

Entrepreneurship, innovation and economic development

[Business](#), [Entrepreneurship](#)



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Entrepreneurship, Innovation and Economic Development “” Discuss the relationship between entrepreneurship, innovation and economic development. What role do creativity and problem solving play in this relationship? ” In today’s world, entrepreneurship and innovation are becoming increasingly crucial as drivers of the economy, especially so in the developing economies where trade plays a major part in generating revenue. In China, small-and medium-sized enterprises (SMEs) account for almost 70 percent of all Chinese exports, a share that reflects the above statement about the importance of entrepreneurship to economic robustness.

Some questions may be raised on whether entrepreneurship lead to economic development or is the latter a prerequisite to facilitate the entrepreneurship and innovation processes instead. This essay , while recognizing the need of certain institutions and framework to be in place and functioning well in order to ease the functioning of business activities, takes the stand that entrepreneurship and innovation leads to economic development more often than of the other way around.

Realising its potential, governments’ initiatives have largely been centred on encouraging more entrepreneurs to start up a venture or to expand their existing businesses. In the 2013 National Budget, the Malaysian Government has allocated a fund of RM 1 billion under the SME Development Scheme (News Straits Times 2012). This very government has also recently launched SME Masterplan (2012 – 2020). These initiatives are aimed at supporting and accelerating the growth and development of SME-s across all sectors of the economy.

In evaluation though, more start-ups and new business ventures in an economy does not necessarily translate into economic growth and improvement. In order for the desired economic aims to be achieved, we need to ensure that the start-ups and existing businesses thrive and not fail, for doomed enterprises more often than not suck resources out of the economy. This essay will identify how businesses, using innovative practices and creativity in both business operations as well as in problem solving, can achieve greater performance and sustainability in order to positively contribute to economic development.

Jospeh Schumpeter defines entrepreneurs as innovators who implement entrepreneurial change within markets (Ahamad, 2008). This can be in the sense of introduction of a new or improved good, introduction of a new method of production or business management process, and the exploitation of a new source of supply. In short, entrepreneurship is the act of identifying market opportunities and using innovative approaches to exploit them (Ahamad, 2008). “ Business opportunities are like buses, there’s always another one coming” (McAshan, 2011).

Such are the words Richard Branson has used to describe the ample opportunities available for entrepreneurs to capitalize on. An entrepreneur can either start a venture by either involving themselves in a established market with certainty of demand for the goods offered, or they can exploit a new market altogether, by identifying a market niche and work on fulfilling the needs of that certain segment. By undertaking the former, entrepreneurs

face a large and possibly increasing pool of competitors. This market, as described in the book Blue Ocean Strategy, is the “Red Ocean”.

In contrast, entrepreneurs who venture into an untapped market space, focusing on demand creation, have unlimited potential to grow profitably (Chan & Mauborgne, 2005). “The only way to beat the competition is to stop trying to beat the competition.” Entrepreneurs should focus on undertaking the value innovation strategy proposed in the Blue Ocean Strategy. By creating a leap in value for buyers, a venture can open up new and uncontested market space, this makes competition irrelevant (Chan & Mauborgne, 2005).

To be successful, entrepreneurs will need to undertake innovative processes in creating the product or service as so to distinguish themselves from the rest of the existing options in the market. In other words, the product or services offered must stand out, have relevance and good purpose, and provides a high value add to consumers. It must provide the wow effect to the masses, which will in turn capture attention and help rake in revenues. Besides product and service innovation, innovation also can be implemented in improving the business management process.

For example, all this while, organizations are shaped in the top-down organizational structure. Innovative entrepreneurs might have a different preference on running the firm, and choose to have a flatter structure, defying the norm. This can rake in benefits as in a flat structure, creativity and feedback are encouraged, there is more empowerment of young people by the executives, leading to a more open and vibrant organization. This will

provide amazing results in terms of business performance especially in today's fast paced business world, which requires enterprises to be nimble and quick to adapt to changes (Griffin, 1999). Besides innovating and introducing a good and impressive product, an enterprise should also aim to develop strengths in multiple areas to gain an advantage over the rest of the field. Edges such as fantastic supply chain system which is due to good contacts and strong relationships with suppliers is a crucial factor in determining how well a business does.

Toyota for instance, are famed for their Lean Production System, which is a key factor contributing to their status as market leader in the automobile industry. Besides that, the ability to develop strong brand loyalty with customers by establishing a culture of responsiveness to them is also another example of what an enterprise can focus on doing. It is easy to knock off an innovative product, but an innovative business system is hard to replicate (Bhide, 1996).

