

The background features abstract, overlapping geometric shapes in various shades of purple, ranging from light lavender to dark, almost black tones. These shapes are primarily located on the left and right sides of the frame, creating a modern, layered effect. The central area is a clean, white space where the text is positioned.

Innovative Entrepreneurship Theory and Practice

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DIN111 (888111) 3(3-0-6)

Lesson 3: Innovation & Entrepreneurship

Innovative Entrepreneurship theory and practice (888111)

Innovation is
not invention

Innovation

≠

(Incremental) Change

(which can happen naturally over time for various reasons)



Innovation

≠

Invention

**(creating something new that has never existed
before)**

Innovation

≠

Novelty

(something new for the sake of being new but with little value to users)



Innovation
=
Invention/Creativity (newness)
+
Exploitation
(via entrepreneurship)

Innovation
=
Invention/Creativity (newness)
+
Exploitation
(via entrepreneurship)
↓
Improvement ('value')

Innovation

=

Invention/Creativity (newness)

+

Exploitation

(via entrepreneurship)

↓

Sustainable/Scalable Improvement
('value')

Value

The perception of what a
product or service is worth to
a customer

Value proposition

The value a company
promises to deliver to
customers

Innovation

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

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

What is Innovation?

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

Types of goods

Product:



Service:



Processes



New or improved production or delivery methods for products/services

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

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

definition

"new idea, device or method"

BETTER SOLUTIONS that meet **NEW REQUIREMENTS** or
EXISTING MARKET NEEDS

more-effective products, processes, services, technologies,

or business models

that are made available to markets, governments and society

Two meanings

A PROCESS

The organizational and social **processes** that produce innovation, such as individual creativity, organizational structure, environmental context, and social and economic factors

AN OUTCOME

Innovation as an **outcome** such as new products, product features and production methods.

Paradigms

Stage 1

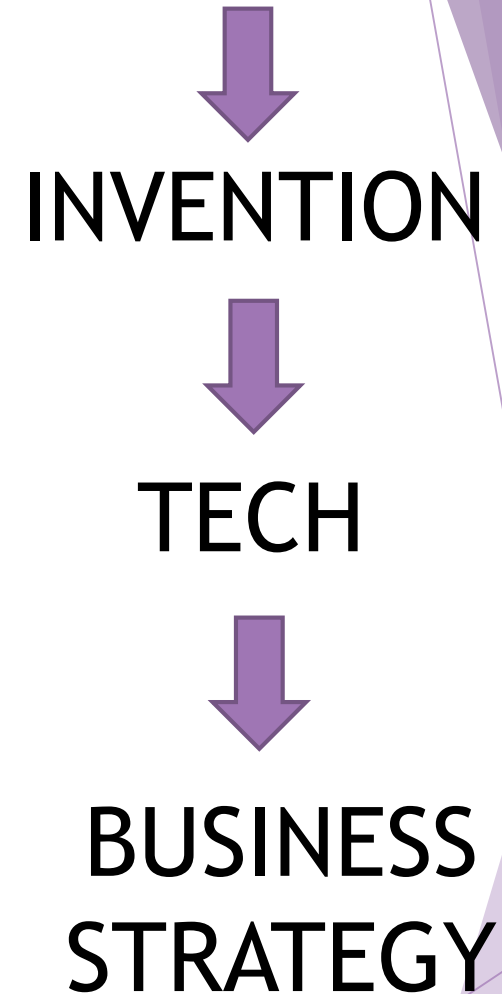
- Innovation was seen as inventions, new ideas developed into products

