

Course Review

mid term exam preparation

lessons

Introduction (examples)	core values
Innovation & Entrepreneurship	customer - empathy map
opportunities	customer - personas
dynamic innovation	
competitive advantage	SWOT & TOWS Analysis

Today Review

- What is innovative entrepreneurship?
- What is innovative?
- What is Entrepreneurship?
- Why is innovation important?
- Sources of innovation
- Examples of innovation
- Opportunity
- Creative Destruction
- Disruptive Innovation
- Competitive advantage
- Differentiation
- Adoption

mid term exam details & format

What is
innovative entrepreneurship?

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innovative entrepreneurship

Innovative entrepreneurship is the practice of creating new ideas for business

An **entrepreneur** is someone that creates business, often new and different business, therefore often with more risk and rewards.

Innovation is the process of making changes to something established by introducing something new

What is Innovation?

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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.

Products:



Services:



New or improved products or services

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)

Innovation

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

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

Entrepreneurship

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Entrepreneurship

“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.**”

Babson College

Entrepreneurship

“Entrepreneurship is the **journey of opportunity** exploration and **risk management to create value** for profit and/or social good.”

Ajay Bam, lecturer at the Lester Center for Entrepreneurship at Haas
School of Business

Entrepreneurship

The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.

- Jean-Baptiste Say, a French economist who helped to popularize the word 'entrepreneur' around 1800

Entrepreneur

- ▶ takes on a task
- ▶ without having the initial resources
- ▶ people with entrepreneurial behaviour

Entrepreneurship

Entrepreneurship is often categorized as

- opportunity or
 - a profitable opportunity as perceived by an individual
- necessity-based ventures
 - associated with entrepreneurship as a last resort, i.e. due to difficulty of finding other sources of income

Entrepreneurship and innovation

Today's entrepreneur is:

“... an innovator or developer who recognizes and seizes opportunities, converts those opportunities into workable/marketable ideas, adds value through time, effort, money or skills, assumes the risks of the competitive marketplace to implement these ideas and realizes the rewards from these efforts.”

Kuratko, D. (1995), 'Entrepreneurship', *International Encyclopedia of Business and Management*, International Thomson Press

Why is Innovation
important?

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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

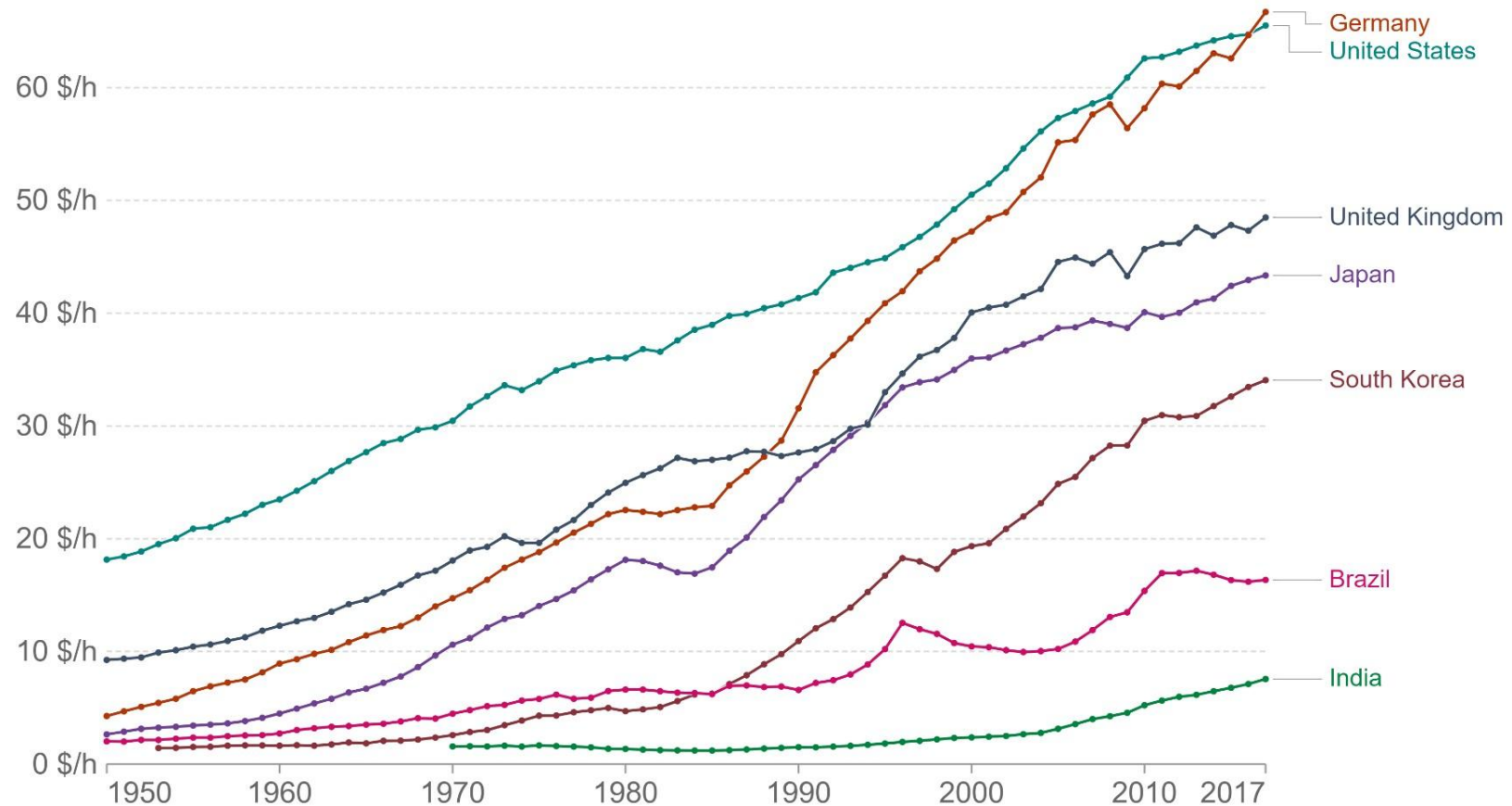
Is innovation important?

