Topic 1: Creativity and Innovation

Introduction

By now you will have learnt that entrepreneurs are among the more creative organisational players. Through innovation and adding value, they create new ventures introducing new forms, new organisations, new products and services. Indeed, the entrepreneurship focus on newness, novelty and generation of variety in the marketplace highlights that the processes of innovation, discovery and invention are the most important ingredients of entrepreneurship.

The essence of entrepreneurial success is creating value in the marketplace through the process of combining resources in new and different ways to achieve a competitive edge over others. Entrepreneurs can add value in a number of ways – by developing new technology, discovering new knowledge, improving existing products or services, or finding different ways of gathering, coordinating and combining limited resources to provide more goods and better services. In this topic we look at the more creative aspect of entrepreneurship, which are the value-adding, innovative and organization-creating aspects. In addition, we study and explore creativity and innovation from the point of view of entrepreneurship and how creativity and innovation affect the entrepreneurs.

Thus the central issue in this topic is: How can the core entrepreneurship characteristic of creativity and innovation occur? This has been sectioned into three parts:

- **Part A**: Creativity, innovation and entrepreneurs.
- **Part B**: Creativity. This is coming up with ideas – the generation of ideas that result in the improved efficiency or effectiveness of a system: two types and four phases.
- **Part C**: Innovation. Implementing the new ideas from creativity – activities that bring about change in some social system: four types, three sources, five myths, and three principles of best practice.
Objectives

On completion of this topic, you should be able to:

- discuss the nature of creativity and innovation and their role in entrepreneurship
- describe the steps in the creative process
- explain how entrepreneurs can enhance their own creativity
- identify the four major types of innovation
- discuss some of the sources of innovation for entrepreneurs, and
- identify some of the major myths and discuss the principles of innovation.

Part A: Creativity, Innovation and Entrepreneurs

Creativity is thinking new things, and innovation is doing new things.

What is the entrepreneur’s secret for creating value in the marketplace? In reality, the ‘secret’ is no secret at all. It is applying creativity and innovation to solve problems and to exploit opportunities that people face every day. Let us define creativity and innovation. Creativity is the ability to develop new ideas and to discover new ways of looking at problems and opportunities. Innovation is the ability to apply creative solutions to those problems and opportunities in order to enhance people’s lives or to enrich society. In other words, creativity is thinking new things, and innovation is doing new things.

Researchers believe that entrepreneurs succeed by thinking and doing new things or old things in new ways. Both innovation and job creation involve the creation of new organisations with interdependent activities carried out by several people to accomplish a goal. Through innovation, entrepreneurs create new organisations in our economy, our political process and our educational process and generate economic, cultural, social and political variety. In doing so, they also precede and create the context for management. In other words, they develop organisations that are subsequently in need of strategy, structure, performance, culture and, above all, change. In short, having a great new idea is not enough, something must happen.
Entrepreneurship = creativity + innovation

In turn, entrepreneurship is the result of a disciplined, systematic process of applying creativity and innovation to needs and opportunities in the marketplace. It involves applying focused strategies to new ideas and new insights to create a product or a service that satisfies customers’ needs or solves their problems. It is much more than random, disjointed tinkering with a new gadget. A lot of people come up with creative ideas for new or different products and services but most of them never do anything with them. Entrepreneurs are those who marry their creative ideas with the purposeful action and structure of a business. As Figure 1.1 illustrates, successful entrepreneurs are associated with a constant process that relies on creativity, innovation and application of that innovation in the marketplace.

Figure 1.1. Creativity, innovation and entrepreneurship.

![Creativity, Innovation, and Entrepreneurship Diagram]

**Part B: Creativity**

Entrepreneurs must always be on guard against traditional assumptions and perspectives about how things ought to be. Such assumptions are quick killers of creativity. Such self-imposed mental constraints and other paradigms that people tend to build over time damage creative minds. A paradigm is a preconceived idea of what the world is, what it should be
like, and how it should operate. Sometimes, these ideas become so deeply rooted in our minds that they become immovable blocks to creative thinking, even though they may be outdated, obsolete and no longer relevant. These blocks can act as logjams to creativity. There are four phases which can help to remove these logjams and enhance creative thinking.

