Unit-2
ENTREPRENEURIAL IDEA AND INNOVATION

INTRODUCTION TO INNOVATION:

Innovation is the process and outcome of creating something new, which is also of value. Innovation involves the whole process from opportunity identification, ideation or invention to development, prototyping, production marketing and sales, while entrepreneurship only needs to involve commercialization.

Innovation is about helping organizations grow. Growth is often measured in terms of turnover and profit, but can also occur in knowledge, in human experience, and in efficiency and quality.

Innovation is the process of making changes, large and small, radical and incremental, to products, processes, and services those results in the introduction of something new for the organization that adds value to customers and contributes to the knowledge store of the organization.

Applying innovation is the application of practical tools and techniques that make changes, large and small, to products, processes, and services those results in the introduction of something new for the organization that adds value to customers and contributes to the knowledge store of the organization.

Innovation = Invention + Exploitation

TYPES OF INNOVATION:

1. Incremental Innovation

Incremental can be perceived as continuous innovation. It builds on existing knowledge of technology to continuously improve on the existing product in the minority and targeted existing markets.

2. Radical Innovation

Radical innovation is the opposite concept of Incremental innovation. This one applied either new technology or combine new with existing technologies, which targets new markets to build new products.

Mostly, the company use radical innovation to create short-term competitive advantages and then apply incremental innovation to sustain its potential gains.

Gillette is a good example that involves both innovations. Gillette launched its radical innovation as a disposable blade that can be replaced in the razor. Then Gillette sustains its profitable business by introduced various versions of razor blade; pack of 3 blades or 5 blades with new razor model.

3. Architectural Innovation

Architectural innovation is a redesigned method to move products/services into a new market, still based on existing knowledge of core technology.

Canon is the main competitor of **Xerox in photocopiers**. Canon can win over Xerox, because of its physical transformation in photocopies machine. What Xerox offered is a big giant copying machine that requires particular space in large-sized businesses. Whereas Canon redesigned huge photocopiers into desktop photocopiers that still contain existing compact concepts of functions.

4. Disruptive Innovation

Disruptive innovation is a new product that disrupts the existing market with the help of new technologies. It often starts at low-demanding customers with a “good enough” product performance.

Kodak, film camera, died as a result of the disruption of a digital camera. There are fewer users due to the fewer photo can be taken and the high cost of printing per shot. Whereas Digital camera offers more photo taken and pictures can be viewed and edited more than once without add-up cost. For example, ***Sony, Nikon,*** **and** ***Canon*** can utilise new technology to get a job done of customer value in taking quick photo and post on social media rather than waiting for a week to get the picture and viewed once then stored in the boxes.

Entrepreneurial Idea Generation:

Idea generation is described as the process of creating, developing and communicating abstract, concrete or visual ideas. It is the front end part of the idea management funnel and it focuses on coming up with possible solutions to be perceived or actual problems and opportunities.

For example:

It was the creative imagination of **Ratan Tata** that led to the creation of **Nano**, a low budget passenger car for middle class families in India.

"Creative thinking inspires ideas. Ideas inspire change." – Barbara Janusz kiewicz

To be successful, the entrepreneur needs to begin with basics i.e., to generate ideas, check viability and finally seize the opportunity. Hence, ideas have to be shaped into opportunities after systematic research based on available data, market characteristics and competitor actions.

IDENTIFYING BUSINESS OPPORTUNITIES:

Objectives of Identification of Business Opportunities

1. Identification of opportunities by an entrepreneur, in the context of probable industries and to decide his own role, the scope of work, and relationships, in accordance with the opportunities.
2. To keep watch over the possible market of the commodity or service to be produced.
3. To decide a high-level group of managers, so that entrepreneurial ventures may be started.
4. To make an assessment of financial resources by making financial forecasts, in the context of the process if industrial development.
5. To explore the opportunities for possible entry in other areas.
6. To assess the requirements of labor, capital, and materials for the industries.
7. To find out the possibilities of short term and long term development in various areas of the economy.
8. To have the desire for technical knowledge, awareness towards new opportunities, and acceptance of the changes.
9. To see the possibilities of diverting the available resources towards achieving the business objectives.
10. To identify those industries, which are not based on local sources, but which may be economically considered, in view of future requirements.

