

The importance of entrepreneurship and innovation



It is known to all that entrepreneurship is increasingly recognized as an important driver of economic growth, productivity, innovation and employment, and it is widely accepted as a key aspect of economic dynamism: the birth and death of firm and their growth and downsizing. As firms enter and exit the market, theory suggests that the new arrivals will be more efficient than those they displace. Existing firms that are not driven out are forced to innovate and become more productive in order to compete. Many studies have given empirical support to this process of creative destruction according to Joseph Schumpeter.

There is no doubt that innovation were, are will be extremely important for the individual and society. Today, people increasingly realize that innovations are even more critical that in the past. Thus, industrial competition is increasingly cruel and companies must continuously bring innovative products and services to the global market. To survive, companies need creative and inventive employees whose novel ideas are, to a certain extent, a necessity for the companies continued existence and future success. Consequently, modern society indeed requires highly able citizens who can produce innovative solutions to current challenges and contribute new ideas that aid in the development and growth of the market for a particular product or service. Contemporary society, without doubt, is highly reliant on innovations. The future will be synonymous with innovation. Despite the quite evident importance of innovations in the life of any organism, one should acknowledge that the phenomenon of innovation is far from well understood.

Terms and definitions

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Innovation is the specific function of entrepreneurship, whether in an existing business, a public service institution, or a new venture started by alone individual in the family kitchen. It is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth. (Drucker, 1985)

Creativity and innovation are not synonymous, but Innovation= Invention+ Creativity+ Exploitation (Rosenfeld and Serso, 1990).

Innovation is one of ways to explore change as an opportunity for a business or service. Innovation can be taught and learned (Drucker, 1985). On the average about sixty percent of all jobs in the U. S. are generated by firms with twenty or fewer employees. Large firms with over five hundred employees generate less than fifteen percent of all the jobs (Birch, 1979). Students can also work for large companies as leaders within then large company, but must see small business as a viable option.

According to Timmons (1989) defined that Entrepreneurship is a human, creative act that builds something of value from practically nothing. It is the pursuit of opportunity regardless of the resources, or lack of resources, at hand. It requires a vision and the passion and commitment to lead others in the pursuit of that vision. It also requires a willingness to take calculated risks

2. 0 Identification of Opportunities and Generating Ideas

The first challenge may occur to the business start-ups is to find the real opportunities from the changing business environment. According to Lowe

and Marriot (2006), the starting point of business start-up is to identify the where a gap in the market might exist to where changes in the market might act as a catalyst for developing a new solution that customer will need.

Muzyka (2000) explains that opportunities come in many ways, shapes and forms and entrepreneurs, while not needing to have the idea themselves but must structure a business around the idea. Lowe and Marriot (2006)

emphasized that many opportunities for innovation and entrepreneurship come from applying technology or bringing new ideas into the functional areas of a business to create change within and established market.

According to Ansoff and Mcdonnell (1990), when facing the unexpected events, the organization who can responds to the opportunity and threat more innovative than its competitor, the organization is more likely to succeed, apart from Ansoff and McDonnell s point of view, Drucker (1985) also suggested that, the unexpected event that triggers off a new demand.

For example, demands for construction following the earthquake and tsunami.

Individuals think creatively and build knowledge from their own experience and expertise that will lead to potentially commercializable opportunities, however, Lowe and Marriot (2006) argued that an organization can work against the creative capability. There are several methods that can be used to generate business ideas. Firstly, entrepreneur can use someone else s ideas to start their own business, often some else s idea is interesting but not commercially exploitable; however, the idea can be modified and developed into a real market opportunity. Secondly, entrepreneur can use his or her own knowledge to make observations about the market gaps and

opportunities. The knowledge can be from work, hobbies or just simply reflecting on normal life experiences, all of these knowledge can transform into the new business ideas. Thirdly, according to Lowe and Marriot (2006), the market is crowded with services and products, so it is important to identify the market gap and generate new product or service to meet their own specific needs. Fourthly, Baron and Shane (2005) discuss the importance of intelligence in creativity and suggest that entrepreneurs need to balance three components to achieve successful intelligence: (1) creative intelligence to come up with new ideas, (2) practical intelligence to identify ways to develop these ideas and (3) analytical intelligence to evaluate the ideas and determine whether they are worth pursuing.

3. 0 Business Plan

3. 1 The importance of business planning for start-ups

Cater and Dylan (2006) suggested that Planning is generally perceived as a curial element in the survival of new and small business. The business plan is just a plan and like any other plan, the only way to see if it really works is to monitor its progress at regular intervals, (Butler, 2006) so that the entrepreneur will be able to respond to any potential problems which may occur in the future and if necessary, the entrepreneur will also be able to change the business strategy straight away. There are three main reasons why entrepreneur need to produce a business plan:

First, the business planning process acts as a very efficient method of focusing the ideas of potential entrepreneurs in terms of defining their

objectives and assessing their own abilities to organize and run the business
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(Butler, 2006). The business plan can also help to test the feasibility of the business proposal before the actual implementation or commit to any substantial expenditure or investment. Typically, the business plan would be prepared before the start-up or acquisition of the business.

Second, there are only few entrepreneurs who have their own resources to fund their business, most are faced the challenge to raise external finance, it may not occur at the start-up stage but probably when they wish to expand their established business. For these persons, possession of a good business plan is crucial to their future. A clear description of how the entrepreneur will exploit the business opportunity allows investors to decide whether the project is a worthwhile investment and assess the risk attached to it. (Frank, Plaschka and Roessl, 1989, p. 191)

Third, the processes of the business planning produce the parameters and specific targets (Butler, 2006) which provide a yardstick, which can measure the progress and profitability of the business. Again, this planning activity is a prerequisite to starting or acquiring a business but, apart from that, it is also part of the ongoing process of running a business and should be continued as an ongoing process, long after the initial start-up.

3. 2The layout of the business plan

The importance of the business plan has been discussed in the previous section, this section will suggest a basic structure for the business plan:

The Business Idea is the preliminary section to demonstrate the basic background information about the proposal, and it also helps to stimulate

the reader's interest for a further reading. The section of The Proprietors of the Business will describe the proprietors' key skills and abilities which would help to make the business successful. According to Butler (2006, p. 17), the business plan must act as a sales document to convince the lender of the viability of the proposal, so this section is the key to that process and must therefore be concise, positive and upbeat (Butler, 2006, p. 28).

The Resources Required section will identify the capital investment requirements of the business (Premises, transport, plant and equipment) and other resources required (personnel, raw materials, consumables, etc.) and also show the reasons why they are needed. (Butler, 2006, p. 35) The section of Financial Plan will identify the budgetary plan and also will forecast the cash flow and the profit. In the Marketing section, it will analyse the marketing sector which the business plan to operate, and also will demonstrate what kinds of marketing policy will be used. The Implementation of the Proposals section will show the way in which the business will operate, the timetable for the Implementation of the proposal and discuss any possible contingencies. The last section will be Summary, it will summarise the belief in the potential Profitability and viability of your business proposal and the potential of success.