- 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

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

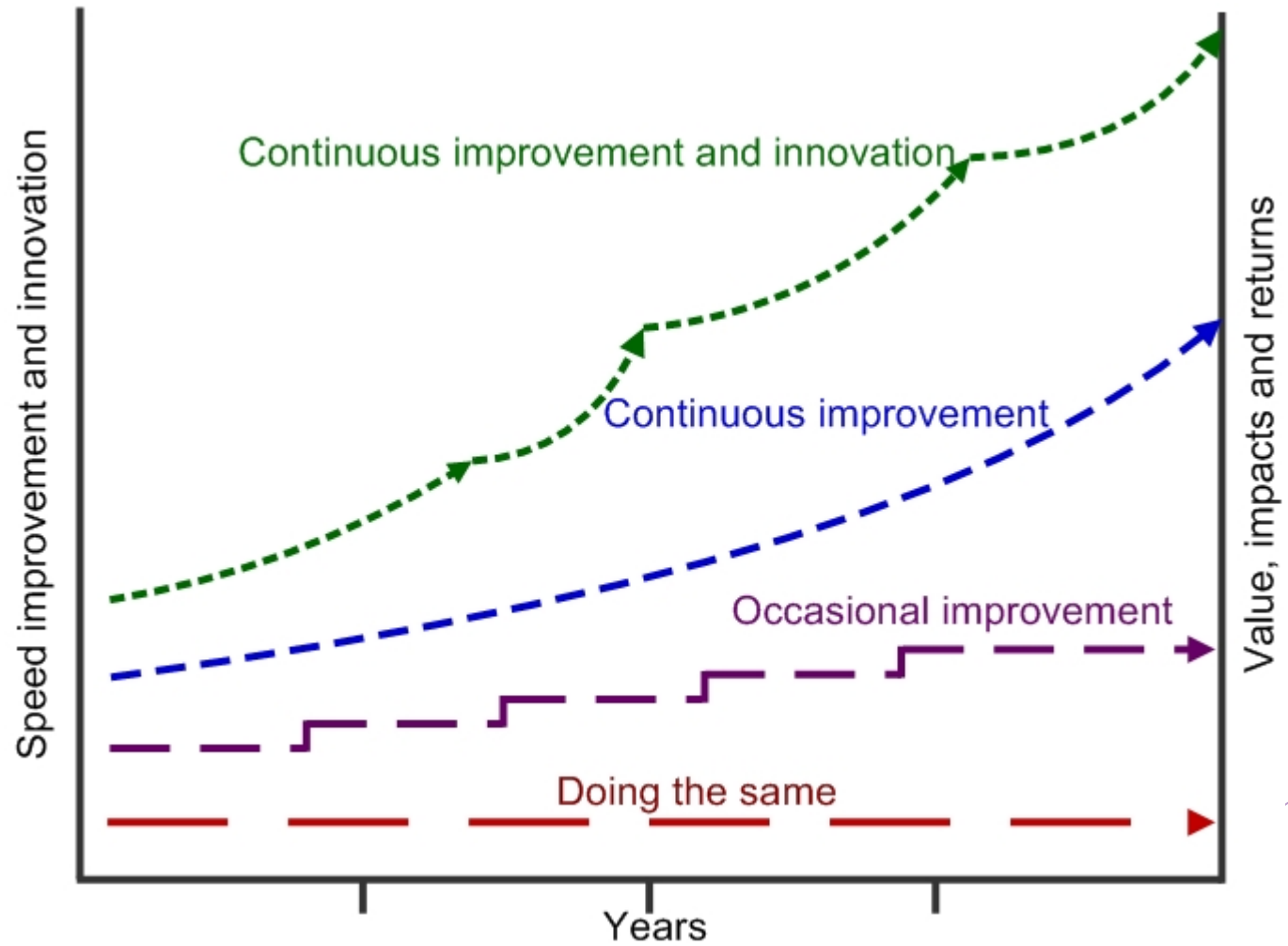
why innovation matters

- 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**

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'

Innovation vs business as usual



Opportunity

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opportunity

1. **Problems** your business can solve
2. **Changes** in laws, situations, or trends
3. **Inventions** of new products or services
4. **Competitive advantages** in price, location, quality, reputation, reliability, speed, or other attributes of importance to customers
5. **Technological advances** that entrepreneurs take from the laboratory to the marketplace

Where Others See Problems, Entrepreneurs Recognize Opportunities

How Do Entrepreneurs Create Business Ideas?

1. Listen.

- Improving a business or;
- Creating a new one.....

2. Observe

- How to help society
- What kind of businesses I could start
- What consumers need.....

3. Analyze

- What product or service could solve it

Where Others See Problems, Entrepreneurs Recognize Opportunities

Entrepreneurs Use Their Imaginations

Stop fuming about products or services that annoy you but fantasize about products or services you would like to have in your lives. Ask yourself such questions as:

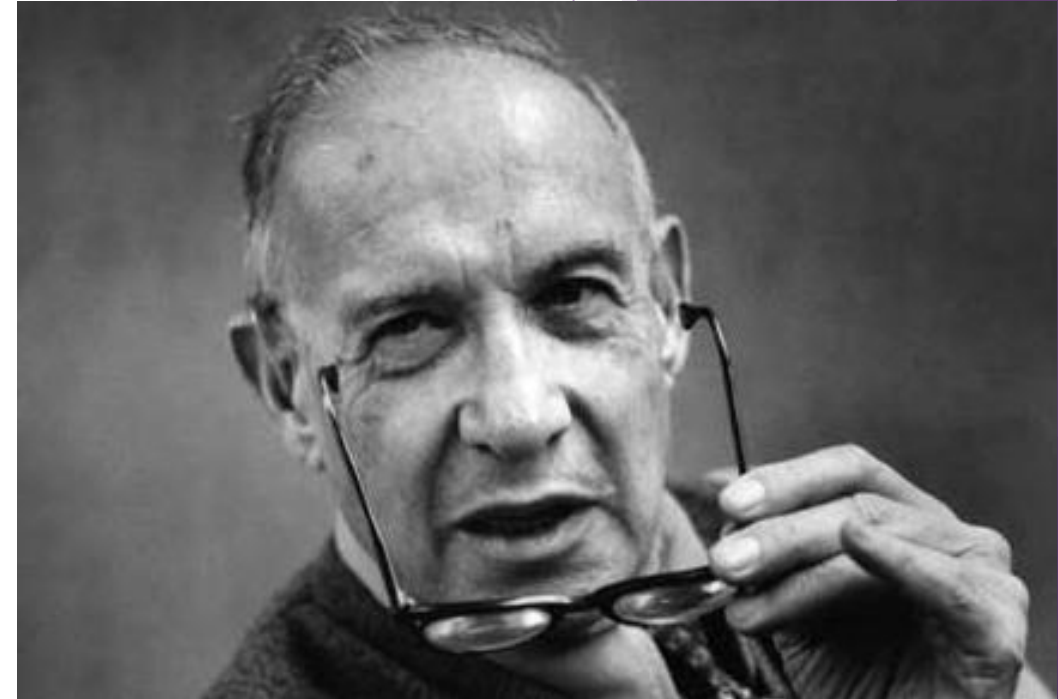
- What is the one thing I would like to have more than anything else?
- What would it look like? What would its other attributes be like?
- What would it do?
- What innovative product or service idea have I been mulling over in my mind?
- What problem have I encountered in everyday life and thought: “There has to be a better way to do this?”