Here we discuss four ways to identify more business opportunities:
To be successful entrepreneurs, we need to be continually innovating and looking for opportunities to grow our startups.

1. **Listen to your potential clients and past leads**
When you're targeting potential customers listen to their needs, wants, challenges and frustrations with your industry. Have they used similar products and services before? What did they like and dislike? Why did they come to you? What are their objections to your products or services?
This will help you to find opportunities to develop more tailored products and services, hone your target market and identify and overcome common objections.

2. Listen to your customers
When you're talking to your customers listen to what they saying about your industry, products and services. What are their frequently asked questions? Experiences? Frustrations? Feedback and complaints?
This valuable customer information will help you identify key business opportunities to expand and develop your current products and services.

3. Look at your competitors
Do a little competitive analysis (don't let it lead to competitive paralysis though) to see what other startups are doing, and more importantly, not doing?
Where are they falling down?
What are they doing right?
What makes customers go to them over you?
Analysing your competitors will help you identify key business opportunities to expand your market reach and develop your products and services.

4. Look at industry trends and insights

Subscribe to industry publications, join relevant associations, set Google alerts for key industry terms and news and follow other industry experts on social media.

Absorb yourself in your industry and continually educate yourself on the latest techniques and trends.

FACTORS TO CONSIDER IN IDENTIFYING BUSINESS OPPORTUNITIES:

The following factors affecting the Identification of business opportunities may be mentioned, which should be considered, while identifying the business opportunities.

1. Analysis of Internal Demand
2. Availability of Raw Materials
3. External Assistance
4. Knowledge about Industrial Development
5. Internal Sources
6. Risk in Business Opportunities
7. Performance of Existing Units
8. Promote Entrepreneurial Activity

Challenges of Identification of Business Opportunities:

1. Initial Crisis in Beginning of Business
2. Promotion of an Entrepreneurial Venture
3. Financial Challenges
4. Innovation of New Product
5. Unhealthy Competition
6. Decision-Making and Leadership

MANAGERIAL SKILLS FOR SUCCESSFUL ENTREPRENEUR

A successful entrepreneur is the one who is focused on making their decisions and eliminate the obstacles that arise when achieving the goals. Certain qualities are required for the entrepreneur to achieve the best goal.

1) Time Management

Time is an important factor to make decisions. The success of an entrepreneur depends upon how they utilize their time in evaluating and prioritizing their tasks according to relevance and importance. They have responsibilities towards their partners, customers and employees to make most out of their time. Effective time management skills enable entrepreneurs to expeditiously complete essential tasks. They must manage their professional life in conjunction with their family life, making a balance between work and home.

2) Opportunity Recognition

The seed of every successful business is a great Idea. They must recognize the opportunities on time that are unique and gives a competitive advantage. A good opportunity only comes when an effective market research is done. They must take the views of industry experts and must utilize the information gained from organizational experience.

3) Business Planning

Successful business involves proper utilization of managerial skills and formulation of an effective business plan. The planning is required from the start of the business till the entrepreneur achieves the goal. Business planning includes the ability to manage the future forecasting in each aspect.

4) Information Gathering

Reliable information is required to ensure those right decisions are made. Successful entrepreneurs often make information gathering one of their top priorities. An entrepreneur's close associates are the most valuable resource for gathering actionable information. Motivation is required for the associates to share their learning and experience. Successfully gathering the right information enables entrepreneurs to take the decisions better than the competitors in the market.

5) Rational Decision Making

Entrepreneurs cannot expect to succeed without nurturing their ability to make rational decisions. Decisions can be taken for long term or short term depending upon the working of the business. Many entrepreneurs underestimate the importance of giving time in taking the right decisions; as a result, they make impulsive decisions based on intuition or conjecture.

6) Employee Management

Successful businesspeople evaluate potential employees, hire and train workers and put them in appropriate positions in her company. They must find people who will work well together and makes organization goals as their own achievements. Once employees are on the job, a successful entrepreneur needs to have the ability to manage teams, oversee conflict and dispute resolution and provide ongoing training to encourage high-quality performance.

7) Communication Skills

An entrepreneur must be a good orator with best communication skills. They must be able to communicate with the people with whom they work. A good understanding between businessmen and its fellow persons makes the work easier. Entrepreneurs with strong communication skills can find it easier to communicate with partners, acquire funding, and develop relationships with prospective customers. Communication skills can also make it easier to manage associates who work for the enterprise.

