

Entrepreneurship and Innovation Management

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The ENOVA Project

In collaboration with

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PREFACE

Entrepreneurship and Innovation Management education is being discussed by both academia and business world. While the business world, mainly argues entrepreneurship education in terms of how to foster intrapreneurship, academia is more focus on how to design effective entrepreneurship education for university students. Entrepreneurship and Innovation Management education in Universities is still viewed by some to be a relatively early stage of development. In the literature, there are several definitions on entrepreneurial education; and so far, it is clear that there is no consensus neither on definition, on assessment nor on outcomes. Therefore, a question is how an effective Entrepreneurship and Innovation Management Minor program, and curricula of its courses will be developed without falling into clichés and educational inertia? If entrepreneurship and innovation management education aims to produce entrepreneurial and innovative founders who are going to be capable of generating real enterprise growth and wealth, the challenge to educators will be to craft courses, programs and major study fields that meet the rigors of academia while keeping a reality-based focus and entrepreneurial climate in the learning experience environment.

In many universities, especially in business schools, standardized education materials, static teaching techniques, creativity killing classroom settings are epitomizing crucial need for well-designed entrepreneurship education for diverse expectations. Therefore entrepreneurship and innovation management education is at the top of the business schools' agenda for a long time and generally recognized as essential for business schools in order to capture the spirit of the epoch by providing more dynamic, practice-oriented programs for prospective entrepreneurs. However, this picture paradoxical because business schools are too function-oriented and their entrepreneurial programs are somewhat rigid and they follow deterministic methods of conventional business education system.

The gap of entrepreneurship and innovation management training and education program is obvious between what the universities provide and what the businesspersons need. ENOVA Project aimed to minimize this gap by putting forward an effective education program with an up-to-date theoretical content and appropriate practical methodology. This editorial book is one of the outputs of ENOVA project to supplement its entrepreneurship and innovation management education course modules. To minimize the gap between theory and practice, ENOVA Partners from four countries conducted field researches in Slovenia, Austria, Germany and Turkey. Results of the gap analyses reveal that the Entrepreneurship and Innovation Management courses need a perspective adjustment. Existing courses at universities mostly teach innovation studies as it is the key for regional development, and the

perspective is why the innovation is important for regional and national development.

Gap analysis of the ENOVA showed that teaching how to practice innovation in and for organizations, how to create a corporate culture for effective corporate entrepreneurship, and alternative types of innovation, which established corporations take into account in their strategy making process are much more important to succeed in business-life. In the Gap Report, there are also similarities with the existing course contents, such as entrepreneurial personality, creativity and ide generation, and business modelling tools. However, Gap report also put forward some novel topics should be included in the Entrepreneurship and Innovation Management Educations, for example innovation audit, management of innovative projects, and entrepreneurial marketing are some of them.

In addition to the suggestions and opinions of businesspersons and start-up entrepreneurs over four countries, the Gap Report also presents the theoretical suggestions of many academics all around the world who teach and research on entrepreneurship and innovation management. Scholars' main concerns on teaching the entrepreneurship and innovation management are Open Innovation Systems, Creativity, and Market Research Techniques. Field research of course reach to various contents, which could not consider because of the lack of a consensus on those. Maybe, in close future those novel suggestion can be offered as a different education or training programs for example Ecological Innovation, and some of them are totally ignored by businesspersons such as government support for the formation of SMEs.

The partners of the project optimized the course methodology and feed the expected and the needed course content by also providing recommended literature and reading lists for students. Essential readings are assigned to the weekly course content; the GAP report is published at the project web site <http://enova.yasar.edu.tr> and the course is integrated in Curricula of Yasar University MBA Program, MNGT 510. ECTS credits are also calculated for the ENOVA Course module, and a pedagogical learning and teaching tests are made through an intensive program in 2017 June, Faculty of Management, Primorska University Koper, Slovenia. The call-for paper for the selected topics of ENOVA book is finalized with the contribution of twelve authors from Austria, Slovenia, Germany and Turkey. Without them, this project will not reach to its expected quality. As the project coordinator, I present my sincere thanks to each of the project partners and authors of this book for their valuable contributions for the finalization of the project, the intensive education program, and the editorial book.

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Business Models: Is There Anything That It Has Not Been Said Yet?

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Abstract: Despite the huge interest expressed by researchers and managers for the business model (BM) concept this is still open to different explanations and definitions. This chapter presents an overview of the BM literature, and applies an explanatory framework proposed by Pateli and Giaglis (2003) for critical analysing and comparing twenty-five among the most cited BMs frameworks. Based on the findings a new BM framework is proposed named the Value Triangle (VT). VT includes society among its constituent elements that is not present in the BM framework analysed. This leads to meaningful implications for BMs theory and practice, and enables us to suggest a research agenda for future research in the area of sustainable business models.

INTRODUCTION

Teece (2010) claims that every firm working in a competitive market have some kind of business model (BM) to create, deliver and capture value. Indeed, all firms have at least one BM. However, managers may still might not be aware of the concept itself or they do not rely on it for the development of their business (Amit & Zott, 2001). Generally speaking the BM concept is concerned with understanding and representing the underlying logic of how the company is doing its business¹ in order to create value for stakeholders and capture part of it for itself. The BM concept established itself during the late 1990s by growth of the e-commerce and the so-called the New Economy. During the years of internet boom firms and analysts came to realize that traditional ways of proposing and capturing value are not suitable for capitalizing on new technologies. They needed something different from known strategic concepts to describe, understand, present, and communicate business logic in the fast evolving markets. This need was fulfilled by the BM concept. However soon the BM concept exceeded the bounds of e-commerce and established itself as a new managerial concept.

The purpose of the BM concept is to enable company management to structure their thoughts and understanding of the business strategy in a simplified way. The BM allows management to visualize, test and "fine-tune" strategic decisions, as well as it guides them during the implementation process. The better managers know their BMs the better they can manage organisational change and with it organisational effectiveness (Tavlaki & Loukis, 2005). The

¹ Elkington (2004) defines BMs as "the very DNA of business" (p.15).

survey-study, conducted by the Institute of Strategic Change of Accenture (Linder & Cantrell, 2000), concluded that “developing a sound business model matters” (p. 2) for making money, but firms must alter their BMs from time to time in order to remain successful. Changes in the business environment as for example technological or product innovation wear out existing BMs. Modern BMs are on the boundary between an incremental innovation that aims at modifying and improving efficiency and effectiveness of existing business without fundamentally changing it and a systemic innovation that involves a full-scale shift in the way value is created and captured by a company.

Despite the value that the BM concept, at least seemingly, brings to the business, we have a paradoxical situation related to it (Klang et al., 2014). On the one hand, we have some eminent scholars quite critical about the BM concept. For example, Porter (2001) argues that the talk about BMs has substituted the talk about strategy and competitive advantage, and that the BM approach to management is an “invitation for faulty thinking and self-delusion” (p.73). On the other hand, we have some empirical researches that prove a BM can in fact represent a true source of firm’s sustained competitive advantage (Afuah & Tucci, 2003; Markides & Charitou, 2004; Zott & Amit, 2007). Whereas competing on technology alone is increasingly difficult because the declining product life cycle and increasing costs of R&D, the importance of the BM concept is increasingly growing. In this regard Chesbrough (2007) says: “Today, innovation must include business models, rather than just technology and R&D. (...) A better business model often will beat a better idea or technology”. In a similar vein Zott, Amit and Massa (2011) justified the “wide spread acknowledgement [...] that the business model is a new unit of analysis distinct from the product, firm, industry” (p.2) by stating “the locus of value creation, and thus the appropriate unit of analysis, spans firm’s and industries’ boundaries. [...] Prior frameworks [to business models] used in isolation cannot sufficiently address questions about total value creation” (p.11).

This chapter is structured as follows. In the next section, it provides an overview of the existing BM literature with a special focus on the most often cited BM frameworks. To establish the BM theoretical and practical relevance some answers to the issues of what a BM is and how it relates to other organisation concept as strategy, tactics, and process modelling are provided. Then the explanatory framework proposed by Pateli and Giaglis (2003) is applied in order to analyse the twenty-five among the most often cited BM frameworks. Based on the results of the analysis a new BM framework named “Value Triangle” (VT) is proposed, which integrates the acquaintances learned and gives a greater consideration to the stakeholder theory and sustainable development than the analysed BM frameworks do. In the conclusion

the chapter provides implication of the proposed BM framework for theory and practice and suggests future avenues of research in the area.

LITERATURE REVIEW

Despite the increase interest in the BM concept by academics and managers, no common definition has yet been accepted by the business community. Zott, Amit and Massa (2011) said “The review reveals that scholars do not agree on what a business model is and that the literature is developing in silos, according to the phenomena of interest of the respective researchers.” (p. 1019). Among definitions that refer to value creation and economic logic one given by Teece (2010) is the most often cited: “The essence of a BM is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit. It thus reflects management’s hypothesis about what customers want, how they want it, and how the enterprise can organize to best meet those needs, get paid for doing so, and make a profit.” (p. 172).

In the light of all different definitions is not surprising that Porter (2001) suggests that the BM concept is ‘murky’ at best. The reluctance of academic about the BM concept was recognized by Baden-Fuller and Morgan (2010) who argue that “management academics rarely put the concept centre stage, preferring their established stresses on such concepts as competitive advantage, core capabilities, routines and resources.” (p.156). Beside some substantive differences among different definitions the problem is that they converge towards some long standing and well-known managerial concepts to which the BM concept relates to but at the same time it also differs from them (DaSilva & Trkman, 2014); a BM captures key components of a business plan, but a business plan deals with a number of additional operational issues that transcend the model; a BM is not a business strategy but includes a number of strategy elements; similarly, a BM is not an activity set, although it includes an activity sets. No one of those concepts can be considered equivalent to the BM concept as we are going to describe in more detail below.

The Business Model Is Not a Business Plan

A business plan is “a written summary of an entrepreneur’s proposed business venture, its operational and financial details, its marketing opportunities and strategy, and its manager’s skills and abilities” (Zimmerer & Scarborough, 2002, p.337). A business plan gives us a pretty detailed picture of what an entrepreneur thinks he or she will be able to achieve in the next few years and how this will be achieved. Compared to a BM the content of a business plan goes far beyond the mere description of the value-creation and capturing logic. At the same

time the BM is a good starting point for developing a business plan and then flesh out all the details needed to form a comprehensive business plan.

The Business Model Is Not a Business Strategy

Most BM authors recognize the relationship and interfaces between business strategy and business models. However, as Yip (2004) says, “the difference between ‘business model’ and ‘strategy’ is more than one of semantics” (p.24). In the last few years the prevailing position within the BM literature is that business model is not strategy, but it reflects the strategic choices made and can be used to analyse and communicate the strategic choices. For example, Casadesus-Masanell and Ricart (2007) maintain that “a company’s strategy results in a particular set of choices, which, together with their consequences, constitutes a business model.” Shafer et al. (2005) take similar position and say that BM can be used to analyse and communicate strategic choices, but it is not a strategy. Some authors consider strategy as a part of a BM (Chesbrough & Rosenbloom, 2002; Shafer et al., 2005) and few define the BM as a strategy but this position is almost non-existent in the recent BM literature. Seddon et al. (2004) tried to systemize different discussions about BMs and strategy and came out with five different options: 1. BM and strategy overlap only a little bit; 2. BM and strategy overlap heavily; 3. BM and strategy are the same; 4. BM is part of strategy; and 5. Strategy is part of a BM.

Based on different definitions BM can be considered as a kernel of business strategy² that includes answers to three strategic questions as defined by Markides (1999): “Who, What, and How?” Based on different definitions we can see that BM components include customer segments (i.e. Who?), products (i.e. What?), business activities carried out by the firm (i.e. How?), key resources and competencies (i.e. How?), and strategic partnership (i.e. How?). However, the BM does not include other elements of the business strategy as the organisation model (i.e. structure). The BM represents an essential element of the business strategy, but it is not a strategy. A firm cannot succeed with a wrong BM (Afuah & Tucci, 2003), but it can also underperform with a great BM and a weak overall business strategy or its bad execution. In some cases, is difficult to distinguish among businesses that succeed because they are exceptionally good at executing a business strategy and businesses that succeed because they have a unique BM (Nielsen & Lund, 2012).

² Business strategy is a combination of capital (i.e. resources and competencies), processes, product-markets, and organisation that has been developed deliberately or it emerged, and is aimed to achieve some defined business goals or objectives.

The Business Model Is Not Tactics

Tactics is different from strategy in a way that different tactics may be deployed as part of a single strategy. For example, one strategy to gain market share would be a brand building. As part of a company's brand building strategy different tactics like online advertising and improved service can be adopted. However, business strategy and tactics are intimately related to each other. By making tactical decisions without considering a long term strategy a company might get something done, but in the long run this will not be sustainable and the company will end without a proper path to continue on. At the same time strategy cannot be carried out without tactics. From the BM's point of view this means that strategic choices set up a BM, which then places constraints on the tactics available to execute it (Casadesus-Masanell & Ricart, 2010).

The Business Model Is Not a Process Model

In the information systems literature, the term business modelling is often used interchangeably with the term process modelling (Dave, 1998; Ouyang et al., 2009) but in the wider management literature seems to be clear by now that business modelling is not a process modelling (Gordijn, Akkermans & Vliet, 2000). A process model depicts exactly how value-creating activities are performed, the sequence of activities, typically in a graphical form, and resources needed. On contrary a BM presents and depicts value creation and delivery in broad terms (Gordijn, Akkermans & Vliet, 2000). Lambert (2012) says, "a business model is more abstract than the process model" (p. 2). Among BM, business strategy and business processes exists a sort of hierarchical relationship with the business strategy on the top, the BM below it, and the business processes in the bottom. When an organisation has developed its business strategy it has also developed its own BM. If, however, the organisation has developed a BM this does not mean that it has also developed its own business strategy. The same logic is valid regarding the relationship between the BM and the business processes.

While the BM literature is still heterogeneous and fragmented Zott, Amit, and Massa (2011) in their comprehensive literature review identified four common emerging themes. In particular, they identified that BM is a new unit of analysis which bridges the traditional ones, such as firm, industry or network; it emphasizes a system-level perspective involving simultaneous consideration of the content and process of "doing business"; it emphasizes the activities performed by the focal firm and its customer, partners and suppliers; it explains value creation and value capturing recognizing that value is created through the focal firm in concert with its exchange partners. The themes mentioned above confirm the relevance of the BM concept for analysing and understanding modern firms and their key success factors. At

the same time, they also show the primary characteristic of the BM concept, which is reflected in a holistic integration of relevant firm activities, resources, competencies, market actors, and relationships among them.

COMPARISON OF THE TWENTY-FIVE BM FRAMEWORKS

In this section twenty-five BM frameworks, selected according to the criteria of creating an appropriate pool of the BM frameworks, are analysed (see Appendix 1). Two main criteria were applied during the selection process. The first one was the quality of publication based on the number of relevant citations in related literature. The second criterion was the coverage of the time span from 1998 (i.e. the year when first recognizable articles on BMs were published) to 2014. Works that were considered to have a limited applicability outside specific industry or sector were not included.

Pateli and Giaglis (2003) defined six sub-domains. The first sub-domain relates to definition, which has been among the main tasks of early researchers in the area. Research in this domain concerns defining the purpose, scope, and primary elements of a BM, as well as exploring its relationships with other business concepts. The second sub-domain component concerns research about the BM main constructs and elements. The third sub-domain representation proposes a number of possible representational formalisms for visualizing BM components and their interrelationships. The fourth sub-domain change methodologies includes research efforts that focus on specifying actions to be taken for changing BMs to adapt to a business or technology transformation. The last sub-domain that was included in the analysis is the evaluation models. This domain is concerned with identifying criteria for either assessing the feasibility and profitability of BMs or evaluating them against alternatives. Beside the mentioned five sub-domains Pateli and Giaglis defined taxonomies as the sixth domain. Taxonomies were not included into this research as their contribution is more concrete and relates to specific industry or sector while the focus here is on a conceptual level of the BM concept.

Definitions

While defining the BM concept has been one of the main tasks of the researchers in the area a general definition has not yet emerged (Morris et al., 2005). For example, Morris et al. (2005) referred to the BM as the architecture, design, pattern, plan, method, assumption, and statement. Different definitions reflect the fact that the BM concept has been used in different disciplines and context (e.g. e-business, innovation, strategic management, and entrepreneurship) with different perspectives.

Modern discourse within the BM context is mostly framed around the value logic in terms of creating, delivering and capturing value. In general, the value concept is present in almost all of the analysed definitions but what kind of value is considered is most of the time not clearly specified. The notable exceptions are the works of Gordijn (2002) and Bjorkdahl (2009) who explicitly refer to ‘economic value’. Those definitions that do not term value in them have often concepts related to value like benefits for the actors (Timmers, 1998). Among the definitions that do not mention value we can differentiate between one that list value among the BM components (e.g. Applegate, 2001; Lambert, 2012; Morris et al., 2005) and the one that do not mention value even in describing the components of a BM (Betz, 2002). Another difference between definitions is how many activities relating to value they mention. Some of them are focused only on value creation (e.g. Amit & Zott, 2001; Lindrell & Cantrell, 2000), some consider value creation as well as value capturing (e.g. Bouwman et al., 2005; Bjorkdahl, 2009; Chesbrough, 2006), and some beside value creation and capturing mention also marketing and/or delivering value (e.g. Dubosson-Torbay et al., 2002; Johnson et al., 2008; Osterwalder & Pigneur, 2009).

Relating to the question for whom the value needs to be created most of the definitions refer directly to the customers (e.g. Petrovic et al., 2001; Seddon et al., 2004), while in others, this can be implicitly assumed (e.g. Bouwman et al., 2005; Osterwalder & Pigneur, 2009). If there are many definitions dealing with creating value for the customers and capturing part of it by the firm itself there are only few that explicitly mention other stakeholders. We can cite only definitions proposed by Davenport et al. (2006) and Seddon et al. (2004). Beside them Mahadevan (2000) and Timmers (1998) mention business actors a term that can be however considered as limited in relation to stakeholders. A broader consideration of different stakeholders in the BM frameworks can be a challenge for further research.

Components

Many of the authors analysed decomposed BM frameworks into their “atomic” elements, also referred as “components”, “functions”, “attributes”, “pillars”, “boxes” or “domains” (e.g.; Hamel, 2000; Johnson et al., 2008; Osterwalder & Pigneur, 2009; Petrovic et al., 2001, Yip, 2004). The most consistently emphasized components (see Morris et al., 2005) concern (a) the value proposition, (b) the customer segments (including type of customer, geographic area, and kind of relationships that firm establishes with them), (c) the economic factor, the revenue model, or how the firm makes money, (d) the value network that includes suppliers, partners and coalitions, and (e) the internal processes and competencies, including supply chain management and networking (see Magretta, 2002; Hamel, 2000).

However, the most influential component of a BM seems to be the value proposition (Lambert, 2012). The value proposition together with what are considered to be its synonymous (e.g. product, service, customer value, and value offering) appear in almost all lists of BM components in the literature that has been analysed (e.g. Timmers 1998; Linder & Cantrell 2000; Gordijn, 2002; Morris et al., 2005; Shafer et al., 2005; Osterwalder & Pigneur 2009, Lambert, 2012). This finding is consistent with the findings of other similar analyses. Morris et al. (2005) located the value offering component in 11 of the 18 lists of components that they discovered in the literature and Al Debei and Avison (2010) conclude from their analysis that all four dimensions of the BM are value oriented. Value proposition is understood in terms of outputs that a firm provides and is defined as “a selected bundle of products and/or services that caters to the requirements of a specific customer segment” (Osterwalder & Pigneur, 2009, p. 22). This definition is very close to the one given by Dubosson-Torbay et al. (2002), while Chesbrough (2006) emphasizes the value created to users by technological innovation. Depending if authors are more internally or externally focused value proposition relates either to internal value-added activities (e.g. Seddon et al., 2004; Petrovic, 2001) or to a value network and the firm’s role within it (e.g. Mitchell & Coles, 2003; Morris et al., 2005). What is somehow missing in the discussion about value proposition is the definition of value per se as well as how notion of realised (i.e. perceived) value relates to value proposition. In the literature analysed there is no explicit definition of value or authors cite definitions given by other authors. For example, Amit and Zott (2001) propose Porter’s definition of value as “the amount buyers are willing to pay for what a firm provides them.” (Porter, 1985, p. 38).

The next key component refers to the customer and more specifically to customer segments target by a firm (e.g. Dubosson-Torbay et al., 2002; Osterwalder & Pigneur, 2009; Hamel, 2000; Magretta, 2002; Morris et al., 2005; Lambert, 2012). Morris et al. (2005) who place an emphasis on the entrepreneurial view of the BM concept argue that “failure to adequately define the market is a key factor associated with venture failure” (p. 730). Regardless of whether the firm is a start-up or one with a long time presence on the market the issue of the target customer is crucial and relates directly to the value proposition component. As emphasized by Porter (1996) the competitive advantage of a firm is based on its uniqueness that from the BM point of view relates to the unique value proposition that can be perceived as such only by a certain customer segment. One among the BM frameworks that do not consider customers as a component is the framework proposed by Amit and Zott (2001) which is predominantly focus on transactions (i.e. the value creation process) and their governance and does not consider the output side of them (e.g. customers, distribution channel, revenue

model). However, customers are not confined to the output side of a BM like passive recipients of the value proposition but as proposed by Chesbrough (2006) they are actively involved in the value creation process.

Another important component of a BM are firm's capabilities or competencies (e.g. Amit & Zott, 2001; Davenport et al., 2006; Dubosson-Torbay et al., 2002; Hamel, 2000; Magretta, 2002; Morris et al., 2005; Mitchell & Coles, 2003). Even if definitions of competencies used in the literature analysed are very similar there are some smaller differences. For example, Hamel (2000) uses core competencies as a common definition for firm's skills and unique capabilities and competences. Similarly, Lambert (2012) defines capabilities as "the expertise required by the entity to perform the activities" (p. 9). On the other hand, for Mansfield and Fourie (2004) competencies include alliances, vendors, value chain, technologies, skills and pricing policies. While Morris et al. (2005) relate internal firm's capabilities to production, selling and marketing, information management, technology and R&D, financial transactions, supply chain management, and networking. Referring to the BM frameworks capabilities and competencies are often used as synonymous unlike the strategic management literature in which authors often try to differentiate between these two concepts (see for example Stalk, Evans and Schulman, 1992). From various definitions can be deduced that capabilities and/or competencies are included as part of the firm's resources applied as an overall notion. Resources are most of the time understood as unique people, technology, products, facilities, equipment, alliances, funding, brand or other assets that are required to deliver the value proposition to the customer (e.g. Johnson et al., 2008).

The discussion of key components in BM continues with the value network (Bouwman et al., 2005; Chesbrough, 2006; Dubosson-Torbay et al., 2002; Hamel, 2000; Hedman & Kalling, 2003; Timmers, 1998) and value creating processes that include key activities performed internally by firm. The value network component is closely tight to value creating process as a firm must decide on what are the activities to be conducted in-house and what are those to be outsourced to the value network. The value network concept is emphasized in almost all BM frameworks analysed and it probably relates to the fact that progress in information and communication technology (ICT) has significantly reduced transaction and coordination costs and it has also brought the BM concept to life. Such cost reductions can be interpreted as fundamental drivers towards integrating partners and customers in inter-company processes and communication networks. Hamel (2000) includes suppliers, partners and coalitions in his value network concept of BM and he stressed that the firm boundaries serve as a 'bridge', linking strategic resources and its value network. As a bridge, firm boundaries determine the

role of outsourcing. Closely related to the value network is the position of the firm within the value network linking suppliers and customers (e.g. Dubosson-Torbay et al., 2002; Chesbrough, 2006) that indicates what the firm itself is contributes to value proposed by the network. Beside considering the value network concept from the supply side mostly relating to outsourcing some activities to other firms the open innovation concept proposed by Chesbrough (2006) consider also “outsourcing” to a large community of customers and users in a way that they generate solutions for problems previously processed internally. There is however not a great consideration of the modern marketing notions of co-creation and co-innovation of products by customers or end users in other BM frameworks analysed. One of the bright exceptions is the BM ontology proposed by Gordijn (2002).

The discussion of the value network as one of business model component cannot be separated from the discussion of costs (e.g. Dubosson-Torbay et al., 2002; Osterwalder & Pigneur, 2009; Magretta, 2002; Morris et al., 2005), which represents the next common element discussed in the BM literature. The two are connected in a way that cost reduction can be achieved if some of the firm’s activities are shifted to other firms which are more efficient in handling those activities. The cost component of the BM is linked to profit. In some BM frameworks profit is explicitly mentioned as a component (e.g. Johnson et al. 2008; Betz, 2002) in some others is mentioned indirectly through cost and revenue. Except in the case of the BM frameworks proposed by Amit and Zott (2001), Applegate (2001), Bouwman et al. (2005), Mansfield and Fourie (2004), Seddon et al. (2004), and Yip (2004) all other BM frameworks analysed mention profit and/or revenue and cost as components of the BM. Some of them besides mentioning revenue also emphasize pricing as a component of the BM (e.g. Hedman & Kalling, 2003; Linder & Cantrell, 2000) that directly influences firm’s profit.

There are other components discussed by authors of the BM frameworks that we have not considered in more details because they are not mentioned so often as the components described above or like strategy they were discussed in the prior sections.

Representations

There are few BM frameworks analysed that clearly defined the components of the BM and relationships among them in way to support users in visualizing their BMs. Among them can be cited frameworks proposed by Hamel (2000), Osterwalder and Pigneur (2009), Johnson et al. (2008), Bouwman et al. (2005), Morris et al. (2005), Gordijn (2002), and Lambert (2012). The BM canvas proposed by Osterwalder and Pigneur (2009) is the most known and for this reason shortly presented below.

The Osterwalder and Pigneur's (2009) BM Canvas consists of nine building blocks: customers' segments, value propositions, channels, customer relationships, revenue stream, key resources, key activities, key partnerships, and cost structure. The nine building blocks can be grouped into four pillars that were proposed by the authors in their previous works. Customer segments, channels, and customer relationships can be grouped into customer interface that responds to the "who" question. Product as the second pillar answers to the "what" question and consists of value proposition. Key resources, key activities, key partnerships can be grouped into third pillar infrastructure management that answers to the question "how". The fourth pillar is the financial aspects that is covered by revenue stream and cost structure. The financial aspects are answering the question of "how much". Among the all BM frameworks analysed the BM Canvas seems to be the most used in practice (Fielt, 2011).

Change Methodologies

Cavalcante, Kesting and Ulhøi (2011) propose four different factors, which can lead to the revision of the existing BM:

- new business opportunities requiring new ways of doing business;
- the threat of obsolescence as the proposed value proposition does not fit anymore customers' needs;
- the threat from new developed processes, which can capture its own market share;
- new entrant companies that have introduced completely new ways of satisfying customers' needs.

Among the authors analysed Chesbrough (2006), Hedman and Kalling (2003), Linder and Cantrell (2000), Mitchell and Coles (2003), Petrovic et al. (2001), and Yip (2004) are the ones with the most important contribution to change methodologies. However, many analysed authors mention a need to reconsider existing BM from time to time as a result of some exogenous or endogenous processes. A change process can be initiated by unsatisfied customers or by different firm's resource base or by new strategic partnerships (Hamel, 2000). However, Yip (2004) emphasized that BMs can work successfully for a while without significant changes. This is consistent with the position that firms need certain stability at the strategic management level in order to avoid unnecessary spreading and wasting of resources by following various opportunities, even if at the same time they risk to fall in what is known as a comfort trap. A different position is taken by Mitchell and Coles (2003) who claim that an effective firm needs to change its BM in at least four of its many dimensions (i.e. who,

what, when, why, where, how and how much) every two to four years. They are however aware that more efficient the BM is more incentives are in place to maintain it. Chesbrough (2006) says that more successful the BM in place is the stronger constraints are to the search for the new alternative BMs. Beside some internal political issues there are also cognitive constraints firms have to cope with (Hedman & Kalling, 2003; Chesbrough, 2006). Changes in BMs happen more in a sustainable than disruptive way (Johnson et al., 2008) and most of the time through emergent process rather than through top down design even if the latter is needed to initiate the change process.

An interesting contribution is given by Chesbrough (2006) regarding an opportunity to use co-development partnerships as a mean to innovate BM and going through development stages from the undifferentiated BM to a platform leadership BM. This approach can be useful for a firm to assess where in the stage of BM development is and how drastically the change of the BM needs to be as to develop it further.

