

# Innovation for Entrepreneur

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**DIN147 (888147) 3(3-0-6)**

# Innovation

888147 - Innovation for Entrepreneur

## Innovation

How has your life change in the last 10 years?

- How much television do you watch not on TV?
- How many movies do you watch not at the cinema?
- How many games do you play not using a games console?
- How often do you talk to your friends & family, in a way that is not talking face-to-face?

What will life be like in 10 years time?





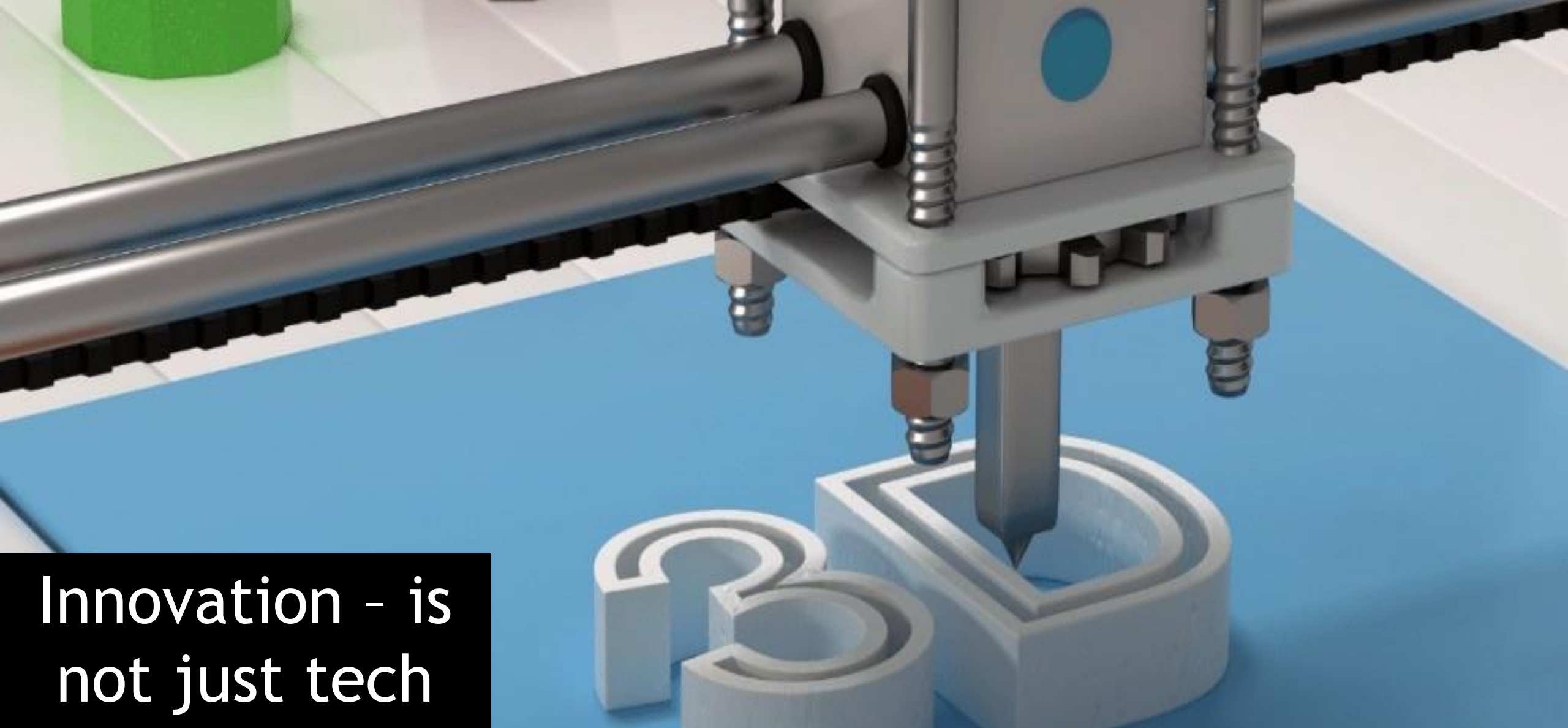
computers

internet

AI

?





