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Role of Innovation for Entrepreneurial Start-up and/or Firm Growth

Introduction:

The discipline of entrepreneurship is studied widely and has been the topic of attention for many years. Different terminologies are used for defining different stages of entrepreneurship. However, broadly the stages through which an enterprise passes stay more or less similar in respect of every definition. All enterprises initiate the venture, then pass through the stage of growth which is based on the overcoming challenges and facing set of different crises and head on towards the stage which is known as maturity. Importantly, it is a self-explanatory that enterprises which fail to deal with the challenges and crises finally end up in failure (Gupta, Guha, and Krishnaswami, 2013).

In contrast to this critical need of understanding of innovation, there is no single definition of innovation that can clearly define the term innovation. According to Adams et al., (2006) the word definition has been widely defined and there is no single measures leaving the term in the grey area or ambiguity. Damanpour and Schneider (2006), on the other hand, developed some boundary and stated that definition of innovation has much variation that is dependent on the discipline of the study with respect to which innovation is studied. Despite these facts, some definitions of innovation are present for entrepreneurs to employ as index to measure the innovativeness of the idea. Wong et al. (2008) states that every idea with respect to the processes, products and other relevant aspects fall under the definition of innovation that are new to the organization and it is in the interest of the

firm as well as stakeholders in all. Plessis (2007) has put forward a more relevant definition of innovation and states that creation and implementation of every new idea and knowledge aimed to facilitate the business and integrate market orientation in business for new business outcomes, processes as well as structures is innovation. Thurik (2009) states that the entrepreneurs prevent the existing products out of the market with innovative ideas and technologies; hence, irritate the competition and challenge for the business.

Innovation for Entrepreneurial Start-ups

The start-up for the enterprise is always a challenging job irrespective of the size of the enterprise. According to Blank, (2013) there are different factors that entrepreneurial organizations are required to take into account. These factors can broadly categorized into four aspects including business environment, entrepreneur itself, organizational structure and the process of the enterprise. All the aspects are also influenced by other set of factors among which innovation plays an important role. If the idea of the entrepreneurs would be innovative and it is effectively implemented, then the business will take a quick start up and will sustain growth. Hence, the role of innovation in the entrepreneurial start-up and growth of firm holds critical importance.

The main purpose of the entrepreneurs is to navigate on the competitive edge in order to deal with the competition. This in turn requires business to focus on innovations in order to exploit different opportunities that are emerging from the market. Well-performing firms or entrepreneurs compete by innovating products or services that are able to meet the customer

preferences. The goal of a business is to earn profit, however, firms are always available with the option to opt for the currently leading system and generate stagnate rate of profit or accelerate their growth with innovations. However, it is important that innovation is to result in sustainable strategies and growth (Ahlstrom, 2010).

According to Park (2005) organizations are multidimensional and the assessment of the organization can be conducting a comprehensive review of all the aspects. Moreover, Park (2005) insisted on the growing role of technology in the discipline of entrepreneurship and claimed that effective and efficient combination of the entrepreneur and the technology are very important aspects for the success of the organization. The author further states, that development of the successful combination of the technology and the entrepreneur is based on the innovative ways of exploiting opportunities present in the business environment. As a matter of fact, technology and entrepreneur are available to all businesses, however, only some carries the capabilities to exploit the opportunities in an innovative way. Thus, businesses that are not able to use the technology and entrepreneurs suffer in the long-run, whereas businesses that are able to make the right decisions by using the technology and entrepreneurs effectively are able to achieve success. This idea is further endorsed in the book of Kuratko (2009). Kuratko (2009) defined the role of innovation as a distinguishing factor between small business and an entrepreneurial venture. Though the two words are being used interchangeably; yet, there exists a notable difference between the reaction of a small business and an entrepreneur in similar business environment. Former is widely concerned

for the growth of the profits with greater stability in the business conduct whereas an entrepreneur will be more inclined and concerned for the growth of enterprise, revenue and profit using innovative ideas, organizations and processes. Hence, an entrepreneur will not only instill new ideas for the start up of the enterprise but also at the same time will also be concerned for the consistent growth of the firm with innovative ideas in wide distinction from the principal business patterns and trends. In a nutshell, it is an aspect of innovation that differentiates the small business organization from an entrepreneurial firm.

