

A STUDY ON THE RELATIONSHIP BETWEEN INNOVATION AND ENTREPRENEURSHIP, ITS STRATEGIC BENEFITS AND ROLE IN SUCCESSFUL ENTREPRENEURSHIP

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ABSTRACT

A micro driver of innovation is entrepreneurship. Innovation and entrepreneurship concepts have multiple meanings. These two are often regarded as overlapping concepts. This can be traced back to the most well known definition of entrepreneurship given by Schumpeter who defines entrepreneurs as individuals that carry out new combinations i.e. innovations. The leaders and managers, in order to stabilize and position for organizational viability, must have the conceptual idea of the topic entrepreneurship to adapt to the very changing global economy. Entrepreneurship is driven by both external and internal business environment. In the present competitive and dynamic environment, any organization to be successful needs to adopt an entrepreneurial strategy seeking competitive advantage through continuous innovation by effectively identifying and exploiting opportunities to be able to sustain and grow. This paper aims at examining the role of innovation for successful entrepreneurship. It also highlights how any innovation can be converted into a sustainable competitive advantage to enable a business concern make its presence felt in the arena of business

Keywords: Innovation, Entrepreneurship, Competitive Advantage, Entrepreneurial Opportunity, Knowledge Spillovers

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Introduction:

Entrepreneurship is an important factor of industrial development of a country. It is the primary trait of an entrepreneur. It initiates new products and develop organizations and means of production to make them marketable. It introduces quantum leap in technology and forces the reallocation of resources away from existing uses to new and productive users. The idea of entrepreneurship has become a buzz word that the leaders and managers must be aware of the concept of entrepreneurship to be able to strategize and position for organizational viability. The business firm must have a vision that stimulates growth, rewards risk taking and influence innovation by adapting to the changing global economy.

A micro driver of innovation is entrepreneurship. Thus, entrepreneurship involves innovation. Innovation and entrepreneurship concepts have multiple meanings. These two are often regarded as overlapping concepts. This can be traced back to the most well known definition of entrepreneurship given by Schumpeter who defines entrepreneurs as individuals that carry out new combinations i.e. innovations.. Entrepreneurship is driven by both external and internal business environment. In the present competitive and dynamic environment, any organization to be successful needs to adopt an entrepreneurial strategy seeking competitive advantage through continuous innovation by effectively identifying and exploiting opportunities to be able to sustain and grow.

INNOVATION:

The concept of entrepreneurship is closely associated with the element namely innovation. Doing something new or the doing of things that are already being done in a new way is called innovation. It includes new processes of production, introduction of new products, Creation of new markets, discovery of a new and better form of industrial organization.

A business firm is constantly on the look out to do something different and unique to meet the changing requirements of the customers. It may utilize innovations in all phases of its life. Most of the innovations are carried out by business concerns when they desire to enhance the competitiveness in the market place.

ENTREPRENEURSHIP: THE CONCEPT

Entrepreneurship is an important factor of industrial development of a country. It is the personality trait of an entrepreneur. It utilizes new products and develops organizations and means of production to make them marketable. It introduces quantum leap in technology and forces the reallocation of resources away from existing uses to new and productive uses.

According to Schumpeter, “Entrepreneurship is based on purposeful activity and systematic innovation. It included not only the independent businessman but also company directors and managers who actually carry out innovative functions.”

According to Schumpeter, “entrepreneurs are individuals that carry out new combinations i.e., innovations. He distinguishes four roles in the process of innovation:

- The inventor who invents a new idea
- The entrepreneur who commercializes this new idea
- The capitalist who provides the financial resources to the entrepreneur
- The manager who takes care of the routine day-to-day corporate management

Objective of the research paper:

Entrepreneurship has ample potential for economic development by **innovation of product or service**. But, to understand the importance of innovation in product or process in entrepreneurship, no sufficient study has been carried out till now.

The objectives of the study are:

- To study the relationship between innovation and entrepreneurship
- To understand the strategic benefits of entrepreneurship and innovation.
- To highlight the role of innovation in successful entrepreneurship

Research Methodology:

Secondary data was analyzed in depth to understand the various aspects that are involved in the success of entrepreneurship through innovation

RELATIONSHIP BETWEEN INNOVATION AND ENTREPRENEURSHIP:

Keeping in mind the definition of entrepreneurship as the introduction of new economic activity by an individual that leads to change in the market place, the essential conditions for entrepreneurship can be formulated.

- Existence of entrepreneurial opportunities.
- Difference between people
- Risk bearing uncertainty until the entrepreneur pursues the opportunity
- Organizing/exploiting the opportunity: either creating a firm or using the market mechanism
- Innovation: recombination of resources into a new form that is by implication not a perfect imitation of what has been done before and thus involves a change in the market place.