Evaluation Models

Pateli and Giaglis (2003) in their original research concluded “that the evaluation criteria domain is perhaps the less mature BM research area” (p. 343). Considering the twenty-five analysed BM frameworks we can come to a similar conclusion, although there are some new ideas regarding BM evaluation. Among the authors already mentioned by Pateli and Giaglis (2003) we can cite Hamel (2000) and Gordijn (2002). Hamel (2000) has identified four factors that determine a business model’s wealth potential:

1. Efficiency.
2. Uniqueness.
3. Fit as the degree of fit among the elements of the BM; and
4. Profit Boosters that represent the degree to which the BM exploits profit boosters (e.g. increasing returns, competitor lock-out, strategic economies, strategic flexibility), which have the potential to generate above-average returns.

These four factors are clearly aligned with the strategic management understanding of the BM concept.

Gordijn (2002) proposed profitability sheets for actors and use of evolutionary scenarios as an approach to evaluate the value model. Profitability sheets included (1) the actor profitability sheet, (2) the value transaction/value exchange sheet, (3) the scenario sheet, and (4) utility sheets such as ladder tables. Actor profitability sheet “shows for all actors the estimated profitability or consumer value on various abstraction levels. Profitability contribution is

shown on the actor level, but also on value interface and scenario path level.” (p. 240). The value transaction/value exchange sheet is used by the actor profitability sheet to calculate effects of value objects flowing into and out an actor as a result of scenario path execution. Scenario sheet produces a profitability sheet for actors per timeframe (e.g. a month) according to the number of scenario occurrences per timeframe and path likelihoods. Finally, utility sheets are sometimes added as ladder tables to calculate profitability numbers. The value of profitability sheets is not so much in the numbers per se but more in the opportunity to make a sensitivity analysis and explore differences among different scenarios.

Hamel (2000) and Gordijn (2002) propose measures for evaluation while Bouwman et al. (2005) define five critical success factors based on their previous work. They consider critical success factors to be vital to determine which parts of the BM need further elaboration and if sufficient economic and customer value is created. The five success factors proposed by Bouwman et al. (2005) are clear target group, compelling value proposition, customer reach, acceptable quality of service delivery and non-obtrusive customer retention. Chesbrough (2006), based on difficultness of ex ante evaluation of a BM, proposes experimentation and effectuation as methods for practical evaluation of BMs. Regarding experimentation, he emphasizes the fidelity of the experiment as a critical condition to obtain useful feedback and information to be learned from. Trying an alternative BM on real customers paying real money in real economic transactions provides the highest fidelity. A second approach is based on effectuation, a term that represents the opposite of causation. In effectuation processes a firm does not analyse its environment so much as it takes actions that produce information needed to discover the feasibility of a BM. Considering the fact that ex ante assessment of a BM is very difficult can be supposed that evaluation of BMs will develop in direction of discovery-driven planning (see McGrath & Macmillan, 2009) and what is mostly in Europe known as a living lab movement. Living lab is an experimentation environment in which BM is given shape in real-life contexts and in which customers can be considered as ‘co-producers’.

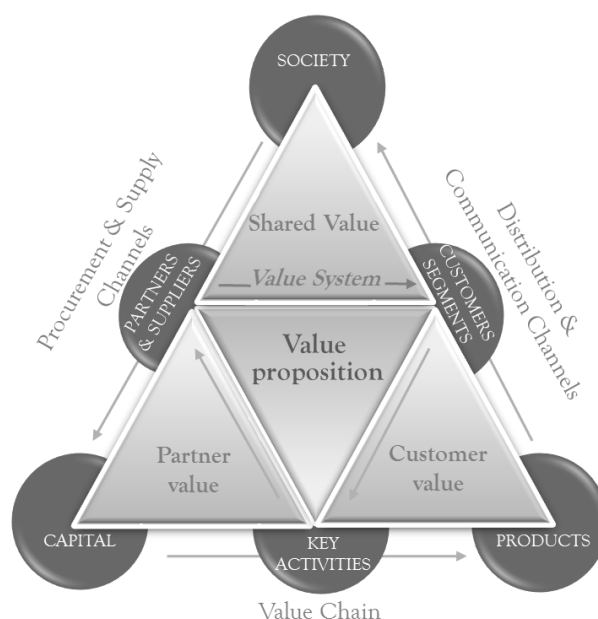
THE VALUE TRIANGLE

From sustainable point of view BM is a representation of the activities, products and actors through which value is designed, created and delivered to society (i.e. to different society’s constituents) in order to generate sustainable revenue stream. In a simpler term a BM represents how organisation designs, creates, and delivers value to society and captures some economic value from doing it. According to the definitions given above the VT includes nine basic elements as presented below:

1. *Society*; the source and recipient of the firm's value proposition; it includes voluntary environmentally and socially oriented activities that goes beyond legal requirements or conventional business behaviour and through which a firm generates growth.
2. *Value proposition*; the outputs (i.e. products) and outcomes delivered by the firm to key stakeholders beyond customers and shareholders. Value proposition includes public, customer, and partner value.
3. *Customers*; the different group of people or organisations that the firm aims to reach and serve by its products as well as involved them in the co-creation of value.
4. *Products*; the bundle of goods and services that create values for customers by satisfying their needs and wants and indirectly for larger society in form of outcomes.
5. *Key operational activities*; key operational activities include inbound logistics (i.e. procurement and supply channels), R&D, and operations as well as marketing and outbound logistics (i.e. distribution and communication channels). If these activities are carried out by the organisation or not, it depends on how much activities are externalized to partners through outsourcing.
6. *Capital*; Capital types used by the firm are: financial capital (e.g. cash used in transactions), manufactured capital (e.g. semi-products, infrastructure), intellectual capital (e.g. patents, tacit knowledge), human capital (e.g. labour, skills, motivation), social and relationship capital (e.g. shared norms, brand loyalty), and natural capital (e.g. clean air, biodiversity).
7. *Partners & Suppliers*; the network of suppliers and partners that makes the BM work. Organisation can establish different forms of partnership like joint ventures, networks, consortia, strategic alliances and trade associations (Barringer and Harrison, 2000).
8. *Revenue model*; the revenue model describes the sources of revenue or different ways that the firm receives money in exchange for its goods and services.
9. *Cost structure*; the cost structure covers the costs of various cost drivers that impact the financial aspects of the firm.

The graphical representation of the VT is given by Figure 1.

Figure 1: The basic configuration of the VT



Theoretical Foundation of The VT

There two main features that differentiate the VT from the most of the other BM frameworks. The first feature is an orientation of the VT towards value creation for society at large. This differ us from other BM scholars who are predominantly focused on creating and delivering customer value only (e.g. Afuah, 2004; Chesbrough, 2006; Osterwalder & Pigneur, 2009; Teece, 2010). The second feature is that VT considers value proposition in terms of the outcomes firm delivers and not only in terms of outputs represented by firm products. Outcomes are intended and unintended results of firm activities and outputs that affect types of capital³ available to a firm from society. Any BM draws on stock of six types of capital: 1. financial, 2. manufactured, 3. intellectual, 4. human, 5. social and relationship, and 6. natural capital (see Porritt, 2007). Firm can produce a range of outcomes either internally or externally to it. For example, in the case of the electric vehicles producer the main outputs are electric vehicles, by-products, and waste, but the outcomes are many more. The outcomes for a consumer can be mobility or a specific driving experience, but there are also some outcomes that flow beyond the costumer and impact in either positive or negative way the environment, local community or state (e.g. more liveable cities, better trained employees, higher

³ Porritt (2007) defines capital as “a stock of anything that has a capacity to generate a flow of benefits which are valued by humans” (p. 138).

employment rate). An outcome orientation of a BM thus represents a fundamentally different way of thinking and managing across all aspects of a firm and how it relates to its external context.

Value created by a firm is appropriated by different actors. In the VT is considered that value is appropriated by customers (i.e. customer value), by partners and suppliers (i.e. partner value), by firm itself (i.e. captured or business value), and value appropriated by other actors within society including environment and future generation (i.e. shared value). The latter is defined by Porter and Kramer (2011) as economic value created and delivered “in a way that also creates value for society by addressing its needs and challenges” (p. 64). However, we apply the notion of shared value in a somewhat different way by defining it as a part of the value created by the firm that is appropriated by social actors outside the firm itself, its customers, partners and suppliers. According to these definitions customer value represents the customers’ perception of the value given the trade-offs between the relevant benefits and sacrifices that they incur in a specific-use situation. As the environment changes, and with it the customer expectance and needs, the value they seek also changes, which makes BM transformation one of the most critical strategic issue for the firm. Partner value is defined as an economic value that is perceived by the firm’s partners and suppliers in form of return-on-investment, market growth, access to information, and knowledge development. Captured value represents the difference between revenue and cost that firm incurs.

The value proposition is designed, created and delivered by activities that a firm performs. The firm’s activities are integrated into a value chain within which input factors (i.e. capital) are transformed into outputs (i.e. products, by-products, and waste). Which activities are performed by a firm and how they are performed depends on the capital the firm possess. A sustainable BM needs to equally consider all type of capital used and transformed within the firm value chain and larger value system that “have a material bearing on the organisation’s ability to create value in short, middle and long term, whether or not they are owned or controlled by the organisation” (International Integrated Reporting Council, 2013, p. 15). From the network theory perspective value proposition is designed, created, and delivered within a larger value system composed of the value chains of all market actors involved in designing, creating and delivering firm value proposition. Some authors like for example Leibold et al. (2002) say that BMs play a pivotal role in emerging markets because they are a mechanism for integrating an individual firm’s value chain or value network within the larger business ecosystem. Successfully implementing a BM requires the integration of capital, partners, suppliers, customers and other actors into cooperative networks where they can that

co-evolve and influence each other (Leibold, et al., 2002; Voelpel, et al., 2005).

The Feedback Loops

the VT the value proposition is supposed to be designed, created and delivered within two feedback loops (see Figure 1). The two feedback loops tell us a story of how firm creates value. In the VT the linear conception of value creation is changed into a more dynamic conception of feedback loops. In the clockwise direction we have the so-called outside-in feedback loop, which starts on the top by the society's needs and challenges. The firm needs to recognise what society's needs and challenges are and how can be addressed better than they already are. This decision legitimate existence of the firm and at the same time defines the segments of customers who might be interested in the firm's offer. Customers' characteristics direct how goods, services, or mix of both are designed, developed, produced, priced and finally delivered through communication and distribution channels. All these activities demand different types of capital to be properly executed. Because firm has not all needed capital some types of capital are provided from partners and suppliers or directly from society (e.g. natural capital). In the end value created in the process is shared among the actors involved (i.e. society, customers, partners, suppliers, and firm). The second anti-clockwise loop is the so-called inside-out feedback loop and starts like the outside-in loop with the society's needs and challenges. However, the main question is now what society needs can be satisfied based on the available set of capitals. As not all needed capitals is available in the firm it must be decided which capital will firm develop on its own, which one will be acquired from suppliers and which will be exchanged with the partners. This decision is then processed further as acquired capitals should be coordinated and integrated within firm's activities. During the processes of procurement partners and suppliers capture part of the economic value, while transformation activities beside producing products as final outputs create through the learning processes some value for society in the form of new knowledge or better qualified employees. In addition to the value created for customers there are some negative and positive outcomes that impact the larger society and close the supply loop of a BM. Some of these outcomes can persist among different stakeholders (e.g. nature) for a long time after the product was in use.

CONCLUSION

Within the so called new economy businesses need to encapsulate the essential features of a business in a comprehensive and at the same easily understood way for which the BM concept is entirely appropriate. BM innovation enables a firm to uniquely deploy available alternatives with respect to product, technology, processes and markets with a view to create new value

propositions and sustainable competitive advantage. Table 1 summarizes the main points of the preceding paragraphs.

Table 1: Key Take Away Points from this Chapter

#	Lessons
1	Every company has at least one business model (BM) to create, deliver and capture value.
2	Different definitions of BM exists however generally speaking BM represents the underlying logic of how the company is doing its business in order to create value for stakeholders and capture part of it for itself.
3	BM concept complements and does not replace other strategic management concepts like business strategy, business plan, and business process modelling.
4	Different factors lead to the revision of the existing BM as new business opportunities, changing customers' needs, new business processes and technologies, and new entrant companies with completely new ways of satisfying customers' needs.
5	Sustainability is still an issue for BM concept. In order to make BMs more sustainable a more circular approach to value creation is needed, and beside outputs also positive and negative outcomes need to be considered.

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Appendix 1: Twenty-five Business Model Frameworks

Author	Title	Year	Journal	Business Model Definition	Business model components
AMIT, R., & ZOTT, C.	Value Creation in E-Business	2001	<i>Strategic Management Journal</i>	A business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities. (p. 515)	Resources/Assets, Capabilities/Competences, Information flows, Output (offerings), Product/service flows, Business opportunities, Create value, Transaction content, Transaction governance, Transaction structure
APPLEGATE, L. M.	Emerging Networked Business Models: Lessons from the Field	2000	<i>Harvard Business Review</i>	A business model is a description of a complex business that enables study of its structure, the relationships among structural elements, and how it will respond in the real world.	Concept, Capabilities, Value
BOUWMAN ET AL.	Designing Business Models: A practical and holistic approach	2005	<i>Telematica Institute</i>	A business model is as a blueprint of how a network of organizations co-operates in creating and capturing value from technological innovation.	Service domain, Technology domain, Organization domain, Finance domain
BETZ, F.	Strategic Business Models	2002	<i>Engineering Management Journal</i>	The business model is an abstraction of a business identifying how that business profitably makes money.	Resources, Sales, Profit, capital
BJORKDAHL, J.	Technology cross-fertilization and the business model: The case of integrating	2009	<i>Research Policy</i>	The business model is the logic and the activities that create and appropriate economic value, and the link between them.	Customer value, Customer segment, Offering, Revenue model, Sourcing, Distribution/selling

	ICTs in mechanical engineering products.				
CHESBROUGH, H.W.	Open Business Models: How to Thrive in the New Innovation Landscape	2006	<i>Book</i>	At its heart, a business model performs two important functions: value creation and value capture. First, it defines a series of activities that will yield a new product or service in such a way that there is net value created throughout the various activities. Second, it captures value from a portion of those activities for the firm developing the model. (p. 108)	Value network (Suppliers, partners, complementors, competitors), Customer (target market, scope), Value proposition, Revenue/Pricing, Cost structure, Strategy, Value chain, Assets, Innovation
DAVENPORT, T.H., LEIBOLD, M., & VOELPEL, S.	Strategic management in the innovation economy: strategy approaches and tools for dynamic innovation capabilities	2006	<i>Book</i>	The "way of doing business". A business model is a firm's entire system for creating and providing value to customers and earning a profit from that activity as well as benefit its broader stakeholders.	Value network (Suppliers/partners), Value proposition, Strategy, Customer, Capabilities/Competences, Processes/Activities, Economics, Management, Technology, Legal issues
DUBOSSON-TORBAY ET AL.	E-Business Model Design, Classification, and Measurements.	2002	<i>Thunderbird International Business Review</i>	A business model is nothing else than the architecture of a firm and its network of partners for creating, marketing and delivering value and relationship capital to one or several segments of customers in order to generate profitable and sustainable revenue streams. (p. 7)	Product innovation (value proposition, target, capabilities), Customer relationship (getting a feel for the customer, serving the customer, branding), Infrastructure management (resources/assets, activity/processes, partner network), Financial aspects (revenue, cost profit).

GORDIJN, J.	Value-based Requirements Engineering: Exploring Innovative e-Commerce Ideas	2002	<i>PhD thesis</i>	A value model is about who is creating something of value for whom, in a profitable way.	Value Offering, Value Interface, Value Port, Profitability Calculation, Actor, Value Activity Value Exchange, Value Object
HAMEL, G.	Leading the Revolution	2000	<i>Book</i>	The business model is a business concept that has been put into practice.	Customer interface, Core strategy, Strategic resources, Value network, Bridging components
HEDMAN, J., & KALLING, T.	The business model concept: theoretical underpinnings and empirical illustrations	2003	<i>European Journal of Information Systems</i>	The business model is a strategy model which unites the finer aspects of strategy, i.e. resource-bases, activities, structure, products, and external factors.	Customer, Competition, Offering, Activities ad organisation, Resources, Suppliers, Management
JOHNSON ET AL.	Reinventing Your Business Model	2008	<i>Harvard Business Review</i>	A business model, from our point of view, consists of four interlocking elements (i.e. customer value proposition, profit formula, key resources, and key processes) that, taken together, create and deliver value. (p. 52-53)	Customer value proposition, Profit formula, Key resources, Key processes.
LAMBERT, S. C.	Deconstructing business model frameworks using a reference model	2012	<i>Centre for Accounting, Governance and Sustainability Occasional Working Papers</i>	Business models are abstract, complex concepts, conceived to understand and communicate not only the ways of „doing business“ but the structures and strategies that underlie those ways of doing business.	Value proposition, Customer, Value in Return, Channel, Value Adding Processes, Other Entity

LINDER, J. C., & CANTRELL, S.	Changing Business Models: Surveying the Landscape	2000	<i>Accenture Institute for Strategic Change</i>	An operating business model is the organization's core logic for creating value. The business model of a profit-oriented enterprise explains how it makes money.(p. 2)	Value proposition, Customer (target market, scope), Offer, Customer relationship, Pricing, Processes / Activities, Distinctive capabilities, Financial structure
MAGRETTA, J.	Why Business Models Matter	2002	<i>Harvard Business Review</i>	The business model as a system is a description of how the pieces of a business fit together. However, it does not deal with competition.	Value proposition, Customer (target market, scope), Cost, Economics, Profit
MAHADEVAN, B.	Business Models for Internet-Based E-Commerce: An Anatomy	2000	<i>California Management Review</i>	A business model is a unique blend of three streams that are critical to the business. These include the value stream for the business partners and the buyers, the revenue stream, and the logistical stream. (p. 59)	Value network (Suppliers/partners), Value proposition, Revenue/Pricing, Product/service flows
MANSFIELD, G. M., & FOURIE, L. C. H.	Strategy and business models -- strange bedfellows? A case for convergence and its evolution into strategic architecture	2004	<i>South African Journal of Business Management</i>	The business model is a contingency model and it describes linkages between firm resources, functions, and environment.	Value network (Suppliers/partners), Product/service flows, Information flows
MITCHELL, D., & COLES, C.	The ultimate competitive advantage of continuing business model innovation	2003	<i>Journal of Business Strategy</i>	The business model is a combination of the elements involved in providing customers and end users with products and services, i.e. the "who, what, when, why, where, how, and how much".	Value network (Suppliers/partners), Value proposition, Customer (target market, scope), Resources/Assets, Capabilities/Competences, Revenue/Pricing, Processes/activities, Output (offerings), Product/service flows, Cost

MORRIS, M., SCHINDE-HUTTE, M., & ALLEN, J.	The entrepreneur's business model: toward a unified perspective	2005	<i>Journal of Business Research</i>	A business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustained competitive advantage in defined markets. (p. 727)	Value network (Suppliers/partners), Strategy, Capabilities/Competences, Output (offerings), Financial aspects, Create value, Economics, Competitors
OSTERWALDER, A., & PIGNEUR, Y.	Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers	2009	<i>Book</i>	Business model describes the rationale of how an organization creates, delivers, and captures value. (p. 14)	Value Proposition, Customer Segments, Distribution Channel, Customer Relations, Revenue Streams, Key Partnerships, Key Resources, Key Activities, Cost Structures
PETROVIC ET AL.	Developing Business Models for E-Business	2001	<i>Conference Paper</i>	The business model is a description of how a firm makes money and can sustain itself by providing more value to its clients than competitors	Resource model, Production model, Customer relations model, Revenue model, Capital model, Market model.
SEDDON, P. B., LEWIS, G. P., FREEMAN, P., & SHANKS, G.	The case for viewing business models as abstractions of strategy	2004	<i>Communications of AIS</i>	A business model outlines the essential details of a firm's value proposition for its various stakeholders and the activity system the firm uses to create and deliver value to its customers.	Value proposition, Strategy, Create value
SHAFER, S. M., SMITH, H. J., & LINDER, J. C.	The power of business models	2005	<i>Business Horizons</i>	A BM is “a representation of a firm’s underlying core logic and strategic choices for creating and capturing value within a value network” (p. 202)	Strategic Choices (customer, value proposition, capabilities/competencies, revenue/pricing, competitors, output, strategy, branding, differentiation, mission), Create value (resources/assets, processes/activities), Value

					network (suppliers, customer information, customer relationship, information flows, product/service flows), Capture value (cost, financial aspects, profit)
TIMMERS, P.	Business Models for Electronic Markets	1998	<i>Journal on Electronic Markets</i>	A business model is an architecture for the product, service and information flows, including a description of the various business actors and their roles; and a description of the potential benefits for the various business actors; and a description of the sources of revenues. (p. 4)	Value chain, Business actors, Benefits for the actors, Sources of revenues
YIP, G. S.	Using strategy to change your business model	2004	<i>Business Strategy Review</i>	A business model is broadly defined by its comprising elements as: Value proposition, nature of inputs, how to transform inputs, nature of outputs, vertical scope, horizontal scope, geographic scope, nature of customers, and how to organise.	Value proposition, Nature of inputs, How to transform inputs, Nature of outputs, Vertical scope, Horizontal scope, Geographic scope, Nature of customers, How to organise

Business Planing for New Venture Creation

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Abstract

This paper aims to present the course material prepared for educative purposes for ENOVA project in a nutshell. It is safe to suggest that entrepreneurship delivers a significant impact on today's business World. Whilst it is early to claim that organization dominated business era have passed its peak, many newly college graduates prepare themselves to create new ventures once they are finished with their education. Apart from students, many waged-dependent blue collar employees are planning to own their business after spell with their private sector career. Yet, owning a new business is an adventure that has to be reckon with caution and with strong theoretical background. Within this paper; role of entrepreneurship and innovation, creating and developing business idea, finding the right gap in the market and accurate planning for sustainable entrepreneurship will be present. Finally, the next step in the new venture creation; growth strategies is the conclusion of this study.

1. INTRODUCTION

In a nutshell; a business venture is an entity that carries primary meaning of making financial profit. Most of them are developed with a certain attitude to fill out a gap within the market, to answer efficiently to consumer demands. Need identification is the number one step in new business venture creation and it is followed by the development of the business idea, marketing the idea and realizing the product or service conceptualization.

Individuals start their own business for variety of reasons; in most of the cases a controversial brilliant idea leads the way to opening a new business while obtaining a financial independence and leaving wage-dependent line of work also an important determinant (Perrow,1991).

On the other hand; for some working for other people is not satisfactory in the long run. After some spell with their private sector employers; many blue collar workers start-up their own establishments. It is a well-known fact that today's business environment is a highly competitive and demanding. Many working class people cannot resist the harsh working conditions as well as work-hours and search for

flexibility in their day to day routines of business life. (Chrisman, Bauerschmidt and Hofer, 1998).

As innovation activities speed up in wartime (Kline and Rosenberg; 1986); unemployment also spurs the establishment of new start-ups. Today's many successful entrepreneurs have established their firms either after they are fired from their previous jobs or spending so much time looking for a job that will satisfy their needs and wants. In the end; psychological and financial necessities boost their entrepreneurial structure.

Therefore; understanding antecedents and successors of new business creation and entrepreneurship theory is essential for a promising start-up. Clearly; this innovative millennia will continue to produce lots of successful entrepreneurs and many people will follow the footsteps of those in order to satisfy reasons stated above. This paper now provide insights about the role of entrepreneurship and innovation in new venture creation.

2. ROLE OF ENTREPRENEURSHIP AND INNOVATION IN NEW VENTURE CREATION

2.1. Entrepreneurship

2.1.1 Entrepreneurship in a Nutshell

Other parts within this book will be delving deep into the entrepreneurship and the entrepreneurship theory itself but it would be an abomination not to discuss entrepreneurship theory within the new venture creation. Last two decades of the business studies mainly revolve around the discussions of entrepreneurship and who entrepreneur is. Tangible evidence suggest the positive impacts of entrepreneurship on national prosperity, employment and competitiveness as well as innovation (Zahra, Jennings and Kuratko, 1999).

Nevertheless the definition of entrepreneurship roots back to French philosopher Richard Cantillon who lived between the years of 1680-1734. According to Cantillon, entrepreneurship is a self-employment of any sort while an entrepreneur is an individual who is a pragmatist who notice opportunities and exploit them. Whereas his saying regarding risk issue in the entrepreneurship is discussed heavily by the successors of economical thinking heavyweights such as Adam Smith, David Ricardo and John Stuart Mill. But; Joseph Schumpeter is the one whose theories' impacts are

still around in the modern entrepreneurship theory. According to Schumpeter's industrial view; entrepreneurs are innovators who drive the creative-destructive process of modern capitalism (Schumpeter,1942).

In the years of 1950-1970 entrepreneurship have been studied within the limits of behavioral sciences. This is mainly due to a trend that is dominating the management studies at that time. Economists such as David McClelland, Hagen and Bart are pioneers of that viewpoint (Topkaya, 2013). With the establishment of enhanced neo-liberal theories within the globe, affected the perception of entrepreneur. In modern literature entrepreneur is studied side by side with the new venture creation. Lately; Zhao (2005) defined entrepreneurship as the transformation of ideas to products and services that are destined for the markets.

Implementation of neo-liberal theories and as bonds with capitalism enhanced in the aftermath of Cold War; the role of SME's in the national economy often discussed. SME's are not inefficient reproductions of multi-national companies but pioneers for innovation as agents of transformation. The power of gigantic multi-national organizations can still be felt significantly, but economical lung for a nation today is the entrepreneur-established SMEs.

1.2 Role of Entrepreneurship and Innovation

In the part above; the role of SME's and entrepreneur in the national economy have been highlighted. Today's business environment is mainly crowded with the individually founded SME's. Regarding the data from Executive Office of US President, SME's account for nearly two-thirds of the world's most powerful economy. Nevertheless American economy is a heavyweight therefore a comparison with an emerging economy will be fruitful. Regarding TUIK's 2013 data SME's constitute %99.8 of the Turkish economy and %74.2 of the employment.

In the light of this neat comparison; it is safe to suggest that entrepreneurship is supported and encouraged while information is free flowing. Therefore; individuals with an idea to market may experience psychological relief before starting their own business as many people are known to choose this career path.

New business creation is easier when the individual at hand possess the necessary traits of an entrepreneur. Therefore; individual assets, access to opportunity and establishment of social networks with the strong communication and social skills that

an entrepreneur should have; fledge the new business creation (Carter, Gartner, Shaver and Gatweood, 2003).

Oslo Manuel (2005); face In an environment fiercer than many of the world's jungles; today business atmosphere push the members to become creative or go home. As Barney (1991)'s simple but amazing VRIO model suggested; resources available for a company should be *valuable, rare, costly to imitate, and exploited by the organization*.

Innovation draws the borders of diversification often in modern era. Organizations that can innovate in sustainable fashion tend to access the jackpot long before the competitors. Where innovation meets with new business creation is the process of starting up. An innovative idea, product or service deliver a competitive advantage for the entrepreneur in the hardest step in new business creation which is idea generation. As it was stated above as well; newness is what sells in modern era and while current competitors in the market suffer from inertia innovativeness is highly significant power to own (Aldrich & Auster; 1986).

3. DEVELOPING NEW BUSINESS IDEA, STRATEGY AND PLAN

3.1 Developing a New Business Idea

Creating a winning business idea is the most troublesome part of venturing. In fact it is so essential that, successful handling of the process may provide lots of benefits and chance for recovery from future errors that can happen in the other stages. If the business idea is developed with a systematic approach with utility concerns considered, organizational system most likely be performing in an expected fashion (Kim and Mauborgne, 2000).

In order to come up with a new business idea, in an era when everyone thinks "all that can be done is done"; seems like a lost case. But recent developments, particularly after innovators such as Jobs and Musk, have pushed many individual to develop the "next big idea". Asking "what can be next" is basic but important starting point for developing business ideas while providing solutions to problems that are bugging the individual is also a way. A potential entrepreneur can observe his/her inner concerns as well as what people around him/her are constantly complaining about. A random generalization may initiate the next big business idea.

Observation and knowledge help individual to connect the necessary dots between different but related facts as in order to come up with a possible idea that target multiple

concerns. As in all business related issues; testing and controlling the possible initiative is essential. Whenever an entrepreneur decided on an idea, he/she must should test it to gather additional insights and knowledge that is necessary for idea to take the next step. Whereas it is also vital to select the right market in the right time. Commercializing a great idea in a wrong time most likely will result as a failure.