**Innovation - is  
not just tech**

how we eat - by delivery e.g. Grab  
how we travel - e.g. air

how we shop - visit mall?  
how far, how much we pay

# What is Innovation?

The background of the slide is white with abstract, overlapping purple geometric shapes on the right side. These shapes include triangles and polygons in various shades of purple, from light lavender to dark indigo, creating a modern, layered effect.

new idea, device or method

better solutions

that meet new requirements

or existing market needs



# processes

that produce innovation,  
such as  
creativity, organizational  
structure, environmental context,  
and social and economic factors

# outcome

innovation  
in new products,  
product features,  
and  
production  
methods

## Innovation

- new, change
- improve
- value
- exploit opportunity
- meeting need

Value proposition - The value a company promises to deliver to customers



product



service



**NETFLIX**

product to service



process

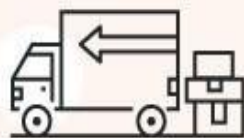


# EXPERIENCE



## SERVICE

**Amazon Prime** comes with free expedited shipping, which can have products come as fast as within 2 hours in some metro areas.



## BRAND

**Patagonia's** brand activism and links to environmental causes gives it a unique position in the outdoor apparel market.



## CHANNEL

**Nespresso** locks in customers with its Nespresso Club, as well as through ongoing sales of single-use coffee pods.



## CUSTOMER ENGAGEMENT

**Mercedes** has launched an augmented reality owner's manual that replaces its bulky predecessor while also highlighting driver and car data.



Mercedes-Benz



# CONFIGURATION



## PROFIT MODEL

The **New York Times** pivoted from its traditional ad-driven media model to digital user subscriptions.

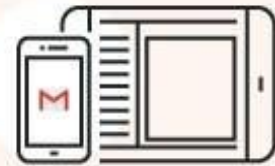
**The  
New York  
Times**



## STRUCTURE

**Google's** "20% rule", which allowed employees to work on side projects, led to the creation of Gmail and Google News.

**Google**



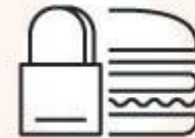
## NETWORK

**Henry Ford** was one of the first industrialists to control his entire supply chain, a strategy later called vertical integration.



## PROCESS

**McDonald's** franchisees were encouraged to develop and launch their own new food items, leading to wins such as the Egg McMuffin.



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# OFFERING

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## PRODUCT PERFORMANCE

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**Spotify** created a seamless music streaming product that lapped competitors in terms of speed, responsiveness, and user experience.



## PRODUCT SYSTEM

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**Apple** has built an extensive ecosystem of products that work together, creating additional value for users.



# History

## Paradigms

### Stage 1

- Innovation was seen as **inventions**, new ideas developed into products

### Stage 2

- Innovation was seen as the ever-changing **world of technology**

### Stage 3

- Innovation recognized as an important part of **business strategy**

## Paradigms

### Entrepreneurship paradigm

- change in society – result of innovation
- creating business by innovation
- one who sees unexploited opportunity

### Technology paradigm

- adapt to new tech
- tech contributes to growth
- tech is part of development

### Strategic innovation paradigm

- exploit existing markets
- part of strategy
- tech entrepreneurship part of competitive advantage
- innovation departments



“Innovation is the means entrepreneurs exploit change as an opportunity ...

- Peter Drucker, management thinker, *Innovation and Entrepreneurship* (1985)

## Peter Drucker

- famous management theorist
- added innovation to strategy
- His view emphasizes innovation as the key to entrepreneurship

