

## Chapter- 4

# Entrepreneurship as Innovation and Problem Solving

- **Who is an entrepreneur?**

He/she is the one who undertakes risks.

- **Why are they called problem solvers?**

Entrepreneurial actions are efforts to solve problems for others. Therefore, entrepreneurs are Problem Solvers. When one solves a problem a new value is created. In the business world, problem solvers take risks but often create value by solving a customer or market problem, which is the key to creating a profitable enterprise. The more or larger problems an entrepreneurial organization solves, the more profit it can generate.

### INNOVATION AND SUCCESSFUL VENTURES

#### PENICILLIN

- **INVENTOR:** Sir Alexander Fleming, a scientist.
- **What he was trying to make:** Ironically, Fleming was searching for a "wonder drug" that could cure diseases. However, it wasn't until Fleming threw away his experiment that he found what he was looking for.
- **How it was created:** Fleming noticed that a contaminated Petri dish, he had discarded, contained a mold that was dissolving all the bacteria around it. When he grew the mold by itself, he learned that it contained a powerful antibiotic, penicillin.

#### POTATO CHIPS

- **Inventor:** George Crum, a chef at the Carey Moon Lake House in Saratoga Springs
- **What they were trying to make:** A plate of fried potato.

**How it was created:** One day, a customer sent back his plate of potatoes

Many times and kept asking for them to be more fried and thinner. Crum lost his temper, sliced the potatoes insanely thin, and fried them until they were hard as a rock. To the chef's

surprise, the customer loved them and wanted more! And this is how potato chips came into existence.

### THE PACEMAKER

- **Inventor:** John Hopps, an electrical engineer
- **What he was trying to make:** Hopps was researching hypothermia and was trying to use radio frequency heating to restore body temperature.
- **How it was created:** During his experiment, he realized that if a heart stopped beating due to cooling, it could be started again by artificial stimulation. This realization led to the pacemaker.

### MICROWAVE OVENS

- **Inventor:** Percy Spencer, an engineer (with the Raytheon Corporation)
- **What he was trying to make:** The engineer was conducting a radar-related research project with a new vacuum tube.
- **How it was created:** Spencer realized that the candy bar in his pocket began to melt during his experiments. He then put popcorn into the machine, and when it started to pop, he knew he had a revolutionary device on his hands.

### INKJET PRINTERS

- **Inventor:** A Canon engineer.
- **How it was created:** After resting his hot iron on his pen by accident, the ink was ejected from the pens point a few moments later. This principle led to the creation of the inkjet printer.

### SOCIAL ENTREPRENEURSHIP

- Social entrepreneurship is which combines the passion of a social mission with an image of business-like discipline, innovation, and determination.
- WHO IS A SOCIAL ENTREPRENEUR?

The Social Entrepreneur aims for value in the form of large-scale transformational benefit that accrues either to a significant segment of society or to society at large.

### ENTREPRENEURSHIP V/S SOCIAL ENTREPRENEURSHIP

- The objective of entrepreneurship is wealth creation, but for social entrepreneurship, wealth creation is simply a means to an end.
- In entrepreneurship, an entrepreneur participates in entrepreneurial ventures to earn a profit, but social entrepreneur participates in business ventures only to use the profits generated to create valuable social programs for the whole society.
- An entrepreneur works for self- development, but social entrepreneur works for societal development.

### FEATURES OF SOCIAL ENTREPRENEURS

- Social Catalysts: Visionaries who create fundamental, social changes by reforming social systems and creating sustainable improvements. According to J. Gregory Dees, —though they may act locally, their actions have the potential to stimulate global improvements in their chosen arenas, whether that is education, health care, economic development, the environment, the arts, or any other social field.
- Socially aware: Social improvement, as opposed to the creation of profit, should be the ultimate goal of social entrepreneurs. The success of their endeavors is measured by their social impact, not by the number of profits generated.
- Opportunity-seeking: Relentless pursuit of their goals, seeing every obstacle as an opportunity to develop and fine-tune their business models.
- Innovative: Creative, willing to think outside the box, and ready to apply ideas to new situations. They understand that not every innovation will be a success, and they see failures as learning opportunities even as they strive for success.
- Resourceful: Their visions are not limited by the resources that they have. Besides optimizing the use of existing resources, they actively expand their resource pool through collaboration with others.
- Accountable: Social entrepreneurs are accountable to their beneficiaries, and they often ask themselves, —Am I creating value for the people I am serving? Do I understand their needs? this is because social entrepreneurs want to know how they are making an impact. They are also accountable to investors who want to know whether their

contributions are indeed stimulating social improvements as promised by the social entrepreneurs.