8) Leadership

Leadership quality is essential for every entrepreneur to make the whole team work together and give their best in achieving the goal. Entrepreneurs must possess adequate leadership skills to effectively coordinate the efforts of everyone involved in an enterprise. Leadership skills can be learned through experience and formal education on leadership techniques.

9) Business Management

Successful entrepreneurs must have strong overall business management skills. They must understand all the aspects of how his business operates, including the regulatory requirements of his industry. They should have knowledge about labor, employment, and tax laws, and must stay abreast of industry and market trends. This will help him quickly change direction if economic conditions dictate.

10) Financial Management

Hiring an accountant or finance professional to track money and other assets is responsible for the financial management of the company. It is significant when the company is at the growth stage and is bringing the investors. A successful entrepreneur has the management skills necessary to review books and financial statements to ensure that he is always aware of his business's finances.

MANAGING FOR VALUE CREATION:

The value creation process is at the heart of integrated thinking and value creation. Strategically, the business model is a central cog in the value creation process which turns valuable resources and relationships (inputs) into results (outputs) that create value for stakeholders and society (outcomes and impacts). Value for customers and other stakeholders is ultimately created or destroyed through the business and operating model.

Many organizations undertaking integrated reporting using the international integrated reporting framework to set out their value creation and business model as a central part of their integrated reporting.

This approach provides a tool to connect purpose, strategy and the value creation process across relevant capitals, outcomes and impacts.

Ensuring that value is created over time involves making significant decisions on where the business competes (e.g., markets, geography, segments), identifying the principal opportunities and risks related to the strategy and business model, ensuring products and services meet customer needs and respond to societal challenges, and collaborating with critical partners in value creation. To create long-term value, organizations need to put in place the infrastructure, capability and relationships (tangible and intangible assets) that enable them to meet the needs of their customers and stakeholders.

Consequently, capital and resource allocation decisions are a critical part of how value is created and sustained. Investments in capital maintenance and development of strategic assets and capabilities such as talent, innovation, infrastructure, brand and intellectual assets enable value to be created. They need to be considered beyond estimated financial returns and in the context of internal and external stakeholder outcomes, and a wider set of impacts.

ORGANIZATIONAL EFFECTIVENESS:

Organizational effectiveness refers to how an organization has achieved full self-awareness due in part to:

Leaders setting well-defined goals for employees and outlining ways to efficiently execute those goals.
Management implementing clear decision-making processes and communication pipelines.
Engaged employees—who are carefully selected and fairly compensated—producing work that prioritizes results.

FIVE WAY TO ACHIEVE ORGANIZATIONAL EFFECTIVENESS:

- **Strategy**
  Strategy involves shifting an organization's central identity—how leaders describe its purpose and goals both internally and externally—to include effectiveness and efficiency as core values.
  The more your company is known to be "effective" and "efficient," by both the market and your employees, the more these values will be built into every new project and goal.
  Organizational effectiveness should simplify and clarify long-term objectives for a company. The clearer these objectives are outlined at a strategic level, the easier it is to translate across departments.

- **Metrics**
  Measuring organizational effectiveness through metrics can help organizations stay accountable. But choosing the *right* data to measure—as well as knowing when to prize human judgment and discussion over hard analytics—is just as important.
  It clearly states the organization's strategic focus, efforts to promote clarity in roles, as well as recommendations for improving general administration organizational design.

- **Commitment**
  "Strong executive sponsorship is the single most important factor for success and the most often cited reason for failure when things go off track," the Bain & Company study says.
  The authors stress that "visible and credible commitment" to effectiveness policies from senior leaders—in companywide communications and hiring approaches, all the way down to how quarterly budget meetings are conducted—creates a trickle-down effect across the organization.

- **Behavior**
  Meanwhile, recurring behavior is where efforts to achieve organizational effectiveness are most likely to break down. Identifying specific decision-making moments in the day-to-day operation of the company, communicating the ways employees ought to be changing their behavior in those moments, and then implementing systems for reinforcement, including incentivizing those choices, can build a much healthier organization that polices its own effectiveness.

- **Culture**
  Finally, the degree to which employees are enthusiastically engaged at work determines how effective their work will be.
  Therefore, creating an organizational culture that values effectiveness is key.