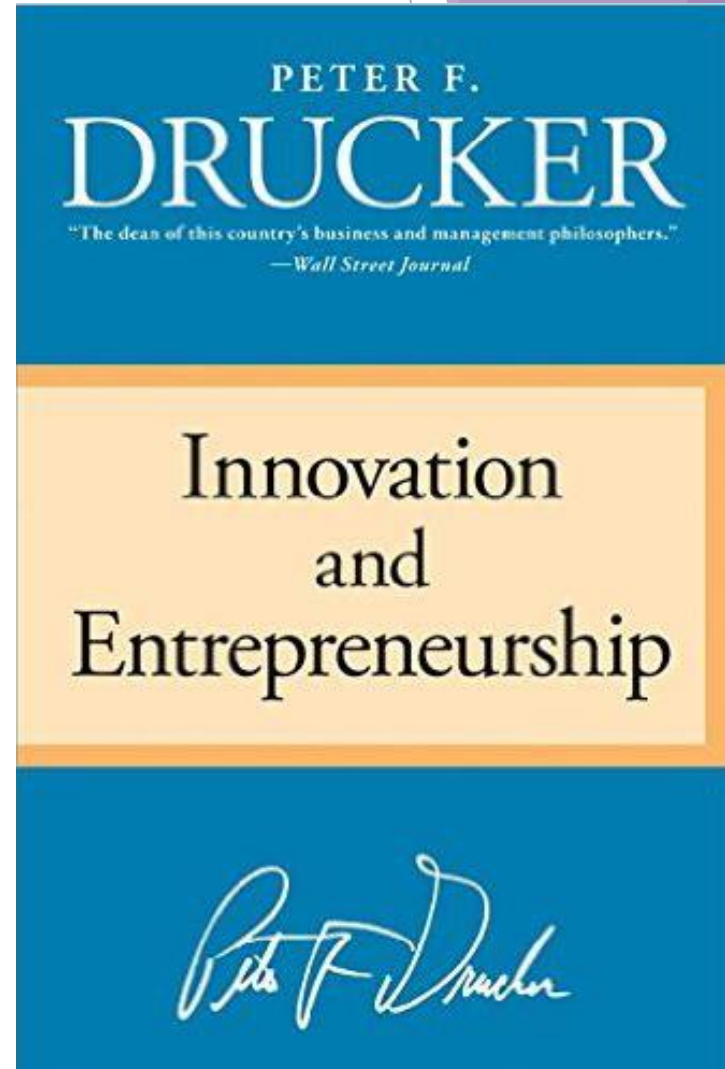
## Innovation & entrepreneurship

- most famous management theorist
- book added innovation to strategy and operations
- focuses on practice, not personality
- highlighted important to management

“Management and entrepreneurship are only two different dimensions of the same task.

An entrepreneur who does not learn how to manage will not last long.

A management that does not learn to innovate will not last long.”



“What all the successful entrepreneurs I have met have in common is not a certain kind of personality but a commitment to the systematic practice of innovation.

## 3 conditions of innovation

1. Innovation is work, it requires knowledge
2. To succeed, innovators need to build on their strengths
3. Innovation has to be close to the market and focus on the market, indeed market-driven

Drucker

## Schumpeter

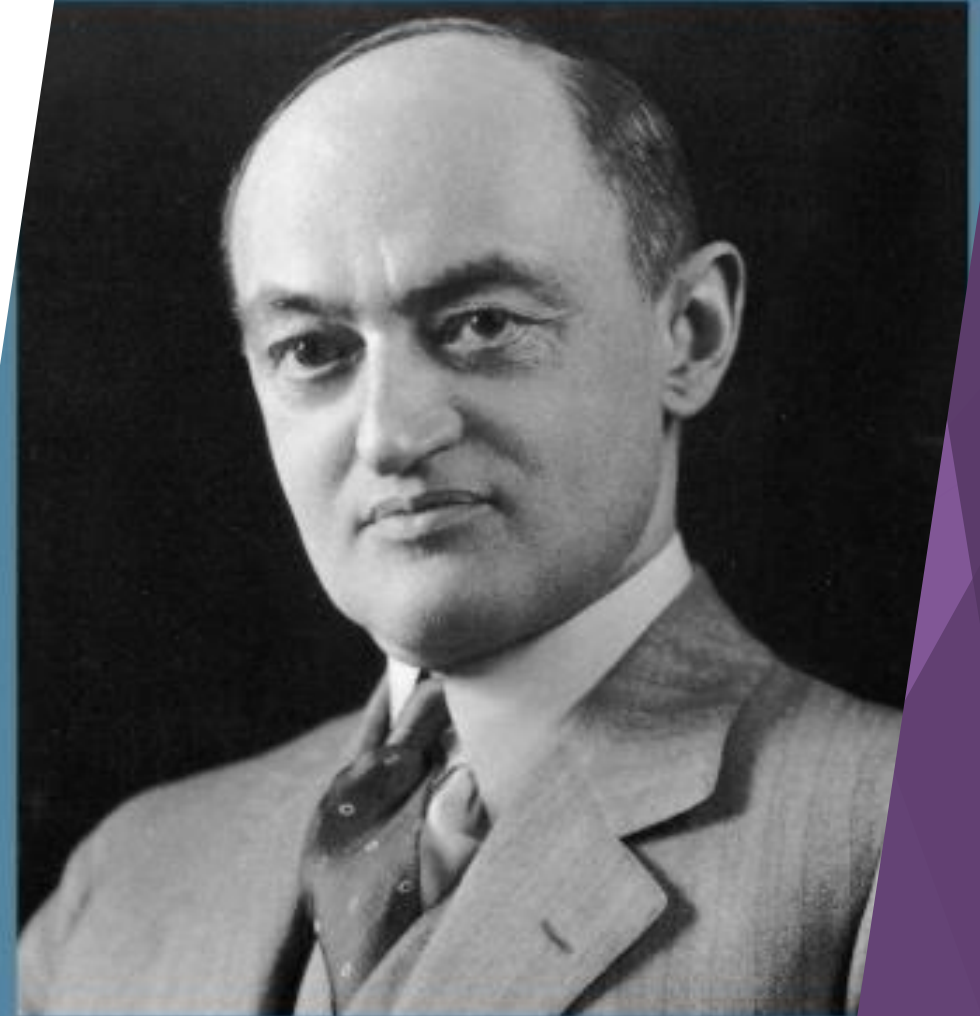
- Joseph Alois Schumpeter (1883-1950) was an Austrian-trained economist
- he ‘introduced’ the concept of entrepreneurship