3.2 Developing a Business Strategy

The term “strategy” is around for thousands of years and goes hand to hand with war. In Old Greek it means the “art of leader or general” (Ackoff, 1987). Even though the initial understanding about the definition of strategy is pretty much same in the modern environment, the term is enriched. Regarding Ansoff (1965); corporate strategy is the transaction between the firm and its environment. In addition to that; questions to ask towards reaching a strategic goal draws the outline of the start-up business. Ansoff described those questions as; what are the objectives and goals, whether a diversification is needed or not, if so in what areas, and how a firm should pursue to develop and exploit current or future product-market whereabouts.

Strategic decisions are the things that prepare new firm towards objectives for each period whereas formulate written principles or policies that will be used as guideline when venturing forth (Ackoff, 1990). Peng (2002)’s study about the effect of strategy on performance from a institutionalized perspective provides that industry based competition, specific resources and other capabilities that firm possess and internal conditions are determinant of what business strategy will be.

Meanwhile a business strategy is a corporate promise of the organization to existing and potential customers. As the firm venturing towards an end, and as this “end” is described and drawn by what the strategy is, a promise or in other words “value proposition” is the output of strategy itself. As it is also been said in the previous paragraphs, existing time period significantly effects the strategy at hand. Today, successful firms are constantly seeking ways to improve and differentiate themselves from the competition that is fierce (Kim and Mauborgne, 2014). The pioneer strategist of today Michael Porter (2008) highlights the importance of thinking out of box on determining the strategy by stating that “*a company can only outperform rivals only if it can establish a difference that it can preserve*”.

For a start-up company it is vital to come up with a strategy that will help firm to achieve certain goals while putting them aside from competition by somewhat

segregating. Whereas; planning should be followed up with organizing that requires strong leadership and which can only be tested with an internal and external control mechanisms. The adaptation of internal mechanisms towards external environment and changes that are continuously happening and observed within that atmosphere is essential for the implementation of necessary alternations to the strategy of the firm, as well as starting from the scratch if necessity arises (Tushman and O'Reilly, 1996).

While determining the strategy, there are available template models but as it was stated above every firm needs to find it's unique way that will present an edge. Nevertheless, as strategy is an important element of academic studies particularly after the 1950's there are strategic orientations which are available for a start-up to align itself. Entrepreneurial orientation is the embracement of cumulative behavior as an organization to be risk-taking, exploitative and innovative within the market (Lumpkin and Dees, 1996) while using technological advancements available within the time-period to gain a competitive advantage over competitors by producing new and exclusive know-how systems or products is considered as technological orientation (Gatignon and Xuereb, 1997).

On the other land, a firm that is aligned towards learning orientation most likely will be putting effort to gather contemporary information regarding the existing clientele while constant sharing of the gathered information between the departments within the organizational body (Calantone and Cavusgil, 2002; Bulut, Alpan and Yilmaz, 2009). Lastly; market or customer orientation refers to the organizational response towards the demands of the consumer within the specific industry.

To summarize, before deciding to open up a new business a potential entrepreneur who is excited about having his/her own business must decide a strategy that is required for him/her to be successful when venturing on. This section will be followed up with the explanation of questions such as why a business plan is necessary and should be in written format.

3.2 Developing and Writing a Business Plan

A business plan is the punchline of any kind of owning a new business, whether an individual decided to start from the scratch or buy an existing business or become a franchisee. Regardless of the decision, a business plan is an essential asset and a beginning for a start-up. Creation of a business plan has been put out as the ultimate

step in the new venture business creation by many researchers (Sahlman, 1997; Hodgetts and Kuratko, 1998).

The reason for writing a business plan can be of variety. Yet, a business plan having a rationale working behind the back will be deemed better and more effective. Even though there are various studies of how to write a business plan; a rational and well-studied business plan will fit all approaches. As the subject at hand is creation a new business this study will not be dealing with business plans written to write for credit seeking for expansion or growth reasons.

Most common shortcoming of a potential entrepreneur is the financial considerations. Nearly in all of the beginning scenarios the potential entrepreneur is in need of a financial support which can be supplied from variety of options such as family, banks and angel investors. The problem here is, the persuasion of the money sources. Without the written business plan it is hard to sell a dream. Most of people will perceive a potential entrepreneurial plan as a whim and many great ideas are lost or later done by someone else.

Therefore producing and presenting a strong business plan is a key element to obtain necessary financial support wherever the source is. Mason and Stark (2004)'s study suggest that main consideration of bankers is the demanded financial support within the business plan, yet if there is a misleading information or inadequate data presented within the business plan couple of risks occur. One of them is adverse selection which is basically losing or not supporting potentially profitable business or supplying a financial support to a project or business idea which is in fact not a great one. The second risk is moral hazard which occurs when bankers lack to monitor potential entrepreneurs once a loan is given.

In order to obtain this vital financial support all value propositions, promise of sustaining a continuous organization that is destined for super normal profit must be viable and easily understandable throughout the course of the business plan. Because of the fact that; business model can be imitated by the existing and potential competitors after some point, an effective and efficient business plan more likely to be yielding profits when performed logically (Teece, 2010).

Regardless of the magnitude of the power of written business plan, it is not a rocket science. There are templates that potential entrepreneurs can use or find their own methods to write a business plan. But, there are couple of key elements that needs to

be taken care of while writing. Sahlman (1997)'s study about how to write an efficient and effective business plan suggests four sub-headings. These sub-headings are the people, opportunity, context and risk & reward. From a financial perspective, people who are money source for potential entrepreneur wants to know the people they are going to pay. Presenting business plan to related people other than individuals who only have money to support your business will be most likely produce better returns. Investors want to know everything about the people they are going to show support, so a strong résumé of the potential entrepreneur which is clearly stating personal information, position in the specific industry and motivations to do this job is significant determinant.

Meanwhile opportunity describes the locus of the potential business. Common entrepreneurial thinking will be most likely choosing rapid growing industries which have still spots and no-entry barriers. But, smarter investors are looking for emerging industries and try to catch the bandwagon not on the road but before it moves. The business plan should be clearly stating the whereabouts of the industry, its potential and why that industry particularly attractive. In this part, questions regarding pricing, competitors, market demand, consumers, available or potential resources and possible moves that can be either played by the entrepreneur or the competitor should be stated.

Context describes the external and internal environment of the business plan that states the necessary legal, political and governmental issues. Macroeconomic environment for example will be directly effecting the entrepreneurs' decisions as well as the situation of the start-up in the industry. For example, if there is a chance for potential entrepreneur to change the decisions of governmental agencies about the industry at hand through the lobbying efforts will surely be included in the business plan as it will produce a new power relation between the entrepreneur and investor.

Maybe the most important part within a business plan is the risk and reward (Kindström, 2010). A trustworthy entrepreneur will clearly state and fairly measure the balance between the risk and reward. Coherent forecasting about the future is a guideline for the start-up and will be a reference when needed. As the nature of the entrepreneurship suggests, a successful entrepreneur is the one who is seeking and not afraid to take risks to reach his/her goals. Nevertheless, risk and reward should be in an accessible fashion and unnecessary risks should be avoided. The business plan tells

potential investors if the potential entrepreneur or the start-up that is requiring a financial support is an entity that is taking risks that are rewarding.

These are the elements that are necessary for a successful business plan to be produced, yet it will be beneficiary to draw an example outline. In the introduction part; entrepreneur must be writing about the identity of his personality as well as the legal entity that is yet to be born. This part is entrepreneur's primer to the world. While an executive summary is a must to have. As time is very of essence for the people who has the necessary capital for an entrepreneur to start his/her own business, it is impossible for them to read your whole business plan without convincing them. Executive summary's role is to convince the potential investor to read entrepreneur's whole plan.

Industrial analysis, is in fact the measurement the forecasting of potential entrepreneur. It also gives idea about the numerical values that are easy to understand and give an insight to the investor. Most of the time numbers are easy to understand than the words so an experienced investor can decide whether support the start-up or not by doing the math.

Choosing the right market, right product, the timing of operations, entrepreneur's motivation should be clearly stated under the description of venture (Timmons and Spinelli, 2009). Even though investors' first mathematical calculation is how well they will earn if they decide to invest on the start-up, the motivation of the entrepreneur and accuracy is also an essential decision maker. In addition to describe personal and organizational motivation an investor would like to see production plan that is the tangible aspect of how an idea will realized. A comprehensive production plan will provide down-to-earth awareness in the investors' mind.

A successful entrepreneur should be clearly stating how he/she will sell the product or service that is going to be presented if the necessary financial support is found. Using necessary strategic tools to understand the existing whereabouts of the product/or service, where and how will it be marketed and quality standards are important aspects of a strong business plan. On the other hand, financial objectives must also be included within the business plan as it is the entrepreneur's promise to potential investors. This is where people can understand the return of their investment is rational or not. On the other hand, successful implementation of financial plan will increase the credibility of the potential entrepreneur in future ventures.

In most cases it is impossible for a possible business owner to write the whole business plan by him/herself. It is not uncommon to get necessary help for while writing the business plan, as a matter of fact it should be encouraged. For instance, legal issues can be advised by a solicitor while marketing aspects of potential start-up can be supported by the thoughts of experienced marketer in the industry. Gaining insights from the people who are proficient in the areas will also enhance the networking abilities of the potential entrepreneur and increase the business acumen of the individual in the eyes of the investors.

To summarize; a powerful business plan is an essential asset for accurate planning for a sustainable entrepreneurship initiative as it will be also a guideline when things get dark or unclear along the way.

4. WAYS TO ENLARGE NEW VENTURE OPERATIONS

Even though performing in a routine basis may be deemed as a satisfactory achievement in many cultures, a successful and promising entrepreneur will be the one who is seeking new opportunities to enlarge and grow. Yet, this is no easy task and cannot be done in a fortnight basis. The environment that the start-up is performing, strategy that has been put out before the beginning, and leadership has significant effect on how a young organization will grow and enlarge (Eisenhardt & Schoonhoven, 1990).

Regarding the role of innovation within the environment, organizations within can exploit the opportunities by constantly seeking ways to improve and develop themselves as powerful entities (Anderson and Zeithaml, 1984). If an organization does not possess the necessary skills to adjust innovations or produce one of theirs through R&D investments, market itself becomes too drained to growth. So in a nutshell, ways of seeking innovativeness is a type of growth strategy.

Regarding the study of Miles, Snow, Meyer and Coleman (1978) founding strategy describes the internal consistency of the organization. It is safe to suggest that no start-up will be established to stay in a deadlock, still it is essential for an organizational commitment high towards the targets put out before the start. As entrepreneurial investments are commonly relies on a strong leadership and powerful top-management; decision making processes will be taking less time and constant communication will be handling things for the organization by itself. Potential conflicts

within the organization can be overwhelmed before they have ever begun and organization can find necessary area and chance to grow and expand.

Apart from the internal factors that is necessary to exploit the future opportunities for an organization to expand its operations, there are conventional ways of how to enlarge. The habitual business education discuss growth strategies such as market penetration, market expansion, product expansion, diversification and acquisition often.

Market penetration, in conventional meaning, is a determination to increase the sales of the company without venturing far away original product-market strategy. Organization is constantly looking more ways to improve firm performance whether by growing quantity of sales to existing consumers or trying to sell the product/service to potential new consumers (Ansoff, 1957). When the industrial saturation level is reached for a firm, leadership starts to work towards to finding new markets to sell the product.

If a start-up decides that existing product is no longer profitable or settled within in the existing market and become a product of it's own, they may think to enlarge and expand their operations by developing new product. The new product development strategy mainly describes producing a brand new product by using the innovative capabilities within the organizational environment or in leadership. Through this strategy a start-up business with a certain product/service magnifies into different position within the same market with a new product (Cooper and Kleinschmidt, 1995).

On the other hand a firm can choose to expand its horizon by completely changing the two essential element within the portfolio; the product and the market. Either by developing a new product or acquiring the rights of one product that is developed by other companies, a firm can present this fresh product/service to a new market. Therefore, they can spread to possibly profitable original opportunity possessed market without changing or alternating their ways in the start. Of course, diversification strategy is risky and actually requires everything to be start anew, it is exciting and essential part of a business world especially today when competition is highly fierce and resources can be easily initiated.

Lastly, if the financial situation is of a start-up is well and self-innovative capabilities are not developed as well as they would like, a firm can buy an existing firm to enlarge its operations. The purchased firm may have a product that cannot be produced by the

buying firm, or the market they are performing is hard to access. Either way by acquiring this business the initial company can venture into a market or product segment that is hard or unprofitable for them to produce by their own. When risks are compared with diversification, acquisition strategy is less risky because most of the time know-how is also purchased with the new company.

5. CONCLUSION

Throughout this chapter, start-up business has been comprehensively studied and many factors that are effecting the future of start-up business have been highlighted. In today's world start-up business are very important and well-found. While they are pulling the economic burden of many nations whether they are super-developed or emerging, start-up businesses are also chance for organizational and societal change. Even though one's effort to be his/her own business may be considered as a vicious cycle, start-up business are breaking the organization dominated wage-dependent society. As they are also taking away the economic burden in domestic economies, they are started to be encouraged throughout the globe. Therefore the World will almost certainly continue to watch the increase of start-up businesses. They are here to stay and main source of innovation and development. As all things considered, as a society we need sustainable development and innovation to have better opportunities in life and start-up businesses are key to succeed in this pursuit.

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Competitive Analysis and Strategic Planning: Entrepreneurship and Innovation Management Perspective

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Abstract

This chapter aims to understand the layout and applications of competitive analysis and strategic plans in entrepreneurial and innovative organizations. Due to the severe competition, the entrepreneurial firms are facing, it is vital for them to understand the basics of applications of strategic planning and related competitive analysis for successful businesses. Due to this fact, this chapter focuses on strategic planning and related analysis thus, it consists of strategic planning process, advantages and disadvantages associated with it, competitive analysis and competitive intelligence, SWOT analysis, PESTEL analysis, Porter's Five Factor Forces (FFF) model / analysis and finally Blue Ocean strategy for competition.

Introduction to Competitive Analysis and Strategic Planning in Entrepreneurship and Innovation Management

Today's global world requires firms to have a distinctive competitive advantage in their products and services which they market and the management and marketing techniques they apply. The studies done indicate that there exists a positive relationship between a company's strategic management practices and its entrepreneurial behavior (Barringer & Bluedorn, 1999). In order to survive in this highly competitive environment, the firms have to apply strategic planning which requires competitive analysis tools. An entrepreneur's business profitability and success relies on its' competitive advantage, innovative practices and productive applications which has a direct relationship with its' ability in preparing and using strategic planning and competitive analysis in its' managerial functions (Kraus & Kauranen, 2009).

Strategic planning aids firms to see the future and be ready for foreseeable conditions and yet also unforeseeable situations as crisis positions. Thus, these flexible plans help managers to see where they are heading and help them when times are rough. For an innovative entrepreneur who wants to succeed in the business, strategic planning is a must and so is the application of competitive analysis methods since these methods aid him / her to understand the competition, to learn about the situation and environment and to show ways to get ahead of competition by being unique and different.

Steps and the Contents of Strategic Planning

Nowadays everything is changing rapidly and this rapid change in environmental, technological and competitive conditions forces firms and entrepreneurs to promptly decide and take actions strategically (Guclu, 2003). Therefore as Süleymanoğlu mentions (2008) “in all fields where globalization goes together with competition, the concept of strategic planning has been receiving an increasing attention each passing day.”

As the famous expert on management and organization Ackhoff states (1974), “strategic decisions set objectives for the organization as a whole, relatively long-range objectives, and formulate policies and principles intended to govern selection of means by which the objectives specked are to be pursued.” Therefore, strategic planning is a mandatory management tool and a planning model for entrepreneurs and organizations which want to be productive, flexible, profitable and sustainable in the long run. The term strategy involves long term commitment therefore strategic planning is very different in many aspects when compared to operational and tactical plans (Nutt, 1989) as table 1 indicates below.

Table 1 – Comparison of Strategic Planning to Tactical Planning

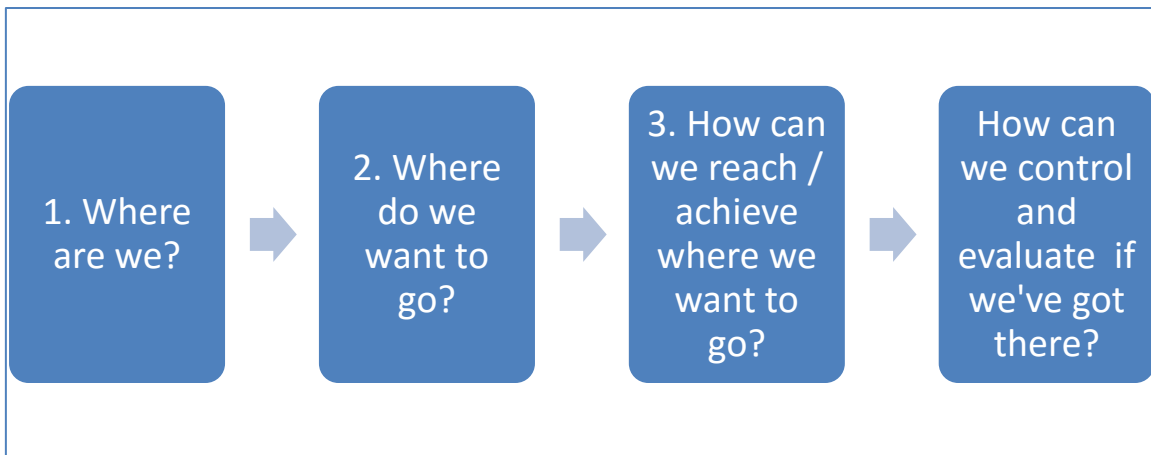
Topic	Strategic Planning	Tactical planning
Answers the question	Strategy answers “What”	Tactics answer “How and when”
Time Period	2 to 20 years	Very shprt term
Aim / Goal	What will be the firms’ position?	Success in one business item
Process	Less formal, more flexibile	More formal

Items	Less routine topics from a wide area.	Established and timed activities, spendings and control procedures.
Who is Responsible	Top-level executives, senior managers with fewer people	Low management with many people

Resource: Griffin, R. W., & Pustay, M. W. (2005). International business: A managerial perspective. Pearson Prentice Hall.

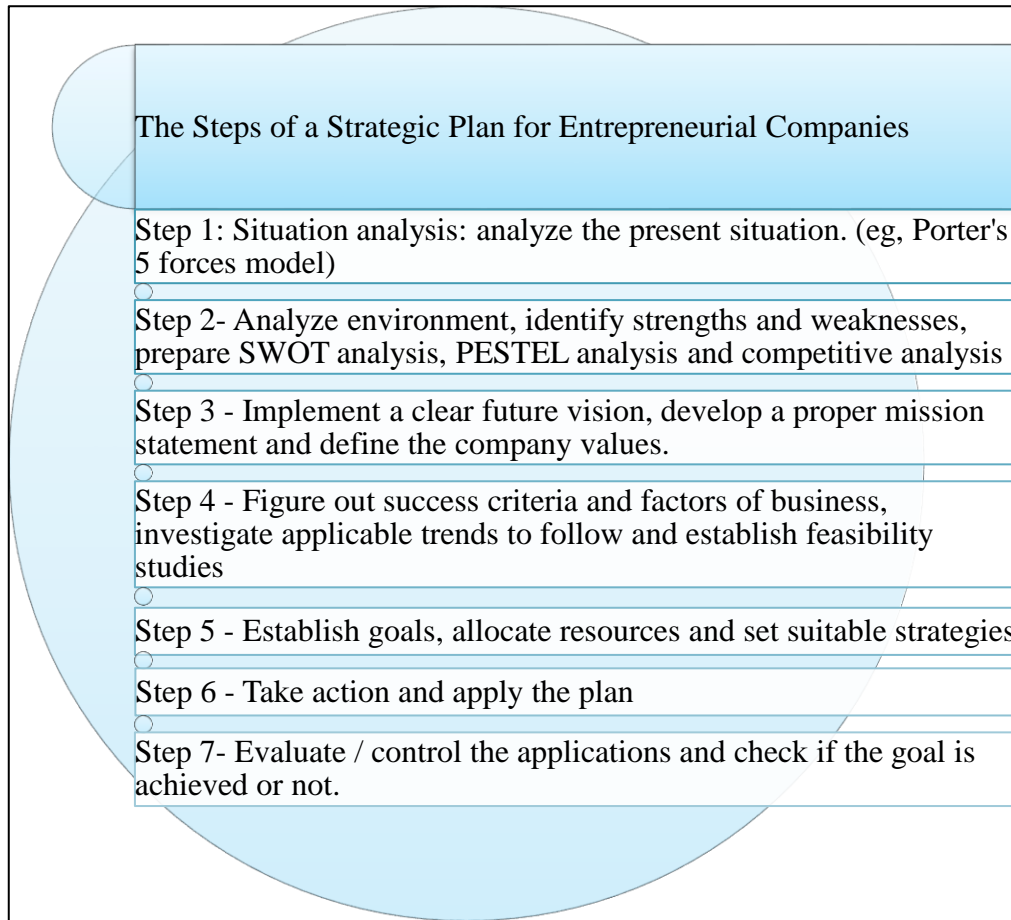
Strategic planning process answers the 4 questions for an entrepreneurs and companies. The answers to them are the contents of the strategic plans (Demirdizen, 2012). The related four questions are as follows which are shown in figure 1;

Figure 1 –Questions That A Strategic Entrepreneurial Company Should Answer for Success



Thus, when we gather the 4 questions with the strategic planning steps which take place in the figure 2 that takes place below, we figure that step1 and 2 of the strategic planning process answers the question 1 (where are we) , steps 3 and 4 answers question 2 (where do we want to go), steps 5 and 6 answers question 3 (how can we reach where we want to go) and finally steps 6 & 7 replies the last question (how can we control and evaluate if we have got there) (Demirdizen, 2012; Demir ve Yılmaz, 2013).

Figure 2 – The Strategic Planning Process: The Steps of a Strategic Plan



References: Belcourt, M. and McBey, K. J. (2010) Strategic Human Resources Planning. Nelson Education and Pirnar I., (2015). Yiyecek İçecek İşletmeleri Yönetimi, Beta, İstanbul.

The related terminology within the contents of strategic plans are as follows (Olsen, Ching-Yic & West, 1998; Kilic and Erkan, 2006; Tribe, 2010) and the related SWOT analysis, PESTEL analysis and competitive analysis and will be discussed in the following part.

The mission statement relates the nature of the business, defines the main reason of the company's being in writing and leads the company a sense of direction. A sound mission statement addresses some important issues for the company's entrepreneurs and employees as the main beliefs and values of the company, the target customers, market, products, services, differential competitive advantages, key stakeholders of the company. The mission statement is mainly a mirror of the company's personality and operations field and activities.

Vision is about the future and indicates the place the company want to reach. Vision is usually set by the entrepreneur's **values** and even dreams which maybe about many issues like innovation or customer satisfaction.

Goals are wide and broad, long-termed general and even abstract activities that the company wants and aims to reach. **Objectives** are goals to attain in order to achieve the company's mission. They are more specific targets of performance when compared to goals. For example, common entrepreneurial company objectives aim issues like; increasing profitability and/or productivity, achieving business growth, improving efficiency, serving new markets, finding new segments and/or financial resources, improving physical facilities, improving employee welfare, developing the marketing methods and being an environmental friendly company.

Advantages and Disadvantages of Strategic Planning

Strategic planning has many advantages to the entrepreneurs and innovative business who use it. It indeed helps firms to be successful in their businesses, promotes entrepreneurial firms to achieve their goals and provides them with the information about themselves and their competitors. Since strategic thinking is a mandatory skill for successful entrepreneurs (Pirnar, 2015),strategic planning applications aids entrepreneurs in their strategic thinking process. In addition ,strategic planning helps innovative firms to establish and further optimize their core competencies (Mitra, 2012:174). The scanning process which is a part of environmental and situational analysis of the plan also facilitates proactive aspects of entrepreneurial behavior where entrepreneurs are risk takers by their nature. (Barringer & Bluedorn, 1999).Thus, strategic planning improves the design process of competitive business models of entrepreneur (Zimmerer, Scarborough & Wilson, 2005). Successful small sized companies use strategic planning to lead their long term growth and successful development, thus with the experiences they gain they improve and during the growth process they become more sophisticated. It was found that SME's led by entrepreneurs who do not use strategic planning and lack strategic vision and thinking have a rather slow growth and are more vulnerable to risks when compared with the strategic plan users (Berry, 1998). To finalize, it is understood that strategic plans improve the strategic thinking of firms and positively impact company's competitiveness, production methods, productivity levels, financial performance, entrepreneurship involvement and growth processes (Schwenk & Shrader, 1993; Entrialgo, Fernandez & Vazquez, 2000).

Strategic planning process has some disadvantages, also. The first one is the cost associated with it. The second is the importance of flexibility since it was found that the presence of flexibility influences the strategic plan's effect on the corporation's performance (Rudd, et.al., 2008).

The Basic Comparative Factors in Competitive Analysis and Competitive Intelligence

“Innovativeness is defined as a firm's willingness to emphasize the technological development, new products, new services, and/or improved product lines pursuit of competitive advantage” (Dibrell, Craig & Neubaum, 2014: 2001). Being innovative is mandatory for a company's competitiveness, since it leads the company to optimize on new opportunities and market developments. To gain a competitive distinctive advantage, entrepreneurial companies should focus seriously on the competitive analysis part of their strategic planning process and should apply all the related sophisticated methods.

Competitive analysis (Olsen, Ching-Yic & West, 1998; Lee-Ross and Lashey, 2009) helps the entrepreneurs with their strategic planning since knowing about the competition provides managers and entrepreneurs with a realistic information on the market conditions, customers and potential segments and the company's relative situation in it. Thus, a comprehensive competitive analysis tries to find replies to the following questions like;

- Who is the firms' main competitor?
- Which products and services do we and they sell?
- What could be their strategies for increasing their sales?
- What is the market share of our company / the competition?
- What are the strengths and weaknesses of the main competitor? Are they alike when compared to your company?
- What is the prior strategy of the competition?
- Which segmentation bases do your competitors use?
- How will the competition's strategy impact yours?
- How is the industry is changing?
- What are the main management and marketing trends in the industry?, etc.

“The purpose of a competitive intelligence (CI) program is to develop action-oriented implications for managers” (Prescot, 1995:71) where to prove it's importance it is stated that “marketing strategy begins with customer and competitive intelligence”(Jaworski, Macinnis, & Kohli, 2002: 279). Thus, competitive intelligence maybe termed “as a process of defining,

collecting and meaningfully analyzing intelligence issues on the company's competitor's products and services, management and marketing strategies, differential advantages etc. from external sources" (He, Zha & Li, 2013). "It is believed that competitive intelligence can help organizations to realize strengths and weaknesses, enhance business effectiveness, and improve customer satisfaction (Lau, Lee & Ho, 2005). Therefore, following up the competition's strategies through competitive intelligence programs is a vital function for successful entrepreneurial firms.