The role of innovation is very significant for business enterprises. Innovation plays a key role in the startup businesses and in the growth of the business. Successful organizations realize the importance of innovation and incorporate innovation as a key part of the overall strategy. Goswami, and Mathew, (2005) in a comparative study conducted the assessment of technological organizations categorized as innovative and less innovative organizations using generic meaning of the innovation. The results of the study revealed that companies have notable a difference in their innovative conduct. Most important results of the study were the fact that the difference in the conduct was mainly influenced by the respective definitions of innovation prevailing in the organization.

In addition to the skill set, innovation in the start-up enterprise or growing firm is also affected by decision making capacity of the entrepreneur. In accordance with the Blundel and Lockett, (2011) an entrepreneur with the aim of inculcating innovative ideas in the business must have sound and consistent decision making capacity. Innovative ideas are based on the

exploitation of the opportunities in the environment in a unique way for the benefit of the business. Therefore, only the decision making capability of an entrepreneur will enable the business to start or grow by benefitting from the opportunity emerging from the business environment. In the similar note, Alvarez, (2005) states that there are risks in starting up any kind of business and the entrepreneur should be competitive enough to make the decision based on innovation for in the best interest of the business. The decision-making power is deliberately important in the field of business to make businesses powerful and valuable. However, its importance is heightened in case when business is based on innovation. There comes competition in the market, and the competitor tries his level best to charge lower prices than their rivals (Alvarez, 2005).

Innovation For Firm Growth

The above discussion denotes that innovation does not only prevail with the startup of the new enterprise. Contrary, an existing enterprise can also generate successful growth with the implementation of innovative ideas. According to Baron and Shane, (2008), growth-oriented firms are mostly focused on many factors other than just relying on startup of the innovative ideas. There comes the set of skills that is compulsory to make an idea profitable and to execute the things in a way that gives benefit to the organization. For example, innovation opens up many dimensions such as helping businesses in understanding new markets, new products and new ways of selling the products. For the technology based organization the location, utilization, adaption, mobilization, and combining the resources to produce an innovative business idea require specifically seasoned skill to

instill innovation in business for the growth of the firm (Baron and Shane, 2008). Gupta, Guha, and Krishnaswami, (2013) also notified the importance of the skill in the effective implementation of the innovative ideas in the growth of the firm entrepreneurial firm. Gupta, Guha, and Krishnaswami, (2013) further stated that not all innovative entrepreneurship ventures are successful and elaborated on various aspects such as lack of expertise, professionalism, and collaborative capabilities that have resulted in the failure of the innovation based enterprise startup as well as growth firms. Innovation from entrepreneur can only be successful on receiving equal support from all aspects. According to Stevenson & Jarillo (1990), the balance of the entrepreneurship in the firm precariously relies upon the behavior of individual to control the planning. Success of the business in the long run, on the other hand requires other employees to contribute to the innovative ideas in order to produce an effective business idea with greater potential of success.

An important factor that impacts the success of innovation the start or the growing enterprise is the attitude of the top management towards innovation. This factor is effective irrespective of size of the firm.

Organizations with top management's support towards the attitude of employees towards the innovative management of the project, the overall organization are then directed towards the innovative ways of effectively and efficiently completing respective jobs. This is due to the fact that output of the entrepreneurial growth depends upon the collective efforts being given by the management (Spence and Painter-Morland, 2010). Importantly, it is not only beneficial for the organization; instead it is critical for the long term

and success. According to Kuratko, Ireland, & Hornsby (2001) growth can only be achieved by executing the best ideas from multiple opportunities that the firm gets from the market. Innovative practices help the entrepreneur to rationalize the operations and the growth of the entrepreneurial activities.

