

Entrepreneurship and
innovation
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essay



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Being in the competitive environment, innovation and entrepreneurial leader are essential for an organisation for its survival and success. The definitions of entrepreneurship, innovation and the way in which they are applied in Small and Medium Enterprise (SME) is briefed in this assignment. The SME operates in textile industry and the name of the organisation is “ Sri Vishnu Perumaal Spin Yarn Ltd”, a family business run by founder and his a son (Managing Director) in Coimbatore, South India.

The growth of the Indian textile industry is limited because of the Chinese entrants. In spite of this limitation, Indian entrepreneurs who operate their business in this industry are continuously changing their production process to compete with the Chinese competitors. The growth and development of the Indian SMEs is also discussed. The process of generating ideas, selecting one among the available ideas and implementing them are explained.

Timmons model of individual entrepreneurship is used to explain the entrepreneurial behaviour of the founder and way in which he managed the innovation. The opportunity found leads to a incremental change in the production process of the firm. As succession is widely seen in Indian family business, the process of succession and the characteristics required by the successor to make the succession successful are explained in detail. Some the characteristics, that a successor should posses are intellectual knowledge, personal motivation and commitment towards the firm are discussed.

Apart from this factors which facilitates the entrepreneurship within the firm are highlighted. These factors are knowledge management, organisational culture, individual resources, size of the firm, internal and external

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networking. Employing a non family member in the senior management and changing the issue raising culture are recommended by the author. This could take the company to higher levels and increase the responsibility of all the employees working the organisation. Production process is explained in Appendix A and Appendix B consists the organisational structure. This assignment will take you through the all the above mentioned.

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Introduction

Entrepreneurship is nothing but the way of thinking, reasoning and acting which is highly influenced by opportunities, leadership balanced for value creation and a holistic approach. Entrepreneurship is a human act which results in creation, enhancement, renewal and realisation of values. In today's competitive world entrepreneurship has evolved beyond the classic start-up notion, which includes companies of all types from micro to corporate level in all stages. Thus entrepreneurship can be seen in slow and fast growing, old and new, small and large, in private, non profit organisation and in public sectors as well (Timmons A., 2009, p. 101). The individuals who possess the skills of entrepreneurship are Entrepreneurs, they build/create values from nothing . It also requires vision, passion and commitment which motivates other team members to work towards the vision. And involves calculated risks taken by the entrepreneur to achieve their goal (Timmons A., 1990, p. 37). Entrepreneurs are moulded with combined innovative and

management skills. They also have control over the entrepreneurial management process within their organisation. Entrepreneurial management mainly emphasises on collecting ideas, aligning them, finding the correct opportunities, implementing them by marshalling their resources (employees and technology) and reviewing the outcomes of the same. As said by Schumpeter, innovation is “introducing new products or improving the quality of the already existing products; finding new markets, new methods of production or distribution; or new sources for producing already existing products; or introducing new forms of economic organisations” (Schumpeter J. A., 1942) (This is available in lecture slides of Catherine Gurling).

Author of this report worked for ‘Sri Vishnu Perumaal Spin Yarn Ltd’, a spinning mill in Coimbatore, South India. Approximately 190 individuals are employed in the company at present, has an average turnover of Rs 30.1 million per annum and operates in the textile industry. Hence the company is categorised as Small and Medium size Enterprise (SME) (Bridge S 2003, p. 182). The product of the firm is Yarn, which is produced from natural/artificial (man-made) fibre. The natural/artificial fibre (raw material) is sourced from the local and national market depending on their availability. The raw materials used in the manufacturing process are cotton, rayon, acrylic and polyester. The products are delivered as per the customer requirements. The company mostly manufactures cotton and polyester yarn for stitching and weaving purposes in garment production.

In recent years, the capacity of the firm has increased rapidly. However, it manufactures fewer quantities of product, when compared to its capacity. This <https://assignbuster.com/entrepreneurship-and-innovation-assignment-business-essay/>