Consider posing these questions to friends and family members as well. You might hear about an opportunity you had not yet recognized

Drucker's Do's and Don'ts of innovation

Do:

1. Regularly analyze innovative opportunities
2. Listen to what the market says
3. Keep it simple – “All innovations are breathtakingly simple”



Sources of innovation

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7 sources of innovation

Within the enterprise/industry:

1. **The unexpected** – e.g. a changing pattern, or something not working
2. **Incongruities** – discrepancies, e.g. customer expectations vs. reality
3. **Process need** – ‘There ought to be a better way’
4. **Market structures** – a change in industry structure, growth or decline

Outside the enterprise/industry:

5. **Demographics** – changes in population (e.g. age, education, income)
6. **Changes in perception, meaning, or mood**
7. **New knowledge** – but often a combination of knowledge from different areas

Drucker (1985)

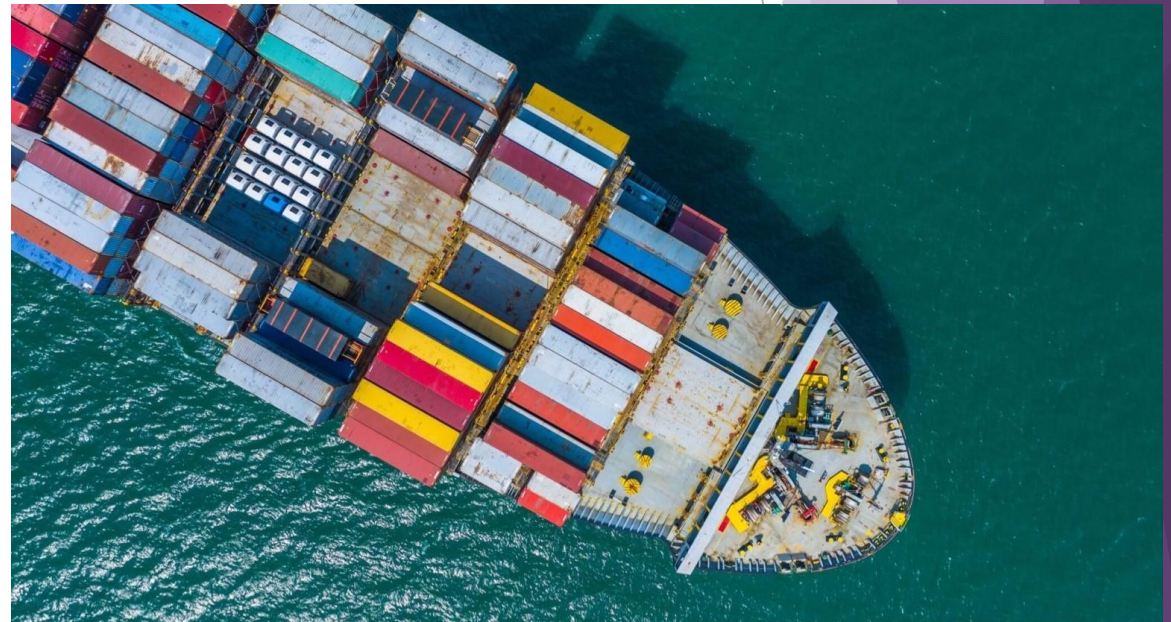
1. The unexpected

- A successful company is one that is able to recognize changing patterns
- constantly adapting to what the external environment says and wants
- a company should always look at its own mistakes



2. Incongruities

- Incongruities result from a difference between perception and reality
- is something that produces better results, that exploits the rising demand, and it should therefore be highly considered



3. Process need

- ‘there ought to be a better way’;
- the solution must fit the way people do the work and want to do it



4. Market structures

- change in industry structure
- e.g. rapid growth of an industry



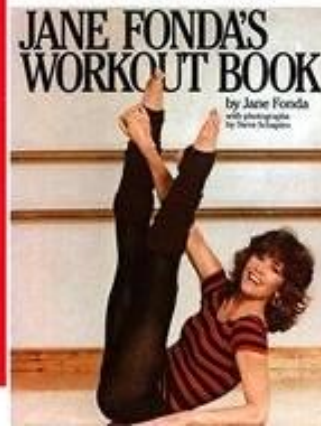
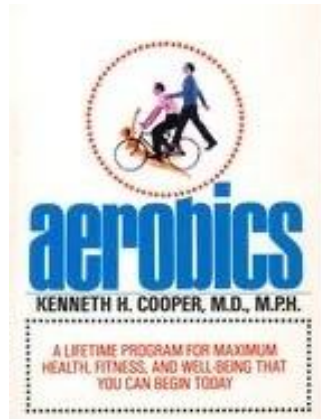
5. Demographics

- changes in population, its size, age structure, composition, employment, educational status, and income
- For example, 20-year-olds rarely have the same needs and wants of 60-year-olds;



6. Changes in perception, meaning, and mood

Rather than rejoicing in great improvements in health, in the 1980s Americans became more concerned about personal health. This created many opportunities for innovations: markets for new health care magazines, for exercise classes and jogging equipment, and for all kinds of health foods. The fastest growing new U.S. business in 1983 was a company that made indoor exercise equipment.



7. New knowledge



To anticipate the mobile internet etc in the early 2000s, you would have had to imagine not just how mobile phone technology could continue to develop, but also how people and businesses could find new ways to use the mobile internet – and very, very few people did.

Examples of Innovation

The background features abstract, overlapping geometric shapes in various shades of purple, ranging from light lavender to dark, almost black, tones. The shapes are primarily triangles and polygons, creating a dynamic and modern aesthetic. The text is centered in the upper half of the image.