Entrepreneurial opportunities:

Every entrepreneur who starts a new business has ideas. The real challenge is to discover an opportunity that is more than just a good idea. These opportunities originate from changes in the environment. These can be technological, social/demographic, and political/regulatory changes.

- **Technological change**, often based on progress in the research base of society is a prime source of entrepreneurial opportunities for new technology based firms
- **Social and demographic** changes can be quantitative changes like an ageing population that offers new opportunities for entrepreneurs
- **Deregulation, privatization and liberalization** have opened up several opportunities for entrepreneurship
- **Customers** can themselves be a source of entrepreneurial opportunities.

Entrepreneurship as an organizational product.

Discovery of an entrepreneurial opportunity can be made by an employee or an independent individual. The latter situation is reflected in user entrepreneurship. Most founders start a new business in an industry that is similar or related to their prior experience.

Entrepreneurship, Innovation and Economic growth:

Mechanisms which explain why new and small firms in combination with large organizations may drive innovation and ultimately economic growth are **knowledge spillers, decentralization, experimentation and competition.**

knowledge spill over's: An important source of entrepreneurial opportunities is new scientific and technological knowledge. Organisations investigating in research or technology development often end up facilitating other agent's innovation efforts, either unintentionally as when inventions can be initiated or intentionally as where scientists report on their research.

Decentralisation: This implies a diffusion of authority and responsibility and a limitation of the pyramiding of managerial hierarchies. The most useful innovations are likely to produce one or more giant firms simply because useful often means "widely used" and widely used may well mean "mass-produced"

Experimentation: Economic growth implies change and adaptation and much of the adaptation takes place through the formation of firms that are at least initially, small. New firms are useful devices for experimenting with innovation as they can be established at a small, experimental scale at relatively low cost and therefore in large numbers and their efforts can be intensively focused on a single innovation. Innovation is more likely to occur in a society that is open to the formation of new enterprise than in a society that relies on its existing organizations for innovation. New, usually small, firms have an important role in bringing about change.

Competition: The principle source of diversity in enterprise is competition. Organisation differentiation via the development of unique products, methods of production and distribution and forms of organization is central to the strategy of competition. New firms played a direct role in economic growth, with the introduction of new products but also an important indirect role in triggering old firms to improve or restructure their activities.

Empirical Evidence on the relationship between entrepreneurship and innovation:

According to Schumpeter,” the entrepreneur is the person who brings new ideas to the market and in that way causes economic renewal and progress. Innovations make the old economy superfluous. A recent example in the Dutch economy is the success of the digital TumTum route planner that has substituted a large part of the production of roadmaps. An indirect effect of the introductions of these innovations by new firms is that incumbents are triggered to upgrade their product offerings in order to remain competitive.

A recent study (CBS 2006:153) shows that entrepreneurs innovate because they want to improve the quality of goods and services to offer a broader range of goods and services and in the end they want to access new markets or a larger market share.

A recent review of empirical studies by Van praag and Versloot (2007) shows missed evidence on the assumption of the relatively high innovativeness of small and new firms. They conclude that “entrepreneurs and their counterparts contribute equally importantly to the innovativeness of societies. They show that new and small firms have relatively high levels of innovative sales, and are relatively less likely to adapt high cost innovations.

A critical interpretation of the overview of empirical research could be that entrepreneurship as measured in these studies does not have much to do with innovation at all and the studies reviewed showed that entrepreneurship has hardly an effect on this. The positive effects of income and employment do not have to be explained with innovation which is not necessary ingredient of self-employment.

Strategic Benefits of Entrepreneurship and Innovation;

A business firm can have the following strategic benefits through entrepreneurship and innovation

- Total turnaround in the business
- Cost effective operations
- Delivering the product in the individual brand name in the global market
- Creating niche for the firm itself

- Creation of new roles in the organization namely technical innovations, business innovations and product innovations
- Huge employment generation opportunities
- Creation of value addition
- The business firm can be a business model for others in the same line of business

Challenges ahead for the business firm:

- To manage expectations in the right way and keep the motivation towards ongoing innovations alive.
- Setting quantitative and qualitative standards which are agreed by all in the business firm to have hassle free operations
- Setting specific metrics to analyze and evaluate new businesses in their development and to decide when to abort a new initiative.

CONCLUSION:

It can be concluded from the study and analysis of concepts of entrepreneurship and innovation that

- Primary aim of entrepreneurship is the revival and rejuvenation of the firm leading to growth.
- Prime source of it as explored in the above discussion is innovation.
- Team effort of the entrepreneur, functional and operational managers is the source of innovations
- The innovation can be converted into a sustainable competitive advantage to make a firm standing in the arena of business.
- Entrepreneurs can develop conducive environment of trust and by leveraging innovation, they can create collective wealth for the organization as well as contribute to the growth of the country.

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