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# Innovation and Entrepreneurship Relationship

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## Abstract

*The paper analysis the relationship between entrepreneurship and innovation and the implications of this relationship for individuals and organizations. It went further arguing that innovation and entrepreneurship are two closely related words used in today's global village business practice, scholarly research and policy development management. Using them interchangeably we are committing academic dishonesty. While they revolve around the same idea, it is crucial to understand the difference and; through light on Intrapreneurship.*

*This paper focuses on summarizing the entrepreneurship and innovation differences, interconnection characteristics, ingredients, process, intrapreneurship and its importance to economic growth. The paper concludes where it began by emphasising the need to understand the difference and relationship of Innovation and entrepreneurship*

*Innovation creates change; it disrupts the status quo, but it does not automatically translate to entrepreneurship or new business. In addition, innovation occurs in plenty of other contexts beyond business.*

*Intrapreneurship involves creating/discovering new services/products/opportunities for the purpose of creating value within or under the auspices of an existing business (lexicon.ft.com 2017).*

## Background

Innovation is a new dream/idea/device/method; or the act of introducing new ideas/devices /methods/service/product. Innovations can be new products/business models/customer relationship/any form of new dream/idea. Innovation, however, does not have to mean the creation of something totally new. Improvements and Iterations upon an existing idea/product/service are also innovations. Take the iPod, for example. While far from the first personal music player, the iPod introduced an unprecedented customer relationship and business model, shaking up the electronics industry.

Innovation creates change; it disrupts the status quo, but it does not automatically translate to entrepreneurship or new business. In addition, innovation occurs in plenty of other contexts beyond business. Non-profit organizations, academic and Governments also generate groundbreaking dreams/ideas, often sparking Economic and social change.

According to Livingstone (2000: 3) in Hindle (2009). Innovation is not just the idea – innovation is only achieved when the idea has been transferred into an outcome which has value.

## **Figure 1. Innovation Model**

**Innovation = Invention + Implementation**

**Source:** Hindle, Kevin (3-6 February 2009)

The three main importance of livingstone (2000:3) Innovation definition:

- Innovation is not achieved until ideas have been transformed into tangible outcomes;
- Applicable to a public good , not-for-profit and commercial ventures;
- Emphasis the indivisible, mutual importance of good science and good business practices

Entrepreneurship is the willingness of an individual / group to take risks and develop, organize and manage a business venture in a competitive global village marketplace that is constantly evolving (techaloo.com 2017). Entrepreneurs are pioneers, innovators, leaders and inventors. They are at the forefront of technological, economic and social movements – in their fields, in their forward thinking, in their desire to push forward. They are dreamers and most importantly – doers. Dreaming big and Doing Good/Well (BGI 2011).

Peter Kilby once compared entrepreneurship to the imaginary animal, the Heffa-lump: It is a large and important animal which has been hunted by many individuals using various ingenious trapping devices ... All who claim to have caught sight of him report that he is enormous, but they disagree on his particularities. Not having explored his current habitat with sufficient care, some hunters have used as bait their own favourite dishes and have then tried to persuade people that what they caught was a Heffalump. However, very few are convinced, and the search goes on (Kilby, Hunting the Heffalump: Entrepreneurship and Economic Development, 1971).

The major characteristics of entrepreneurs that have been listed by many include the following:

- Hard work, energy and Independent-mindedness
- A risk taker
- Self-confident, resilient. and multi-skilled;
- Innovative skills and determine;
- Results-orientated and multi-tasking;
- Self-motivation and total commitment.

Innovation and entrepreneurship are two closely related words used in today's global village. Some may think they mean the same, but using them interchangeably would be making a big mistake. While they revolve around the same idea, it is crucial to understand the difference.

Innovation is applying your creativity to come up with a unique idea or solution. It is technological invention, which lets parts do what they could not previously do. You have an engine, wheels and axles and you put them together to invent a car. Progress depends on innovation and great innovators can get rich (Davison 2015).