Electric Refrigeration



Radio

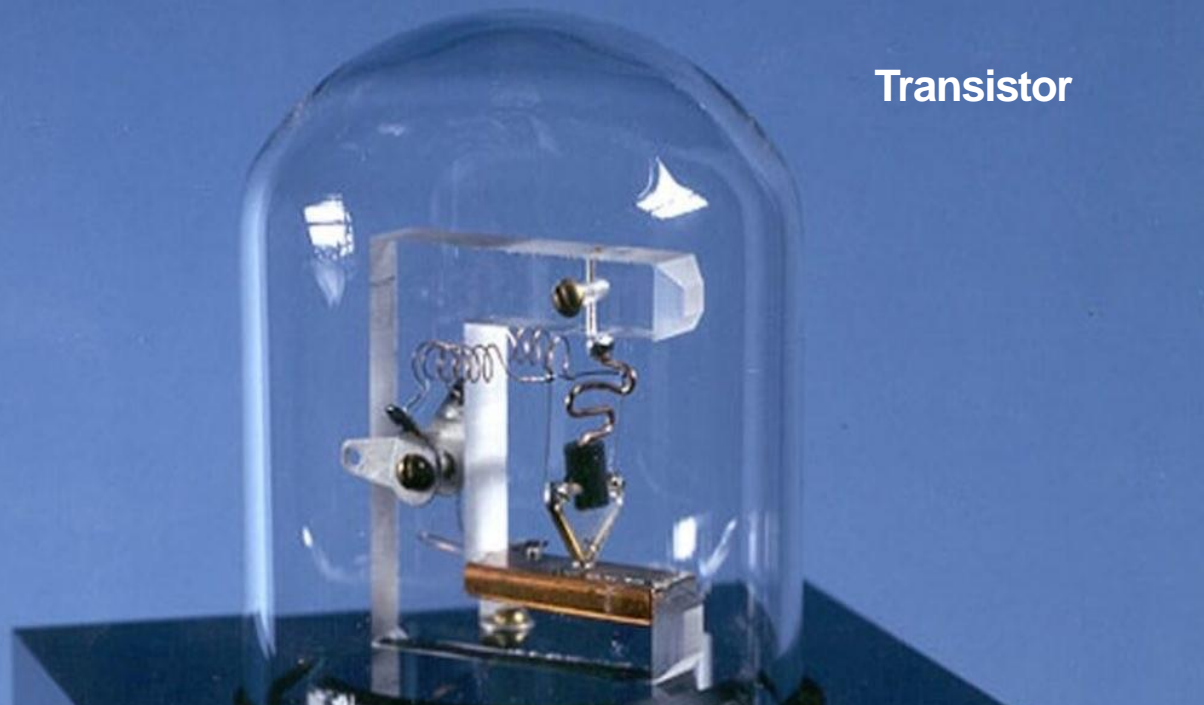


Automobile

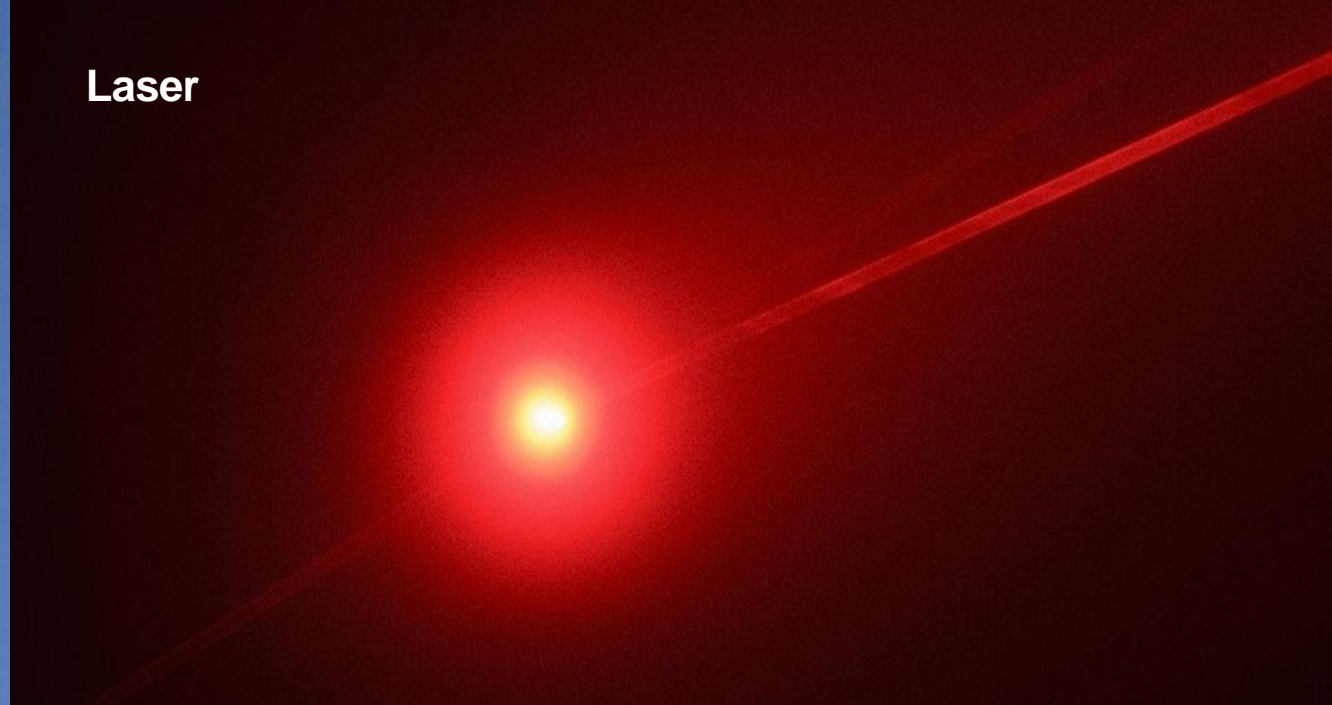
Television



Transistor



Laser



Airplane



Manned Spaceflight



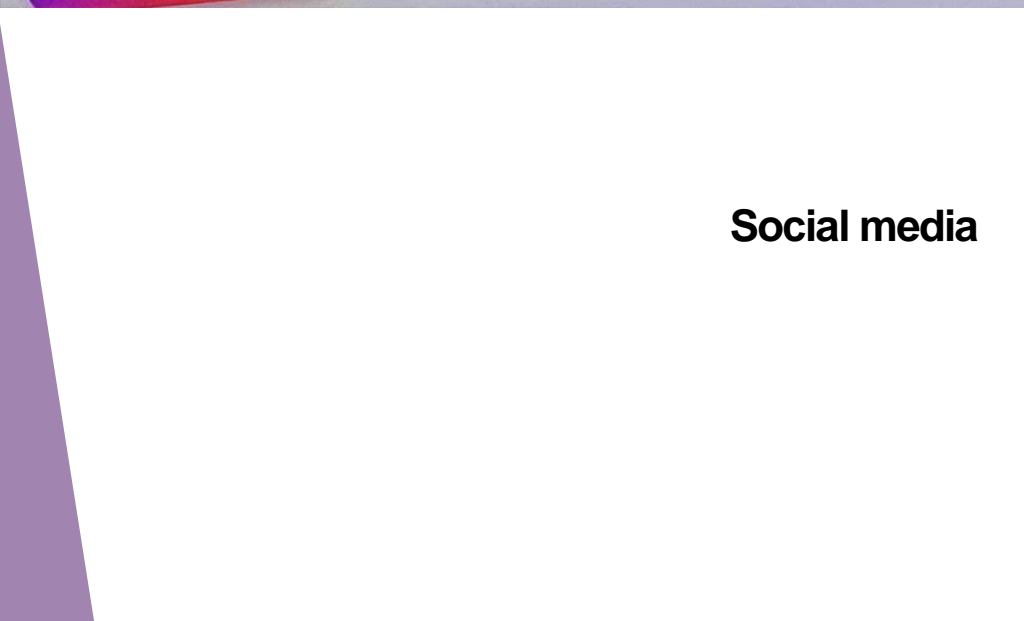
Personal Computer



Wireless Technology



Online streaming



Social media





Smartphone



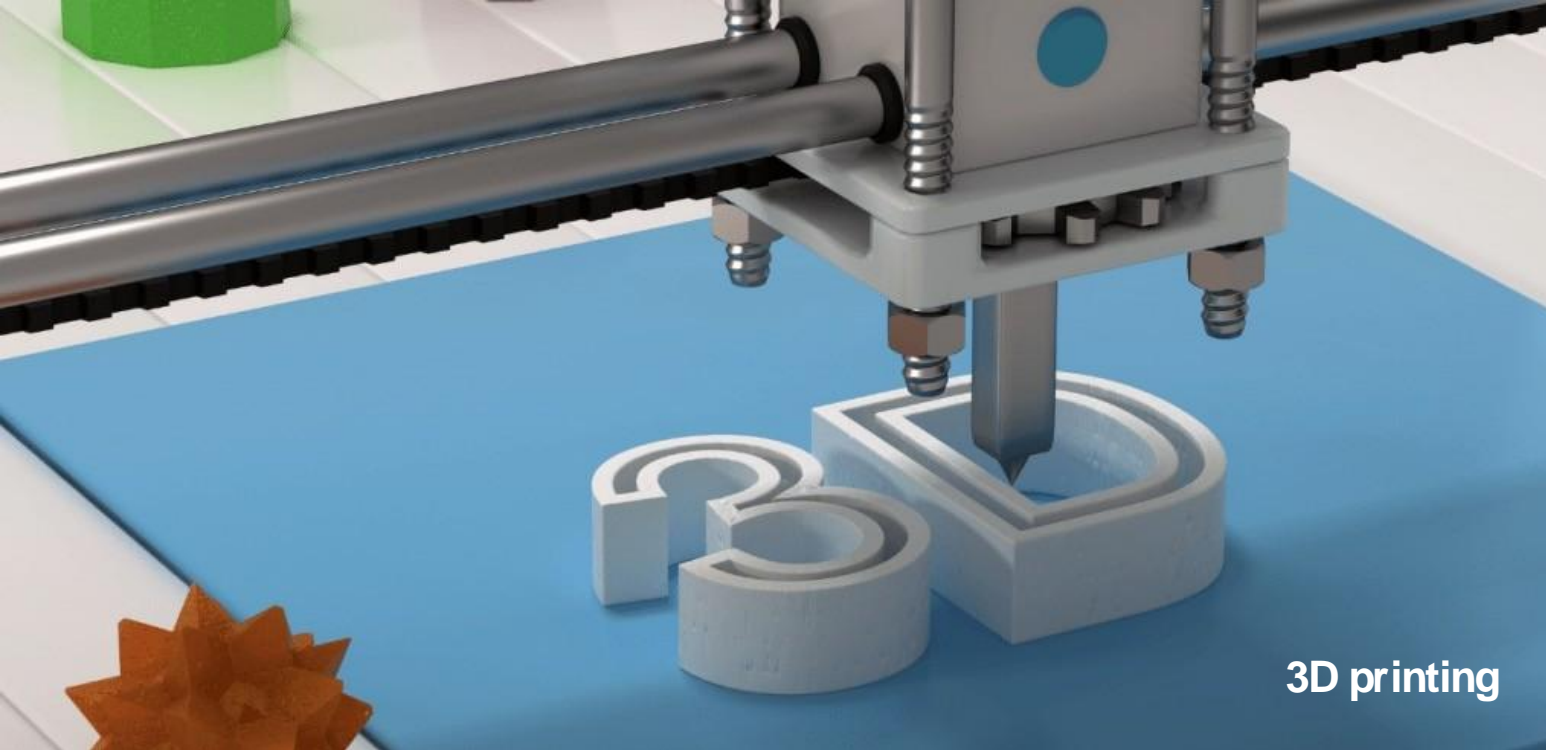
Cryptocurrency



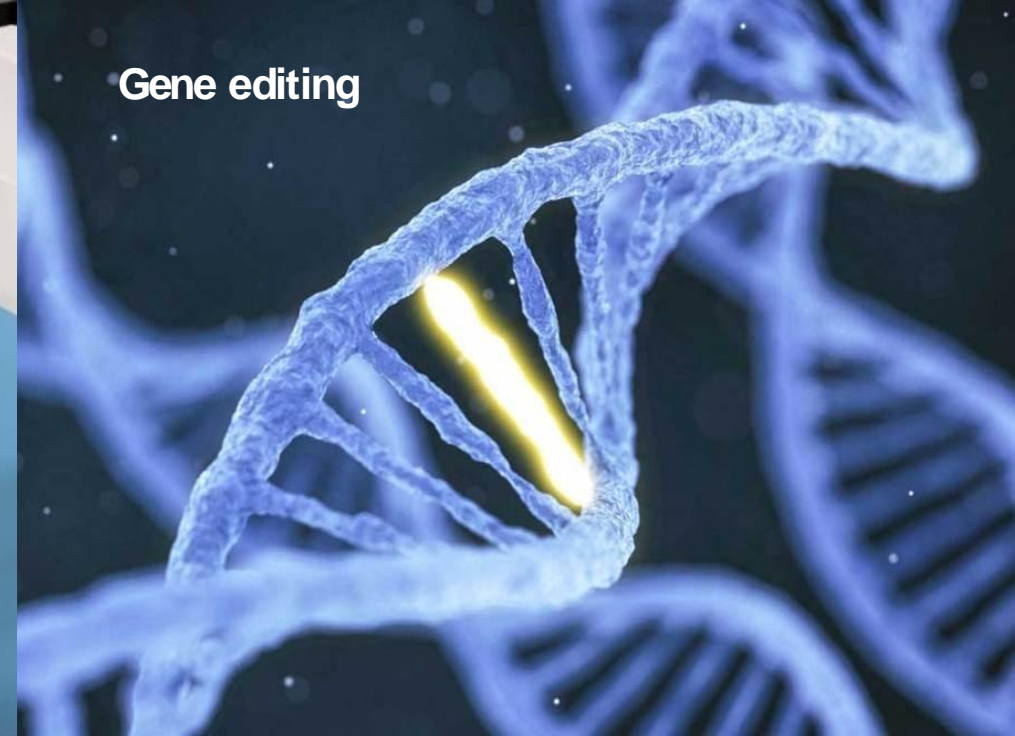
AR and VR



Electric cars



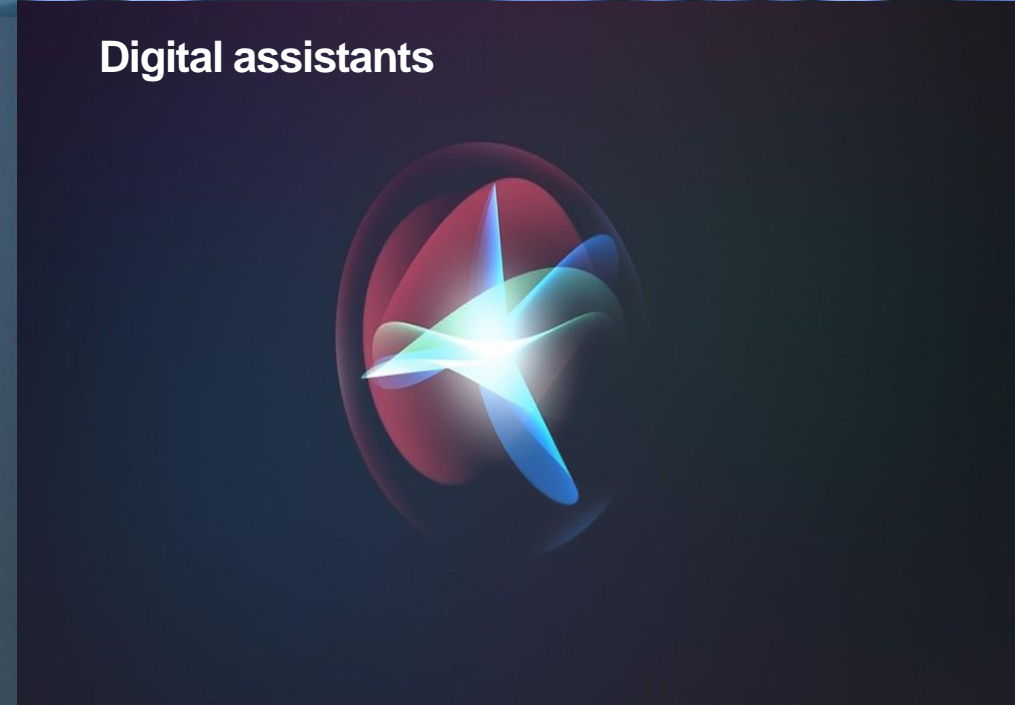
3D printing



Gene editing



Capsule endoscopy



Digital assistants

Mid term exam
Monday, 6th Jan
4.30-6.30 pm

closed book exam
use a pen or pencil

888111 - Innovative Entrepreneurship Theory and Practice,
2024/5

Course Title: 888111 - Innovative Entrepreneurship Theory and
Practice

Section: 701

Examination Date: Monday 6th January 2025

Time: 4:30 – 6:30 pm (2 hours)

Total Score: 20%

Directions:

1. This exam contains 3 parts
 - a) Part 1: contains 10 questions. You need to answer all 10 questions.