The nature of the creative process has **four phases** with their important activities:

**Phase 1: background or knowledge accumulation**, e.g. reading, professional conferences, talking, visit to library.

**Phase 2: incubation process**, e.g. ‘sleep on it’, exercise.

**Phase 3: idea or ‘eureka’ experience**, usually this phase slowly but surely formulates the solution.

**Phase 4: evaluation and implementation**, e.g. prototypes, advice.

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**Activity 1.1**

Take a moment to think about your own creative processes in relation to your new venture concept. Write down a few bullet points for each of the four phases and consider how your creative processes have come to the fore.

**Phase 1: Background or knowledge accumulation**

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Phase 2: Incubation process

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Phase 3: Idea or ‘eureka’ experience

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Phase 4: Evaluation and implementation

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We now turn our attention to methods of developing and enhancing creativity.

**Enhancing Creativity**

Creativity is a general process of bringing something new into existence, often through imaginative skills. Much of what we know about the creative process stems from studies of artists and those involved in creative problem solving. Entrepreneurs can learn to tap into their innate creativity more readily. The first step is to break down the barriers to creativity that most of us have erected over the years. Creativity is limited by fear and negative emotion, by being closed versus open-minded, and by basing decisions on experience and memory (e.g. the way we have always done things in the past). Entrepreneurs tend to overcome the specific barriers to creativity, which include the fear of making a mistake, the inability to tolerate ambiguity, the inability to incubate, lack of challenge, excessive zeal, and lack of access to areas of imagination. Note that entrepreneurs who experience none or few of these barriers will be more creative than others.

Entrepreneurs with fewer obstacles and more creativity should be more successful in the long run. By contrast, entrepreneurs who experience more of these barriers are likely to be less creative than they could be. Enhancing creativity involves removing these barriers, and good training, coaching and counselling may help. Note that these barriers are often manifestations of deeply rooted habits and characteristics that are often difficult to identify. We now turn our attention to these barriers and then to some suggested techniques for removing them.

Characteristics of successful entrepreneurs generally include a positive self-image, being motivated by challenging problems, being sensitive to the world around them, and being good at gathering different ideas in a short amount of time. Note that although research shows that many of these characteristics are shared by successful entrepreneurs, they are **not all-inclusive**. In other words, it is not necessary to possess all of these characteristics to be successful. Furthermore, note that developing creativity is a process of changing the way you look at things. To do this you must look for different or unorthodox relationships between people.
and things. Another way to be more creative is to view people and things in terms of how they can be used to satisfy needs. Finally, just learn how to do creative thinking by using the great potential of your brain. Exercise the thought process. Note that the more you use it the more efficient it becomes.

**Background Material: How to Develop Creativity**

Creativity does not just happen in organisations; entrepreneurs must establish an environment in which creativity can flourish – for themselves as well as others.

The following questions are designed to spur the imagination and can help develop creativity:

1. Is there a new way to do it?
2. Can you borrow or adapt it?
3. Can you give it a new twist?
4. Do you merely need more of the same?
5. Do you just need less of the same?
6. Is there a substitute?
7. Can the parts be rearranged?
8. What if we do just the opposite?
9. Can ideas be combined?
10. Can we put it to other uses?
11. What else could we make from this?
12. Are there other markets for it?

**Background Material: Barriers to Creativity**

The following discussions of background material about barriers to creativity and developing creativity are not as important as the discussion above about developing creativity, but you might like to consider it as an optional extra. The number of potential barriers to creativity is almost limitless. They include time pressures, unsupportive environment and overly rigid policies and strategies. Perhaps the most difficult hurdles to overcome, however, are those that individuals impose on themselves. Roger Von Oech (1990) identifies ten ‘mental locks’ that limit individual creativity:

1. Searching for the one ‘right’ answer.
2. Focusing on being logical.
3. Blindly following the rules.
4. Constantly being practical.
5. Viewing play as frivolous.
7. Avoiding ambiguity.
8. Fearing looking foolish.
10. Believing that ‘I’m not creative’.