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

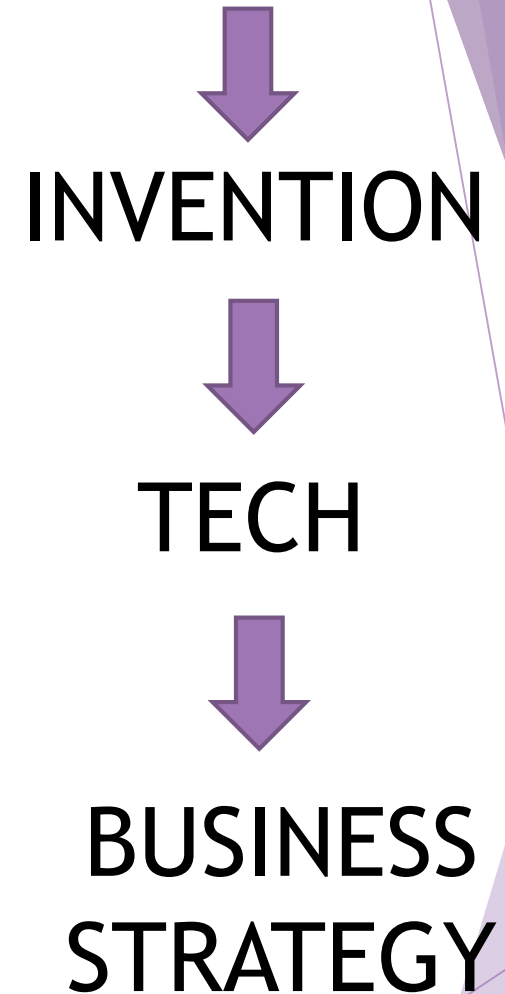
- change in society – result of innovation
- creating business by innovation
- one who sees unexploited opportunity

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



Entrepreneurship

The background features a complex, abstract design of overlapping, semi-transparent purple polygons. The colors range from light lavender to deep, dark purple. The shapes are primarily triangles and quadrilaterals, creating a dynamic, layered effect that frames the central text.

Entrepreneurship

Babson College definition:

“Entrepreneurship is a way of thinking and acting that focuses on **identifying opportunities**, informs action with analysis, and is driven by a passionate individual or team.”

Ajay Bam Definition:

Lecturer at the Lester Center for Entrepreneurship at Haas School of Business: “Entrepreneurship is the **journey of opportunity exploration and risk management to create value for profit and/or social good.**”

Change

1920 vs 2020

- 1920 - fortune 500, average length of company on the list was 67 years
- 2020 - fortune 500, average length of company on the list is 15 years

why?

- disruption, replaced by new company
- unicorn – company worth over a billion dollars – now over 100

Types of entrepreneurship

- **Small business** – often when a person owns and runs their own business
- **Intrapreneurship** – doesn't start a new business, but an employee who acts entrepreneurially within a business
- **Large company** – typically led by experienced senior executives
- **Scalable start-up** – the Silicon Valley type, often technology-led, requiring significant investment capital
- **Social** – non-profit or socially-oriented businesses that aim to benefit society and even change the world

Project

- *set today*

- *let me know your groups*

People in Innovation

The background features abstract, overlapping geometric shapes in various shades of purple, ranging from light lavender to dark indigo. These shapes are primarily located on the right side of the frame, creating a modern, layered effect against the white background.