According to Elijah Clark (2014). The ingredients of an entrepreneur include an appetite for risk and the ability to spot opportunities, and a minimum of red tape and other procedural hurdles (Can startups help turn the tide?, 2012). Hunter (2012) states that the propensity to take financial, family

or career risks are often attributed to entrepreneurs. However, while entrepreneurs generally take risk involving business opportunities, innovators are risk takers that continually practice and challenge status quo. Innovators accomplish this by having the ability to successfully connect seemingly unrelated questions, problems, or ideas from different fields (Dyer, Gregersen, & Christensen, 2009). A company must have both entrepreneurs and innovators in order to remain relevant within their industry. While the entrepreneur may know what decisions need to be made, the innovator understands how to make them work for a purpose. Innovation is almost always a total company effort (Why true innovators must behave like entrepreneurs, 2012). A company that does not produce or motivate innovation, will eventually fail to companies that do.

Innovative entrepreneurs are more likely to challenge assumptions. Innovative entrepreneurs have something called creative intelligence, which enables discovery yet differs from other types of intelligence (Dyer, Gregersen, & Christensen, 2009). It is more than the cognitive skill of being right-brained. Innovators engage both sides of the brain as they leverage the five discovery skills to create new ideas.

Entrepreneurship is about being able to discover a business opportunity and innovation is in building the opportunity. Working as a marketing consultant and developer, I have seen hundreds of business startups fail after taking a risk to begin entrepreneurship. They have failed because of their lack in innovation. It's easy for these entrepreneurs to see the opportunity, but most don't know how to build it. Hunter (2012) explains it best in that very little innovation is generated by start-up ventures.

## **Implications of this relationship for Individuals and organizations**

Entrepreneurship, by contrast, is applying the innovation to bring the dreams/ideas to reality. It is social invention, which lets people do what they could not previously do. Entrepreneurs take advantage of opportunities to make money on the innovation. They build businesses and champion the innovation forward. Progress depends on entrepreneurship and great entrepreneurs get even richer than great innovators.

Ray Kroc didn't invent the hamburger, but when he died he was worth half a billion dollars. He was an entrepreneur. Sam Walton didn't invent the retail store, but his heirs are worth more than \$100 billion. He was an entrepreneur. Henry Ford didn't invent the car, but when he died in 1947, he was worth nearly \$200 billion (inflation adjusted). He, too, was an entrepreneur.

Given the way we use the term, all of these entrepreneurs were innovative. And indeed, it is hard to imagine an entrepreneur who was not innovative having much success. You have to distinguish your product or service from competitors and that usually calls for innovation. But thinking that your job as an entrepreneur is the same as the job of an innovator can create unnecessary confusion and failure.

Imagine two people with equal skills for creating companies and software. One "Mike" thinks of himself as an innovator and focuses on creating a great app. The other "Turay" thinks of himself as an entrepreneur and focuses on creating a great firm. Mike uses his scarce attention to analyze the market, software tools, and to code. He does a great job and creates a valuable app. Turay uses his scarce attention to analyze markets, business plans and processes, and to create a firm where people who want to focus on creating and selling great products will want to work. He does a great job and creates a valuable business.

When Mike completes his great app, his work has just begun. He will need a way to distribute the app, to market and sell it. He will need to find a way to support it as customers begin to use it and either encounter bugs or simply have questions. He will need to do research on how the product is being used to decide how to improve the product and to find new markets for it. He will need to set up payroll, finance, HR, and a host of other business processes to support his app.

What is likely to happen? Probably, after realizing how much more work he has to do – work he has not even focused on understanding or learning – he will sell his product to Turay who will either buy it outright or offer him royalty payments. Turay has engaged in entrepreneurship and has built a company. Mike’s app is just one of her products. He has a portfolio of products. Turay is actually in a position to create more value with this portfolio of products – even though he may not have designed or created a single one – than Mike is with his great app.