<https://www.investopedia.com/terms/j/joseph-schumpeter.asp>

he believed the entrepreneur was :

- the cornerstone of capitalism,
- the source of innovation,
- which is the vital force driving a capitalist economy

# JOSEPH A. SCHUMPETER





## Creative Destruction

- Schumpeter coined the term "**creative destruction**" to describe how the old is being constantly replaced by the new
- destroying long-standing practices to make way for new technologies, new products, new methods of production, and new means of distribution.
- the entrepreneur creates dynamic change
- Entrepreneurial innovation and experimentation constantly destroy the old ways and introduce new ways

## What is Creative Destruction?

- how the old is being constantly replaced by the new
  - books – online reading
  - newspapers – digital access



## Creative Destruction - The Internet

- rendered many products, methods of production, and means of distribution obsolete.
- caused a drastic change in many jobs
  - including bank, secretaries, travel agents, and retail store employees.
- with the rise of mobile internet technology,
  - publishers of printed material
  - everything from magazines to maps—also suffered

## Joseph Schumpeter

- Later on, Schumpeter ('Mark II') emphasized the **importance of innovation in large firms**
- Feared that the replacement of small and medium sized enterprise by large firms would negatively influence entrepreneurial values, innovation, and technological change
- But technological competition between businesses would continue to drive capitalist evolution "even in the world of giant firms" – **just less innovative and disruptive**, because "technological research becomes increasingly mechanized and organized"

## Michael Porter

- generally recognized as the **father of the modern strategy field**
- most influential thinker on management and competitiveness
- why innovation & entrepreneurship matter (moving from 2 to 3)
  - efficiency
  - **economy of scale**
  - **value in new products & services**
  - wealth



EVERYTHING YOU NEED TO KNOW ABOUT

# PORTER'S GENERIC STRATEGIES

COST LEADERSHIP

COST FOCUS

DIFFERENTIATION LEADERSHIP

DIFFERENTIATION FOCUS

		Competitive advantage	
		Low Cost	Differentiation
Scope of markets	Mass	Cost leadership	Differentiation leadership
	Niche	Cost focus	Differentiation focus

# Porter's Five Forces

New  
entrants

Supplier  
power

Competitive  
Rivalry

Substitutes

Buyer  
power

A model that identifies and analyzes five competitive forces that shape every industry and helps determine an industry's weaknesses and strengths.