is due to the influence of high productivity in similar type of products from Chinese manufacturers in the International market, the degree of producing various products has been limited to the Indian manufactures. According to the report from Office of the Textile Commissioner, the total demand for cotton yarn would be 3.46 MT million for the year 2010/11 in which 2.65 MT million would be for domestic demand and the remaining 720,000 MT for export purposes (Dr Ramkumar S, 2010). The quantity for export purpose has remained the same for recent years, because of the above mentioned reason. Being an SME, the founder of the firm significantly stresses on continuous improvement in manufacturing process and good quality product. Thus most of the Indian manufacturers in the SME segment of textile industry concentrate in the production process and they are finding all possible ways to reduce the production costs, wastes and improve the quality of product. Since its founding in 1989, the company is profoundly influenced by the spirit and values of its founder, chairman Srinivasan Perumaal. The business is run by the founder and his family member, it's a family business. He emphasised more on production methods to be ahead above the market and customer expectations. This increased the number of customers and contracts for manufacturing good quality product in recent years. Figure 1A and Figure 1B is the diagrammatic representation of SME's growth, development and employment in the past five years of Indian economy. The report clearly state that the number of MSMEs has increased to great extent and has also generated employment (Anon, 2010).

Figure 1A: Growth of MSMEs in India – Sourced from Ministry of MSME Annual Report 2009/10.

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Figure 1B: Employment in MSMEs in India – Sourced from Ministry of MSME Annual Report 2009/10.

Individual Entrepreneurship in Sri Vishnu Perumaal Spin Yarn Ltd

At the heart of the individual entrepreneurship is innovation and the risk involved in implementing the idea. Organisms survive and grow by generating variations, selecting a new element in the variations, adapting the new element in their environment and spreading it among their species. The organisms which do this right survives, whilst those which do not do this properly disappears. Similarly in the case of the spinning mill, the founder search and generate the ideas for production process, with the help of his employees. They collectively bring all the ideas together and a variety of choices are available to select. Among the various options available, the senior management chose a particular feasible idea and implement the same by calculating the risk involved in it. This process of deciding a particular idea results in the survival of the company in future . “ Survival of the fittest in short”(Bessant J, 2007, p. 10). The production process is briefly explained in Appendix A.

As said earlier, company concentrated more in process innovation which increases the production performance on the whole when implemented. The idea of installing conveyors for material handling within the company was found to be an incremental innovation in the production process (Bessant J, 2001). Figure 2 shows the diagrammatic representation for dimensions of innovation.

Figure 2: Dimensions Of Innovation (Bessant J, 2001).

From the figure it is clear that the perceived extent of change is incremental over a period and the production process is changed/altered with respect to the opportunity found. This would gradually increase the performance and helps in bench marking the production process and product quality.

Managing Innovations

Generating Ideas

The senior management found that there was a problem in transporting the unfinished goods from one machine to another machine for further processing, in other words issue raised in the material handling within the production process. Founder, chairman who always insisted in improving production process, initiated a survey within the firm to find the best idea. He trusted that the employees within the firm and the other people from outside firm in the same industry would contribute towards finding new ideas. All the employees did participated in the survey conducted within the firm. The survey had questionnaire which could help them communicate their concerns to higher management in the firm. It also had a column to suggest ideas, to solve the issue/concern they mentioned in the survey. Many ideas were suggested by the employees who worked in the production department of the firm.

Selecting An Idea

In order to choose a particular idea from the suggested or giving out a new idea, announcement was made in the company. The middle managers are <https://assignbuster.com/entrepreneurship-and-innovation-assignment-business-essay/>

the people who communicate with the customers and responsible for updating the company with the latest news in the market. They also came up with an idea of conducting survey within the organisation, to solve the identified issue. They took forward this to many who were out in the market. Finally the middle management came up three ideas from their interaction by networking inside (survey) and outside the company, they were increasing the number of employees for material handling, installing a automatic conveyer (transporter machine) which moves with the help of conveyor belts and the last idea is to slowdown the production, so that the employees will be able to transport the sliver cans from one machine to another easily. These sliver cans contains unfinished goods from carding process and then moved towards drawing process.

Implementing The New Idea

On discussing the options with the managing director and middle managers and calculating the risks involved in it, the senior management decided to install the automatic conveyer in four carding and drawing machines and compare its performance with the similar type and same number of machines which uses manual transportation. This trail method was insisted by considering the costs and risks involved in installing the conveyer machine. If the idea chosen reflects higher performance than the manual, then implementing the idea in all the carding and drawing machines was considered by the senior management (founder).

Innovations happen with a defined structure and a number of influences. The aerial view of the founder towards what happens inside the firm and how it

should be managed, helped him to build a Spaghetti Model of Innovation (Bessant J, 2007, p. 83), through the conducted survey. This survey influenced the employees from different departments and levels to interact and share the ideas about the existing production process and performance.