Businesses should thus focus on enhancing creativity, building strong networks, utilize technology available to enhance performance, devise effective strategies to be incorporated in the business process, aim to build good reputation among consumers by providing consistent and reliable service and also, be ever-ready to act quickly, on both opportunities as well as issues that will arise every now and then (Bhide, 1994). When faced with a problem, how fast and how well an entrepreneur responds to it will have a telling effect on the business performance.

It can potentially act as a morale booster if dealt well, and have adverse effects if not. Spardlin (2012) suggests that a large number of enterprises are simply not rigorous in defining the problems they are attempting to solve. The Creative Problem Solving Process Model suggest the use of an explorer's mindset, as well as a detective mindset when it comes to defining problems. This is so as to pinpoint the problem, also identifying the opportunities and future-oriented aspects involved (Lumsdaine, 2009). When you ask the right questions, chances are you'll be able to tackle the right problems well.

InnoCentive, an innovation-focused problem solving consulting agency, has devised a four-step process for firms, to be used in defining problems and later solving them (Spardlin, 2012). This process has four main focuses. First, it aims to help users pinpoint the need for the solution, and state what the desired outcome is. Next, it articulates the strategic importance of the solution to the firm. Then, it looks into the methods that may have already been used, recognize the constraints involved and lastly a clear and complete problem statement is produced (Spardlin, 2012).

This multi-steps process is important to rally the organisation around a shared understanding of the situation, its magnitude and amount of resources needed to be devoted to the rectification of the issue. More often than not, firms allocate inappropriate level of resources to solving problems faced: too few resources are allocated to high-stakes ones and excess resources are devoted to tackling wrongly defined problems or low priority

ones (Spardlin, 2012). After problem definition, idea generation and evaluation follows.

Using the artist, engineer and judge mindsets, organisations are encouraged to generate solutions through a creative, innovative and evaluative process (Lumsdaine, 2009). This process works well in brainstorming groups. As ideas are being suggested, chances are a constructive build-on will occur. Ideas will then be synthesized, and the best solution(s) will then be picked. The Pugh Method can be used in tandem with the idea evaluation process: Concepts are compared in an advantage-disadvantage matrix.

It can be used to compare the few available ideas in hand, choosing the best one ultimately, and it can also be used to benchmark against an existing concept in the market (Lumsdaine, 2009). With this, entrepreneurs can now be assured of a well-thought idea for their products or services or even when it comes to solving issues. The implementation of ideas, or the execution is a pivotal area of focus for entrepreneurs. Execution is as equally important as the idea itself. Entrepreneurship is not just all about being creative and inventing or innovating good products and services.

A good idea without careful and precise implementation will not help a business reach its potential. Furthermore, an innovative new product or service may do very well when introduced, but its popularity will also attract new companies who will imitate and try to capture a share of the market. Thus the importance of laying strong foundations and fundamentals in terms of implementation must be stressed on by entrepreneurs. Aspiring entrepreneurs should realise the importance of working on establishing the

business' brand name as well as using creativity in erecting barriers that will deter imitators.

This is especially crucial if their innovation of products are easily copied. This can be done by careful planning, acquisition and management of the necessary resources. Clearly, innovation, problem solving and creativity are all connected and play important roles in driving entrepreneurship. A society will be much better off with better products and services, as well as having the luxury of a wider range of product choices to choose from. Entrepreneurship will indefinitely spur economic development in a country.

As mentioned above, enterprises contribute to the exports of a country, so in this aspect a country will record better balance of payments performances. Also, as consumers now have better quality goods produced locally, the dependency on imported goods can be reduced, and internal growth is spurred with increased consumption in the economy. Lastly, as firms embark on the innovation drive, more technology usage will mean investment activities are bound to increase, contributing to the long run health of the economy. In short, innovation in entrepreneurship is important for economic development.

Efforts to strengthen these practices should be undertaken by all parties, including the government. References Ahmad, N. and R. G. Seymour (2008), "Defining Entrepreneurial Activity: Definitions Supporting Frameworks for Data Collection", OECD Statistics Working Papers, 2008/01, OECD Publishing. Bhidé, A. (1994). How Entrepreneurs Craft Strategies That Work. Harvard Business Review. Bhidé, A. (1996). The Questions Every

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