## Michael Porter

Michael Porter suggests four stages of national competitive development:

- 1. Factor-driven** – agricultural self-employment, competition based on low-cost efficiencies in the production of commodities or low value-added products
- 2. Investment (efficiency)-driven** – in large markets to exploit economies of scale, generally manufacturing focused on basic goods and services
- 3. Innovation-driven** – based on knowledge, focusing on high value-added products and services
- 4. Wealth-driven**

**Education and entrepreneurs are critical to moving from the 2<sup>nd</sup> to the 3<sup>rd</sup> stage**

# Strategy

## Harvard Business School

- *Competitive Strategy, Porter 1986*
- *Strategy is not a plan, it is choice, Roger Martin, 2022*



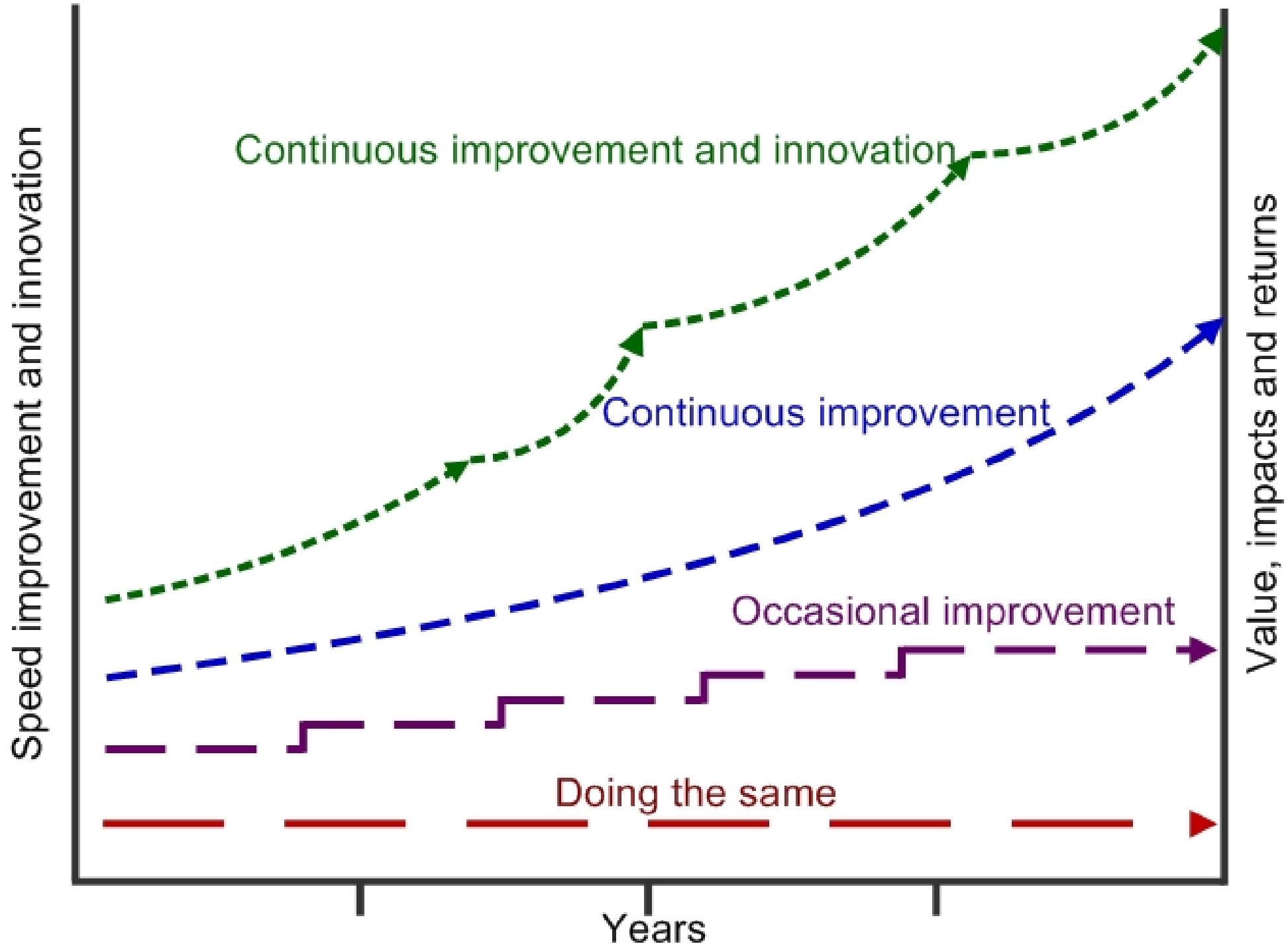
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Why is  
Innovation important?