By avoiding these ten mental locks, entrepreneurs can unleash their own creativity as well as the creativity of those people around them. Research shows that successful entrepreneurs are willing to take some risks, explore new ideas, constantly ask “what if?” and learn to appreciate ambiguity. By doing so, entrepreneurs can develop the skills, attitudes and motivation that make them much more creative – one of the keys to entrepreneurs’ successful performance.

Activity 1.2 ‘Reflective Exercise’

What questions have you asked yourself about the new concept you have in mind? Are you solving a need, filling a gap or innovating something? Under the following headings, list the contextual attributes from your venture.

Solving a Need

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I am sure you will agree that you cannot just order a good idea or spend some money to find one. You need to build a climate and give people the freedom to create things. Entrepreneurs can stimulate their own creativity and encourage it among others by:

- expecting creativity
- expecting and tolerating failure
- encouraging curiosity
- viewing problems as challenges
- providing creativity training
- providing support
- rewarding creativity, and
Creativity and Innovation

Building a creative environment takes time, but the payoffs can be phenomenal. Research shows that to encourage people to be more creative entrepreneurs have to create an environment that values their creativity. Although new ideas may appear to strike suddenly, they are actually the result of the systematic process which involves the following seven steps:

1. preparation
2. investigation
3. transformation
4. incubation
5. illumination
6. verification, and
7. implementation.

Reading 1.1: Right Brain Hemisphere Mental Exercises

http://www.gocreate.com/workouts/ has an excellent set of creative examples and exercises to stimulate creative thinking. You are welcome to read as many of the exercises and points as you like. Think of a problem affecting your venture, and use the exercises in the workouts to see how you can look at your problems and challenges differently in order to understand them better, overcome them, or use them to your advantage.

Part C: Innovation

Entrepreneurship centres on novelty and the generation of variety in the marketplace and means that the processes of innovation are at work. In some economic theories, innovation is a key, defining aspect of entrepreneurship. Schumpeter (1934) was first to point out the importance of new value created by entrepreneurs. More recently, Carland, Hoy, Boulton and Carland (1984) extended and specified Schumpeter’s idea, saying that entrepreneurs:

- introduce new goods
- introduce new services
- introduce new methods of production
• open new markets
• open new sources of supply, and
• reorganise industry.

Four Types of Innovation

There are four distinct types of innovation, these are: invention, extension, duplication and synthesis. Invention has been described as the creation of a new product, service or process. Extension is said to be the expansion of a product, service or process. Duplication has been defined as replication of an already existing product, service or process. Finally, the combination of existing concepts and factors into a new formulation has been identified as synthesis.

Peter Drucker (1984) defines entrepreneurship in terms of the generation of new jobs and the production of new flows of income. To some people innovation refers to an end product or practice perceived as new by the individuals. However, innovation also implies commercialisation of new ideas and/or the implementation and change of existing systems, products, and resources. To Peter Drucker (1985), innovation is the specific function of entrepreneurship and defines what is entrepreneurial and what is managerial. He refers to innovation as a process of bringing inventions into use through engineering, organising and marketing. Other observers and writers focus on innovations embedded in larger organisations. Innovation is thought to be necessary for change and long-term survival of these organisations. They see an innovation process as one that is recognised as new by the adopting system and/or one that results in a major restructuring of the adopting system.

So far we have talked about what innovation means within the context of entrepreneurship. We now turn our attention to the innovation process.

The Innovation Process

We now know that innovation is the total process of generating new knowledge and converting that knowledge into a commercial product or service. You will appreciate that innovation is but one aspect, although a very important one, of the total process of entrepreneurship.
Three Sources

The next section to look at within the innovation process is sources of innovation. Sources of innovation in terms of the main areas are where new ideas come from. The main areas are: unexpected occurrences, process needs, and gaps between expectations and reality. The market is one of the main sources of innovation. In a constantly changing market new ideas are always presenting themselves. Other sources include demographic changes and changes in perception.

Five Myths

There are several myths associated with innovation that are covered in the literature. Five myths are presented:

1. innovation is planned and predictable
2. technical specifications should be thoroughly prepared in advance
3. creativity relies on dreams and blue-sky ideas
4. big projects will develop better innovations than smaller ones, and
5. technology is the driving force of innovation and success.