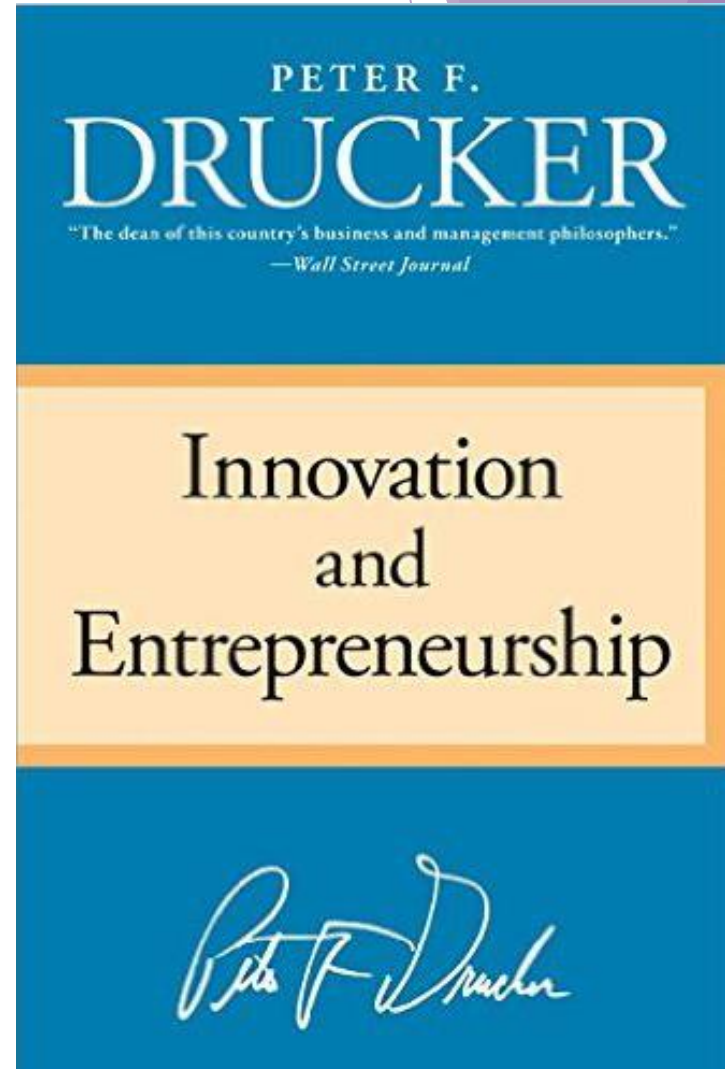
Peter Drucker

- 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.”



Peter Drucker

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



Entrepreneurship

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

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



Joseph Schumpeter

Economist

- first to analyze the process of innovation
- and importance of innovation in large firms

introduced

- the concept of entrepreneurship
- the creative destruction

believed

- entrepreneurs are the cornerstone of capitalism
- innovation is vital force driving a capitalist economy
- invention & innovation different (entrepreneur is a disruptive force in an economy)

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

Process of economic development

1. **Invention** – the technical discovery of new things or new ways of doing things
2. **Innovation** – the successful commercialization of a new good or service stemming from technical discoveries or, more generally, a new combination of knowledge
3. **Imitation** – a more general adoption and diffusion of new products or processes to markets

Joseph Schumpeter

Michael Porter

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



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 2nd to the 3rd stage

Is innovation
important?

Is innovation & entrepreneurship important?