### EXAMPLES OF SOCIAL ENTREPRENEURS

- Vinoba Bhave: Founder and leader of the *Bhudaan Andolan (Land Gift Movement)*, he caused the redistribution of more than 7,000,000 acres of land to aid India's untouchables and landless.
- Ela Bhatt: Founded in 1972, the Self-Employed Women's Association (SEWA) is a rare trade union of poor, unorganized, self-employed women who work as vendors, hawkers, and laborers.
- Dr. Abraham M. George: Founder of The George Foundation. It was established in January 1995 in Bangalore, India. Their mission is to work towards poverty eradication, promote environmental health, and strengthen democratic institutions and values in developing countries.
- Dr. Verghese Kurien: Founder of the AMUL Dairy Project.
- Bunker Roy: Founder of Barefoot College, which promotes rural development through innovative education programs.
- Harish Hande: Magsaysay Award Winner 2011. Founder of Selco India, a solar electric light company in 1995, which over the years has lit up over 1,20,000 households, to emerge as India's leading solar technology firm.

### CONCEPT OF RISK

- Business risk means the possibility of some unfavorable occurrence. According to B. O. Wheeler, —Risk is the chance of loss. It is the possibility of some adverse occurrence—. There is always a possibility of loss in business even though the businessman exposed to it may not be aware of it.
- Business risks are diverse and arise due to innumerable factors.

### TYPES OF RISK

- Risk is the chance of loss. It is the possibility of some adverse occurrence.
- Types of risk-taking:

- Insurable risk- these risks can be forecasted and their probability can be determined, ex-risk related to life, fire, and theft. These risks are those whose burden is passed onto the insurance companies.
- Noninsurable risk- these risks are those whose probability cannot be determined and which cannot be insured against. The burden of such risks befalls on the entrepreneur himself. Ex – loss due to fluctuation in the price and fall in demand.
- Internal risk- Can be controlled by entrepreneur
  - ❖ Human factors- negligence, dishonesty.
  - ❖ Technological factor- obsolescence, unforeseen changes.
  - ❖ Physical factor- failure of machinery, fire, theft, etc.

#### FACTORS RESPONSIBLE FOR BUSINESS RISK

- **INTERNAL FACTORS**- These are those factors, which arise from the events taking place within the business itself. These can be controlled by the entrepreneur to a certain extent. The various internal factors which give rise to risks are:
  - ❖ Human factors- negligence, dishonesty.
  - ❖ Technological factor- obsolescence, unforeseen changes.
  - ❖ Physical factor- failure of machinery, fire, theft, etc.
- **EXTERNAL RISK**- These are those factors which arise due to events occurring outside the business organization. These cannot be controlled by entrepreneur
  - ❖ Economic factors- change in demand, change in economic condition is a dynamic risk- are predictable
  - ❖ Natural factors
  - ❖ Political factors- hostilities, riots, war.
  - ❖ Change in taste and preferences of consumers.

#### ROLE OF TECHNOLOGY AND SOCIAL MEDIA

##### INFORMATION COLLECTION

- In this competitive world, to attract a customer, the entrepreneurs have to know the customer in detail so that they can assure that they are loyal to the company.  
Information that is collected, for example- age, the regularity of customer to the shop,

preference of purchase – all these factors enable a company to understand the taste and preference of the customer so that they can serve them better. Businesses will compete on analytics to differentiate themselves. The growing number of embedded sensors collecting information about the world, and the rise of social networks that store the data people share, will generate immense quantities of information.

### **BUSINESS INTELLIGENCE**

- Business intelligence is the ability of an organization to collect, maintains, and organizes data.
- Example: Sales data during an off-season discount.
- This data produces large amounts of information that can help develop new opportunities. Identifying these opportunities, and implementing an effective strategy, can provide a competitive market advantage and long-term stability.

### **SMART MOBILITY**

- Those devices which are mobile help in the growth of the business. Smart mobility will change the way people interact with. Increasingly, smart devices — portable tools that connect to the internet.
- For example, smartphones (with the internet, high definition camera) — have become a part of our lives.