Timmons Model Of Individual Entrepreneurship

The firm operates in family business, however the deciding authority for any changes lies with the founder, chairman of the firm. Thus Timmons model of individual entrepreneurship is considered in this assignment. This model is the place where theory and practise collides in the real world. According to Timmons forces such as Opportunity, Resources and Team plays a major role in entrepreneurial process. Among these forces, Opportunity is at the heart of the process, followed by Resources and Team (Timmons A., 2009, p. 109). Figure 3 shows the diagrammatic representation of Timmons Model.

Figure 3: Timmons Model Of Individual Entrepreneurship – Jeffry A. Timmons and Stephen Spinelli, Jr (2009).

Opportunity

Through communicating with other people in the industry and survey conducted within the firm. The idea of installing automatic conveyors to move sliver cans, which works with help of conveyor belts was found to be an opportunity to increase the productivity performance by 8% to 11%. The company was the first to install conveyors in Coimbatore. Various factors such as customer demand versus company's supply, break even time, growth of the company, production rate during and after the installation were considered for implementing the idea. The idea was finally decided for <https://assignbuster.com/entrepreneurship-and-innovation-assignment-business-essay/>

implementation, when it satisfied the above mentioned criteria. The final decision was made by the founder of the organisation.

Resources

The main resources considered for implementing idea were co-operation of employees for increasing the productivity in other machines during the installation process to equate the customer demand, availability of the conveyors in market, financial resources. The company insisted its employees to learn the mechanism of the conveyor transporter, which would help them to understand its operational functionality. Among these above mentioned resources, financial resources was least considered, as the company approached the Yarn Spinner's Association (Government Organisation) for subsidy. Being the first company in Coimbatore to install conveyors, the company was funded by the Yarn Spinner's Association to implement the idea. Thus the founder marshalled all the resources towards implementing the identified opportunity.

Team

A six member team was formed by the founder to work on the installation of the conveyor machine. The team had three employees from production department which included the production manager and the rest three were from administration and marketing department. Roles of the team members were assigned by the senior management, founder. Team had members from various departments for the following reasons,

The tasks of the three employees from production department were to learn the functionality of the machine which is to be installed, report about the production rate in both manual and automated transportation of sliver cans and to maintain the same production rate as earlier during the installation process.

The role of the employee from administration department was to help the other members in the team financially and communicate the reports generated and issues raised to the senior management. These reports, issues were generated and raised by the other members in the team.

Two members from marketing department were looking into customer demands, forecasting the demand and insisted in timely delivery of the product to the customers during the installation process.

The organisational structure is given in Appendix B. Rounding out the three forces through finding the opportunity, marshalling the resources and choosing a correct team, the founder of the company made the best fit and balance among these forces. He also created a sustainable base through converting the opportunity to a business, this was possible because of the following traits of the founder,

Understanding the opportunity and economics of business through customer and market trends.

Communicating vision and goals effectively, motivating for creativity and leading the employees in the right direction.

Dynamic capability of fixing, shaping, moulding and making it happen.
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Also by understanding social awareness which includes various factors such as energy conservation, pollution and global warming.

Sri Vishnu Perumaal Spin Yarn Ltd – A Family Business

Small and family business firms plays a major role in economic development and wealth (Bracci, E., and E. Vagnoni., 2011, p. 7). “ Sri Vishnu Perumaal Spin Yarn Ltd” is categorised as family business firm, as it is actively managed by Srinivasan Perumaal, the founder (with decision making authority) and his son Vishnu Perumaal, the managing director (managing the operations) of the firm. It is said that the entrepreneurs who run their family business not only concentrate on the survival of the firm, more over the business should nurture the future generation of the family. Succession is commonly seen in Indian family business. It is clear from a survey conducted few years ago, that the success of family business depends on the five unique resources such as human capital, social capital, patient financial capital, survivability capital and lower cost of governance. When all these resources are directed in the correct direction, it would eventually lead to a successful family business (Anon, 2011). Family businesses in India are still in existence because of the reason, that the younger generation don't have inheritance taxes unlike in US (Anon – Mint, 2010).