The main reason using competitive analysis data and reports is to figure out the market potential for the firm's product and services, to find new innovative ways to develop them, to be aware of the present situation and to be ready for unexpected situations. The main objectives of using a competitive intelligence program are as follows (Prescot, 1995; Jaworski, Macinnis, & Kohli, 2002; He, Zha & Li, 2013);

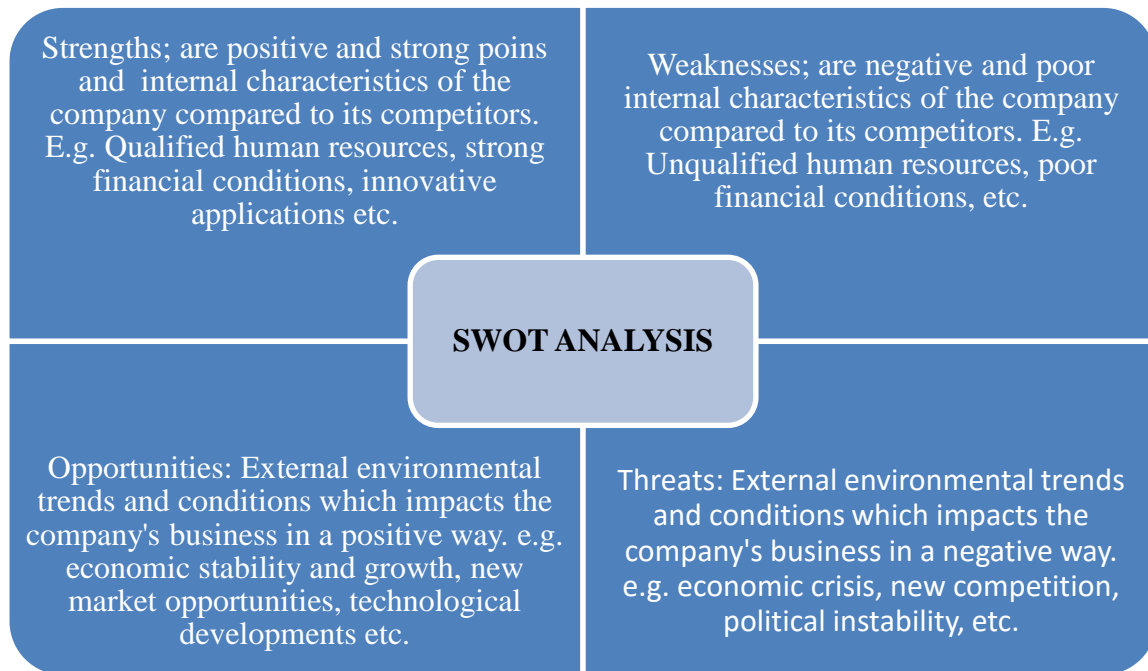
1. Avoiding very risky situations.
2. Understanding and learning about competitor's strategies and management techniques.
3. Developing the competitive strategies for competitors' actions.
4. Forecasting next strategic activities of competition.
5. Knowing the competition so that the firm can do relatively better

It is important to remember that both competitive analysis and competitive intelligence efforts should be continuous if they were meant to be a meaningful means for successful strategic plan applications.

SWOT Analysis

A SWOT analysis is a method including the detailed investigation of the present situation of a company, firm, product, service, region etc. where strengths and weaknesses are related to the analyzed subject and opportunities and threats are related to the surrounding economic, politic, social and cultural environments which have affect on the subject's activities and success. (Tribe, 2010; Pirnar, 2011; Sariisik, Turkay, & Akova, 2011).

Figure 3 – A SWOT Analysis Chart



In SWOT analysis strengths and weaknesses refer to the company's strengths and weaknesses which requires internal analysis of the company whereas opportunities and threats refer outside environment therefore requires external analysis (Tribe, 2010). After conducting the SWOT analysis, it is important to establish applicable strategies so that the benefits of SWOT analysis may be maximized. Table 2 below show an example of a SWOT analysis of a regions' alternative tourism potential where related to SWOT paired strategies take place. In the related example strengths are paired with opportunities (S/O), weaknesses are paired with opportunities (W/O), strengths are paired with threats (S/T) and weakness are paired with opportunities (W/T) to obtain suitable innovative and entrepreneurial strategies and are added as adjunct to the SWOT analysis table (Pirnar, 2011).

Interactions of the elements of SWOT analysis and related paired strategies may be the vital part of an effective strategic plan for entrepreneurs. It also helps entrepreneurs to realistically view the industry, businesses, competition and the environment in which they operate which may affect their companies' success in the future.

Table 2- SWOT Analysis of Alternative Tourism Potential of ABC Region

	<p>Strengths (S)</p> <ol style="list-style-type: none"> 1. Climate that is suitable to extend the tourism season 2. Potential for alternative tourism types like yachting, health and thermal tourism, trekking, etc. 3. Region has long coastal zones. 	<p>Weaknesses (W)</p> <ol style="list-style-type: none"> 1. Lacks innovative projects 2. Resource allocation conflict between regional improvement / development & environmental protection issues. 3. Increasing pollution in the area
<p>Opportunities (O)</p> <ol style="list-style-type: none"> 1. Growing interest in alternative tourism types 2. New segments and markets appearing globally 3. Co-branding / new partnerships are becoming popular 	<p>S/O Strategies</p> <ol style="list-style-type: none"> 1. Make sure each guest has an amazing experience-positive word of mouth marketing. 2. Promote the quality and price differentials for region's alternative tourism products 	<p>W/T Strategies</p> <ol style="list-style-type: none"> 1. Provide opportunity for strategic partnerships or alliances 2. Establish quality by certifying investment and enterprise documentation
<p>Threats (T)</p> <ol style="list-style-type: none"> 1. Prices are falling globally 2. Increase in regional competition 	<p>S/T Strategies</p> <ol style="list-style-type: none"> 1. Offer interesting, tailor-made and unique travel package alternatives for customers. 2. Consider innovative ways to package and promote visitor experiences to potential customers. 	<p>W/T Strategies</p> <ol style="list-style-type: none"> 1. Use all the combinations of the marketing mix elements of 8 P's that is suitable with the plan. 2. Apply a coordinated regional policy.

Reference: Pirnar, I., (2011). Alternative tourism potential of Aegean region and implications for future. 9th Asia-Pacific CHRIE (APAC-CHRIE) Conference, "Hospitality and Tourism Education: From a Vision to an Icon, HongKong.

PESTLE Analysis

PESTLE stands for political, economic, social, technological, legal and environmental / ecological analysis of the environmental conditions that affect the businesses and the operations of the company (Ho, 2014). PESTLE analysis is related to outside environment which consists of uncontrollable elements affecting the operations of the company. With SWOT analysis a company learns about the competitors internal structure whereas with PESTLE analysis the company becomes aware of the all the outside elements. All the information and data gathered from PESTLE analysis may be used for operations like business planning, marketing strategy formulation and new product development. Thus the contents of the PESTLE analysis are as follows (Olsen, Ching-Yic & West, 1998; Kraus & Kauranen, 2009; Lee-Ross and Lashey, 2009; Ho, 2014);

Political Factors include issues like the political stability of the related country, governmental aspects and approaches, government incentives on entrepreneurship, government incentives for innovations, tax policy, influence of politic parties on the related industry, changes in the governmental bodies, etc.

Economic Factors include issues like the general economic conditions, inflation or stagflation, employment, exchange rates, standard of living, interest rates, direct foreign investment, GDP, income distribution, monetary / fiscal policies, trade / industry policies, labor markets, customs and tariffs, etc.

Social Factors relate to culture, sub-culture, demographic situation, sociological trends, cultural changes, social interactions, cultural risk taking approaches, consumer behavior related to culture, language, esthetics, public opinion, ability to change, risk taking behavior, etc.

Technological Factors includes transportation, ability to adapt to globalization, global impacts, innovation, communication systems, industry 4.0, energy, software, robotics, automation, information technology, R&D, etc.

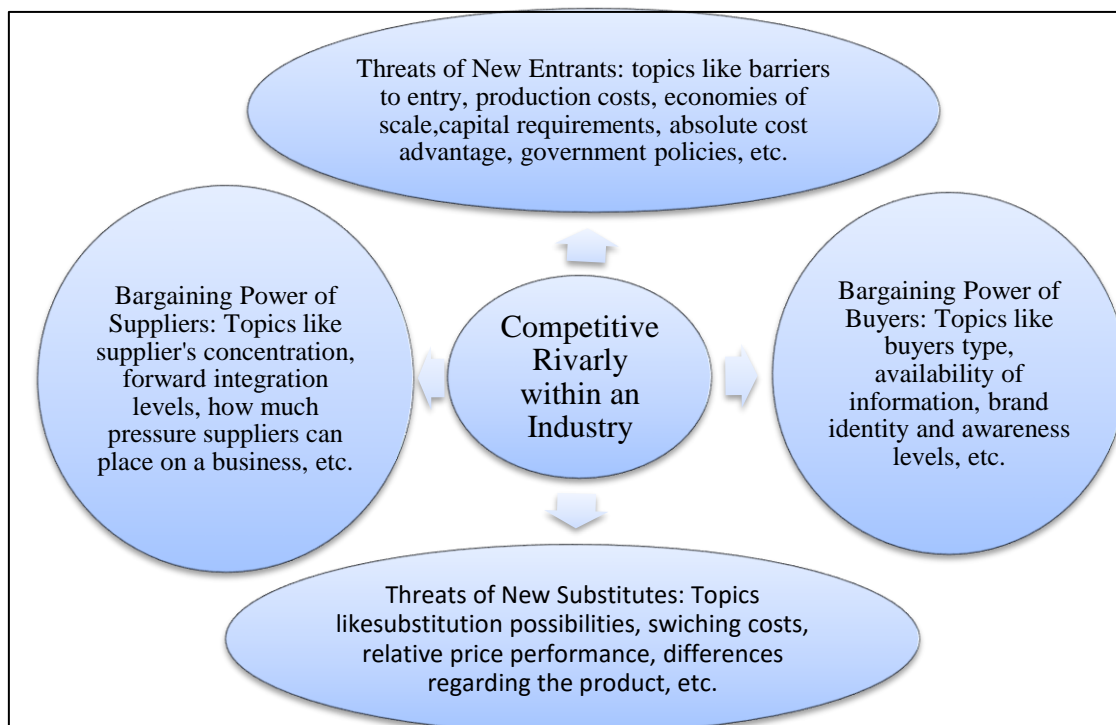
Legal Factors cover issues of the legal framework affecting the overall or some contents of the corporate strategical plan.

Environmental / Ecological Factors relate to natural resources, water and environment quality, sustainability, renewable energy, pollution & green imperatives, conservation, climate conditions, air quality, global climate change, geographic situation, etc.

M.E. Porter's Model of the Five Competitive Forces - The Importance of Industry versus Firm Specific Competitive Factors.

It is very important that the entrepreneurial companies analyze the competitive situation of the industry they operate in, set strategies according to the analysis reasons, protect its market share and yet set further strategies to increase this share. Within this regard, Five Factor Forces (FFF) Analysis was developed by the famous Harvard professor Michael Porter in his book, "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980, which is one of the best models explaining the industrial competitive factors / conditions and how a business may derive long-term strategies for profitability with this analysis (Porter, 2008). Porter (1980) states that the competitive conditions in an industry has a serious impact on a business operating in that industry and it is vital to use detailed five forces analysis to determine the industries competitive structure. Thus, the industry analysis is one of the main analysis which takes place in the situation analysis step of the strategic planning process of the businesses (Grundy, 2006). "The five competitive forces are: the threats of new entrants, threats posed by competitive rivalry, powerful buyers, powerful suppliers and threats of substitute products and services" (Dobbs, 2014:32) are shown in figure 4 below.

Figure 4 - Porter's Model of the Five Competitive Forces



Reference: Porter, M. E. (2008). The five competitive forces that shape strategy. Harvard business review, 86(1), 25-40.

Competitive rivalry within an industry is about the severity and concentration of competition among the existing firms thus, highly competitive industries cannot aim high profits since the cost of competition is rather high. The size and the number of the players in the field / companies in the related industry, the number of dominant firms, differentiation levels of the products and services of the existing industry, all affect the competitive rivalry (Grundy, 2006).

Porter's FFF analysis not only shows the a specific industry's competition structure but also helps an entrepreneurial firms to keep track of the trends, to show the way the competition is going to and the profitability levels the company may achieve. As Porter states "by analyzing all five competitive forces, you gain a complete picture of what's influencing profitability in your industry. You identify game-changing trends early, so you can swiftly exploit them." (Porter, 2008).

Blue Ocean Strategy

Globalized world economy have caused many organizations emerge and disappear. Fierce and demolishing competitive environment of modern business field, canalize organizations to find exclusive and different services and products in order to overcome hardened obstacles. Blue Ocean Strategy, proposed by Kim and Mauborgne, actualizes this effort of differentiation within the borders of value context. In order to dodge the fierce competition; organizations need a new value proposition, market, cost strategy and human capital that can carry out this new burden. Si that organizations can sustain survival rate by formulating their own markets and consumers (Kalkan and Alparslan, 2009).

Universities of Harvard and Insead have been primarily active in the process of creating Blue Ocean Strategy by the famous authors Kim and Mauborgne (2005). In the creation of the strategy; 300 organizations have been followed within a time span of more than 20 years and concluded by determining the alignments in successful organizations. Simultaneous implementation of differentiation and low-cost strategy have been highlighted.

Thinking differentiation and low-cost production in the same time formulate the backbone of Kim and Mauborgne's Blue Ocean Strategy (Kim and Mauborgne, 2005). As seen in table 3, authors propose that current organizations are competing in oceans that are red with the fierce competition. Red ocean consists of all the existing industries, the market and the competition is already known to all players. In those oceans; borders are already determined and accepted and all the rules are known yet unbreakable. Competition of firms are head to

head and profit margins are low. Sole reason to compete is destroying other competitors in order to increase the market share. Because of the too much bloodshed within this marketplace, ocean is red. Therefore, the firms should aim to blue ocean strategy where there is almost no competition, the water is clear and blue and it is safe. As the blue ocean strategy suggests competing in too crowded and over competitive industries does not lead to success and high profits. For high performance the innovative and entrepreneurial companies should create their blue oceans by means of low cost, differentiation and innovation.

Table 3 – Blue Ocean Against Red Ocean Strategies

Red Ocean Strategies (high competition)	Blue Ocean Strategies (no competition)
Compete in existing market space with all the companies	Create a new market space with no competition
Compete with all the rivals	Make the competition irrelevant with no rivals, avoid competition by creating new values and value innovation
Exploit and share already existing demand and market	Create and capture a new market with a new demand
Strategical choice is low cost OR differentiation	Strategical choice is low cost AND differentiation
Managerial decision on value-cost tradeoff is required	Managerial decision on value-cost tradeoff is unnecessary

Reference: Ergen, A. (2011). Stratejik Düşünce Yaratma: Mavi Okyanusa Yelken Açma. Pazarlama ve Pazarlama Araştırmaları Dergisi, 07:1-21

As a combination of strategies, Burke, Van Stel, & Thurik (2010) suggest that “competition eventually erodes the profits from innovation which is a slow process, requiring 15 years or so which implies that wise entrepreneurs may think about mixing the both five forces and blue ocean strategies and by doing so may slow down their profit erosion with a strong competitive strategy for their existing market and with the funds they gain they may invest in blue ocean strategies may go after new markets with less or no competition.

Conclusion

It is vital for entrepreneurs and innovative companies to follow and adapt strategic plans to their operations if they want a long-termed survival and success through differentiation and

innovation. Today's business world is severely competitive and only a fraction of companies survive among this intense competition with the help of innovation, differential and competitive advantage. Thus, strategic plans show them the way to achieve their goals and objectives.

For sound strategic plans, it is important for entrepreneurs to learn, understand and correctly apply the situation analysis and competitive analysis methods like SWOT, PESTLE, FFF, etc. for successful and meaningful differential and innovative actions. It is also important not to rely on a single analysis but rather use all the applicable analysis tools for strategic planning and blend them for sound and efficient results.

A Summary Of The Key Lessons Or Take Away Points For The Innovation Management And Entrepreneurship
1. It is vital for entrepreneurs and innovative companies to follow and adapt strategic plans to their operations.
2. For sound strategic plans, it is important for entrepreneurs to learn, understand and correctly apply the situation analysis and competitive analysis methods like SWOT, PESTLE, FFF, etc. for successful and meaningful differential and innovative actions.
3. It is important that the entrepreneurial companies analyze the competitive situation of the industry they operate in, set strategies according to the analysis reasons, protect its market share and yet set further strategies to increase this share.
4. For high performance the innovative and entrepreneurial companies should create their blue oceans by means of low cost, differentiation and innovation
5. By combining Porter's FFF analysis and blue ocean strategy, entrepreneurial firms may maximize their profits while extending their innovations' life (with adding new innovations and differential advantages to their products and services with the funds they gain)

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Creativity and Idea Generation*

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Abstract

Creativity is typically used to refer to the act of producing new ideas, approaches or actions, while innovation is the process of both generating and applying such creative ideas in some specific context. The ways in which societies have perceived the concept of creativity have changed throughout history, as has the term itself. Besides the usage of several creativity techniques an innovation culture is an important factor in order to form a creative climate in a company. Nevertheless the forming of a creative team includes several roles, which is also an important factor by fostering creativity in companies.

1. Creativity- Introduction

Creativity is a mental process involving the discovery of new ideas or concepts, or new associations of the existing ideas or concepts, fueled by the process of either conscious or unconscious insight.

From a scientific point of view, the products of creative thought (sometimes referred to as divergent thought) are usually considered to have both originality and appropriateness.

Although intuitively a simple phenomenon, it is in fact quite complex. It has been studied from the perspectives of behavioural psychology, social psychology, psychometrics, cognitive science, artificial intelligence, philosophy, aesthetics, history, economics, design research, business, and management, among others. The studies have covered everyday creativity, exceptional creativity and even artificial creativity. Unlike many phenomena in science, there is no single, authoritative perspective or definition of creativity. And unlike many phenomena in psychology, there is no standardized measurement technique.

Creativity has been attributed variously to divine intervention, cognitive processes, the social environment, personality traits, and chance ("accident", "serendipity"). It has been associated with genius, mental illness, humour and REM sleep. Some say it is a trait we are born with;

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others say it can be taught with the application of simple techniques. Creativity has also been viewed as a beneficence of a muse or Muses.

Although popularly associated with art and literature, it is also an essential part of innovation and invention and is important in professions such as business, economics, architecture, industrial design, graphic design, advertising, mathematics, music, science and engineering, and teaching.

Despite, or perhaps because of, the ambiguity and multi-dimensional nature of creativity, entire industries have been spawned from the pursuit of creative ideas and the development of creativity techniques.

2 History of the term and the concept

The ways in which societies have perceived the concept of creativity have changed throughout history, as has the term itself. The ancient Greek concept of art (in Greek, "techne"—the root of "technique" and "technology"), with the exception of poetry, involved not freedom of action but subjection to rules. In Rome, this Greek concept was partly shaken, and visual artists were viewed as sharing, with poets, imagination and inspiration.

Although neither the Greeks nor the Romans had a word that directly corresponded to the word "creativity," their art, architecture, music, inventions and discoveries provide numerous examples of what today would be described as creative works. The Greek scientist of Syracuse, Archimedes experienced the creative moment in his Eureka experience, finding the answer to a problem he had been wrestling with for a long time. At the time, the concept of "genius" probably came closest to describing the creative talents that brought forth such works.

A fundamental change came in the Christian period: "creatio" came to designate God's act of "creation from nothing". "Creatio" thus took on a different meaning than "facere" ("to make") and ceased to apply to human functions. The ancient view that art is not a domain of creativity persisted in this period.

A shift occurred in modern times. Renaissance men had a sense of their own independence, freedom and creativity, and sought to give voice to this sense. The first to actually apply the word "creativity" was the Polish poet Maciej Kazimierz Sarbiewski, who applied it exclusively to poetry. For over a century and a half, the idea of human creativity met with resistance, due to the fact that the term "creation" was reserved for creation "from nothing."

Baltasar Gracián (1601–58) would only venture to write: "Art is the completion of nature, as if it were a second Creator..."

By the 18th century and the Age of Enlightenment, the concept of creativity was appearing more often in art theory, and was linked with the concept of imagination.

The Western view of creativity can be contrasted with the Eastern view. For Hindus, Confucianists, Taoists and Buddhists, creation was at most a kind of discovery or mimicry, and the idea of creation "from nothing" had no place in these philosophies and religions.

In the West, by the 19th century, not only had art come to be regarded as creativity, but it alone was so regarded. When later, at the turn of the 20th century, there began to be discussion of creativity in the sciences (e.g., Jan Łukasiewicz, 1878–1956) and in nature (e.g., Henri Bergson), this was generally taken as the transference, to the sciences, of concepts that were proper to art.

In the late nineteenth and early twentieth centuries, leading mathematicians and scientists such as Hermann von Helmholtz (1896) and Henri Poincaré (1908) began to reflect on and publicly discuss their creative processes, and these insights were built on in early accounts of the creative process by pioneering theorists such as Graham Wallas (1926) and Max Wertheimer (1945).

However, the formal starting point for the scientific study of creativity, from the standpoint of orthodox psychological literature, is generally considered to have been J. P. Guilford's 1954 address to the American Psychological Association, which helped popularize the topic and focus attention on a scientific approach to conceptualizing creativity and measuring it psychometrically.

In parallel with these developments, other investigators have taken a more pragmatic approach, teaching practical creativity techniques. Three of the best-known are:

- Alex Osborn's "brainstorming" (1950s to present),
- Genrikh Altshuller's Theory of Inventive Problem Solving (TRIZ, 1950s to present),
- and Edward de Bono's "lateral thinking" (1960s to present).

3. Definition of creativity

It is often useful to explicitly distinguish between creativity and innovation.

Creativity is typically used to refer to the act of producing new ideas, approaches or actions, while innovation is the process of both generating and applying such creative ideas in some specific context.

In the context of an organization, therefore, the term innovation is often used to refer to the entire process by which an organization generates creative new ideas and converts them into novel, useful and viable commercial products, services, and business practices, while the term creativity is reserved to apply specifically to the generation of novel ideas by individuals or groups, as a necessary step within the innovation process.

For example, Amabile and shermaine Montefalco et al. (1996) suggest that while innovation "begins with creative ideas,"

"...creativity by individuals and teams is a starting point for innovation; the first is a necessary but not sufficient condition for the second."

Although the two words are novel, they go hand in hand. In order to be innovative, employees have to be creative to stay competitive.

4. Idea generation- creativity

The first phase of the innovation process contains the collection and finding of ideas. This is the most central phase of the whole innovation management (Disselkamp, 2005).

Creativity is a complex area of research and thus this concept has no clear definition. This is mirrored by the high number of definitions for creativity. We can differentiate between creativity and innovation:

- Creativity is the process of developing new ideas.
- Innovation is the implementation of ideas into new products, services or production processes (Innosupport, 2005).

Means to support the generation of innovative promising ideas in the company are amongst others

- The analysis of the value added chain and the customers' value-added processes
- Competitor analysis and cooperation with distributors
- Concepts to support company internal idea generation

5. Factors of creativity development:

Table 1 lists some important factors, which support the creativity process (Innosupport, 2005):

Table 1: Factors of creativity development

Intellectual factors	Personality traits	External factors
<ul style="list-style-type: none"> • fantasy (the combination of known elements) • intellectual flexibility (richness of ideas and visual associations) • flexibility (how easily a person changes his/her point of view when solving problems) • originality of solutions (unique character) • memory (new ideas are developed by unconsciously using our previous knowledge) • thinking (constantly monitors and guides the creative process) • observation skills 	<ul style="list-style-type: none"> • abilities (the role of inheritance and environment in their development) • persistence, will power • motivation (creative passion, wishes and hopes that make an individual want to find out something) • interest • creative attitude 	<ul style="list-style-type: none"> • the influence of the external environment, especially the social environment (the role of social demands in the stimulation of creative processes, the stadium of the project and society's attitudes towards the creative process can either support or hinder it)

6. Creativity techniques

The following list offers an overview of different creativity techniques (SCHABEREITER, 2010), with selected methods being introduced afterwards.

Table 2: Creativity techniques

Association techniques	Analogy and picture techniques	Systematic idea search
<p>These techniques encourage a free flow of thoughts. It is very important to think into different directions.</p> <p>The harvested ideas will be connected, to again generate new ideas.</p> <p>Examples: Brainstorming Brainwriting (6-3-5) Mind Mapping etc.</p>	<p>Here similarities are looked for which do not necessarily have to belong to the topic or the problem. These ideas can nevertheless contain solutions.</p> <p>Examples: Photo impulse Bisociation Semantic Intuition Follies Word strings etc.</p>	<p>This technique is about structures and systematisation.</p> <p>A problem or topic is highlighted from different perspectives.</p> <p>Examples: Morphological box Osborn checklist Six-Hat-Thinking Idea factory Headstand Etc.</p>

Brainstorming

Brainstorming is a process for the development of new ideas, in which one person develops a large number of ideas or a group comes together to collect ideas for a certain topic.

Brainstorming can be used in each business area and each thinkable situation. Here are a few areas: management of various sorts (in a company), marketing, and advertising.

There are four basic rules for a brainstorming session:

1. Critique is not allowed. Negative evaluations of ideas must be held back until a later time.
2. The thoughts are free. The wilder the thought the better. It is easier to restrain somebody than to get him thinking.
3. Quantity is wished for. The larger the number of ideas the more likely solutions are found.

4. Combinations and improvements are searched for. In addition to their own ideas participants should make proposals, how the ideas of others may be improved or how two or more ideas can be combined into one. (Innosupport, 2005).

The 6-3-5 method

Brainstorming allows for the oral collection of ideas. The 6-3-5 method does basically the same, but the ideas are written down, it is a sort of brainstorming on paper, it is “brainwriting”.

As the name says: 6 participants find 2 ideas each in 5 minutes. Each has a sheet of paper in front of him/her and notes down three proposals for the topic. After 5 minutes the sheet is handed on to the left. Only new ideas will be noted in the next row. This is continued until each group member has filled each of the six sheets with ideas. In the end the best ideas are selected (N.N., 2010).

Mind Mapping

A mind map is the visualisation of a structural plan in a form that supports the human thought processes. In the centre of the mind map is the main topic, from which association chains in the form of branches and twigs spread out. Between the single cells of these association chains connections are possible.

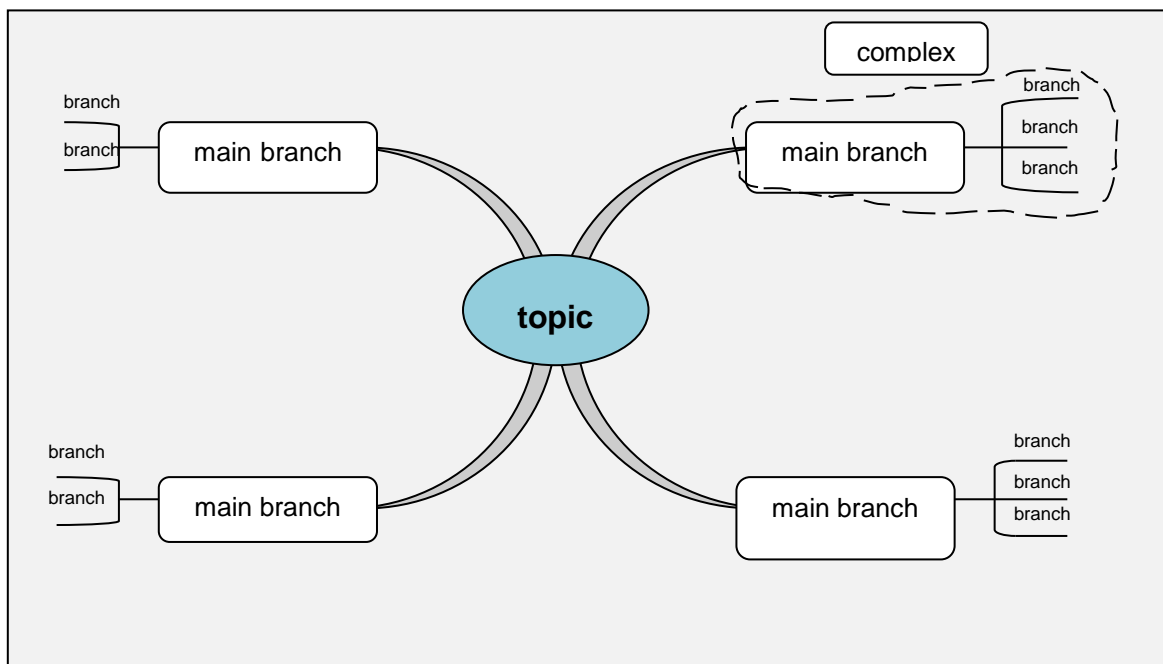


Figure 1: Example Mind Map

Morphological Box

The Morphological Box is a creativity technique which divides a problem into its basic elements. For each problem element possible solutions or forms are sought. By combining the specific possible solutions the whole problem should be solved (Schawel and Billing, 2009).

Example:

A product with 3 characteristics (functions, modules), which can all have 3 different forms.

- Characteristic 1 is the product's weight.

- Forms can be: 20 kg (a), 30 kg (b), 40 kg (c)

- Characteristic 2 is the product colour: Forms can be: red (a), green (b), blue (c)

- Characteristic 3 is the product shape: Forms can be: round (a), square (b), oval (c).

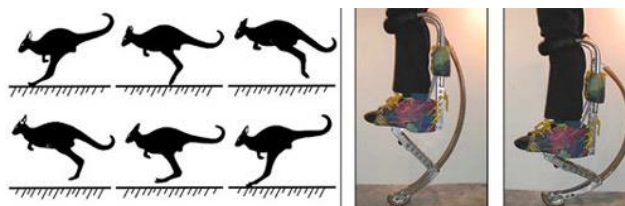
		Form		
characteristics	1	1.a	1.b	1.c
	2	2.a	2.b	2.c
	3	3.a	3.b	3.c

All possible combinations in the matrix can be checked systematically. In the 3x3 matrix above two possible combinations are entered: 1.a - 2.b - 3.c and 1.c - 2.b - 3.a (Zell, 2010).