 - b) Part 2: contains 5 questions. You need to choose and answer 2 questions only.
 - c) Part 3: contains 5 questions. You need to choose and answer 2 questions only.
2. The student must write his/her name-surname, student code, and CMU email clearly.
3. The student must strictly follow the instructions as notified by the Proctors. Upon a request for anything during the examination, he or she must contact and inform the Proctors.
4. Any fraudulent act concerning the examination will be given "F" or "U" for applicable courses.

PART 1 (10 marks)

Answer **all ten (10)** questions

You should write a phrase or sentence for each answer.

Each question is worth 1 point

Estimated time for part 1 is 30 minutes

PART 2 (10 marks)

Answer **two (2)** of the five questions

You should aim at answering questions in 15 minutes each.

Each question is worth 5 points

Estimated time for part 2 is 30 minutes

PART 3 (20 marks)

Answer **two (2)** of the five questions

You should aim at answering questions in 30 minutes each.

Each question is worth 10 points

Estimated time for part 2 is 60 minutes

lessons

Introduction (examples)	core values
Innovation & Entrepreneurship	customer - empathy map
opportunities	customer - personas
dynamic innovation	
competitive advantage	SWOT & TOWS Analysis

Creative destruction

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What is Creative Destruction?

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

‘Creative destruction’



‘Creative destruction’

- Emphasized the beneficial process of ‘creative destruction’ in which the introduction of new products results in the **obsolescence or failure of others**
- Dynamic mechanism connected to the **continuous process of change in capitalist development**

Entrepreneurship “[i]ncessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one.”

- Joseph Schumpeter

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

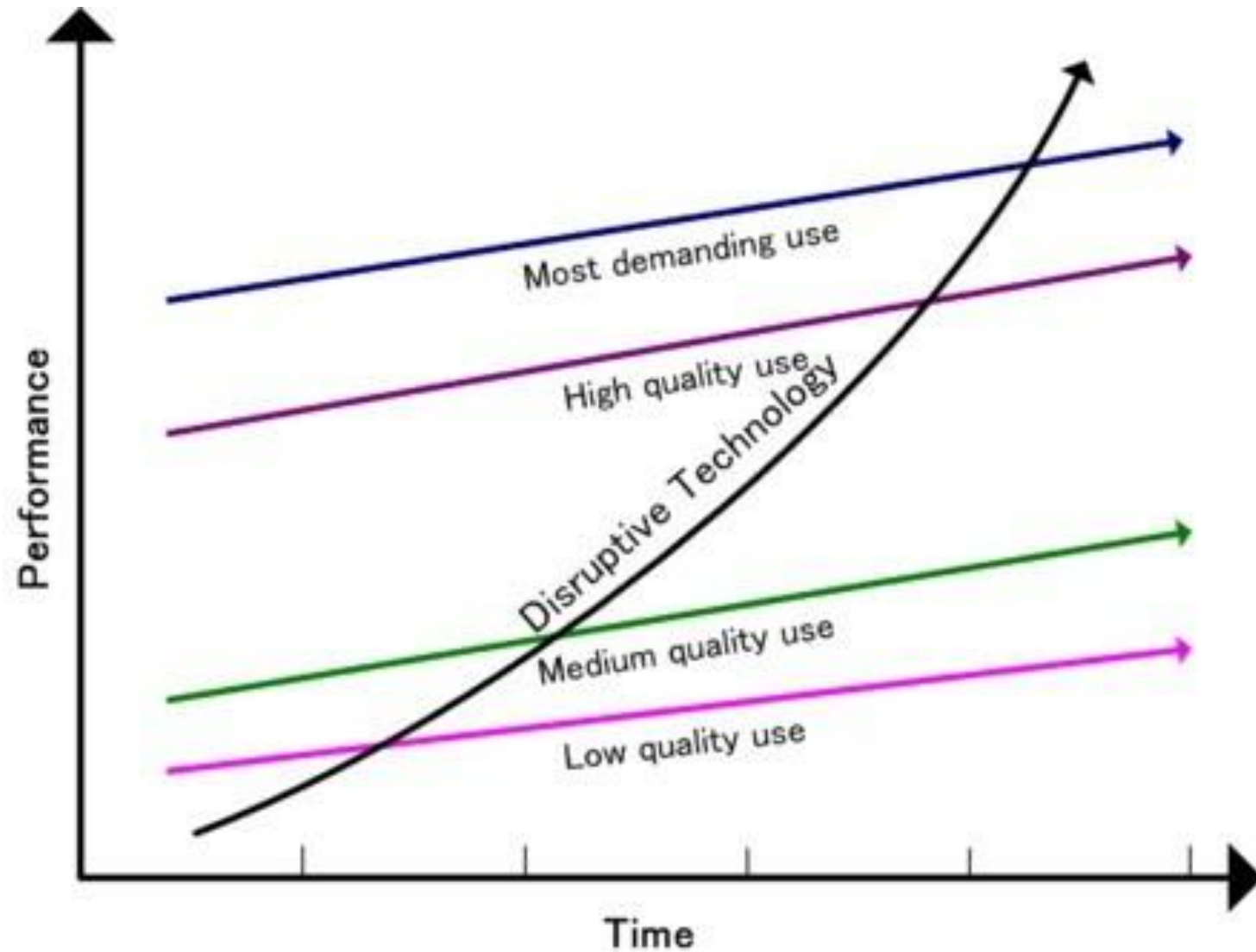
why?

