

LECTURE 3 – CHAPTER 6.

Innovation

Innovation in its purest sense refers to newness but do not assume that just because something is new that it will automatically create value or be perceived as inherently positive and good. Our challenge as entrepreneurs is to innovate a new product, service, process, market or business concept that we foresee will create future value. Emphasis is on foresight. To perceive the value of innovation in advance requires entrepreneurial judgment, and it is both art and science. This involves a thorough assessment of the idea.

Entrepreneurs are the ones that commercializes an idea, with hard work and dedication. While entrepreneurs might not necessarily come up with the idea themselves, the idea needs entrepreneurs to be commercialized. Inventers-entrepreneur is a rare breed; e.g Kodak and Toyota.

Entrepreneurial opportunities rely on new and innovative ideas, and entrepreneurs bridge the gap between ideas and opportunities – or between invention and innovation. The first step for any entrepreneur is coming up with an idea that may be the foundation of a good opportunity. The search for good opportunities starts with the recognition of ideas that have potential. Potential entrepreneurs will need *determination, persistence and alertness*, in differing measures, to take advantage of ideas that create the opportunities found in the external and internal environments in which they live. **These characteristics will allow an entrepreneur to create an opportunity from an idea that others may ignore for lack of will, give up on for lack of energy or simply do not see or recognize.**

Why does innovation matter? Innovation does not only about products, its also about improvement of production and distribution. **Examples:** Zara has a very responsive chain and system → *HOW?*. It also matters to both individual and national level.

- Individual: large amount of success from big companies rely on innovation. Retain market share, increase profitability, compete in global market. PLC are shorter, industry and marketplace are changing, there are also stricter legislations.
- National: create jobs, set higher standard of living.

Entrepreneurial Imagination and Creativity

To see opportunities, entrepreneurs blend imaginative and creative thinking. Potential entrepreneurs look for unique opportunities and ask *what ifs* and *why nots*, develop ability to **see, recognize and create opportunities while others only see problems**. Creativity can lead to competitive advantage, thus desired. **Creativity can be developed and improved**. But people have different degrees of creativity; thus for those who are not as creative, they can learn how to formally implement **creative process**. Creativity is looking at things in a distinct way and seeing relationships among things others have not seen.

Creative process: background/knowledge accumulation, mind incubation process, the idea experience, evaluation and implementation

Innovation

A major difference exists between an idea that arises from mere speculation and one that is the product of *extended thinking, research, experience, work, perseverance and dedication to implement*. It's not just the idea, but also the implementation → making something happen and to use.

Innovation is the process by which entrepreneurs convert opportunities (ideas) into marketable solutions → catalysts for change. To be successful, entrepreneurs need to be conscious of new opportunities, go out – look, ask, listen, use both sides of brain, look at figures and people, analytically work out what the innovation has to be to satisfy the opportunity.

The difference between creativity and innovation

“creativity is the price of admission, but it's innovation that pays the bills”. Creativity is about unleashing the potential of the mind to **conceive new ideas** and its **subjective and hard to measure**. Innovation is **measurable**. Its *implementing the creative ideas through dedication and perseverance and analytical thinking and evaluation to satisfy needs and opportunities found in the marketplace*.

Innovation is putting ideas to work.

Four basic types of innovation: *invention*, *extension (different application)*, *duplication (adding entrepreneurial touch)*, *synthesis (combo of existing concepts)*.

Invention	Totally new product/process	Airplanes, lightbulb, telephone, fax machine
Extension	Different application	Mark Zuckerberg didn't invent the idea of social media or networking, but he put those concepts into another way a.k.a facebook
Duplication	Replication with additional creative and entrepreneurial touch	Tiffany scrub being replicated on another countries → locally. Different packaging, country etc.
Synthesis	Combination of existing concepts and factors	Starbucks combines the concept of <i>a place between home and work, social over coffee etc.</i>

There are major misconceptions of innovation: *innovation is not planned nor predictable, nor does it need VERY thorough planning, it does rely on creativity but not the unrealistic ones. Small projects may result in better innovations and other than technologies, there are other driving force (e.g trends, knowledge.)* read more.