Entrepreneurship is bigger than innovation. A great case in point is Kodak. They didn’t just have a thriving film-based business; they invented the first digital camera in 1975. They were innovative.

But rather than adapt their business to this new product and technology, and help create the digital world that we’ve come to take for granted, they clung to their old business. They were not entrepreneurial. (Davison 2015)

## **Intrapreneurship**

Intrapreneurship involves creating/discovering new services/products/opportunities for the purpose of creating value within or under the auspices of an existing business (lexicon.ft.com 2017).

An intrapreneur is a person who practises intrapreneurship. A corporate manager who starts a new initiative for their company which entails setting up a new distinct business unit and board of directors can be regarded as an intrapreneur. In contrast, a corporate manager who starts a new initiative using pre-existing corporate structures is not an intrapreneur (Financial Times 2007).

## **Personal Approach to Risk Taking and Reflection on Innovation and Entrepreneurship**

To begin, I want to make my biases clear. I have a very definite view of what constitutes innovation and entrepreneurship. In my view, innovation is something really different from anything that came before it. I distinguish between strong and weak innovation. Strong innovation is something totally new. Weak innovation is something that already exists that you have improved somewhat.

You do not have to have actually invented something to be an innovator; just like Steve Jobs with the graphical user interface or Bill Gates with DOS. You could have seen the idea somewhere or bought it from someone else. But you ran with something that was very different because you saw an unusual opportunity even if you didn’t invent the product/service.

On the other hand, I have been involved with many entrepreneurial endeavors. And I have also been involved with innovators. From observation what I see is that most entrepreneurs are not innovators and that most innovators are not entrepreneurial.

For a start, let's take entrepreneurs. In my observation the vast majority are taking an existing idea that is already around and then modifying it in some ways, in most cases only a little. So either the idea is not new at all (a new theme restaurant for example or it's a weak innovation (a niche type of social network perhaps).

And let's take innovators. I have seen quite a few of them. In fact my research has actually developed an assessment to identify them.

What I have observed is that most innovators are introverts. Most of them are certainly independent-minded but not good at dealing with people and therefore hesitant to do anything entrepreneurial even if they would like to because of their level of independent-mindedness.

So these innovators, even if they would like to be entrepreneurial, usually do not become entrepreneurs. They might become intrapreneurs so they can depend on a corporate largesse.

I have also been a teacher of entrepreneurship and I have seen many students of entrepreneurship confuse the two because so often teaching of entrepreneurship relates both. When you don't know yourself, as is the case with all of us when we are young, it's easy to confuse being entrepreneurial with being an innovator.

So I have also seen many young people start businesses under the impression that their presumed innovativeness would give them that winning edge, only to find out later they were universes away from ever achieving it.

I think this problem is exacerbated by the "self-esteem" movement that teaches that kids should always be praised and never criticized. I think many kids grow up not realizing their limitations because of this type of upbringing and so believing that they are almost certain to be a successful and innovative entrepreneur.

Of course we want our youths to be entrepreneurial and to take risks but we also want them to have a healthy level of self-awareness that has some realistic basis. Unfortunately this isn't always true and can have devastating psychological consequences for youths.

I think this contributes to the already extant tendency in these companies to not being either entrepreneurial or innovative. It's also like being a trainer of entrepreneurship when you have never been an entrepreneur, but only ever a wage earner.

By all means be an entrepreneur but if you aren't one, don't confuse this with being an innovator. If people held to this principle they would probably do less foolish things when they start a business and get to be a whole lot more successful in doing it, even if less exciting.

Although the atmosphere of many large firms stifles innovation, all too often the businesses themselves are not aware of this. Since most people who spend their career in a large firm have never actually worked in either an entrepreneurial or innovative business, it's easy for many to erroneously http believe that they are being entrepreneurial or innovative when in fact they are just following the crowd, but with a small twist.

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