# Why is Innovation Important?

business

essential part of strategy and developing over time



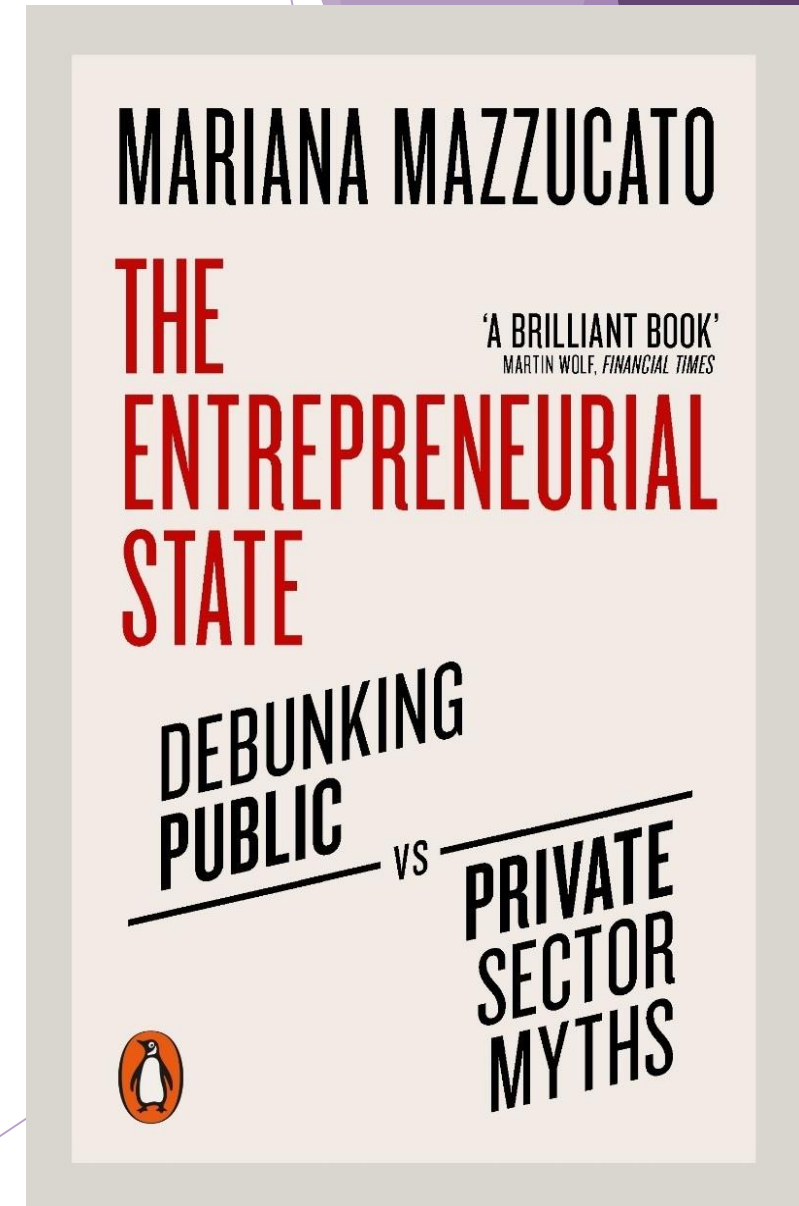
# Important role for the state in innovation

## *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*

is a 2013 book written by Mariana Mazzucato which argues that the United States' economic success is a result of

public and state funded investments in innovation and technology,

rather than a result of the small state, free market doctrine that often receives credit for the country's strong economy



The digital economy *is* the economy



# Is innovation important?

When firms invest in R&D to get a competitive edge over competitors, part of that knowledge **spills over to a societal knowledge stock** that increases the productivity of all firms

“you are never in the business of making money; you’re always in the business of making your customers happy.”