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

Disruptive innovation

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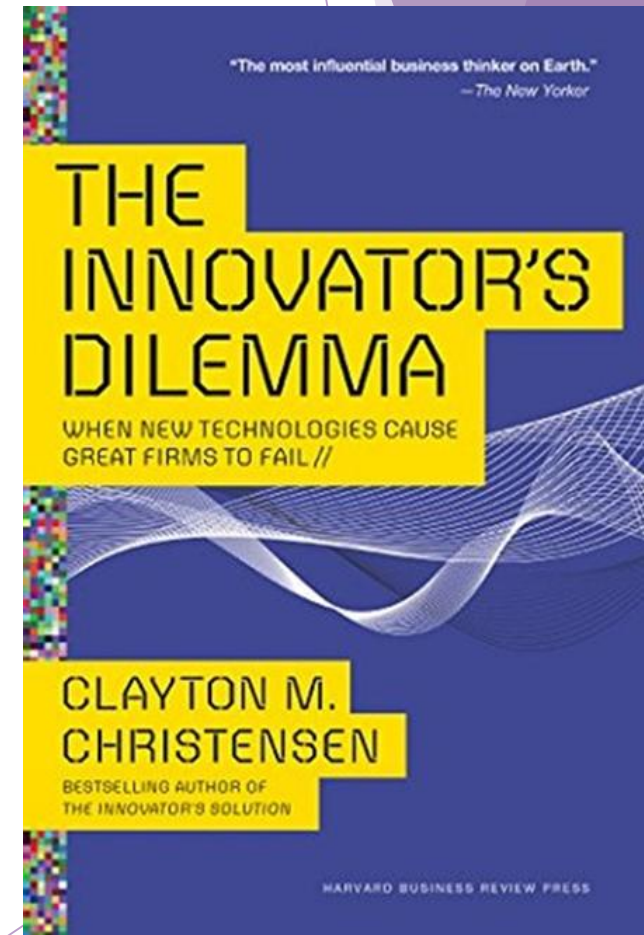
Disruptive innovation



Disruptive innovation

Disruptive innovation refers to the process of transforming an expensive or highly sophisticated product or service into one that is simpler, more affordable, and more accessible to more people

Has been called the most influential business idea of the early 21st century



Disruptive innovation

Typically:

- Fewer features (easier to use)
- Less choice/flexibility
- Lower quality
- Cheaper
- Gets the job done (good enough)
- Can be bought and used by more people
- Creates a new market or expands the existing market

- Can be difficult for existing businesses to replicate

Low-cost carriers (LCCs)

Low-cost airlines

offer less services (no free food or drink, no free checked bags etc)

But cheaper flights means more people can afford to travel

- Densification of seats

- Electronic ticketing

- Dynamic (demand-led) pricing



- Use of single (new, more efficient) plane type to reduce training and maintenance costs

- Previously under-served short- and medium-length routes

- Preference for secondary uncongested airports

- Removal and charging for ancillary services (free meals, seat allocation etc)

- Multiple flights per plane per day, quick turnarounds, maximizing plane usage

- Point-to-point (P2P) routes, elimination of connecting flights

competitive
advantage

Competitive advantage

For your business to be successful,

you will need a strategy for beating the competition

→ **competitive advantage**

Competitive advantage

- It is whatever you can do better than the competition
- that will attract a sufficient number of customers to your business so it can succeed.
- The competitive advantage must be **sustainable** in order to create long-term viability.

Competitive advantage

- **Direct** - selling the same or similar products to the same market
- **Indirect** -selling different products that compete for the same share of customer.

The six factors of competitive advantage

1. **Quality** - Can you provide higher quality than competing businesses?
2. **Price** - Can you offer a lower price on a sustained basis than your competition, or does your higher price reflect quality and/or uniqueness?
3. **Location** - Can you find a more convenient location for customers?

The six factors of competitive advantage

4. Selection - Can you provide a wider range of choices than your competitors can?

5. Service - Can you provide better, more personalized customer service?

6. Speed/turnaround - Can you deliver your product/service more quickly than the competition?

Competitive advantage

Learn everything you can about competitors,
try to identify the sources of their competitive advantage,
conduct a thorough search of your industry

Checking the Competition

can you to outperform your closest and strongest competitors, ask these questions

- **Unique selling proposition** - What is your *unique selling proposition (USP)*, the distinctive feature and benefit that sets you apart from your competition? What is it about your offer that your competitors cannot or will not match?

Strategy

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A Strategy

a plan for how a business intends to go about its own performance and outdo that of its competition.

Michael Porter's Strategy Framework

There are four generic strategies according to Porter:

1. **Cost leadership** - you offer a product or service that is in high demand at the lowest possible price.
2. **Differentiation** - you offer a product or service that is in high demand but with unique characteristics.
3. **Cost focus** - you offer a product or service in a niche market, and you ensure the lowest possible price.
4. **Differentiation focus** - you offer a product or service in a niche market, and your product or service has unique characteristics.



Strategy V. Tactics

Strategy - a plan for how a company intends to outdo competitors.

Tactics - the specific ways in which a business carries out its strategy.

differentiation

- differentiate the firm's products and/or services from others - quality, availability, customer service
- If you opt for a differentiation strategy
 - the price is less important, but
 - as a company you focus entirely on R&D,
 - so that you have the very best or most innovative product on the market.
 - An example of this are **Apple and Dyson.**