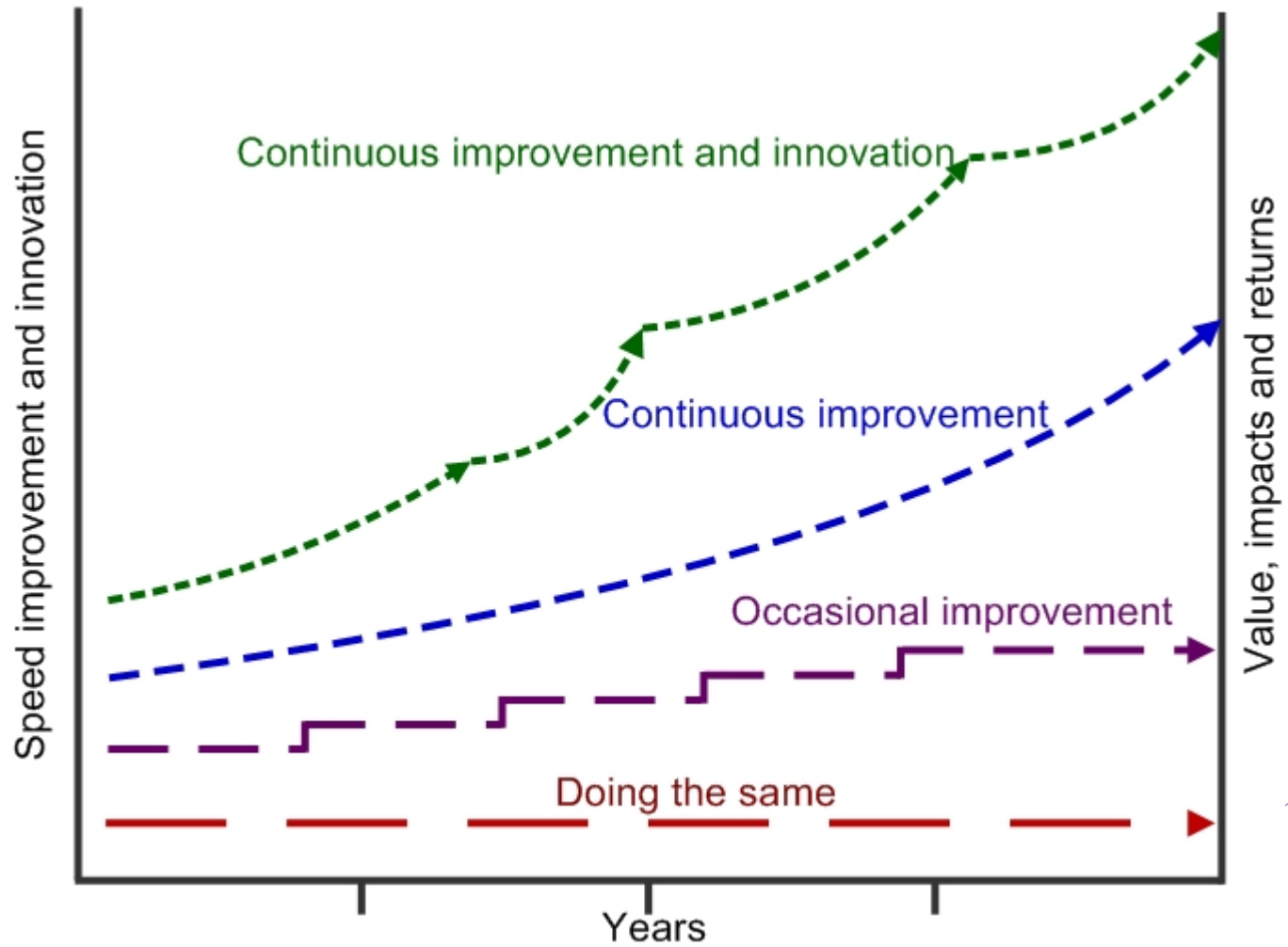
Entrepreneurship & Innovation are not new

- But are now seen as **critical** to growth and social progress
- Major social, economic, environmental challenges
- Social and cultural change – new generations want new ways of living and working
- with a need for new jobs and sources of wealth

economic growth

- Studies have conclude that **between one-third and one-half of the differences in economic growth rates across countries can be explained by differing rates of entrepreneurial activity**
- Often, these studies use the index of entrepreneurial activity for each country published in the *Global Entrepreneurship Monitor*

Innovation vs business as usual



Importance

- companies know they must change
- economies know they must change
 - natural resources-based, manufacturing-based, engineering-based
 - innovative companies attract talent
- alternative
 - Kodak, largest photography company, first digital camera, not embrace innovation
 - to compete with other innovators, you can't 'stay still'

why innovation matters

- During the 1950s and 1960s, the macro-economic importance of innovation was explored by **Robert Solow** and others investigating the relative **significance of different factors to the growth of national economies**
- Solow estimated that the **largest contribution to growth** came from a residual element which he identified broadly as ‘**technical change**’
- Solow argued this accounted for approximately **40% of the total increase in US national income per head**

why innovation matters

- In 2018, Paul Romer won the Nobel Prize in Economics for “integrating technological innovations into long-run macroeconomic analysis.”
- William Baumol worked on the cost disease and entrepreneurship, he contends that without innovation, the economic growth process would have been insignificant
- Edwin Mansfield conducted extensive research on the relationship between innovation and economic growth. His pioneering work helped to shape the theory of innovation

why innovation matters

- Jan Fagerberg (1987, 1988) suggested that **superior innovative activity** was the prime factor behind the huge difference in performance **between Asian and Latin American NIC countries** in the 1970s and early 1980s
- Fagerberg and Verspagen (2002) likewise found that the continuing rapid growth of the **Asian NICs** relative to other country groupings in the decade that followed was primarily caused by the rapid growth in the **innovative performance** of this region