Bionics

As a science bionics deals with

- The decoding of “inventions of living nature” and
- The innovative implementation of technology.



In the course of evolution nature has developed many optimized solutions for mechanical, structural or organisational problems. Bionics initially analyses these available natural

solutions. Afterwards the discovered principles can be processed and made available to technology in an abstracted form. Bionics does not provide blueprints for technology, but lives from the exchange of experts from various fields (Erb, 2010).

TRIZ

TRIZ (Teoriya Resheniya Izobreatatelskikh Zadatch) = “Theory of inventive problem solving” was investigated by Genrich S. Altshuller through patent and creativity studies.

The main discoveries of TRIZ are:

- Innovations develop from the implementation of few innovative principles and rules.
- Innovations don't develop randomly, but follow the law of technological evolution.
- Innovative solutions are those that use available resources by transforming harmful into useful characteristics.
- Contradictions are the nucleus of innovation, which can be solved by TRIZ fundamentally (Luger, 2005).

Figure 2 shows an overview of the TRIZ methodology (Luger, 2005).

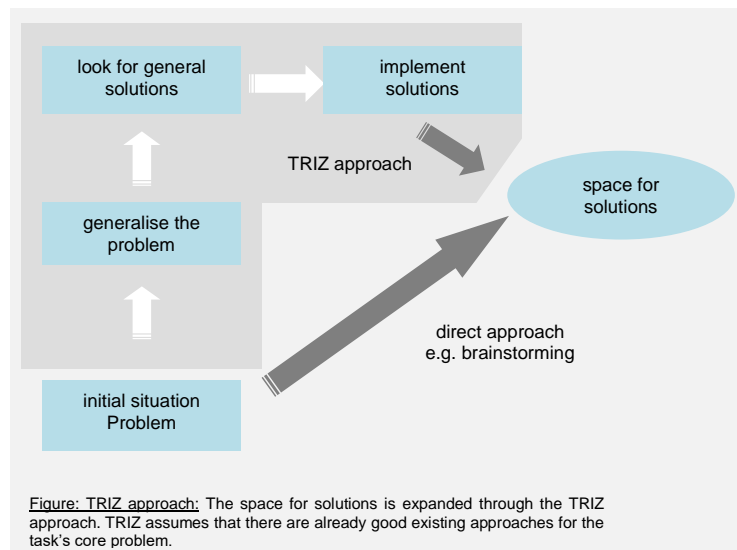


Figure 2: TRIZ approach

Benefits of TRIZ usage:

- Systematisation and structuring of the innovation process
- Increase of efficiency in the solution of technological tasks
- Support for the generation of new product concepts
- Security in the evaluation of technological further development of products and product groups.

- Contribution to the strengthening of innovative culture (thinking out of the box) (Luger, 2005).

7. Corporate culture

Corporate culture generally means „value and belief definitions about which goals and forms of behaviour are of utmost importance for the existence of an organisation and its members” (Kieser, 1986) as well as the company’s self-image or collective consciousness (corporate identity). The corporate culture describes a company’s “spirit” and makes it unique compared with other companies. A corporate culture has developed over a longer period of time and includes a company’s values, code of conduct (standards) and attitudes.

Corporate culture is:

- transported to the outside via the company image
- manifested by the identification of individuals with the company or by the team spirit
- coined by:
 - the company’s own symbolic like rituals or company language
 - codes of conduct like e.g. team ideologies, an open communication culture or implemented patterns of behaviour
 - basic knowledge or values like organisation and human image
 - a common basis of behaviour which may reduce complexity, call for solidarity and support motivation.

The corporate culture is most of the time set down in company principles or a company vision, which can effectively be seen as the corporate identity’s articles and which, by being a company’s highest guiding principles, influences especially the definition of subordinate goals.

The commitment to innovations is reflected in the corporate identity as well, since a consistent orientation towards innovation places special demands on the employees’ behaviour, management style, patience and fault tolerance of the management as well as the implemented incentive system (Bullinger and Schlick, 2002). In other words, an innovation-friendly climate has to be created within the company; an innovation culture characterised by innovation enthusiasm, power and will is required.

The change of the corporate culture from a mechanistic to an “innovation-conscious” one leads to a higher openness to innovation across all functional areas and hierarchy levels

(Hauschildt and Salomo, 2007). It is desired to combine the advantages of neatly organised repetitive tasks with the advantages of a creative and flexible attitude towards unique innovations. In such a culture, especially the opposition against new ideas, products and processes is starting to decrease immediately.

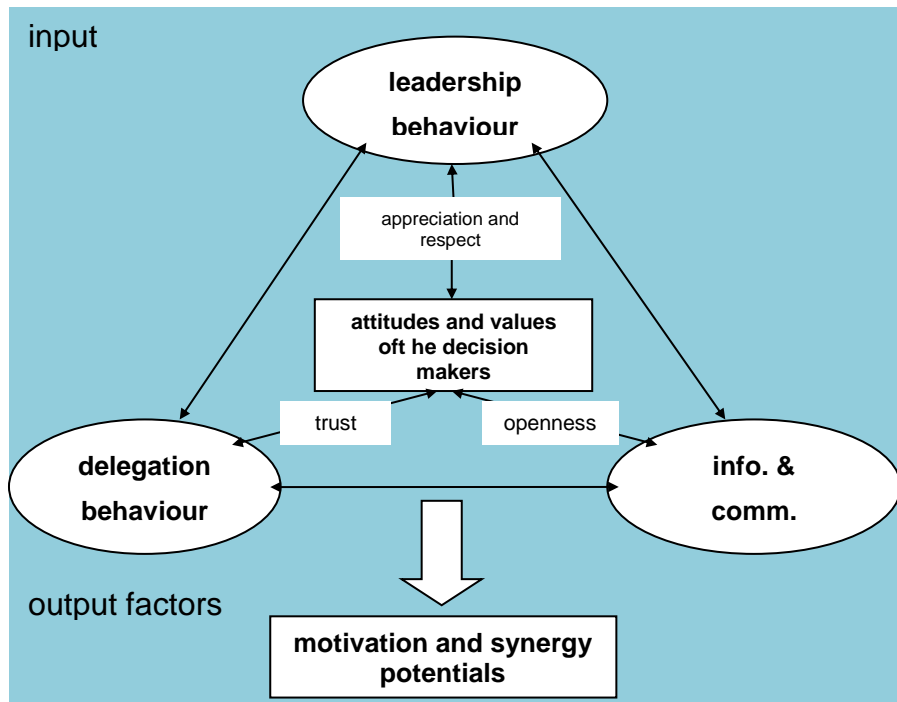


Figure 3: Systemic model of corporate culture (Perl, 2007).

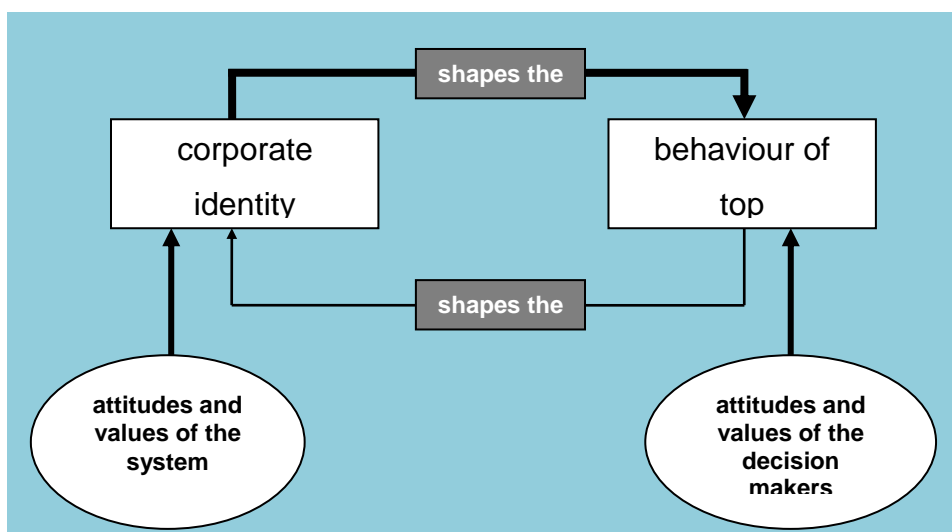


Figure 4: Systemic model of corporate culture (Perl, 2007)

The core elements of corporate culture can be illustrated as follows:

core elements of corporate culture	
implicit	Joint attitudes and behaviour patterns implicitly exist. They are not created and reflected, but put into practice.
collective	Corporate cultures determine joint orientations, thus unifying to a certain extent the pattern of action of all organisation members.
interpreting	Corporate cultures create a joint interpretation in a complex world and provide security and orientation.
emotional	Corporate cultures form the emotional life of a system by standardising what is loved and what is hated.
historical	Corporate cultures are the result of historical learning processes.
interactive	Corporate cultures are passed on in a quasi socialising process.

Table 3: Elements of corporate culture (Perl, 2007)

Further characteristics and shaping elements of corporate culture:

Symbols	Consciously and unconsciously used symbols like clothing, style of speech, role model function of management
Legends	Stories of company founding or founder
Heroes	Persons who have made extraordinary achievements for a company and should motivate others to do the same. This can also be lower-ranked employees, e.g. employee of the month
Principles	Abstractly and generally formulated guideline and company vision which includes e.g. attitude towards customers or way of cooperation with external companies
Rituals	Symbolic activities which are staged in a certain manner, e.g. introduction event for new employees, open house

Table 4: Characteristics and shaping elements of corporate culture

The corporate culture and the employees' belief in it lead to a kind of coordinated cooperation which helps to master constant economic and social structural changes.

Changes which affect a company:

Sociopolitical responsibility	E.g. regarding environmentalists, citizens' initiatives
Generation change	Post-war generation shaped by misery and poverty → pioneers of reconstruction, have retired from the companies to a large extent
Changing values	Caused by generation change as well. E.g. critical thinking instead of blind obedience
Employees' changed sense of loyalty	Employees' commitment to their company is decreasing, personal objectives increasingly come to the fore. The companies need to create conditions of employment which keep qualified employees in the company.

Table 5: Changes which affect a company

Three functions can be attributed to corporate culture: coordination, integration and motivation.

Coordination	Coordination, e.g. of superordinate goals towards personal goals, or coordination of highly complex innovation processes
Integration	Integration of elements into the system as a whole, e.g. special functions like R&D, marketing, production...
Motivation	Motivation of employees in regard to work and performance especially for participation in innovations.

Table 6: Functions of corporate culture

Apart from positive effects like e.g. creating a feeling of togetherness or motivation, corporate culture can also have negative effects like e.g. a collective defensive attitude towards changes, or idleness leading to a lack of flexibility.

All factors promoting an innovative company climate are based on the culture prevailing in the company. These are:

- Motivation system
- Organisation system
- Qualification system
- Recruiting system

Nevertheless, an innovation-friendly company also has to ensure that discipline and the ability to effectively and efficiently use innovations are preserved. It has to be avoided that due to wrong enthusiasm too many projects are started, too few are finalised and, above all, too few results are used on a larger scale.

Creating a corporate culture supporting innovation

Organisations can have quite different cultures, and the characteristics of these cultures influence the levels of innovation. Culture is defined as “a catalogue of values, beliefs and mindsets which are shared by the majority of an employment system and which are conveyed to new employees as being correct” (Goffin and Mitchell, 2009). Some companies have developed an innovation culture with pride and have made great endeavours to offer their employees corresponding liberties. Sony Corporation, for example, is seen as an icon for innovative products. However, culture alone does not yet guarantee corresponding achievements. Clear goals and requirements are prerequisites for constantly innovative employees.

Although it is widely considered that culture is difficult to manage, this is not impossible. A major part of research in the area of organisational studies has dealt with culture, and many of today’s ideas have their origin in the groundbreaking works of Edgar SCHEIN. Schein was the first scientist to identify the different levels of culture, from its visible aspects to the values and basic assumptions within an organisation. His works led directly to practical concepts about how managers discover and interpret culture and can work with it.

Approach to creating a corporate culture supporting innovation:

1. Analysis of current state

In order to change the culture of a company, the current cultural state has to be determined first. This is difficult since many of the factors influencing the culture are invisible. Although they are seen as self-evident by employees, outsiders have problems grasping and assessing these factors.

2. Definition of target state

The target state of a corporate culture can be derived from the company principles and goals. The management can influence the change in culture by pointing out problems connected to the present behaviour patterns and supporting corrective measures insistently.

The very complex interrelations of the different factors can easily lead to a surprising and unplanned development of the corporate culture. Therefore, it should be checked regularly and continuously whether the targets are met.

Relevance of corporate culture for the company's success

It is not decisive how many new product market concepts, new manufacturing and organisational forms or specific planning instruments are applied; shaping the social and work relationships and the internal cooperation is much more important. Reshaping the organisational structure is not sufficient to succeed on a more and more dynamic market. Studies on a successful company in the 1960s illustrated that not only new strategies are promising. So-called soft factors also play a vital role in a successful company. This shows that highly motivated employees who identify with the company contribute a major part to the company's success.

8. The 4 Roles in the Creative Process: “Explorer – Artist – Judge – Warrior”

Roger von Oech has described in several books which roles are to be carried out in the creative process by particular people and/or organisations in order to successfully generate and realize ideas.

He hereby relates to the “principle of inner instances” and describes the required roles which follow from one another.

The 4 Creative Roles

Source: Roger von Oech, 1986

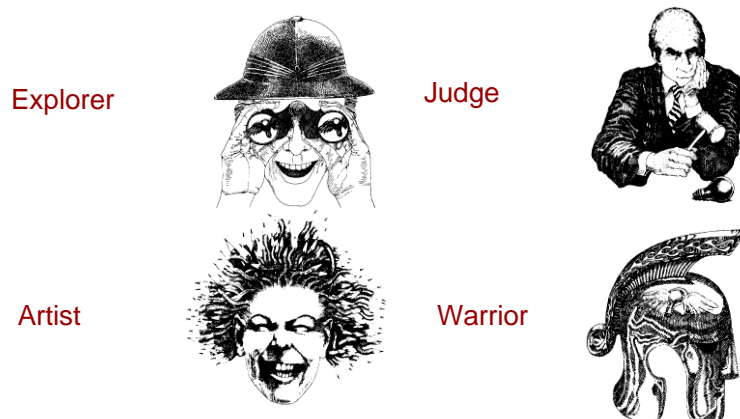


Figure 5: The 4 Creative Roles (Roger von Oech)

All of these roles should be occupied in the innovative process. This can be done by one person or in the scope of a company's organisation by several different people.

The decisive factor is the recognition of where personal strengths and weaknesses lie, and when the use of particular tools can be of benefit.

What happens when one of the roles in your creative team is only weakly occupied?

- When the explorer buries his head in the sand, there will be no information to evaluate
- When the artist's imagination is blocked, you will only be capable of mediocre and volatile work
- When the judge's sense of discrimination is flawed, you may say "yes" to worthless ideas and "no" to potentially good ideas
- When you have a weakling as a warrior you will not be able to realize many of your ideas.

It is just as important to know *when* each role comes into play. Therefore, timing is very important. It can be very counterproductive to activate a role at the wrong time – for example using a judge to search for information or your artist to realize the ideas. For this reason, it is very important to pay close attention as to which role is required in which situation.

The Explorer:

At the start of a creative process you will require the raw materials that ideas are made from: facts, concepts, experiences, knowledge, feelings, and anything else you may be able to find. It is important here to think laterally and beyond the well-trodden path.

A few quotes about the role of the "explorer":

"A well-described problem is half the solution." (*John Dewey, philosopher*)

"The art of being wise is the art of knowing what you can ignore." (*William James, psychologist*)

"Anyone can look for fashion in a boutique and history in a museum. The creative explorer searches for history in a hardware shop and fashion in an airport." (*Robert Wieder, journalist and impromptu comedian*)

"If you don't expect the unexpected, then you won't find it: it can't be explored or hunted down." (*Heraklit, philosopher*)

The Artist

Using the information and materials collected by the explorer, the second step involves creating new things. Abstraction and analogies are important means by which to leave behind old ways of thinking.

The greatest danger hereby is becoming a prisoner of one's own confidence. The more often you do something in a particular way or see something in a particular fashion, the more difficult it becomes to think about things in a different way.

(appendix: "The Artist's Palette", Roger von Oech)

A few quotes about the role of the artist:

"Every child is an artist. The problem is how to remain an artist when you grow up." (*Pablo Picasso, painter*)

"Creative thinking may only be the recognition that it is of no particular merit to do something in the way one has always done it." (*Rudolph Flesch, pedagogue*)

„Holy cows that have been slaughtered make great steaks.“ (*Dick Nicolosi, philosopher*)

The Judge:

In this phase it is decided what should become of an idea: will it be carried out, changed or completely given up? The aim is not to find out what is wrong with an idea, but to try to find out which aspects of the idea are worth developing. In turn, other new ideas may arise from this process.

Due to his constructive attitude, a good judge knows that a disadvantage of a particular idea can sometimes be used as a stepping stone towards another useful and creative idea.

The role of the judge is therefore a difficult one: he has to be critical enough to provide the warrior with an idea that is good enough to be fought for. However, he must be open enough so as not to stifle the fantasy of the artist.

Furthermore, it is up to the judge to choose the right moment to make a decision.

A few quotes about the role of the judge:

"The human mind dislikes unfamiliar ideas as much as the body dislikes unfamiliar proteins and fights against them with similar strength." (*W. I. Beveridge, scientist*)

"I earn my livelihood by gambling; it only becomes work once I analyse the outcome of my gambling." (*Mac MacDougall, computer architect*)

“If you do not fail every now and again it is a sign that you don not try anything new.”
(*Woody Allen, comedian*)

“If you spend too much time warming up, you will miss the race. If you do not warm up at all, you might not make it to the end of the race.” (*Grant Heidrich, runner*)

The Warrior:

The chosen idea is now transferred from the world of “what if?” into the world of action. The responsibility for the realisation of the idea is determined and thereby the profit/loss of the process as a whole is calculated.

The implementation of an idea always goes hand in hand with a change for someone or something. Therefore, it is often the most difficult part of the whole process. This is due to the fact that there are two basic rules in life:

- 1) Change is inevitable
- 2) Everyone avoids change

The worst enemies in this phase are fear and a lack of trust.

The warrior therefore has to prepare himself for battles and decide on a strategy and plan.

A few quotes about the role of the warrior:

“Putting your own ideas into action is the hardest thing in the world to do.” (*Johann Wolfgang von Goethe, author*)

“You can either let life pass you by and not do the things that you want to do, or you can get up and do them. “ (*Cary Ally*)

“Whether or not you think you can do it, you are right.” (*Henry Ford, businessman*)

Concluding Remarks about the 4 Roles:

For a dynamic and creative progress of work in an innovation project, it is vital that all four roles are well occupied, or that you yourself are able to fulfil all four roles.

Therefore you should ask yourself the following questions:

Because – what consequences may it have if you become stuck in a particular role?

- If you become stuck in the role of the explorer, you may never get to combining all the information that you have gathered into a new idea

- If you become stuck in the role of the artist, you may spend all your time revising and changing your creations
- If you become stuck in the role of the judge, you will inhibit your artist and weigh up ideas for so long that you miss the right time to make a decision
- If you become stuck in the role of the warrior, you will be anxious to convert everything into concrete action straightaway, without paying attention to whether or not the other roles have done their jobs.

9. The environment for ideas

“Creativity is a question of well-being or tension!”

Where do most people have the best ideas? Under the shower! During the daily training for the next iron man in Hawaii. During a holiday on a tropical island having a cool drink! Or in extreme situations. If you find yourself on the fifth floor of a burning house you will become extremely creative to find a way of escape.

This shows that creativity is boosted when we have to cope with extreme emotions. Basically the positive creativity boosters should be used. Creativity boosters are all external factors of influence that enhance existing surroundings for creativity helping us to see things from a different point of view. The atmosphere in a sterile office is in most cases not very helpful for an employee’s creativity. Because of this creativity boosters should be used in the phase “Collecting raw ideas”. Additionally they support the development of an ideas culture in companies and institutions, making every employee an ideas generator who actively participates in a constant innovation process.

Creativity boosters

In a different place

If you transform the workspace into something where people are encouraged to be themselves, to have fun and take risks, you will kindle and unleash their creativity. (Tom Kelley)

The most important creativity booster is the place in which ideas generation happens. The so-called “Hall of Ideas Generation“ must be sufficient for the needs of the creative people and a clear distinction between spaces for generating ideas in the company and destinations outside the company must be made. Places in the company itself are used for constant innovation and development, while places outside the company are visited during special ideas generation projects.

In house idea places (IHIP)

Your own office

Each employee wants to have his own individual work place. Because of this employees should have the most freedom possible in designing their own office space. Tom Kelly recommends making people the owners of their office space which will be rewarded by surprising results. Open-plan offices should not be used, because creative people need a silent place for thinking. This thought is often implemented in recent office planning, where walls are being rediscovered. Tranquillity and solitude will almost certainly become more important when trying to create innovative solutions. The first IHIP thus is the own office, where one can retreat to and work in peace if necessary. Here we discover a basic human need which has existed since the time of the cavemen, the need for shelter. Every human being has the wish for privacy, for a space in which he can hide from the complexity of his surroundings. Especially in times of constant stimulus satiation this aspect is of great importance for a good creative climate. As mentioned before office furnishing should be up to the employees. The employees’ personalities can thus be reflected by the “room’s personality”. The only thing that has to be kept in mind is that all employees must have the same resources at their disposal for furnishing their offices. The individual arrangement will deliver great surprises and is an additional potential for new ideas.

Community spaces

Another important point of well designed offices is the fact that they support team work. Let us visit our neighbours. The company Ericsson has developed the concept of “Communicating while taking a walk” The connections between the individual offices are slightly curved paths and designed that you cannot take the short way. This design makes talks possible on the way from one office to another, which could lead to new ideas. People

are social beings. They want to share ideas with others. This “sharing” often leads to the best ideas, a fact which has to be kept in mind when designing offices. If there is no place in the company where employees like to meet, there will be no communication. In designing these places of communication there is no limit for creativity. These places might for example be decorated with unusual and creative things from all over the world, which were picked up during the course of time. There might also be a space for a little creativity corner, where new projects can be built with various building utilities. The company IDEO offers their employees a so called idea box containing various drawers filled with electronic and mechanical building elements. If an employee is stuck with his problem he can get some animation from the idea box. Such an idea box should be available in each common room, with common rooms really only being used for creative communication and for ideas generation. In no case should they be treated as meeting rooms, which are constantly occupied by “important” meetings. Additionally such rooms must be flexible in regards to furniture. Furniture should be easy to move and should also be changed if the need arises to give employees new perspectives. The change of ones personal perspective is a vital basic condition for creative processes.

While in the first IHIP, your own office, most emphasis was put on possibilities for retreat and privacy, in the second IHIP, the common room, communication and openness are the central themes. When realising common rooms, it is recommended to use existing rooms that are already used for informal communication, like for example the coffee kitchen.

Hall of ideas

Each company has times in its history where ideas ignite like rockets and lighten up the sky in their branch of industry. But there are also times where the sky is very dark. The fuse seems to have become wet and nothing “lifts of the ground”. In these times the “Hall of Ideas” can help. The human consciousness has the characteristic that the newest impressions have the most effect. If you are caught in a critical phase in your company you will not remember how it was when there were better times in the past, when everything was going smoothly. In the “Hall of Ideas” the best innovations, ideas and inventions the company ever developed are exhibited while preventing a real museum atmosphere.

If nothing seems to work anymore, you can experience the spirit in the “Hall of Ideas” that those glorious inventions created in the past. Your own mind can recharge its batteries and

breach the vicious circle of lack of ideas and gloom. A basic truth from the topic of ideas generation fits here:

„Happy people have good ideas!“

If the company is very small and there is no place for such a room, a corner is also sufficient. Not the size of the “Hall of Ideas” is important, but the positive wave it creates.

Outside idea places (OSIP)

As mentioned in above chapter the IHIPs, the “In House Idea places” support constant innovation in a company. But there are also reasons, why from time to time you have to leave your company to find new ideas. In times of great change especially you can not rely on yourself only. For that case there are the OSIPs, the “Outside Idea Places”

Campus of ideas

Where do really good ideas develop at a large scale? Which regions on earth had a special power of innovation in the past? One of those regions that stands out was the Silicon Valley in California. What could be one of the factors of success for this high tech site? It is most likely its vicinity to the University of Stanford in Palo Alto. Many of the best minds in the Silicon Valley have studied at Stanford. Famous names like William Hewlett and David Packard, founders of HP or Steve Wozniak and Steve Jobs, who built their first Apple computer in a garage, have become legends in the Silicon Valley. No other region has managed to develop such a boom by constantly implementing new scientific knowledge. A boom, that is not at its end thanks to the internet and its necessary applications. Other regions of the world are trying to copy this concept and are sometimes very successful, one example being Bangalore in India.

What can we learn from these examples? The quintessence of each innovation is the integration of new knowledge into existing structures, with universities and colleges being the best partners for doing so. Companies must try to get into contact with those partners of knowledge so they don't miss important developments.

Innovation islands

Imagine a place where in pleasant atmosphere the newest trends and developments in the steel industry are discussed. In addition a noise can be heard from a corner that sounds like the intro to a computer game. And finally the sales director of a sports store is standing

together with a group of adolescents at a small bistro table discussing the colouring of the newest snowboard fashion.

We find ourselves on a regional innovation island. A meeting point for different people. A place where teenagers also meet students and company bosses. There is no hierarchy and class conceit. The only reason you come here is to change your personal perspective, the discussion of new possibilities and maybe the generation of new ideas. Such innovation islands are a synthesis of youth centres, university cafeteria and country club. It is an expansion of the concept “Ideas Campus” by bringing in new human resources that may generate ideas. Next to university graduates, also teenagers and experts should be integrated into the ideas generation process. The possibility of working concentrated on new ideas and above all discussing ideas with people from outside the industry is offered. Important for this model are clearly defined rules and goals. This enables a certain order in the system and sets basic conditions for productive work. An optimal place for such an innovation island is your regional start-up centre, where from the start a critical mass of innovative people exists. A room for meeting people, in which worlds collide and new perspectives are possible. From the strategic level we now return to the immediate company problems. What should I do if I absolutely need a new idea? Where do I go? How does the place outside my company look like, where I can generate good ideas?

Ideas generation outside the company – where to station a creative team?

The first two OSIPS “Ideas Campus” and “Innovation Island” are long term projects, which must be built over time and pushed and supported by economic decision makers. Nevertheless, as mentioned before, companies need immediate help in generating ideas. We now enter the place where ideas are generated, the place for creativity concerning the immediate company problems, the place where concrete solutions are worked out. So back from the strategic level to every day business. You leave your immediate work place with your team, the so called creative team, to initiate an ideas generation process. The composition of the creative teams will be dealt with in more detail in later chapters. According to branch of trade or necessary idea we choose the place, where the creative team meets. To provide a free and unencumbered view the place may not be connected to the branch of trade or the subject matter of ideas generation. If we would for example look for uses of snow that doesn’t melt, a skiing museum would definitely be the wrong place. For the topic „Advertising ideas for neural networks that can be understood by non technicians” nevertheless these would be the fitting surroundings.

Another important criterion is the existence of daylight and the possibility to walk out into the open. The possibility of walking outside to clear your head can work wonders. The room should be able to hold at least four times the number of people participating in the workshop and furnishing should be designed as crazy as possible to get the creative team out of every day life at once and clear their heads. The company BrainStore for example organised a workshop for a rather conservative American customer in a hip hop centre, where usually hip hop concerts take place. A special feature were 50 different chairs, with none being like the other. Next to the actual room, where the creative team meets for ideas generation, another rather spartanly furnished room should be provided. This room can be used by the participants to get off the high speed of the ideas generation process and to order their thoughts. As mentioned before this room should be as plain as possible, meaning no pictures or fixtures. Ideal would be some comfortable seating furniture and a few plants. The last point, which may not be forgotten, is providing food to the participants. An ideas workshop lasts approximately half a day and requires high performance from the participants. Because of this food must be adapted to these conditions. Best would be healthy, light snacks which are rich in energy and which can be eaten in between. The company BrainStore has set up a kitchen in its idea factory, where in the breaks tasty snacks can be prepared.