Read these myths with caution as the opinion regarding them may vary dramatically depending on the person and their educational and technical background. Nevertheless, the list is informative and provokes some thinking.

Principles of Innovation

While innovation encompasses a large area, it is pertinent to point out that there are a number of principles of innovation. An important message here is that entrepreneurs must realise that these principles exist and that they can be learned. One of the principles is to be action-oriented. The entrepreneur must always be looking for new ideas. Making the product, process or service simple and understandable is another example of a principle of innovation.

A few more include: make the product, process or service customer-based, start small, aim high, follow a milestone schedule, and the like. Taking the preceding framework into account, it is significantly important to remember that the last, but by no means least important, principle is work, work and more work.
The final section of this topic is about financial support for innovation, but we do not need to spend much time on this issue in this unit, apart from noting that is an issue involved in innovation. Generally there are two sources of capital: venture capital and government support. Due to the emergent industries such as IT, venture capital investment as well as government support has been on the rise globally in the last few years in support of the knowledge economy. Most governments of developed and emerging nations provide material support in varying degrees for the potential entrepreneur to look out for those opportunities. Given the power of the electronic media such as the Internet, today’s entrepreneurs are not constrained by the geographical boundaries of their environment when they are looking for support for their innovative operations.

**Reading 1.2: Innovation management in the ICT sector.**

http://books.google.com/books?hl=en&lr=&id=AenC1-hGJYYC&oi=fnd&pg=RA2-PA9&q=Innovation+Management+in+the+ICT+Sector&ots=WC4-a10Q1U&sig=PckISO2XNwRTUBxgWuwS0dNoJvk#PPA3,M1

Read pages 3-36 and 51-76 for more background on the importance of innovation in the ICT industry. Please note this e-book also contains additional information for strategy formation and other relevant management literature for your new venture.

**Summary**

Entrepreneurship has been described as an action-oriented way of thinking, the focus of which is creativity, innovation and change. Therefore, it is not surprising to see that entrepreneurs are among the more creative and innovative players of organizational change. Perhaps it is fair to say that it is the entrepreneurs’ business to generate or add value as they venture, introducing new forms, new organisations, new products and new language to the world at large. In this topic we looked at the more creative side of entrepreneurship – the value adding, innovative and organisation-creating aspects, recognising that creativity requires someone (like an entrepreneur) to add value in the marketplace through the innovation process. Therefore, we now respect the vital role of innovation in entrepreneurship. From the idea generation to the successful product development and launch, innovation is the seed-bed for change. Charged with the coordination of the innovation process are the entrepreneurs. Their role is to nurture creative vision through development and testing on to successful commercialisation. It is their
In Part A, this topic examined the entrepreneur’s secret for success, which is creating value in the marketplace by applying creativity and innovation to solve problems and to exploit opportunities that people face every day. We described creativity as the ability to develop new ideas and to discover new ways of looking at problems and opportunities. Innovation, on the other hand, was described as the ability to apply creative solutions to those problems and opportunities to enhance or to enrich people’s lives. Therefore, we concluded that entrepreneurship is the result of a disciplined, systematic process of applying creativity and innovation to needs and opportunities in the marketplace.

We learned that entrepreneurs must always be on guard against paradigms – preconceived ideas of what the world is, what it should be like and how it should operate – because they were considered as logjams to creativity. Successful entrepreneurs often go beyond conventional wisdom as they ask, “why not?” or “what if?”

For years, we assumed that creativity was an inherent or innate trait. In Part B, this topic presented the creativity process, characteristics of creative persons, ways of developing creativity, and the nature of the creative environment. Thus, today we know that almost anyone can learn to be creative through creative thinking and by learning how to use the left and right hemispheres of their brain in a given situation.

Finally, in Part C, we saw that having creative ideas for new or different products is not enough. Entrepreneurs create value in the marketplace through innovation by doing new things. The types, sources and principles of innovation and support for innovation were examined to highlight that, through this process, entrepreneurs are constantly creating new product, service and process ideas and launching enterprises to bring them to reality.
References