* NIC = Newly industrialized countries

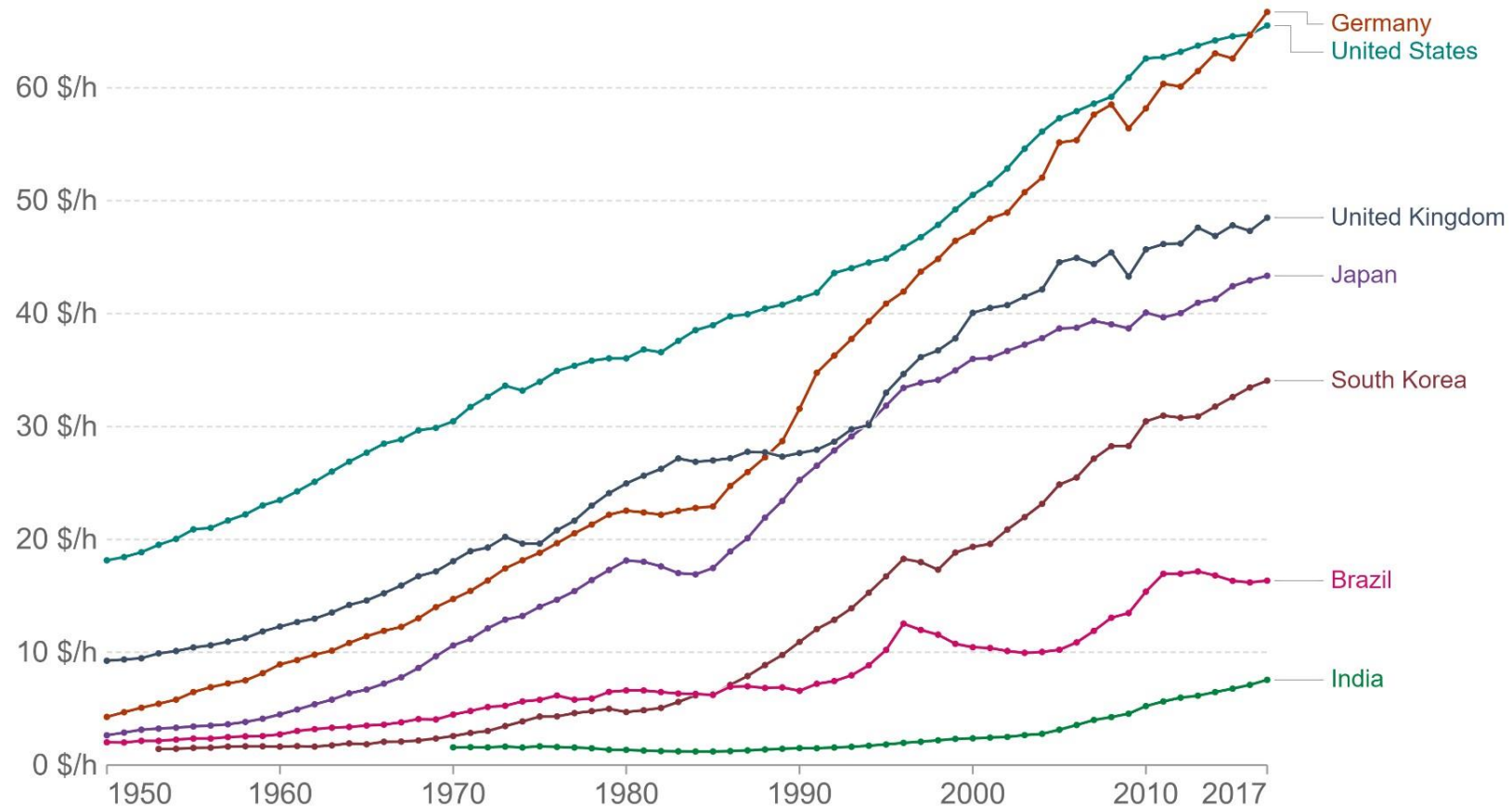
Is innovation important?

