Department does not maintain information on such formulations by the line Ministries.

The initiatives under 'Make in India' are targeted towards employment creation and skill development of youth in both urban and rural areas. The data for employment generated under 'Make in India' initiative is not centrally compiled.

'Startup India' initiative:

What is Startup India?

Startup India is a flagship initiative of the Government of India, intended to build a strong ecosystem that is conducive for the growth of startup businesses, drive sustainable economic growth, and generate large-scale employment opportunities. The Government through this initiative aims to empower Startups to grow through innovation and design.

How to Know is your Company eligible for DPIIT (Department for promotion of Industry and internal Trade) Startup recognition?

Your company must meet the following criteria to be considered eligible for DPIIT startup recognition.

- **Company Age:** Period of existence and operations should not be exceeding 10 years from the Date of Incorporation

- **Company Type:** Incorporated as a Private Limited Company, a Registered Partnership Firm, or a Limited Liability Partnership

- **Annual Turnover:** Should have an annual turnover not exceeding Rs. 100 crores for any of the financial years since its Incorporation.

- **Original Entity:** Entity should not have been formed by splitting up or reconstructing an already existing business

- **Innovative & Scalable:** Should work towards development or improvement of a product, process, or service and/or have a scalable business model with high potential for the creation of wealth & employment

Benefits of DPIIT Registration

The DPIIT recognized startups can get the following benefits under the Startup India Initiative

Self-Certification

Startups shall be allowed to self-certify compliance for 6 Labour Laws and 3 Environmental Laws through a simple online procedure.

- **Labour Laws:**

- **Environment Laws:**

Startup IPR and Patent Registration

- **Fast-tracking of Startup Patent Applications:** Patent applications filed by startups shall be fast-tracked for an examination so that their value can be realized sooner.

- **A panel of facilitators to assist in the filing of IP applications:** for effective implementation of the scheme, the Controller General of Patents, Designs, and Trademarks (CGPDTM), who shall also regulate their conduct and functions, shall impanel a panel of "facilitators". Facilitators will be responsible for providing general advisory on different intellectual property as well as information on protecting and promoting intellectual property in other countries.

- **Government to bear facilitation cost:** Under this scheme, the Central Government shall bear the entire fees of the facilitators for any number of patents, trademarks, or designs that a Startup may file, and the Startups shall bear the cost of only the statutory fees payable.

- **Rebate on the filing of application:** Startups shall be provided with an 80% rebate in filing of patents vis-a-vis other companies. This will help them pare costs in the crucial formative years

Tax Exemption under Section 80IAC

Eligible startups can be exempted from paying income tax for 3 consecutive financial years out of their first ten years since incorporation.

Tax Exemption under Section 56

- Exemption under Section 56(2)(VIIB) of the Income Tax Act

- Investments into eligible startups by listed companies with a net worth of more than INR 100 Crores or turnover more than INR 250 Crores shall be exempt under Section 56 (2) VIIB of the Income Tax Act

- Investments into eligible Startups by Accredited Investors, Non-Residents, AIFs (Category I), & listed companies with a net worth more than 100 crores or turnover more than INR 250 Crore, shall be exempt under Section 56(2)(VIIB) of Income Tax Acts

- Consideration of shares received by eligible startups shall be exempt up to an aggregate limit of INR 25 Crores

Easier Public Procurement Norms

- Opportunity to list your product on Government e-Marketplace: Government e-Marketplace (GeM) is an online procurement platform and the largest marketplace for Government Departments to procure products and services. DPIIT Recognized Startups can register on GeM as sellers and sell their products and services directly to Government entities. This is a great opportunity for startups to work on trial orders with the Government.

- Exemption from Prior Experience/Turnover: In order to promote startups, the Government shall exempt Startups in the manufacturing sector from the criteria of "prior experience/ turnover" without any compromise on the stated quality standards or technical parameters. The Startups will also have to demonstrate a requisite capability to execute the project as per the requirements and should have their own manufacturing facility in India.

- EMD Exemption: DPIIT recognized startups have been exempted from submitting Earnest Money Deposit (EMD) or bid security while filling government tenders.

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