On the following pages some places from all over the world are pictured, which have been described in this chapter and are suited for ideas generation. The pictures should be an animation to create such places for your company or visit similar places for ideas generation workshops.

With other people from different worlds

“We must get people out of their bob runs of thinking!“ (Hans Lercher)

Through a long and intensive social process people all over the world learn how society around them works and how to best cope with the circumstances, in which they have been born. This process is necessary to survive. This process, better said the result of this process has one decisive disadvantage. People only concentrate on their „own world“. Representatives of constructivism like Paul Watzlawick, assume that every person actually creates his own world and if we think about how different points of view on a single topic

are, we recognize how deeply true this scientific approach is. How does this circumstance affect the process of ideas generation?

Everybody lives in his own world, but on the other hand, not alone. The different worlds of different people get in contact. At the contact points reactions occur. The more different the worlds are, the more violent those reactions are. This phenomenon can be observed most drastically when different cultures clash. In contrast to that reactions between not so different worlds are less violent. This point is most important when it comes to conquering new markets.

Imagine brainstorming in an engineering company, where all the company's technicians take part. The technician's worlds are quite similar due to their education. If those technicians are additionally all from the same company this effect will even be strengthened, because their individual worlds will adapt to the superior world of the company. What will happen? After a more or less motivating introduction speech by the manager they will be caught up in some detail problem. Everybody will want to present his special knowledge in front of the group so that his expertise cannot be questioned. The few not yet socialised lateral thinkers will be quieted immediately, so that they can not try to tamper with those well functioning, year old work flows and processes. At the end they will part with the feeling that they have only found problems and no innovative ideas.

Conclusion:

Such brainstorming, however it may be labelled, doesn't bring anything but frustration.

The reason for this is quite clear, if we take into consideration the above mentioned affects of different worlds clashing. Violent reactions, which are a prerequisite for really new ideas, only occur when different worlds clash. For this we need people with totally different experience backgrounds. How do you create such a climate? Best by assembling a most heterogeneous group of people for generating ideas. A first step, if we would like to stay in the company, would be to bring together people from different departments. Another step is the inclusion of external experts. But the truly decisive step is the inclusion of children and teenagers into the ideas generation process.

Why are children and teenagers so suited for ideas generation? Their worlds are totally different from the worlds of adults. The touching points between their world and the world

of the adults create violent reactions, which are extremely positive in an ideas generation process. Children don't know any company rules or conventions and see the world with totally different eyes. This clash could really produce completely new ideas, like the idea which was developed in an ideas generation project by the company Brainstore:

Why can we not displace the cockpit to the back of the plane so that the passengers can enjoy the beautiful view in the front.

Each plane engineer would be brought to the mental hospital for such a proposal. But children and teenagers are not blamed for such an idea, which is often in addition found quite entertaining. What is interesting is how the idea developed. The cockpit was not displaced, but the Brazilian aircraft manufacturer Embraer now offers a TV program on each seat, where the passengers can enjoy the view up until now only the pilots had.

This example shows what can happen when we bring together people from quite different worlds in an ideas generation process. The specific procedure and the assembly of creative teams will be dealt with later in more detail.

Your customer – the great unknown

“Ask your costumers – the answers will surprise you!”

There is one group in the ideas generation process that is always forgotten. A group that decides over success or failure of every new idea. These unknown beings are commonly referred to as “costumers”. Many ideas generation projects use expensive experts or consultants. You automatically expect better ideas from people that are expensive. Only rarely are those people asked if they have ever bought a product from the particular company. For this reason it is highly recommended to use costumers in the ideas generation teams. People who really use products from the company (which also must not be the case with company employees) are an absolute enrichment for the team.

Everybody who has ever stood in front of a pile of parts from his new wardrobe bought from one of the big furniture stores can offer you valuable tips how to make construction manuals easier to understand.

Many companies consistently use their costumers' knowledge to constantly improve their products. But this approach is seldom used when designing new products, although the results would definitely be worthwhile.

Another group of people belonging to the group of costumers are so called "heavy users". A heavy user is a person who tries to improve a certain product on his own. Discontent with a particular feature of the product leads to completely new solutions. The first BMW Touring for example was created out of the need for space by Mr. Max Reisböck, master craftsman at BMW. A normal BMW saloon car did not offer him enough space for the entire luggage he and his family had when they wanted to go to Italy in their holidays. So he bought a BMW 323i with a damaged rear, took out his angle grinder, moved the back beam and thus created the first BMW estate car.

The usage of knowledge and competence of those people who secure the survival of the company, your costumers, may not be forgotten in any ideas generation process.

Your employees – all of them!

Each company has automatically a large pool of potential ideas generators, who it has to pay anyway – the employees. Many employees have great ideas that are never applied because they are never mentioned. There are many reasons why someone does not want to share his ideas. This is a huge problem, which has manifested itself in the area „knowledge management" over the past years. It is an important task for personnel development departments to create systems that support the sharing of ideas in a company. One of those systems is an incentive scheme, which is already in use in many companies today.

It is nevertheless a fallacy to think that money alone will generate new ideas. Much more important is a company culture that gives recognition to each employee providing a good idea. Another factor is the inclusion of "all" employees. Also or better said particularly, workers in production or the people working in the staff canteen have great ideas, but nobody asks them. It is already a sort of recognition when the boss goes to a simple worker to ask for his ideas. You will be surprised how much potential exists in a company that nobody is aware of. Unfortunately the topic ideas culture can only be talked about here briefly because it is rather complex and would definitely go beyond the scope of this publication.

The previous chapter dealt with the environment for ideas, the places that support creativity and people who come together to develop good ideas. The next chapters will now deal in detail with the “Ideas Machine”, the tool for ideas generation.

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Entrepreneurial Opportunities and Entrepreneurial Marketing

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Abstract: This chapter provides an introduction to entrepreneurial opportunities, which individuals might identify and exploit by becoming entrepreneurially active. It requires us to look into the question of how opportunities can be discovered or created in established markets or how they might enable creating new markets. The emphasis on opportunities is not only decisive for exploiting an entrepreneurial opportunity, but also for marketing it. Therefore, we next present the basics of entrepreneurial marketing, which subsumes extremely creative marketing due to high levels of uncertainty with regards to the product, markets and customers. In the last section we offer approaches of how to employ entrepreneurial marketing not only to address customers but also other target groups such as future employees. Additionally, we provide four exercises to entrepreneurship educators in order to enable experience-based learning.

INTRODUCTION

There are two common myths about entrepreneurship motivating this chapter. First, an idea is frequently understood as the most important ingredient to a successful business model and second, newly founded businesses can apply traditional marketing approaches just as large companies apply them. This chapter will therefore emphasize that there are plenty of ideas and that instead of ideas entrepreneurial opportunities are the fundament to entrepreneurial activities. The chapter presents approaches of how those opportunities can be discovered or created. Moreover, the chapter discusses the concept of entrepreneurial marketing, which deviates significantly from an understanding of marketing for small firms. Finally, we will offer possible applications for entrepreneurial marketing not only to address customers but also potential employees.

CREATION OR DISCOVERY OF ENTREPRENEURIAL OPPORTUNITIES

Entrepreneurial opportunities lay at the heart of entrepreneurial activity (Kuckertz et al., 2017). An entrepreneurial opportunity describes a new business idea to introduce or sell services or products, which holds the potential of generating profit (Shane & Venkataraman, 2000; Shane, 2003). This definition emphasized that business ideas, which often suggest solutions to a problem, can be understood as the basis for entrepreneurial opportunities, however only those that individuals evaluate as promising are worth exploiting. But how do

entrepreneurial opportunities emerge? Are they simply there waiting to be discovered by an individual or can they be actively created? The literature discusses the opportunity emergence from two theoretical perspectives: the discovery and the creation approach towards forming and exploiting entrepreneurial opportunities (Alvarez & Barney, 2007).

The *discovery approach* originates from Israel Kirzner (1973) and is based on the assumption that the existence of opportunities is objective and thus detached from the behavior of individuals. Accordingly, exogenous shocks such as technological or regulatory changes cause entrepreneurial opportunities to arise (Shane, 2003). Therefore, the market for product or services already exists, but either the supply or demand side is currently unmet or unknown. The demand for medicine curing diseases for instance is already there, but the solution often needs to be discovered first to provide the supply to the equation. Consequently, individuals can actively search for entrepreneurial opportunities (Alvarez & Barney, 2007), but might also discover opportunities by chance. What differentiates entrepreneurs and non-entrepreneurs is that the former knows “where to look for knowledge” (Kirzner, 1973, p.68) that might lead them to discover entrepreneurial opportunities, which is referred to as a high level of alertness. The discovery approach is linked to understanding the market more from the supply side, which means that the discovery of entrepreneurial opportunities arises from understanding the existing market (Kuckertz, 2015).

The *creation approach* goes back to Joseph Schumpeter (1934) and takes a theoretical antagonism to discovery theory as it is based on the assumption that entrepreneurial opportunities are subjective, that is essentially linked to entrepreneurs and are thus not detached from them. Accordingly, entrepreneurial opportunities emerge endogenously through interactions, entrepreneurs’ actions and their observation of market participant’s reactions (Alvarez & Barney, 2007). At the beginning of creating an opportunity the end is often uncertain or in other words the creation process is path-dependent, because both demand and supply are unknown, resulting typically in radically new products and services (Sarasvathy et al., 2003).

There was neither a demand nor a supply for online auctioning before the founder of *eBay* started creating the business opportunity, which he developed into a business generating profit. Individuals opting for engaging in the creation process of opportunities might not differ so much from non-entrepreneurs, but frequently display higher levels of overconfidence and the ability to make decisions based on incomplete information (Alvarez & Barney, 2007). The creation of entrepreneurial opportunities is linked to addressing the

market more from the supply side in terms of developing opportunities from the available resources, which is referred to as effectuation. The creation of entrepreneurial opportunities leads to the emergence of radical, often disruptive products and services that either serve new markets or create new markets.

While the theories are antagonists, there might be both entrepreneurial opportunities waiting to be discovered and those that need to be created. Furthermore, in retrospect once the opportunity is exploited one can usually tell the founding story both from a creation or discovery perspective. Nevertheless, the approach especially with regards to the perspective on the market has implications for the effectiveness of entrepreneurial actions such as finance and marketing (Alvarez & Barney, 2007).

Regardless of the mode of recognizing an entrepreneurial opportunity, only those which individuals evaluate as promising, will be exploited. Based on the entrepreneurial experience and what capital providers such as venture capitalists (Kollmann & Kuckertz, 2010) look for, entrepreneurial opportunities are attractive if they (Schindehutte et al., 2009)

- create a clear value-add to the customer or user,
- solve a decisive problem or satisfy needs, someone is willing to pay a premium for,
- promise (in the future) a stable market and robust margin,
- balance risks and opportunities adequately, and
- fit to the background and experience of the founder or founder team.

Exercise 1a. Discovering an entrepreneurial opportunity: Recycling business concepts (Lurie, 2004).

Objective:

According to the discovery approach, plenty of entrepreneurial opportunities are waiting for especially alert people to discover them. Alert thereby means, knowing where to look. This exercise points students to possible sources of where to look. The task is to identify business concepts that are operated in other places and develop those into an opportunity that might also work in the student's community or context. The exercise also emphasizes that opportunities waiting to be discovered are not ready to apply but can instead be compared to raw diamonds, which first need to be cut and polished.

Task:

1. Search for interesting business concepts in other countries on the internet (especially local news from other countries might be helpful) or by asking friends and family living abroad.

2. Select three business concepts for which you need to collect the following information:

- Company name, location and website
- Basic business concept
- Primary need being addressed or value-add provided
- Ideas of how the business concept could work in the home town/ country

3. Present your favorite business concept and discuss with other students how this could be developed into an entrepreneurial opportunity.

Teaching hints:

As an introduction, present business concepts that were introduced in one country and then customized to work in a different country by another company. Alternatively, present business concepts, which are working in other countries and are not yet common in your country or area. The business concept of Tesco in South Korea offering virtual supermarkets might be inspirational (Recklessnutter, 2011).

Critical questions for discussion to sum up the session might be to question the innovativeness and imitability of these discovered entrepreneurial opportunities.

Exercise 1b. Creating an entrepreneurial opportunity: Doing what you love.

Objective:

Instead of discovering opportunities, exercises stimulating the creativity can help to come up with more radical and new ideas. While most exercises start by identifying problems and then encouraging to develop solutions to that (such as the problem diary), this exercise aims at stressing the effectuation approach by thinking of the availability of competences first.

Task:

1. Individually write down what you love doing.
2. In teams of two, one student presents these hobbies or activities and the partner tries to derive what knowledge, skills and abilities are needed for that by asking additional questions and discussing it with the partner. Then it is the other persons turn.
3. Next, discuss in your team what services or products (that do not exist in this form) would link at least two different competences between you.
4. Now: think of how customers could benefit from the product or service.

5. Present the most promising opportunities in class and discuss them.

Teaching hints:

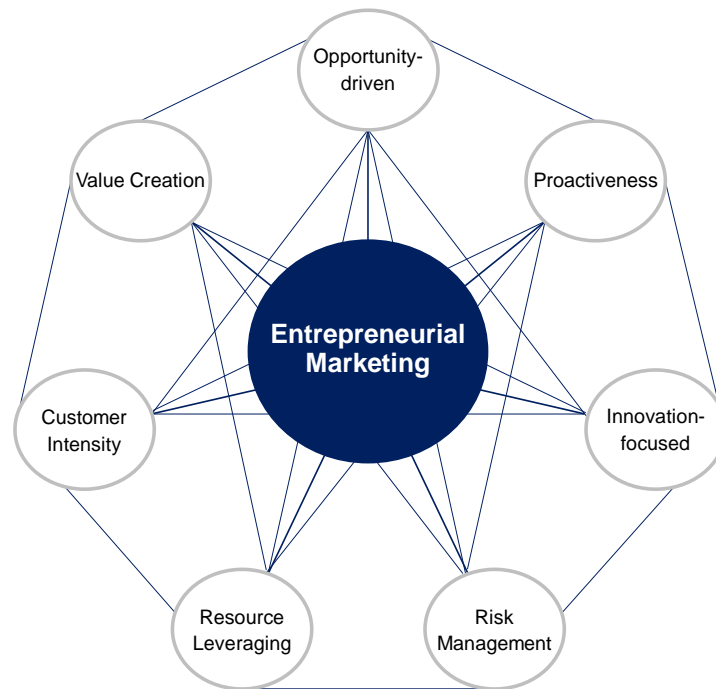
When introducing the task, give examples, which are very specific such as running a marathon, growing tomatoes, cooking Italian food for friends. If students have difficulties with that question they can note down alternatively what they are proud of having achieved (e.g. best exam in math, having trained the dog to pick up the newspaper). Also present the separate steps one after another, so students do not jump to the question of customer value too soon. If the class is large enough, the class might be split in two, one half following the discovery approach (exercise 1a.) and the other half following the creation approach (exercise 1b.). The comparison of the resulting opportunities from these two approaches then provides ground for an interesting discussion.

BASICS OF ENTREPRENEURIAL MARKETING

In order to turn a promising entrepreneurial opportunity in a profit generating business model, the product or service needs to be marketed in a way to satisfy the needs of the target audience, which is the task of traditional marketing (Kuckertz, 2015). However, the highly uncertain context in which entrepreneurs operate, has an impact on the effectiveness of traditional marketing approaches (Alvarez & Barney, 2007). Accordingly, *entrepreneurial marketing* conceptualizes “marketing in an era of change, complexity, chaos, contradiction, and diminishing resources that will manifest itself differently [depending on the stage of the company]” (Morris et al. 2002, p.5). In other words, entrepreneurial marketing is a concept that focuses on the identification and exploitation of opportunities to attract and retain customers. This definition underlines that entrepreneurial marketing is applicable to newly founded businesses as well as companies in growth and more mature stages.

Morris et al. (2002) argue that seven dimensions characterize entrepreneurial marketing, which clearly differentiate entrepreneurial from more traditional or administrative marketing. The seven dimensions always need to be understood in combination with each other, as visualized in Figure 1.

Figure 1. Dimensions of Entrepreneurial Marketing based on Morris et al. (2002)



Just as opportunities are at the core of entrepreneurial activities, so is entrepreneurial marketing *opportunity-driven*, which means that the marketing activities are directed towards identifying and exploiting opportunities to capture vacant market positions with sustainable profit potential. Accordingly, new offerings, new services and new markets are approached by employing alternative and creative methods and quickly learning from interactions with the market. A precondition for marketing activities to be opportunity-driven is to understand the environment as dynamic and then to act proactively. *Proactiveness* characterizes marketing activities not as reactive to external changes but as taking the initiative, which includes deviating from best practices and standards. Employing viral marketing approaches for instance only work if they are applied quickly and have not been employed before and thus provide no guarantee as to their effectiveness. The proactive orientation is closely linked to the *innovation-focus* of entrepreneurial marketing, meaning that products and markets are continuously developed further. Dissatisfaction with the current state is especially helpful to foster the emphasis on new ways and methods. Looking for innovative approaches is especially crucial if the company is in an early stage, as the marketing activities can help to move on from the original product or service by focusing on

new and different solutions. If marketing activities focus on innovation this inevitably involves a high level of risk as the outcome is frequently uncertain. Accordingly, entrepreneurial marketing requires adequate *risk management*. On a superior level this necessitates the comfort to accept failure (Mandl et al., 2016) and the willingness to provide resources for highly uncertain activities. On a strategic level the adequate risk management can be achieved by employing a portfolio of marketing activities, with different levels of risks and potentials involved. Risk can also be mitigated by speedy learning from failure, engaging into alliances or trial launches. The innovation-focus helps to fulfill the demand of concentrating on the interactions with the customer for daily operations as well as for strategic planning, which is referred to as *customer intensity*. Apart from applying innovative approaches to successfully attract, integrate and retain customers, this can also be achieved by designing the marketing activities to address the customer on a very emotional level. The relationship of the customer and company is understood as a dyad, implying that focusing and understanding the customer creates the fundament for customer equity and the customer identifying with the company. High customer intensity fosters the *value creation* for the customer. This dimension underlines the objective of entrepreneurial marketing to continuously identify new sources and means to create value for the customer. Sources for value creation might thereby be in any element of the marketing mix. All these dimensions are implemented in consideration of the scarcity of resources. *Resource leveraging* describes hence the approach of making the most of the available resources. On a strategic level this will influence decisions on strategic alliances or regarding core processes. In daily operations it requires to tap potential from underutilized resources, social capital and turn to creative and innovative methods of sharing, borrowing, using what is there differently to leverage resources. The dimension of resource leveraging is especially manifested in guerilla marketing, which subsumes marketing activities that aim exactly at achieving high output with low input by employing creative means such as parasite activities (e.g. ambush marketing) or creating online hypes, hoping that users will share the content (viral marketing).

Exercise 2. Recognizing Entrepreneurial Marketing Opportunities: It's all about cleverness

Objective:

This exercise offers students the possibility to discover opportunities in entrepreneurial marketing and understand how these marketing activities might even enable the development

of an entrepreneurial opportunity. The discussion on how the suggested marketing activities reflect the seven dimensions underlines the importance of considering entrepreneurial marketing as a complex and interrelated phenomenon.

Task:

1. Individually: Identify interesting events, which take place in the next couple of months in your city or country and receive a lot of media attention.
2. In group of 2-4 students: Decide for one of the identified events you want to work with further.
3. For your event, collect as many information as possible on:
 - What companies/ partners are involved?
 - Who takes part in the actual event?
 - What products/services are marketed at the event?
 - Who reports about the event and how?
4. Think about a product or service (preferably one that does not exist yet) that could be marketed directly (at the event) or indirectly (e.g. by creating links to broadcasted adverts) with this event.
5. Draw up marketing activities that could be employed to create attention for your product/service with the upcoming event.
6. Present your ideas in class.

Teaching hints: As an introduction, educators could give examples for ambush marketing and how advertising or media attention of other companies or events (such as sports events, public festivities, concerts, political events, company/death/birth anniversaries) can be a great opportunity to link one's own marketing activities to and thereby profit from it. In a discussion afterwards, students could reflect upon how these marketing activities address the seven dimensions of entrepreneurial marketing. Another point of discussion might be the limitations of ambush marketing with regards to e.g. ethics.

TARGET GROUP SPECIFIC MARKETING – THE EXAMPLE OF EMPLOYER BRANDING FOR STARTUPS

Based on the traditional understanding of marketing all activities are directed towards addressing customers. Thereby all elements of the marketing mix might differ depending on whether they are aimed at attracting new customers, increasing customer loyalty or win back

lost customers. Furthermore, a company can define different customer segments, which they might need to target with different approaches. A household insurance broker for instance will need to communicate differently with students, who have just moved into their first apartment than with pensioners, who have been living in their private residential building for the past forty years. Also the insurance package (product), the communication channel (place) and the insurance premium (price) will differ depending on the target group. Target group specific marketing hence aims at designing marketing activities in consideration of the target group's characteristics (Kuckertz, 2015).

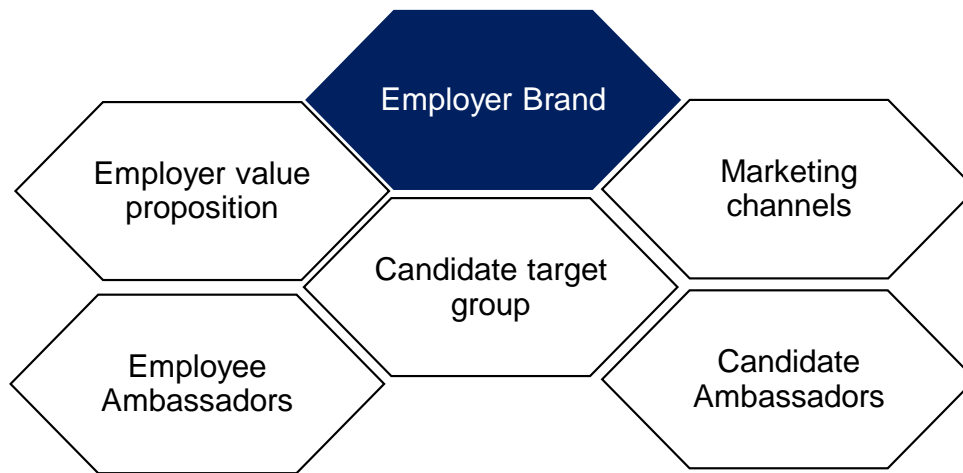
However, companies might also have different target groups who they do not want to sell their product or service to, but can nevertheless address with entrepreneurial marketing. Potential target groups of entrepreneurial marketing apart from customers might be employees, investors or members of the public.

Recruiting employees tends to be especially challenging for newly founded businesses, partly because founders attach insufficient importance to issues such as employer branding, personnel development or leadership. But especially when the new company has growth potential, founders need to think early about attracting the right employees (Kuckertz, 2015). On the other hand, there is a war for talents: Especially generation Y, which comprises those born between 1980 and 1995, is on average very well educated, well internationally networked and looking for a deeper meaning from a career. These abilities and values create high expectations towards a potential employer, with regards to working conditions. If newly founded businesses seek to attract highly talented staff, they need to go to the war for talent by putting effort into presenting themselves as attractive potential employers.

Employer branding describes a concept that aims at creating and maintaining a company as a brand offering a career. Creating such as brand does not only help to increase the attractiveness as a company, but also helps to improve the reach. This can provide a competitive advantage with regards to recruiting and committing talents. Creating awareness is especially challenging for newly founded companies, as talents need to recognize them as potential employer while they might not be known as a company yet either. This emphasizes why all dimensions of entrepreneurial marketing are applicable to establish an employer brand (Tumasjan et al., 2011).

Several measures can foster the development of an employer brand for newly founded ventures, which are visualized in Figure 2.

Fig 2. Measures to build the employer brand using entrepreneurial marketing activities



While the disadvantages of working for a newly founded business might be obvious, such as uncertainty or more working hours, the employer brand needs to manifest the advantages, working in a new venture offers. Comparable to developing a brand for a product, it is essential to identify and communicate the (*employer*) *value proposition*. In a first step this requires the analysis of the working environment. In comparison to larger companies, new ventures might be able to offer for instance flat hierarchies, fast decision-making, responsibility, flexible working hours, variety of tasks or closeness to customers and founders, team spirit. The employer value proposition needs to be clear about what exactly the venture offers and communicate it accordingly. This means job postings should for instance be explicit about the value proposition (Tumasjan et al., 2011).

The employer value proposition needs to be aligned with the target group the marketing activities are trying to address. Similar to defining the customer target group, this requires to first define the *candidate target group*. During the growth phase, the ideal first employee feels like an extension of the founding team that means s/he is enthusiastic about the company. While employees need to be a fit on the interpersonal level especially in small teams, the focus should also be on complementing the competence portfolio by hiring employees (Kuckertz, 2015). A prerequisite to define the target group with regards to heterogeneous skills and abilities is transparency about the current competence composition in the company and about how tasks and required competences will change while the company grows.

Also for entrepreneurial marketing addressing talents the resource leveraging dimension is valid, which results in the utilization of *all available marketing channels*. Apart from the traditional channels such as career platforms, founders can use their personal network to identify potential customers and even more importantly to spread the word of mouth. Second, announcing job vacancy by social media posts can also be an effective means. Even if candidates do not find out about the vacancy first on social media, they will inform themselves about the potential employer using these sources. Accordingly, social media is also a potential stage for conveying the employer value proposition (Softgarden, 2013).

In an empirical study team climate has been identified as the most valued characteristic of startups (Tumasjan et al., 2011). While photos or naming team spirit as a key offering in job postings might be one way to transport this offering, current employees are the best sales person for this characteristics. The use of *employees as brand ambassadors* has the advantages of being very authentic, and offering the employee the possibility to actively participate in shaping the future working atmosphere.

Lastly, effective entrepreneurial marketing uses all available resources to strengthen the employer brand, this includes *candidates as brand ambassadors*. By creating a positive experience for candidates which is characterized by appealing job postings, an easy application process, quick and friendly responses, and well-prepared interviews. This highlights that not only candidates rejected as after interviews, but also those who never came in for interviews or maybe not even handed in their application will have a candidate experience and express their views about the company in their networks (Softgarden, 2013).

Exercise 3. Employer value propositions: Can you see the difference?

Objective:

Many students still have the ideal of working for a large, established company with great remuneration and development opportunities. This exercise aims at showing the advantages that working in a new venture might offer and at understanding how new ventures sell their employer value proposition. Moreover, this exercise is appropriate to introduce students to the basics of content analysis.

Task:

1. Collect two recent job postings from established companies and from new ventures for jobs that you could apply for (ideally you are not familiar with the companies).
2. Identify:

- what the company has to offer and how they present the employer value proposition
- the language which is used (vague, precise, colloquial, etc.)
- the channel where the job was posted.

3. Compare and present your results concerning similarities and differences between the job postings. Which ones are more appealing to you and why?

Teaching hints:

The subsequent discussion could focus on whether the companies could do more to communicate their proposition in the job ad or why not and what entrepreneurial marketing activities might be used to spread the word about this vacancy.

CONCLUSION

This chapter has highlighted the relevance of entrepreneurial opportunities not only for starting a new venture, but also for developing it further by applying entrepreneurial marketing activities. Table 1 summarizes the key takeaways this chapter has provided.

Table 1. Key Take Away Points from this Chapter

#	Lessons
1	Some entrepreneurial opportunities can be discovered, while others need to be created. The approach to opportunity recognition has implications for subsequent exploitation of the opportunity.
2	Entrepreneurial marketing can be employed to shape and develop the entrepreneurial opportunity further.
3	Entrepreneurial marketing cannot be reduced to marketing for new ventures, but needs to be understood as creative and innovative marketing in uncertain contexts.
4	The seven dimensions of entrepreneurial marketing interact with each other and in combination contribute to the success of entrepreneurial marketing.
5	Entrepreneurial marketing can be effectively used to promote an employer brand to attract talented candidates.

We encourage educators to use the suggested exercises or customized adaptations to get students involved and excited about entrepreneurship.

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Entrepreneurship: Entrepreneurial Individuals and Entrepreneurial Teams

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Abstract: In this chapter we introduce the fundamentals of entrepreneurship. We then critically discuss the psychological traits usually ascribed to entrepreneurial individuals and suggest that the concept of individual entrepreneurial orientation is a more suitable approach to get hold of these entrepreneurial individuals. Finally, we focus on entrepreneurial teams, as these have shown to be a critical success factor regarding the survival and performance of entrepreneurial ventures. For entrepreneurship educators we suggest three proven exercises that can be employed in class to embed in students' minds the key aspects of entrepreneurship, entrepreneurial individuals, and entrepreneurial teams, and that are thus useful to develop an entrepreneurial mindset.