# Is innovation important?

innovation has gradually become a more powerful factor in explaining differences across countries in economic growth

between one-third and one-half of the differences in economic growth rates across countries can be explained by differing rates of entrepreneurial activity

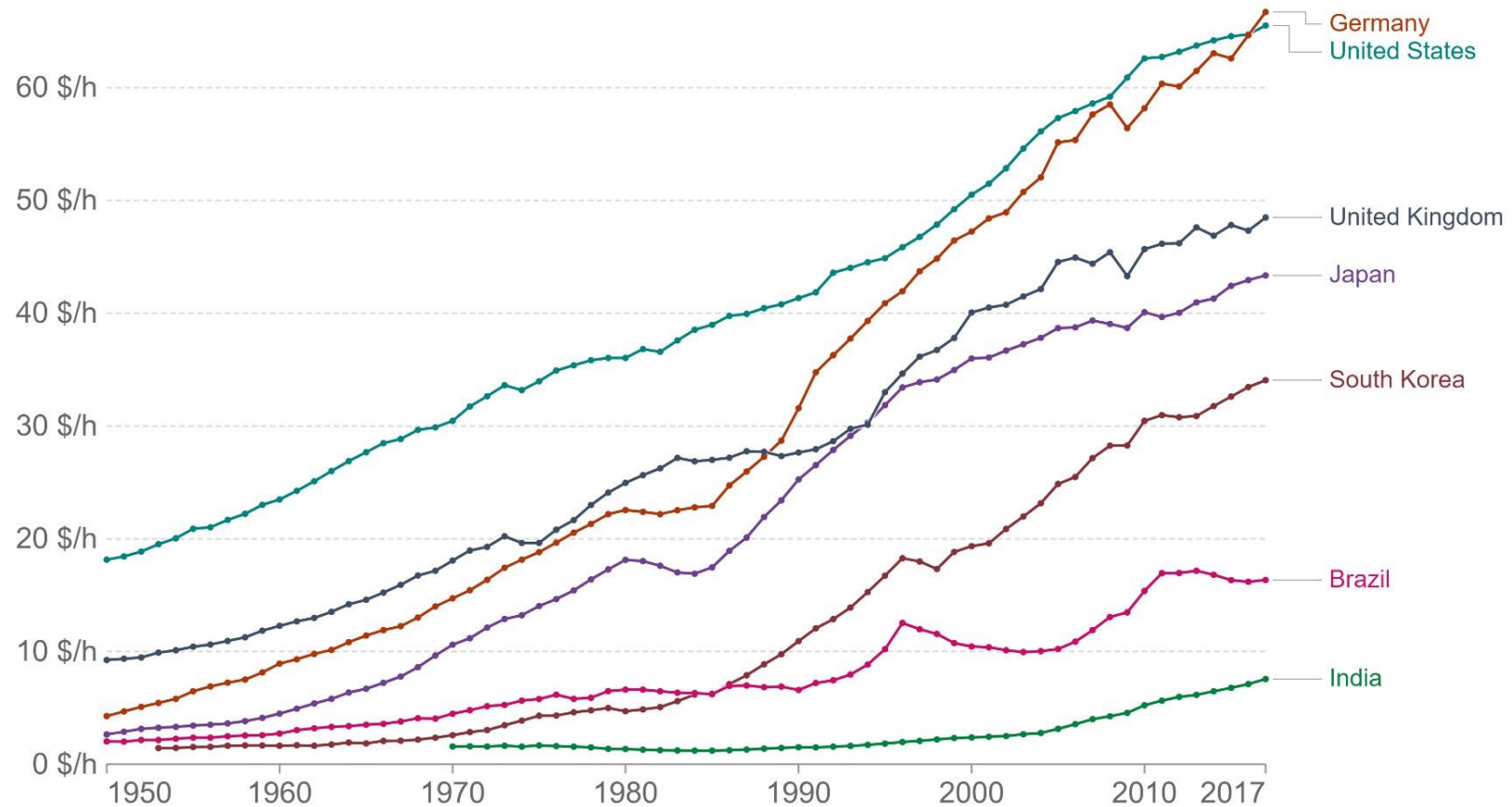
# Is innovation important?

- Globally, total economic output per person today is **4.4-times larger than in 1950** (accounting for inflation)
- **Productivity growth**: in many countries, workers produce much higher output per hour today than in 1950
- partly because of **new machines and technologies**, but also because we have **new shared knowledge** about how to work more efficiently

## Productivity per hour worked

Labor productivity per hour is measured as gross domestic product (GDP) per hour of work. GDP adjusted for price changes over time (inflation) and price differences between countries—it is measured in international-\$ in 2011 prices.