Ardichvili, Cardozo, & Ray (2003) have reviewed the role of theories in facilitating innovation in the start up and growing enterprise. As a matter of fact, the use of a theoretical phenomenon is often faced with challenges to propose the innovative ideas in the fields of business. Theories are based on the defined pattern of actions whereas innovative ideas require deviation from tradition. Therefore, Ardichvili, Cardozo, & Ray (2003) reviewed the fields of management, marketing and the organization theory and noted that by using combination of theoretical and observational ideas entrepreneurs have been successfully starting and growing firms. Timmons and Spinelli (2008) also noted that an array of successful ventures created by the entrepreneur is the results of innovations and innovative ideas that have been used to execute the knowledge and experiences for the targeted revenues. Hence, it can be concluded that innovative does not necessary require being against the theory, instead it is the adaption of the theoretical concept in accordance with the opportunity present in the business and market environment.

Innovations have different impact on different firms. According to Thurik (2009), small innovative businesses enterprise play major role in the market. Such innovative ideas also have positive impact for other organizations. Moreover, the small business gives more competitive and innovative edge if

it has been kept on the economic cost of the small ventures. While Longenecker, et al.(2013) noted that for small companies innovation can be a onetime investment, however this investment also requires further additional costs or challenges that may be difficult to manage. For instance, success of the innovation does not only depend on the one time investment or cost, instead it requires that an organization to consistently and continually improve and come up with innovative ideas for the sustained benefit on the long run. On the other hand, large organizations have their own capacities to sustain the innovation along with the challenges. It is often presumed that large organizations have all the capacities to deal with the innovation and constantly introduce new idea to the market. Whereas it is not the case. Davenport, (2013) states that in order to introduce innovation large organizations are faced with the magnitude issues. The size of the organization requires wide range of changes to be incorporated across the board for the implementation of new idea, this in turn raises various challenges for the business. Hence, to be in favor of the innovation, the businesses are required to input additional endeavors for the success of the innovation. Organizations are required to support with the best incentives to the ventures to foster the culture of innovation.

Hence, similar to the fact that definition of innovation does not define any boundaries, the impact of innovation cannot be measured with a specific yardstick. Moreover, innovation does not always commit success nor it is a committed failure phenomena. However, it is agreed upon fact that sustained benefit from innovation can give benefits, however it is important that consistent efforts are made to make the most from innovation.

CONCLUSION

The above discussion has shed light on the role of innovation in the entrepreneurial startup and growth of the firm. It has been found that innovation is a wide term and effective and successful implementation of the innovation is dependent on many factors. However, from the definition of innovation it has been found that any or everything that is new to the particular business, its prospect customers, market and stakeholders, and is aimed at the improvement and growth of business can be defined as innovation. It has also been found that innovation is the factor that differentiates the typical and traditional business from the entrepreneurial venture. Another important aspect that has been found from the above discussion is that the fact that innovation in the start-up as well as existing enterprise requires support from the wide range of factors for the success. Moreover, as the definition of the innovation varies, the impact of innovation also varies from one organization to another. To manage the innovations, different organizations have to face different types of challenges, and organizations that are able to overcome these challenges are the ones that become successful.

The above discussed has critical importance for the entrepreneurs.

Entrepreneurs in the current business world are faced with consistently changing environments; therefore innovation is critical for the organizations to remain competitive and sustain their competitive advantage. Competitive environment pressurizes businesses to be innovative and come up with new products. Since innovation does not come in a defined package; therefore, it is critical for the entrepreneurs to review in detail the factors that have an

impact on the success of innovation. Furthermore, it is also important that entrepreneurs, both start-up and growing firms have done complete homework and are prepared to deal with the potential benefits, impact and most importantly lash backs of the innovation to be introduced.

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