It is known that the head of the family plays a major role in development of bonding among the family members, similarly the founder of a family business plays a major role in developing the culture, values and performance of the organisation. Succession is one of the critical process in a family business which takes time, needs good planning and managing to be successful. Intellectual capital such as tacit knowledge, work-related
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knowledge, work-related competencies, owner-managerial spirit, culture, values and others are considered to be most important factor during succession process, which should be transferred to successor. Founder being the centre of the firm's network and source of knowledge, must ensure that all the above mentioned intellectual capital are transferred to the successor before the succession. The successor is the person who represents the source of knowledge and the recipient of the knowledge transfer process and posses basic knowledge about the business through formal education and training. They should have characteristics such as, responsibilities, personal motivation and commitment towards the firm. Mutual understanding and relationship between successor and predecessor is the basis of the successful process. Vishnu Perumaal, managing director of the firm would be the successor of the founder of the firm in future. He has good relationship with his father, the founder of the firm and working with the firm for than eight years. Thus by having the work experience, interaction with the employees, business knowledge and the above mentioned intellectual capital characteristics of a successor. It is believed that he would be a good successor after the succession process. After all, succession in the small family business is all about understanding the creation and development of values (Bracci, E., and E. Vagnoni., 2011, p. 7).

Factors Facilitating Entrepreneurship In The Organisation

There are many factors such as knowledge management, individual resources, internal and external communication networks, organisational culture and size of the organisation that facilitates the entrepreneurship.

They are briefed below,

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Knowledge Management

The acquisition of knowledge involved both internal and external environment scanning. Ideas were identified as opportunity after searching, filtering and evaluating its potential in long run (Bessant J, 2007, p. 186). Scanning the internal environment of the organisation was given high priority than the external by the founder of the firm. This influenced the knowledge flow from bottom to top and the vice-versa. Because of the belief that, the individual who works closely in a particular process would know its functioning, dos and don'ts, pro and cons of the process. More over the company maintained a database for the ideas which are generated within the company, with the help of which an idea can be retrieved and reviewed at any point of time. The company had a policy of external networking at different levels with others in the industry, this helped to categorise the type of idea/knowledge they received from outside. Founder emphasised more on learning through mistakes. This was mainly due to reason that a employee when makes a mistake and learns through it, will never do the same again and he/she will also communicate the learning to team and other employees in the firm.

Individual Resources and Size Of The Firm

The individuals in the firm had responsibilities, personal motivation and sufficient knowledge about the process in which they work. Founder interacted with the employees in the firm on daily basis, this was possible because of the size of the firm. Employees had both professional and personal relationship with the other members of their team. The company

has 190 employees at present. There are 16 teams in production and packing department with 16 supervisors and seven to nine team members in each team. The firm had a maximum of ten members in a team, to have smooth control over the team.

Organisation culture

The firm had defined set of rules to be followed within the organisation. They were, employees can report any kind of issues to the senior management through the point of contact or supervisors with whom they work. However, the founder organised meetings with different departments in weekly basis, which helped the employees to convey their views and share ideas about the organisation and its functioning. Strategy of the firm was communicated effectively to employees in all the meetings. These meeting helped the founder to keep track of the employee's attitude, behaviour towards the organisation and also the culture inside the firm.

Internal and External Networking

It is believed that communication among the individual plays a vital role in success of the firm. Reassigning the tasks and realigning the teams were done within the production and packing department, to build a strong network among employees. Employees also had the capability of adapting them in the new team or to work for the newly assigned task, through willingness to learn from others. Being a small firm, the employees were aware of the individuals who work in different departments and teams. The employees from senior to lower level of the firm interacted with outsiders equivalent to their level.

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All the above mentioned were controlled, directed towards sustainability and growth by the founder. Founder serves as the driving force towards business success, with leadership behaviour, intellectual knowledge and governing skills. On installing the conveyors, the company found that the production rate has increased by 9%. Hence the trial worked well, founder decided to implement in all the machines.

Recommendation

Indian industry has been dominated by family businesses traditionally. Businesses operating in the growing Indian economy should have non-family member in the senior management level. This person could share different perspectives and ideas about the business and market in which it is operating. The younger are more energetic and involved in the family business. In today's competitive world all the products are globalised and firms wishes to be in the global market (Anon - Mint, 2010), hence it is recommended to have another managing director in the senior management level for this company, which would eventually strengthen the strategy of the firm, increase the momentum, bring more opportunities and success to the business. This would also take the business globally in future. More over the culture of reporting the issues to the senior management, instead of reporting to point of contacts/supervisors and middle managers is recommended. This could bring increase the responsibilities of the employees.

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