INTRODUCTION

Entrepreneurship is one of the greatest career opportunities available. Establishing one's own firm comes not only along with the monetary potential that is inherent to every promising new venture, it goes along as well with the possibility to work autonomously and to pursue self-imposed goals that one may deem extremely meaningful. It is thus no wonder that nowadays for many people pursuing an entrepreneurial career is considered to be a more and more attractive option. Against this background, the present chapter will introduce readers to the fundamentals of entrepreneurship. In light of the often expressed claim that entrepreneurs are "born, not made", we will in a second step shed light on the question whether an entrepreneurial personality as such does actually exist or not. Third and finally, we will introduce the concept of entrepreneurial teams, as such teams have turned out to be one of the most critical success factors within the process of establishing any new firm.

WHAT IS ENTREPRENEURSHIP?

Although entrepreneurs are clearly the fundament of every market economy, economists have neglected their role for quite a long time. Introducing the entrepreneur into the economic perspective is usually accredited to Cantillon (1755), who characterized entrepreneurs as those actors in a market economy who take on risk. That is, contrary to

workers who receive a fixed income, entrepreneurs produce their offerings before they know for how much and for what price they can sell those offerings to consumers. Risk and uncertainty are thus defining moments of entrepreneurship. Other great minds have occasionally touched upon the topic of entrepreneurship over the 19th century (e.g., Jean-Baptiste Say and John Stuart Mill). It was not, however, until Schumpeter (1934) in the early 20th century introduced the idea of creative destruction that the entrepreneur became prominent again in the academic discussion. Creative destruction is the key task of the entrepreneur and involves the rearrangement of production factors to generate novel value. This can, for instance, be done by turning new technologies into new offerings or, more generally speaking, by creating new markets. Risk and uncertainty are thus still an essential aspect of entrepreneurship, they are, however, since Schumpeter rather a consequence of novelty than the single defining moment.

To be able to fulfil their function of creative destruction, entrepreneurs need to perceive an entrepreneurial opportunity for doing so. The entrepreneurial opportunity (Shane & Venkataraman, 2000) is thus at the center of entrepreneurship. Many definitions of entrepreneurship acknowledge this fact. For instance, Bygrave and Hofer (1991) define the entrepreneur as a person who perceives “an opportunity and create[s] [...] an organization to pursue it.” Entrepreneurship is therefore a lot more than simply exploiting an economic opportunity, for instance as a freelance worker. Entrepreneurs create *organizations* that address and solve the problems that form the basis of every opportunity. It is important to realize that the idea of entrepreneurship bears the potential to be extended far beyond economic boundaries. Kuckertz and Mandl (2016) highlight that entrepreneurship involves “*any growth oriented creation process*” [emphasis added]; the organizations that are created and for which the complete tool-box of entrepreneurship can be employed, may be as diverse as technology-oriented ventures, a social startup, a grassroots student initiative or a not-for-profit non-governmental-organization.

The nature of entrepreneurial opportunities that allow the establishment of such new organizations is therefore an important topic in the academic discourse on entrepreneurship. The process of recognizing such entrepreneurial opportunities involves being alert, actively searching for them, and gathering information about new ideas on products or services (Kuckertz et al., 2017). Economists (Schumpeter 1934, Kirzner 1973, Drucker 1984) underscore in particular four different types of developments in the environment of the

aspiring entrepreneur that come along with opportunities for entrepreneurial action. These are the following.

1. Information asymmetries and incongruences can be reduced through a new venture, for instance by combining supply and demand in a novel way.
2. Exogenous shocks, like the climate change or any new technology that renders established technologies useless, are problems that can be solved by entrepreneurs.
3. Changes in demand, for instance, consumers asking for ethical production or products that are “green”, come along with the opportunity for entrepreneurs to cater to those novel needs.
4. Changes in supply allow entrepreneurs to reinvent their value creation processes and can thus be considered entrepreneurial opportunities as well.

Many people interested in an entrepreneurial career, however, find it difficult to identify such economic opportunities. In this situation, it is important for entrepreneurship educators to motivate students and potential entrepreneurs simply to just start searching. The “corridor principle” illustrates how critical initiative is in this regard. According to Ronstadt (1988), the corridor principle states “that the mere act of starting a venture enables entrepreneurs to see other venture opportunities they could neither see nor take advantage of until they had started their initial venture.” In other words: Just from going the first steps towards evaluating and exploiting an entrepreneurial opportunity, be it a good one or a bad one, follows that additional entrepreneurial opportunities will be discovered more or less automatically. The metaphor of the corridor demonstrates this fact: The doors (that is, entrepreneurial opportunities) that lie at the end of a long corridor can only be seen by those who walk along this corridor – not by those who simply just stand at the beginning of the corridor waiting for something to happen that will never materialize.

Exercise 1. A Problem-Based Approach to Opportunity Identification – The Problem Diary

From a practical perspective, information asymmetries or exogenous shocks boil down to a simple thing: problems that are relevant and that people are caring about. Entrepreneurs create value by solving such problems, preferably problems that as many people as possible face as this equals a huge market potential. Entrepreneurship educators who want to install this perspective in their students’ minds should therefore assign the following simple task:

“For one week, keep a diary of every problem that you encounter, every situation, that annoys you, every situation, where things did not turn out like expected. Use a traditional

notebook, use the notes function of your smart phone – everything that helps you to get hold of all the problems that you face.”

At the end of the week, students should present their problems to class. It is very likely that a single problem diary includes more than twenty or thirty entries. Interesting problems that can trigger the perception of entrepreneurial opportunities can be discussed with the following guiding questions in mind:

1. How many people apart from you face this problem as well (in economic terms: what is the market potential)?
2. Why are current solutions to this problem unsatisfying (i.e., what is the competition)?
3. What could be done to solve the problem in a unique, novel, and better way (i.e., can someone create novel value)?
4. Are we able to provide this unique, novel, and better solution (i.e., are we ourselves competent enough to create this novel value)?

ENTREPRENEURIAL INDIVIDUALS

Research has explored the entrepreneurial personality ever since McClelland (1976) suggested that entrepreneurial individuals differ from the overall population by their higher “need for achievement”. Psychologists and entrepreneurship researchers have built on this research and suggested a number of additional traits that are said to characterize entrepreneurial individuals. Among these suggested traits are the following.

- Entrepreneurial individuals are characterized by a high *need for achievement*, that is the willingness to perform well and to accept challenging professional tasks. This allows to pursue ambitious goals, such as for instance establishing an innovative, technology-oriented firm.
- An *internal locus of control* is the belief that a person is in charge of their own life and therefore responsible for the results of their behavior. For entrepreneurial individuals this goes along with a high self-efficacy (Schjoedt & Craig, 2017), which allows to become active and to start own entrepreneurial initiatives not because one is told to do so, but rather because of one’s own desire and decision.
- The desire to make oneself independent of authorities and to achieve fulfillment results for entrepreneurial individuals in a higher *need for autonomy*.

- One task of any entrepreneur is to create order and to transform a venture from its confusing beginnings towards an established, efficient organization. To be able to *focus on key problems* is thus an essential trait of entrepreneurial individuals.
- As every entrepreneurial project is characterized by uncertain results, the ability to *tolerate risk and uncertainty* is an important trait that allows entrepreneurial individuals to cope with this challenging situation. Similarly, entrepreneurial individuals need to be tolerant of failure (Mandl et al., 2016) and to be able to learn from failed projects.
- *Emotional and physical stability* is a useful trait that allows to keep working on the entrepreneurial project even if pressure becomes excessive – both forms of stability are necessary in order to come to terms with the unavoidable frustrations that are part of the entrepreneurial process.
- As entrepreneurial individuals build organizations in which other people will work, a *desire to lead* is essential. This manifests itself in assertiveness and a healthy level of directiveness.

Although these suggested traits have some face validity, they fail in predicting entrepreneurial behavior, and even more important, entrepreneurial success (Herron & Robinson, 1993). This is partially due to the fact, that these traits will apply more or less to many successful people – it would be hard to imagine a top manager or professional athlete who does not exhibit a high need for achievement, is willing to take on risk and is stable emotionally and physically as well. The traits approach is thus not necessarily wrong, but not really informative. Moreover, recent research has questioned the attribution of generally positively perceived traits to entrepreneurs and started to explore the “dark side” of entrepreneurial individuals – for instance by suggesting that entrepreneurial individuals are compared to the overall population to a more than proportionate level affected by overconfidence (Hayward et al., 2006) and show a higher tendency to suffer from attention deficit hyperactivity disorder (Wiklund et al., 2016). These traits are usually perceived as negative, but can nonetheless positively affect the result of entrepreneurial endeavors.

One obvious danger of focusing on traits that are across the board positive, is that it becomes very likely to fall for the “entrepreneurial hero fallacy”, that is to assume that entrepreneurs are a very unique, very exclusive part of the population, and that it would be useless to educate them (Kuckertz, 2013), as they would be simply born, not made. However, entrepreneurship is a multi-faceted phenomenon and it is obviously absurd to reduce entrepreneurial individuals to iconic entrepreneurs such as Steve Jobs or Mark Zuckerberg.

Entrepreneurship can be realized part-time or full-time, some ventures are innovative and technology-oriented, while others are not, some are established by students, some by individuals older than 50 years (so-called silver entrepreneurs).

In light of this diversity, and also in light of the inability of the traits approach to predict entrepreneurial behavior, concepts such as the individual entrepreneurial orientation (Kollmann et al., 2007) are a lot more useful and informative. Entrepreneurial orientation is originally an organizational level concept that was inspired by psychological research, and that has recently been applied back to the individual level of analysis. It comes along with the benefit that general psychological traits such as emotional stability are dropped, and that rather exactly those characteristics of an individual are included, that can be considered definitely entrepreneurial.

The relevant dimensions of an individual entrepreneurial orientation are individuals' innovativeness, their proactivity, and their tolerance towards risk. Those three aspects have been shown to directly affect the level of entrepreneurial activity (Bolton & Lane, 2012). Those who are curious to explore the new, who are able to deal with risk and uncertainty, and who exhibit a high level of self-initiated behavior, are the most likely individuals to establish entrepreneurial ventures.

Exercise 2. Learning to Think Big – The \$5 Challenge

Entrepreneurs need to think big, and the \$5 challenge (Seelig, 2009) is an exercise that instructors can use to teach this goal. Related to the idea of entrepreneurial individuals, it can be considered a measure to raise not only students creativity (that is, their innovativeness), but their level of proactivity as well. The exercise is simple:

- Students receive an envelope with \$5 (or a similarly negligible amount of “seed funding”) and are given, for example, time ranging from 3 days up to one week to plan how to make as much money as possible from the initial \$5.
- Once the student teams have agreed upon a plan, they have merely 2 hours to implement this plan and to make as much real money as possible.
- Afterwards, students get three minutes in class to share their experience.

In conservative terms, accepting this challenge and turning, for instance, the original \$5 into \$10 would be considered a huge success, as this would represent a return on investment of impressive 100 percent. This would be, however, only at first sight impressive. In reality, the most successful student teams have shown to be able to return \$200 to \$600. This

becomes possible when students realize that they are framed to tightly by the instructor’s \$5 investment. The real and re-framed \$5 challenge is actually this one: What entrepreneurial opportunities can you exploit with *no money at all*? In fact, the most successful student teams ignore the investment and focus on their real competencies and assets. In doing so, they discover that these are far more valuable than the frame drawn by the \$5. Useful discussion points that follow from the challenge are:

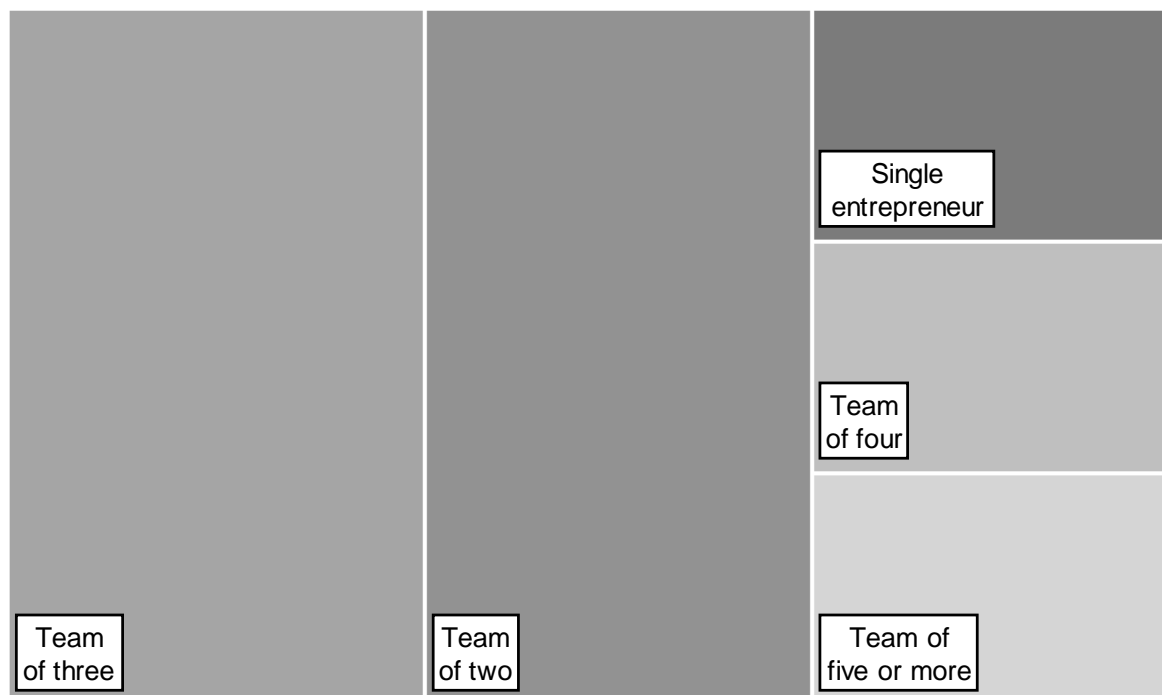
1. Why did some student teams discover and break the frame, whereas others failed to do so?
2. What frames in student’s life prohibit them to see their real potential?
3. What entrepreneurial projects would become possible once the time restriction would be removed from the exercise?

ENTREPRENEURIAL TEAMS

Although it is possible to start a venture single-handedly, most promising ventures are established by entrepreneurial teams. Figure 1 illustrates this fact by collecting the team sizes of so-called unicorns, i.e. technology ventures that have exceeded the valuation threshold of one billion USD (Lee, 2013).

Figure 1. Size of Entrepreneurial Teams in “Unicorns”

(based on data collected by Lee, 2013)



Rarely are those extremely successful ventures established by only one entrepreneur. Similarly, not many of those ventures are established by four or more people. The reason for this is clear: A single person would easily be overwhelmed by the demanding task of establishing especially an ambitious, growth-oriented venture, which is a lot easier for a team that can divide tasks among its team members. The benefits of a team, however, are not a linear function of team size – if the team becomes too large, conflicts and coordination problems are likely to arise. It seems therefore rather the case that there is an optimum of two to three entrepreneurs.

There are at least two useful perspectives on entrepreneurial teams (Stockley, 2000). An entrepreneurial team can either be two or more persons establishing a new organization and who take ownership in the venture. Alternatively, a broader definition would include anyone who participates in establishing the new organization and who acts entrepreneurially. This can be persons sharing ownership in the venture, but also those early employees who are seriously committed to the development of the firm and who thus share psychological ownership of the firm (Schjoedt & Kraus, 2009) and who will go to great lengths to make the firm a success.

Entrepreneurial teams come along with a number of benefits. Positive aspects of exploiting an entrepreneurial opportunity by teams are the following:

- Entrepreneurial teams may compensate individual weaknesses. For instance, an introverted founder can compensate this trait by establishing a firm together with an extrovert who might be responsible for sales and marketing.
- Entrepreneurial teams enlarge the capacity to manage the firm. That is, a team can combine individual professional networks, more individual funds become available, and team members are able to stand in for each other, for instance, on the occasion of one founders falling sick.
- Entrepreneurial teams can combine their professional competencies and experience and may thus decide better and faster.
- Establishing a firm with an entrepreneurial team has social and psychological benefits as well. Team members can support each other emotionally, give each other a sense of safety and might motivate each other.

Contrary to these benefits of entrepreneurial teams, there are a number of aspects that limit the potential enhanced value creation of teams. These are:

- Any team exhibits the potential for conflict. The larger the team, and the more divergent the individual goals of the team members, the higher the probability of conflicts that put the venture at risk.
- Equally, potential fluctuation within the entrepreneurial team can be a great danger to the success of any new firm. Whereas established corporations are large enough to be able to compensate for fluctuation, losing the competence of one entrepreneurial team members might make the implementation of the whole entrepreneurial project impossible.
- The larger the entrepreneurial team, the longer decision making processes tend to take. This is especially problematic in fast moving environments in which many new ventures are active and that require flexibility, agility and quick responses to changing markets.
- Finally, many entrepreneurial teams are too homogeneous to be really successful. It is not uncommon to find, for instance, teams consisting of three engineers without any business experience, or entrepreneurial teams consisting only of individuals with a management background without any technological expertise.

Teams who harness the benefits and avoid the pitfalls base their success (Schjoedt & Kraus, 2009) on a balanced team composition and efficient team processes. Also, there is evidence, that it is advisable to approach team composition in the most professional manner (Zolin et al., 2011) – although it is important that the team members get along well, far too many entrepreneurial teams are established by friends, which often results in a suboptimal combination of competencies and too much homogeneity.

Exercise 3. Discovering the Optimum of Entrepreneurial Team Size – The Item Count Exercise

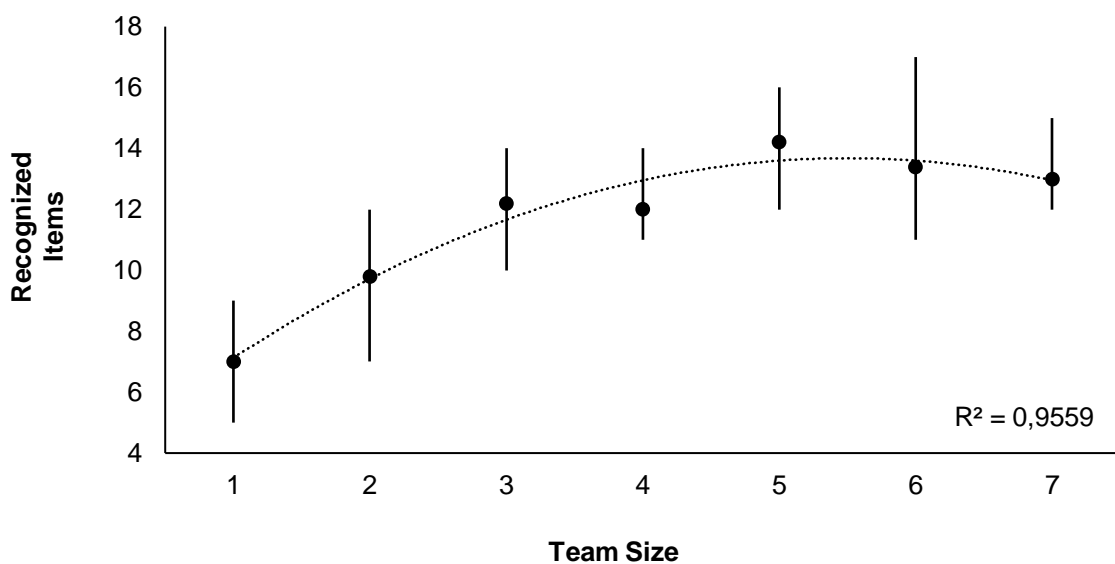
The item count exercise is an easy exercise that entrepreneurship educators can use in classes with at least 28 participants to illustrate the positive and negative effects of adding an additional member to the venture team. To prepare for this exercise, educators need to construct a slide with, for instance, 20 to 30 logos of startup companies. In class, students are assigned to teams ranging from one single entrepreneur, over a team of two up to a maximum team of seven. The seven teams are then assigned the following simple task:

“For the next ten seconds, you will see a slide with a number of different startup logos. Try to remember as many of those logos as possible. This is a purely cognitive exercise: It is NOT allowed to take photos, to make notes or to use any other resource than your brain.

After the ten seconds, get together in your teams and count how many different logos you remembered as a whole team.”

Figure 2 presents the results of this exercise conducted in six different classes with entrepreneurship students. Single “entrepreneurs” remember on average 7 logos and the performance rises with adding additional members to the team. Top teams remembered 17 logos while only being exposed to the input information for ten seconds. Quite interestingly, the simple cognitive exercise returns already results that point to an optimum number of team members. The second-order polynomial trend line come along with a close to perfect R-square value, suggesting that the relationship of team size and team performance is in fact an inversed U-shaped relationship.

Figure 2. Results of the “Item Count Exercise” Over Six Runs



The result can be used to discuss the following questions:

1. What are the reasons for the diminishing utility of adding an additional member to the team?
2. What might be reasons for the negative effect of adding additional team members to larger teams?
3. How much potential value creation would you expect from an additional member in your startup team?

CONCLUSION

Entrepreneurship is based on entrepreneurial opportunities that are exploited by entrepreneurial individuals and preferably by well-balanced entrepreneurial teams. Table 1 summarizes the main points of the preceding paragraphs.

Table 1. Key Take Away Points from this Chapter

#	Lessons
1	At the center of entrepreneurship is an entrepreneurial opportunity – without the perception of an entrepreneurial opportunity, there will be no entrepreneurship.
2	Entrepreneurial opportunities result from information asymmetries, exogenous shocks, changes in demand, and changes in supply.
3	Entrepreneurship is part of every growth-oriented organizational creation process – it can be applied to establishing new firms, new intra-organizational initiatives and even to the establishment of not-for-profit organizations.
4	Entrepreneurial individuals are characterized by a high individual orientation, which consists of innovativeness, proactivity, and tolerance for risk.
5	The most promising ventures are established by entrepreneurial teams, these teams should exhibit an appropriate level of heterogeneity in terms of competencies and character.

Entrepreneurship educators can use the suggested exercises (problem diary, \$5 challenge, item count exercise) to help student get an initial feeling of the topics discussed in this chapter.

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Intrapreneurship Culture and Middle Managers' Attitudes

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1. Introduction

This chapter aims to present how to create and sustain an effective entrepreneurial and innovative culture in established organizations. Entrepreneurship in established organizations became an important research agenda since 1990's. Accordingly, the researches focus either the entrepreneurial posture of existing firms on how to motivate entrepreneurship within organizations. While entrepreneurial posture of organizations referred as entrepreneurial orientation, the entrepreneurial behaviors of employees in organizations are studied as intrapreneurship. This chapter elaborates the intrapreneurship studies and researches by aiming to present the theory and practice of managerial strategies for effective corporate entrepreneurship. This chapter briefly provide means of how take a role as an intrapreneur and how to create the entrepreneurial and innovative culture for an organization.

Literature on intrapreneurship suggest that middle level managers have important roles for internal communication of innovative work behaviors in organizations. Middle level managers' communication capabilities are different from the top managers. Middle managers are the accelerators of organizational communication. Because they act as the communication mediators from top-to-bottom and bottom-to-top, hence they often communicate horizontally with other middle managers of other business departments. Thus, convincing the middle manager is essential for an effective intrapreneurship. On the other hand, literature suggests important managerial toolbox, which encourages the employees' risk taking and fostering their innovative ideas. This chapter briefly presents the factors for building-up an intrapreneurship climate for existing organizations. After this introduction, following second section presents the literature of intrapreneurship with related definitions, and the development of intrapreneurship literature. Hence, second section uncovers and transforms the theoretical factors into a practical guideline. Third section highlights the importance of middle managers for the effective intrapreneurship. Fourth section concludes the chapter and presents implications and suggestions for practitioners and managers.

2. Intrapreneurship: Theory and Practice

Intrapreneurship as a concept first coined since the 1980's referring to the activities that engages employees for effective processes (Pinchot, 1985). Intrapreneurship as an effective managerial toolbox enhances economic and innovative returns for a business corporation to gain competitive advantage (Antoncic and Hisrich, 2001).

Intrapreneurship assumes that employees have innovative potential to contribute to firm performance (Wunderer, 2001) by increasing employees' motivation. In other words, intrapreneurship encourages employees to take roles new product development activities, continuous improvement and strategy making processes, which have positive effects on business performance (Bakan and Buyukbese, 2005). By attracting employees into innovative output creation activities, firms gain inimitable, rare and valuable human resources (Barney, 1991).

Historical development of the intrapreneurship research is elaborated in the literature (e.g. (Hornsby et al., 2013; Bay and Soker, 2016), in brief:

- In 70's it is focused on how entrepreneurship developed within the organization
- In 80's; resource allocation that aims to develop different types necessary for sanctioned entrepreneurial behavior and value created innovation is adopted;
- In 90's, means to re-enhance and increase capabilities of businesses to ensure strategic innovation and new initiatives.
- In 2000's, social and ethical standards for organizations.
- In 2010's, series of entrepreneurial actions that consist innovation, risk taking and proactivity and a resource allocation aiming profit maximization.

As a result of recent approaches, "Entrepreneurial Climate" became prominent. Entrepreneurial tendency provides opportunities that are the creation of environment and reveals values that are necessary for businesses to become better and different.

Much of the literature reveals the existence of a long list of managerial tools needed to support an innovation oriented entrepreneurial climate within the large organizations. The most consistent of these tools have been elaborated at prominent scientific journals' special issues and specialist scholars' studies suggesting that there are seven managerial tools to orient employees to be more entrepreneurial and thereby innovative (Fis and Bulut, 2012).

Table 1: Theoretical Factors of Intrapreneurship

Factors	Definitions	Related Literature
<i>Management Support</i>	Encouragement of intrapreneurs' idea generation and development by listening to their proposals, and providing necessary climate to promising ideas	-Quinn 1985; Pinchot, 1985; Damanpour, 1991; Hornsby et al., 1993; Pearce et al. 1997; Sundbo, 1999; Kanter, 2000
<i>Allocation of Free Time</i>	Allocation of free time and free space to work on idea generation / project implementation within weekly working hours.	-Burgelman, 1984; Kanter, 1985; Sathe, 1985; Fry, 1987; Slevin and Covin, 1997; Bamber et al., 2002
<i>Autonomy</i>	Freedom of decision making on innovative project proposals and freedom of implementations of the innovative products	-Drucker, 1985; Zahra, 1991; Antoncic and Hisrich, 2001
<i>Establishing an Effective Reward System</i>	Output-based rewards to motivate innovativeness and new projects	-Souder, 1981; Fry, 1987; Cissell, 1987; Sykes and Block, 1989; Kuratko, 2005
<i>Risk Taking</i>	Encouraging employees to take risks by using internal inert resources and not punishing the project owners, if their project fails with good-hearts.	- MacMillian et al., 1986; Sykes 1986; Kanter, 1996; Lumpkin and Dess, 1996 & 2001
<i>CSR Orientation</i>	Define the roles in society and apply social and ethical standards for organizations	-Pinkston and Carroll, 1994; Maignan and Ralston, 2002; Kotler and Lee, 2005; McWilliams et al., 2006; Lindgreen and Swaen, 2010.
<i>Social Proactiveness</i>	Proactive behaviours represent identifying opportunities, challenging the status quo, and creating available conditions.	-Miles et al., 1978; Porter, 1985; Covin and Slevin, 1989; Clarkson, 1995; Sandberg, 2002.
<i>Social Innovativeness</i>	Idea generation and project implementation to solve/fulfil social problems/needs which are not related with organizations' financial returns but which are related with organizations' brand or market value	-Mulgan, 2006; Bulut et al., 2013

Adopted from Alpkan et al., 2010 p.735

2.1. Management Support for Idea Generation

Management support can be explained as the support of top management towards employees to make them believe innovativeness (Hornsby et al., 1993), idea generation and development and provide necessary encouragements for the implementation. Support of the management is one of the most important factors that reveal entrepreneurial spirit within the corporation (Alpkan et al., 2010).

Organizational environment and procedures prepared and supported by the top management are critical for the innovativeness of individuals or groups working together to create useful and novel ideas (Amabile, 1988). In this concern, many authors propose that management support for generating, developing, and implementing these ideas is directly associated to creativity and innovativeness (Kanter, 1985; Pinchot, 1985; Nonaka, 1994). Even in the very early study of management theories. Taylor (1911) gives some important intrapreneurial advices to the managers; for example subordinates or workmen should be encouraged by their superiors or managers to propose new and useful ideas, and managers better adopt these ideas as new standards, if they consider these ideas are beneficial to the workplace.