Our World  
in Data



Source: based on Feenstra et al. (2015) Penn World Tables 9.1

OurWorldInData.org/economic-growth • CC BY

## Also need to respond to major challenges

Such as:

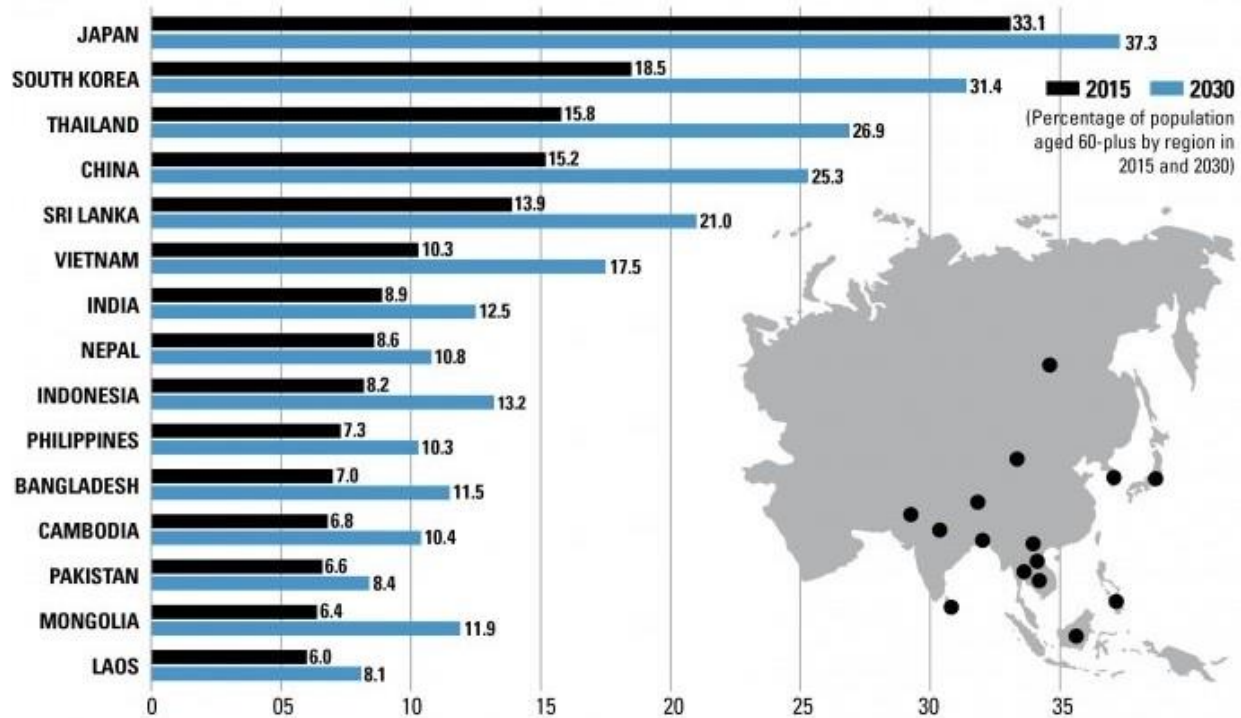
- **Climate change and sustainability**
- **Demographic change** – e.g. ageing populations, urbanization
- **Technological change** – e.g. impact of automation on jobs
- **Economic change** – e.g. declining growth rates, productivity

...whether through for-profit or social enterprises, or innovation in public sector

# Ageing populations across Asia

## How Asia's Population is Ageing, 2015-2030 Scenario

The proportion of people aged 60 and over is projected to grow in all Asian countries with Japan and South Korea aging faster than their neighbours.



Compiled by: ANN/DataLEADS

Source: Global Age Index, 2015

Ageing populations are the result of rising prosperity and people living longer. But it creates a major problem in how we can afford to support older people, since there are fewer people of working age to pay for social security and healthcare costs etc.

# Need to respond to major challenges



# SUSTAINABLE DEVELOPMENT GOALS

<b>1</b> NO POVERTY 	<b>2</b> ZERO HUNGER 	<b>3</b> GOOD HEALTH AND WELL BEING 	<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<b>10</b> REDUCED INEQUALITIES 	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 
<b>13</b> CLIMATE ACTION 	<b>14</b> LIFE BELOW WATER 	<b>15</b> LIFE ON LAND 	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 	<b>17</b> PARTNERSHIPS FOR THE GOALS 	<b>SUSTAINABLE DEVELOPMENT GOALS</b> 



**Thank you!**  
any questions?