- 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

The digital economy *is* the economy

software and digital communications platforms are increasingly disrupting nearly all economic sectors and precincts of modern life

‘Software is eating the world,’ 2011 *Wall Street Journal* by venture capitalist Marc Andreessen

- digital revolution
 - massive increases in processing power,
 - exploding storage capacity,
 - steady miniaturization of computing,
 - ubiquitous communications and networking capabilities, and
 - the digitization of all data
 - rapidly spreading to other sectors of the economy

The Netflix logo, consisting of the word "NETFLIX" in a bold, red, sans-serif font, is positioned in the top right corner of the slide.

Lazada

The GrabFood logo, featuring the word "GrabFood" in a green, rounded font, is located in the bottom right area of the slide.

Need to respond to major challenges



SUSTAINABLE DEVELOPMENT GOALS

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

respond to major challenges

Such as:

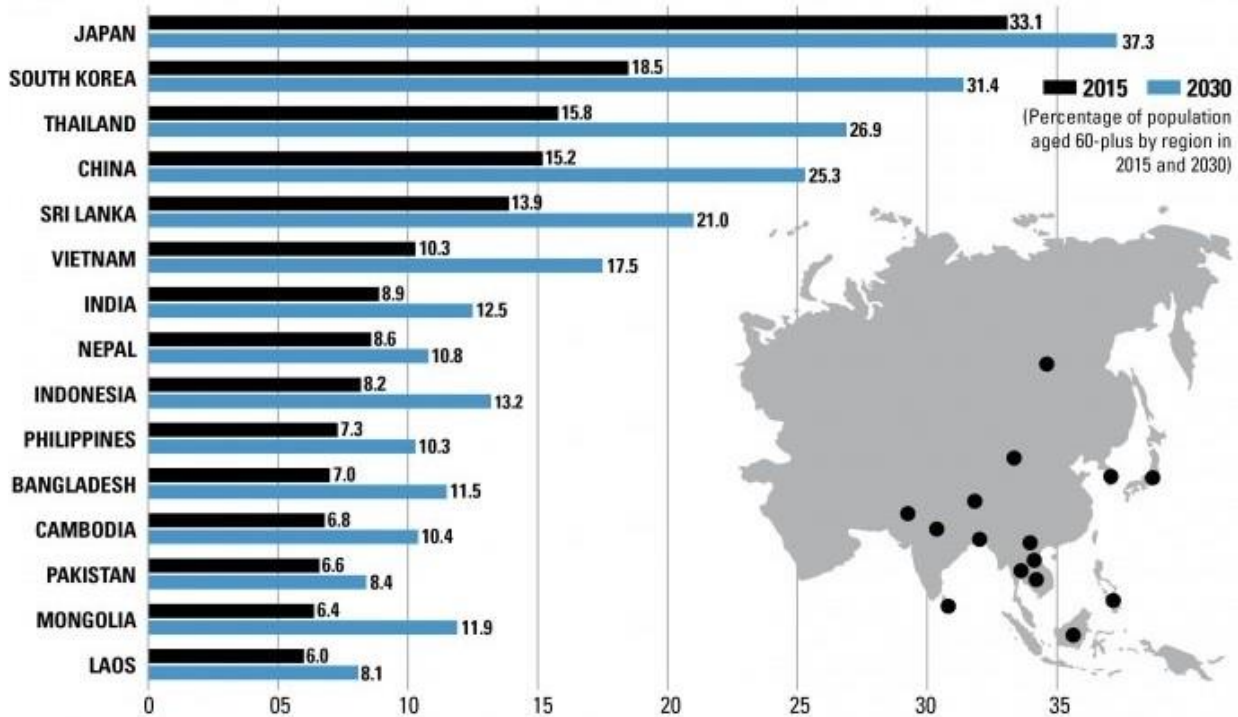
- **Climate change and sustainability**
- **Demographic change** – e.g. ageing populations, urbanization
- **Technological change** – e.g. impact of automation on jobs
- **Economic change** – e.g. declining growth rates, productivity

...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.



Thank you!
any questions?