### **CLOUD COMPUTING**

- The origin of the term cloud computing is obscure, but it appears to derive from the practice of using drawings of stylized clouds to denote networks in diagrams of computing and communications systems. The word cloud is used as a metaphor for the internet, based on the standardized use of a cloud-like shape to denote a network.
- **For example:** In case of a phone and a laptop of Apple Inc., whatever photo, is clicked, it automatically gets updated on to the laptop through cloud computing.

### **THE POWER OF SOCIAL MEDIA**

- Google, Face book, Twitter, smartphones, tablets, and e-readers — technologies that originated in the consumer space, is now reshaping the way companies communicate and collaborate with employees, partners, and customers. Through the new possibilities

for —social listening, "businesses can better understand what their customers and employees need and want.

## **BARRIERS TO ENTREPRENEURSHIP**

### **ENVIRONMENTAL BARRIERS**

#### ➤ **ECONOMIC**

- The factors which are responsible for economic development such as land, labor, capital, material, market, etc., are equally responsible for the development of entrepreneurship. Thus, an environment, where all these factors are available to the entrepreneurs, will naturally support and promote entrepreneurship. On the other hand, if any of these factors are not available or of inadequate quality and quantity, they can become barriers to entrepreneurship.

For example, the Unavailability of cash deters an entrepreneur from starting a new venture.

#### **SOCIAL**

- Sociological factors such as caste structure, mobility of labor, customer needs, cultural heritage, respect for senior citizens, values, etc. might have a far-reaching impact on business. In India, attitudes have changed concerning food and clothing as a result of industrialization, employment of women in factories and offices, and the increased level of education. This has resulted in the growth of food processing and garment manufacturing units thus the emergence and growth of a new class of entrepreneurs.
- For example Readymade shirts, instant food, vending machines for tea, and eatables.

#### **CULTURAL**

- Every society has its cultural values, beliefs, and norms. If the culture of a society is conducive to creativity, risk-taking, and adventurous spirit, in such cultural milieu entrepreneurship will get encouragement.
- For example, An entrepreneur will have to keep in mind the cultural reference of the region that he/she is going to cater to, this will enable him/her to get a quicker acceptance in that region.

**POLITICAL**

- It provides the legal framework within which business is to function. The viability of business depends upon the ability with which it can meet the challenges arising out of the political environment. This environment is influenced by political organizations, stability, government's intervention in business, constitutional provisions, etc.
- For example, War tension between two countries can also stop the trade between these countries.

**PERSONAL BARRIERS****➤ PERCEPTUAL**

- Certain perceptual barriers can hamper the progress of an entrepreneur. Lack of a clear vision and misunderstanding of a situation can result in a faulty perception. Having preconceived notions and prejudice against a particular business activity will leave limited Choices
- For example, one should overcome the barriers of selecting a business venture according to one's gender. There is hardly a business left where both the genders have not explored and achieved equal success.

**➤ MOTIVATIONAL**

- Sustained motivation is an essential input in any entrepreneurial venture. Lack of motivation is a strong barrier to entrepreneurship. Many entrepreneurs start with enthusiasm, but when they face some difficulties in the execution of their plans, they lose motivation.
- For example Failure of a venture.

**BUSINESS INCUBATION**

- These are programs designed to support the successful development of entrepreneurial companies through an array of business support resources and services, developed and orchestrated by incubator management and offered both in the incubator and through its network of contacts. Incubators vary in the way they deliver their services, in their organizational structure, and in the types of clients they serve. It is an organization designed to accelerate the growth and success of entrepreneurial companies through an



array of business support resources and services like providing physical space, capital, coaching, common services, and networking connections.

#### HOW DO INCUBATORS HELP START-UP GETTING FUND?

- Connecting companies with angel investors (high-net-worth individual investors).
- Working with companies to perfect venture capital presentations and connecting them to venture capitalists.
- Assisting companies in applying for loans.
- Assisting companies in accessing government agency (example NZTE, Technology NZ) business assistance grant programs.

#### GOVERNMENT SUPPORT SYSTEM FOR ENCOURAGING ENTREPRENEURS

- Schemes implemented by the Ministry of MSME (Micro, Small and Medium Enterprises)
- SIDBI (Small Industries Development Bank of India) Micro Finance program
- Memorandum of understanding (MOUs) with foreign countries
- MSME National Award Scheme
- NSIC Schemes (National Small Industries Corporation)
- SIDBI Schemes
- Tax Holiday Scheme
- Composite Loan Scheme
- Industrial Estate Scheme