differentiation

Product/service differentiation

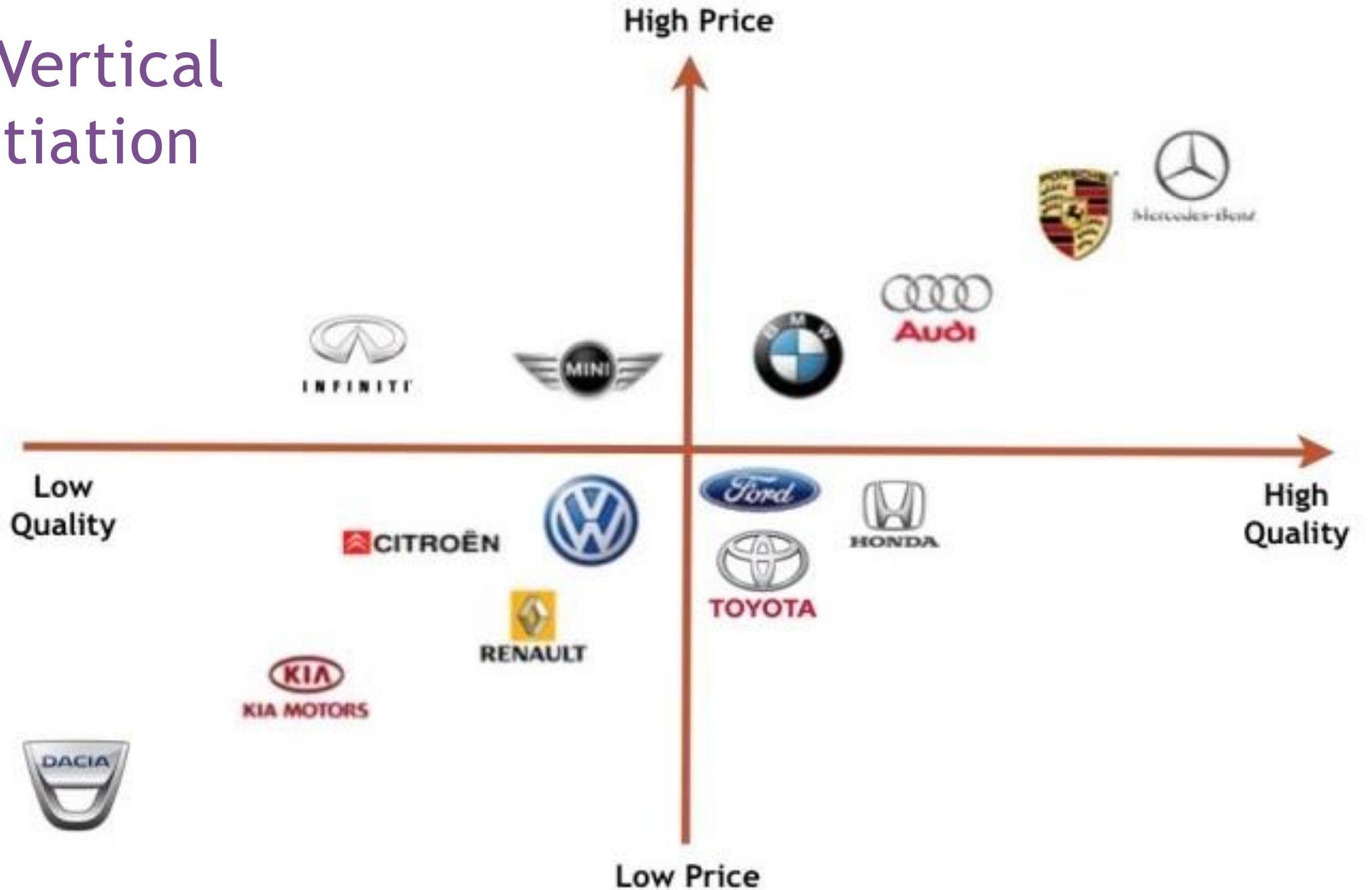
Differentiation is the process of distinguishing a product or service from others to make it more attractive to a particular target market to reduce the directness of competition

Product/service differentiation

1. Simple – based on a variety of characteristics
2. Vertical – based on a single characteristic that **consumers can clearly understand** (e.g. price or quality)
3. Horizontal – based on a single characteristic, but consumers **may not clearly understand** the differences – instead they often chose on personal taste, brand associations etc



Simple/Vertical differentiation



Simple/Vertical differentiation



iPhone ^{SE}
From
\$399



iPhone 11
From
\$499



iPhone 12
From
\$599



iPhone 13
From
\$699



iPhone 13 Pro
From
\$999

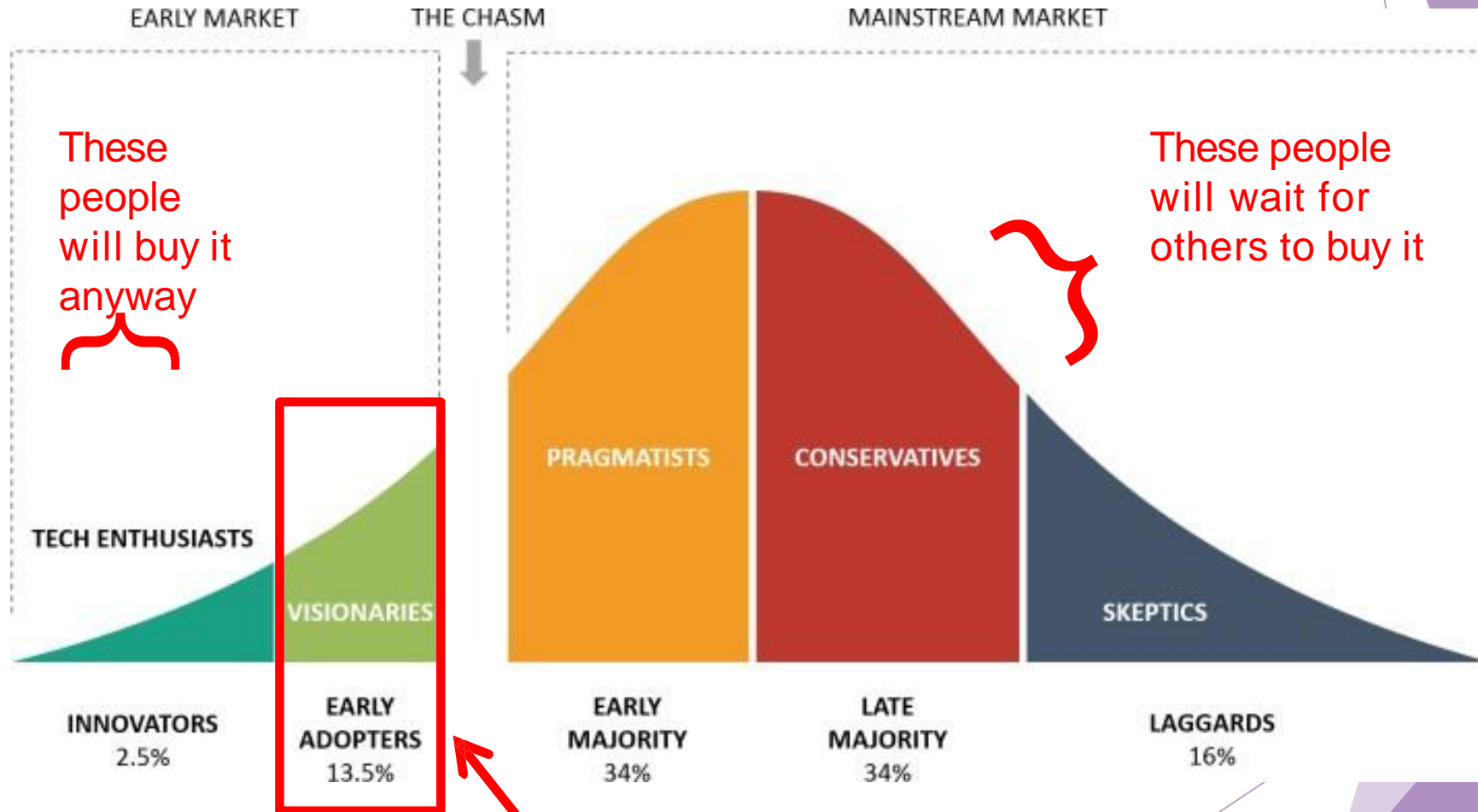
Performance



adoption

Diffusion

The question is, how do you get across this gap?



Sell to these people first

S-curves