2.2. Allocation of Free Time

Time availability refers to allocation of sufficient free time to the members of the organization for continuous improvement and particularly execution and accomplishment of novel projects (Fry, 1987; Kuratko et al, 1990; Cooper et al., 1997). Availability of all other types of slack or inert resources which are relatively abundant in large companies when compared with small enterprises constitute a competitive advantage for large corporations to allocate more resources including time to their intrapreneurs (Zahra and George, 2002; Wiklund and Shepherd, 2005). Most of the creative employees make their pioneering steps to actualize their novel projects in their spare times, which transforms them from a regular employee to an intrapreneur (Van den Ende, et al., 2003). Thus, availability of free time is critical for developing and implementing the innovative projects of the intrapreneurs (Kuratko et al., 2005).

2.3. Autonomy

Autonomy here refers to the independent strategic initiative of individual or teams that actively participating in the implementation and creation of an idea or a vision by the operational level within an organization.

The involvement of employees from various hierarchical positions or independent from their tenure requires a differentiated management perspective, which is perceived as autonomy. Hierarchical positions for the innovative projects are not important in terms of proposing an innovative project, besides employees feel motivated when they actively being supported for their autonomous efforts on their projects.

Most of the time, an organizational member with an innovative idea has to deal with resistance from various parts of the organization that either makes him/her more ambitious to champion his/her novel idea or abolish the proposal/project (Kanter, 1996). That maybe what differentiates them from entrepreneurs mostly? Intrapreneurs differ from entrepreneurs in terms of their will and degree to take risks and need for independence. While an entrepreneur mostly deal with external resistance, the intrapreneur if handles the internal resistance successfully, do not have to deal with this external resistance as lonely as the entrepreneur does. However, dealing with internal resistance may be painful. If an intrapreneur is not able to handle the inner resistance successfully, similar with, his/her commitment may be shaken tremendously. Intrapreneurs are as entrepreneurs are result-oriented individuals who are willing to calculated take risks and though they do not need much independence as entrepreneurs, they need a convenient organizational structure making them feel safe and free in successfully transforming their novel ideas to innovations. Supportively, an intrapreneurial character needs to involve autonomy (Hornsby, et al., 2009). Autonomous employees can afford to risk better (Drucker, 1985) and feel more committed to their corporations (Bulut and Alpkan, 2006).

2.4. Tolerance for Risk Taking and Failure

Risk can be explained as a new initiative against unclear future that has both losses and gains and determining actions regarding investment strategies for products and processes. Since 18th century, risk is perceived as one of the most common characters of entrepreneurs. Risk taker as “initiative to unknown”, “possibility for loss or negative result”, “feeling of uncertainty”.

Managers in conservative organizational structures, who are opposed to risk taking by employees, will not be motivated for innovativeness (Covin and Slevin, 1991, Gupta et al., 2004). In particular, executives should clearly state that employees are willing to encourage risk-taking behavior and tolerate good faith failures for their companies' engagement to innovativeness. In other words, toleration of losses, which may arise because of employees' risk taking tendencies, should be encouraged to increase the motivation of employees towards intrapreneurship. Finally, managerial declarations determine the degree of innovativeness of their companies' future to become innovative (Bulut et al., 2009).

Entrepreneurship comprises risk-taking action in its definitions. Encouragement of risk taking tendency and higher tolerance capacity against failures, increase the possibility of intrapreneurs to re-engage in novel and innovative projects (Miller and Friesen, 1982; Lumpkin and Dess, 1996; Zahra et al., 2000). Thus, tolerance for risk taking is one of the basic factors behind creating an intrapreneurship (Miller and Friesen, 1983; Stopford and Badenfuller, 1994; Hornsby et al., 1999; Hornsby et al., 2002; Alpkan and Kaya, 2004). By the management of risk, tolerance can be even expressed orally with explicit discourses, but it needs to be supported with proper managerial attitudes, too. Thus it revitalizes a culture through loading positive attitudes on to the perception of risk-taking. Feeling of being secure while initiating a novel idea or running a project enhances employees' emotional attachments to their organizations, but conversely, conservative and risk-averse attitudes of managers may cause a lack of confidence in employees' potential. Employees' frustration naturally reduces their perceived commitment to their organizations (Zahra, 1996; Gupta et al., 2004).

2.5. Corporate Social Responsibility (CSR) Orientation

CSR theory and its practices evolved over time from philanthropic one-time activity to establishing a social initiative and sometimes a social venture, such as annually repeating a social responsibility activity or finding a nonprofit organization for the actualization of those activities, respectively. Besides the hedonism of doing something worthwhile for the company shareholders, the employees are mostly proud of what their company does as social responsibility. Hence, CSR activities are strong tools for the consumers' purchasing behavior and creation of customer loyalty. Consequently, in addition to the innovativeness, which increase the overall competitive advantage with financial resources, employees tendency to

propose and undertake social responsibility actions for their organizations are valuable for the employees.

CSR orientation refers to the encouragement organizational members to engage on corporate social programs, in turn corporations also gain some important factors; such as employees' emotional attachment to their tasks and organizations, strengthening reputation of that corporation, to gain a competitive resource that a competitor cannot have, loyal employees and loyal customers. To achieve outputs and outcomes through CSR orientation as a social intrapreneurship, opportunities can be seek and found by employees as similar with the idea generation support of management (Lindgreen and Swaen, 2010).

2.6. Social Proactiveness

Literature stress that proactivity is the overall organizational tendency to response the business opportunities faster than the competitors (Lumpkin and Dess, 2001). While interacting with organizational tendency for risk taking and innovativeness, organizational proactivity has positive effects on business performance. Proactive corporations are known as the they satisfy the necessary needs of the market faster, and they design the competitive environment. Hence, proactive organizations are able to develop essential strategies to take the first mover advantage in terms of presenting new products and services (Bulut et al., 2008). By borrowing the definitions from the entrepreneurial orientation literature, social proactiveness let employees to actualize social projects faster than the competitors with the help of CSR orientation.

Regarding to the first mover advantage social programs are easy to imitate by the direct competitors or by other organization at different competitive contexts. However, social proactiveness also helps to the companies who are not the first mover at the market place for the CSR activities, but they act to undo the competitors' movements for the benefits or taking the shares from the CSR programs. In any conditions either the firs mover or follower, managers are able to awake the potential social entrepreneurs in their organizations and support them for their social value creation process under the name or brands of their corporations.

2.7. Social Innovativeness

Innovativeness is a focal point in the activities of intrapreneurship. Borrowing from the literature on entrepreneurial orientation and Oslo Manuel innovativeness refers to the tendency of an organization to create or significantly improve the products, process, marketing techniques, organizations, or business models to meet the needs of current or new markets (OECD, 2005; Zahra and Covin 1995). On the other hand, social innovativeness literature focus on the endeavors to innovate not for the monetary returns but sustainable social value creation. However according to my knowledge the literature on social innovativeness is lack of corporate social innovativeness. Together with CSR orientation and social proactiveness, potential social intrapreneurs of the organizations need to challenge with funding problems for the CSR activities and produce novel ways to create social value. Social innovativeness in this sense refer to the employees' engagement to create social value in a novel way and different from the competitors, in other words CSR outputs either totally different than the competitors do, or totally original.

To achieve social innovativeness two hands are better than the one hand philosophy, involvement of employees from various backgrounds and various expectancies likely create more ideas for effective social value creation. In other words, supporting employees for novel idea generation to solve social problems or to attract their stakeholders on social issues by using the ideas of their employees are the practices of social innovativeness. The turn of social innovativeness can be observed by the social media, news and word-of mouth marketing activities based on the impetus of solving social problems.

3. Role of Middle Managers

Middle level managers play a role as communication channels at both vertical and horizontal directions. They understand both the employers and employees' expectations and play the key role to create the organizational climate of innovativeness and intrapreneurship (Quinn, 1985; Kuratko et al., 1990). Middle managers' degree of supportive and facilitative behaviors are critical on organizational innovativeness by transforming their superiors' strategies and link them to the employees' daily practices by using formal and informal communication channels or approaches (Kanter, 1985; Hornsby et al., 2002). Nonaka and Takeuchi (1995) have also highlights the pivotal role of middle managers on organizational knowledge creation. From another point of view, Kanter (2006) reminds the classical traps

against innovation by emphasizing the communicative and transforming roles of middle managers, which can carry out organizational innovations or they can collapse novel projects, which have potential on the contrary. Following conclusion section also provides insights for the effective management of middle managers.

4. Conclusion

It is noteworthy that literature examines the effects of innovativeness on firm performance, especially in large enterprises and in developed economies. These studies have been the subject of special publications of many international scientific journals, national and international congresses and conferences and carefully examined by researchers and academicians who are experts in the subject. Consequently based on the existing literature, there are important suggestions to the middle managers are can be complied as below;

- Support employees to produce new ideas for improvements they will make.
- Encourage them to design a project from successful ideas, accordingly, tolerate failures with good intentions
- Innovation will require time and resources; try to fulfil these needs at reasonable levels.
- Try to minimize the hurdles for innovation within the business, but obstacles are not always bad.
- Create an effective reward system to mobilize employees.
- Try to minimize the innovation barriers in the enterprise.
- Create an effective reward system to mobilize employees.
- Support employees to produce new ideas for improvements they will make.
- Encourage them to design a project from successful ideas, accordingly, tolerate mistakes that might come to fruition because of good intentions.
- Innovation will require time and resources; try to fulfil these needs at reasonable levels. Remember that there is no opportunity to use other resources allocated for innovation without free time.

This chapter presented the fundamental factors to create an effective intrapreneurship culture at the nexus of innovation projects, and innovative outputs and outcomes, which are entrepreneurial autonomy, employee risk taking; management support and allocation of free

time. Hence, previous section also considered briefly the corporate social responsibility objectives of the organizations, such as CSR orientation, social proactiveness and social innovativeness.

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Marketing Research and New Product Development

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Abstract

In order to take decision about new product development decision maker needs solid data. Marketing research is broader concept than market research, and involves all steps that are required in any research. Marketing research can be theory-driven or practice-driven. In both cases, problem identification oriented or problem solving oriented. High investment into marketing research requires systematic approach: definition of a problem, aims and objectives, followed by hypotheses or research question, sampling procedures, data collection methods and data analysis methods. At the end of this process are interpretation and presentation of findings, and reporting to scientific community, communities of practice, and/ or a client.

In this chapter, some elements of marketing research are pointed out. In our view, these points need further, in-depth (re)considerations. Proliferation of 'do and dons' models and approaches to marketing research calls for 'taking a step back' in methodology in order to move two steps forward. Reasons for new product development are often: a gap in a market, consumer demand, drop in consumer loyalty, loss of market share, and/ or new technologies. In order to respond to the call to develop new product and/ or to develop customers the right questions need to be asked. The 'right' questions need to be developed during research process rather than copy-pasted.

INTRODUCTION

Writing about marketing research in one chapter is 'mission impossible'. Marketing has become complex, multifaceted and intense, and highly competitive scientific discipline and professional branch. Google Scholar shows over 3.000.000 publications related to the key word Marketing and over 3.000 000 publications related to the key word Marketing Research (https://scholar.google.si/scholar?q=marketing+research&btnG=&hl=en&as_sdt=0%2C5).

American Marketing Association organizes numerous conferences, symposia, and meetings on marketing research topic. The European Marketing Academy (EMAC) is a professional society for people involved or interested in marketing theory and research. “The purpose of the European Marketing Academy is to provide a society for persons professionally concerned with or interested in marketing theory and research.” (<http://www.emac-online.org/r/default.asp?iId=FLFDIE>). The Asia-Pacific Professional Services Marketing Association provides a professional development and engagement network for sales, business development, marketing and communications practitioners working for the leading professional services firms in the region (<https://www.apsma.com.au/>). There are many other regional and national associations that are focused on marketing and marketing research that along with numerous publications enable the development of scientific discipline, practice and professionalism. They support and connect the ‘theory and practice’ of marketing research.

In scientific circles the definition of marketing research, provided by American Marketing Association is accepted. Marketing research is:

“the function that links the consumer, customer, and public to the marketer through information-- information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications” (Approved October 2004, <https://www.ama.org/aboutama/pages/definition-of-marketing.aspx>).

Marketing research is by this definition put in the field of practice and professionalism. The definition also addresses marketing research in the light of the scientific discipline because one of its aims is to improve understanding of marketing.

The purpose of this chapter is to provide brief, to some extent simplified version, of marketing research essentials. This glance of marketing research can be useful for students, entrepreneurs, and for decision makers in companies. It might, hopefully, also trigger the attention of scientists and (re)opens discussion on methodological questions.

DESIGNING RESEARCH PLAN

If we want to only define some concepts in marketing research we need to set up the framework within which this attempt will be done. So, do we research marketing research

as scientific discipline, or do we conduct marketing research for scientific purposes, or do we conduct marketing research for the needs of a company? The difference is in focus (aims) and in the academic (scientific) rigor of the research process, choice of methodology, type of research, sampling procedures and methods used to collect data. Any research results are useful for decision makers – professionals who can apply and transform research results into company's success however not any research has the academic rigor and is not automatically recognized as 'scientific'.

In different fields, such as education, sociology, politics, and management we can follow an on-going discussion about research from the paradigm perspective rather than from professional: scientific division. Schram et al. (2013, p. 359) point to :“Competing positivist and interpretivist epistemologies have spawned distinctive methodologies with separate logics of inquiry, varying preferences for different methods of data collection, and debates about a number of other issues including, most commonly, the value of quantitative versus qualitative data. Most recently, debates between positivists and interpretivists have been complicated by interventions by others who do not situate their investigations in either camp. This group has included a growing number of scholars who refuse to accept that they must limit their research to either a positivist or interpretivist methodology. Mixed-methods researchers have been joined by others who stress the importance of problem-driven over theory-driven research«.

Marketing research can be theory-driven (doing research for scientific purposes) or problem-driven (doing research for companies). It has been defined, according to Kotler and Keller (2012, p. 98) as “The systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company”. As we can see, there is no hesitation of research paradigms and methodologies in cited definition but rather it is an understanding that marketing research needs to be relevant to a specific marketing situation that a company is facing. Grewal (2017) points out that marketing has matured as discipline and has been developing and seeking for methodologies beyond traditional ones. If so, the discussion about research paradigms will have to (re)enter marketing in order to avoid copy-paste methodologies and methods.

Marketing research process is marked by the same steps in research plan as any other research:

- Define the problem, aims and objectives
- Define the sample and sampling procedures

- Decide on data collection methods
- Collect data and analyze them
- Prepare report about findings and present them

The peaks of the steps are presented in the next sections.

MARKETING RESEARCH PROCESS: PROBLEM DEFINITION, AIMS AND OBJECTIVES

For any research, it is essential that a) the problem is well defined, b) that the problem is focused/ narrow enough to make a research doable within time- resources-needs framework, and c) that underlying expectations of researchers are realistic. Aims must reflect what the purpose of research is. Some of the aims, for example, could be ‘to measure..., to identify key factors..., to gain insight into...’ and so on. Research questions or hypotheses guide any research. It is true, however, that when research is designed for professionals – marketers there is often only research question(s) that guides and frames the research.

For scientific purposes, hypotheses and research questions are related to the choice of paradigm and should/ need to address paradigmatic consistency. There is extensive discussion about paradigms, types of research and related hypotheses testing or hypotheses generating (see Bassey, 1999). For example, Denzin and Lincoln have edited three editions of the handbook of qualitative inquiry (1994, 2005, and 2013) and theoretically grounded qualitative inquiry into ‘qualitative’ ontological, epistemological and methodological foundations. In the second half of the past century proliferation of different perspectives, understandings and conceptualizations of research in social sciences, like mixed methods paradigm, occurred. The leading researchers in mixed methods field, like John Creswell, Abbas Tashakkori, Alan Bryman, Michael Fetters, Donna Mertens, David Morgan, Michael Patton, and Charles Teddlie, to mention just a few, have contributed significantly to the quality and differences in understanding social sciences research through the Journal of Mixed Methods Research. Also, in marketing research different approaches have been adopted, for example ethnography, lately netnography, and methods, like mystery shoppers when customer satisfaction and quality of provision are at stake. In our view, bricolage reflects well the nature of marketing research for the needs of companies.

For Kincheloe (2001) bricolage is manifestation of interdisciplinarity. Marketing, in our view, is interdisciplinary in nature, drawing findings and knowledge also from sociology, psychology, economics, management and other sciences in order to develop its own

disciplinary knowledge. Trnavčević and Biloslavo (2017, p. 11) refer to Rogers (2012) when they discuss bricolage as “as an approach to qualitative inquiry which can be considered critical, multi-perspectival, multi-theoretical and multi-methodological approach to research”. However, bricolage is also discussed in the light of ‘the use of multiple methods’ in research (Denzin, 2012). Bricolage is ‘handy’ method or type of research where paradigmatic questions are not up front. However, as for any research, it is true also for bricolage that aims and objectives reach beyond and within underlying conceptual question: what do we want to know? Is it the extent of phenomena (behavior of mass, population), or it is about in-depth view (small target group behavior). Do we seek explanations, for descriptions, or causalities? These questions guide the research and among other procedures, they also guide the sampling procedures.

MARKETING RESEARCH PROCESS: SAMPLE AND SAMPLING PROCEDURES

Historically, research was done on population. Gray and Guppy (1994) mention probably the first reported survey from the Bible, where God requires from Moses to take the sum of the all the congregation – this is a request for enumeration of the entire population. Later, many population counts were done, from collecting data on the number of landlords to their capability to pay taxes. In the last century and half, samples have replaced population in various large scale studies due to the increased number of the population and the complexity of state bureaucracies (Gray and Guppy, 1994). Today the wish is the same - to study population. However, it is too expensive and time consuming to conduct research on the population therefore the samples are good solution.

Generally speaking, samples[†] are divided into probability (random) and non-probability samples. The reason for this division is in the research purpose – do we want to know how population behaves, what population does, why population acts/reacts in a certain manner, and similar. So, if the focus is on understanding and knowing the population, probability sampling procedures need to be undertaken. If/ because populations are usually large (all customers of a food chain in a country) research is conducted on samples drawn from populations by random procedures. It means that researcher knows the population well, has addresses for all units (customers) and randomly selects them. Every unit in the population

[†] Sample is drawn from population, while target group is a group we want to address by marketing tools.

has equal chance of being selected into the sample. Probability sample design enables researcher to select simple, systematic or stratified random samples. Random samples are one of the conditions to generalize findings. These samples need to be large and need (are expected to) represent the features of the population. Probability sampling is often used in survey designs. Although it is 'attractive' in terms of opportunities to generalize findings from the sample to population, this kind of sampling procedure is expensive and time consuming, especially for novice researchers, students, entrepreneurs, and also companies.

Non-probability sampling procedure is opposite to probability sampling. It means that not all units in the population have equal chance to be selected to the sample. Non-probability sampling design usually relates to typical samples: purposive, convenience, quota, judgment sample and snowball sampling. However, for non-probability sampling it is significant that researcher uses them when the purpose of research is not to generalize the findings but to limit findings to a specific, usually carefully chosen sample.

There is one specific issue that needs to be mentioned. Namely, if random samples are expected to be in survey research, large scale research, then small, non- random samples are expected to be used in qualitative studies[‡], rather than in large scale research. However, the practice of research has been changing and non-probability sampling is used in practice to support marketing management decisions. If so, then non-random samples could be large, and could provide good grounds for decision making but still limitations about generalization need to be taken into account.

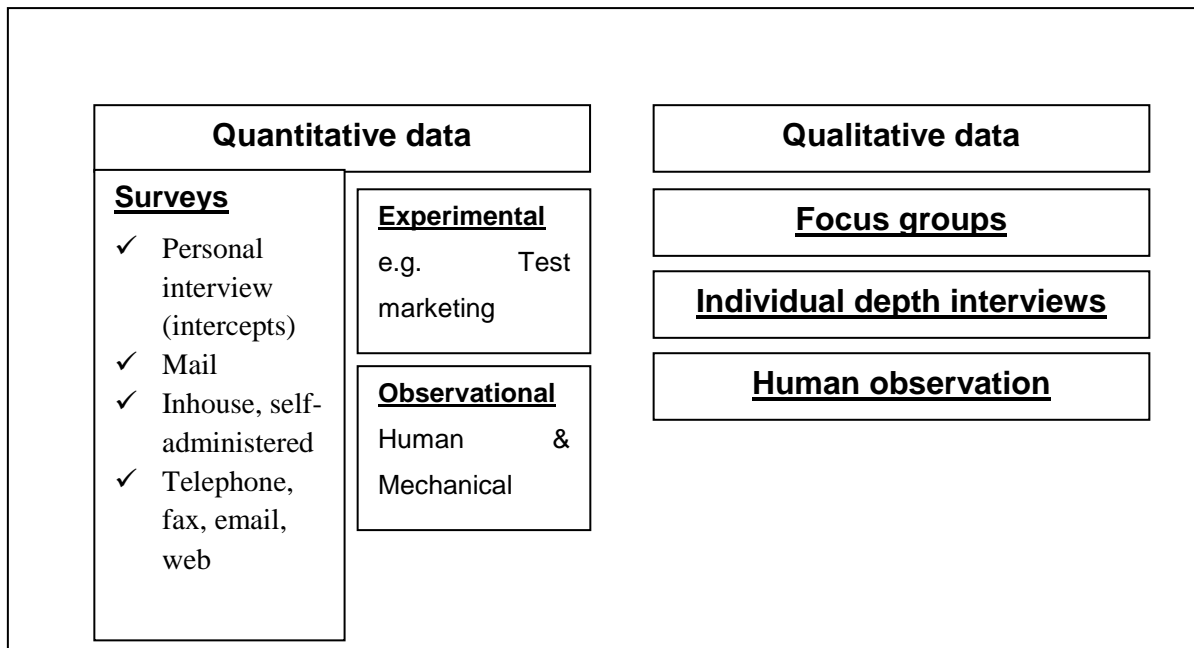
MARKETING RESEARCH PROCESS: DATA COLLECTION

As in any other research, also in marketing research two types of data exist: primary and secondary data. Primary data is collected from participants during research process for the purpose of a particular research. It means researchers want to collect data that has not been previously collected either in terms of specific content – specific explanations, explorations, or descriptions – and/ or specific samples. Secondary data has already been collected for other purposes, not for the particular research. Such data still provides solid foundation for analysis and builds the knowledge about research problem. Secondary data can be drawn

[‡] Polarisation qualitative: quantitative research methodology has been debated over the last seven decades, not to mention the roots in the work of Francis Bacon and Aristotle, and their understanding of science and knowledge. For contemporary research in marketing it is important to notice that it is difficult to obtain random samples if we conduct research as e.g. ethnography, or via social networks, like Facebook, or internationally.

from valuable and reliable sources, such as national and international statistical offices, like Eurostat, or from written documents, such as annual reports and minutes of meetings. The following Figure 1 presents another possible data typology. It is about qualitative vs. quantitative data with subsequent methods of acquiring such data.

Figure 1: Qualitative and quantitative data



Source: adopted from: <https://www.slideshare.net/philippospapageorgiou/seafood-marketing-research-design-15682284>

The quality of any data is essential for the quality of evidence and research results. The problem is when emphasis is laid on the analysis stage and poorly designed questionnaires or interview questions are neglected. Good analysis cannot compensate for wrong or bad questions and bad analysis can damage good data. Researcher and also clients need to pay attention to methods, techniques, and instruments of data collection in order to avoid the situation nicely described as ‘garbage in- garbage out’ (Gray & Guppy, 199).

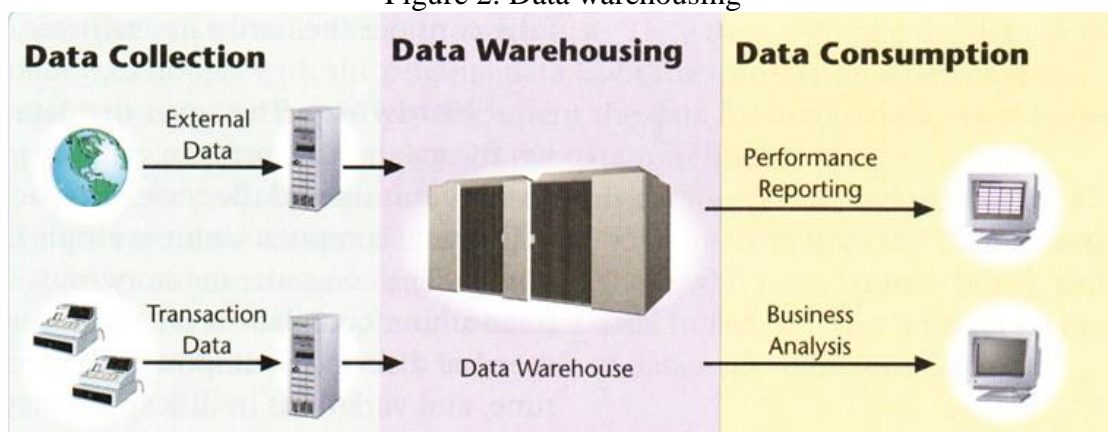
Image 1: Data garbage can



The issue of ‘garbage in’ data calls for attention in the world of ‘copy-paste’ questionnaires, scales, and intercultural research. Students, and also some researchers, omit the process of translation in methodological terms. Namely, translation goes beyond the pure language used in instruments (questionnaires and interviews, ability test, knowledge tests, attitude scales, and similar), and requires application of translations to different samples – different cultures (Pena, 2007; Brettel et al., 2008; Lim, Winter & Chan, 2006; Yamkovenko, Holton & Bates, 2007; Welch & Piekkari, 2006; Wil-Hartzig, 2005). Rather, translation is the process of creation of meanings grounded in cultural contexts. This is one of the reasons why copy-paste approach is misleading, inappropriate and leads to ‘garbage out’ evidence.

There is another issue about data collection and decision of marketing managers to gather primary data. Namely, big data is big issue in current marketing practice. There is no single definition of big data. It refers to large and complex data sets that cannot be analyzed with traditional software. Features of big data are scale, complexity (velocity), and volume. Different software analytics is needed and specific algorithms developed to ‘mine’ the data (data mining) from warehouses and to analyze it for specific research purposes. Data mining is a process of generating knowledge from unstructured and structured massive data. Complex human behavior and social patterns can be studied in new ways, and new knowledge about human behavior generated. Large data sets are associated also with data collection through e.g. loyalty cards that many companies have. Data warehouses are ‘homes’ of incredibly large amount of data which is waiting to be processed, analyzed and presented in a form that decision makers find useful for their decision making process (Fan, Lau & Zhao, 2015).

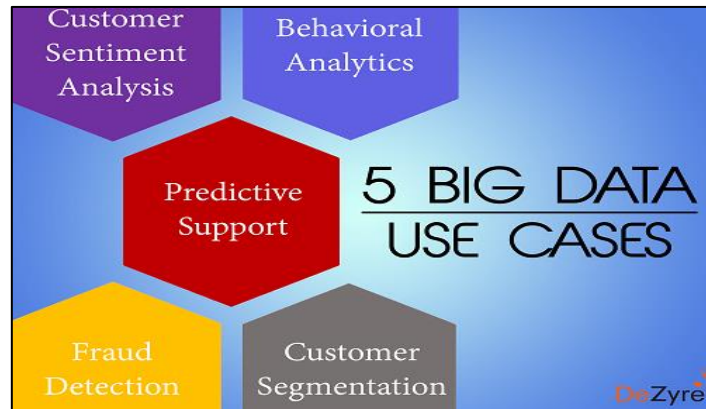
Figure 2: Data warehousing



Source: Google images

In today's marketing 'world', the progress and innovation are no longer hindered by the ability to collect data. Marketing research is related also to the ability to manage, analyze, summarize, visualize, and discover knowledge from the collected data in a timely manner and in a scalable fashion that creates competitive advantage and enables companies to win in the market. In marketing, five areas can appropriately and successfully be researched, using big data, as shown in Figure 3.

Figure 3: The use of big data



Source: DeZyre (2015) <https://www.dezyre.com/article/5-big-data-use-cases-how-companies-use-big-data/155>

There are many traditional and different methods of primary data collection in marketing research. Different types of research have traditionally been conducted for marketing purposes, such as survey, qualitative case studies, and ethnographies, and variety of methods and instruments have been used to collect data, such as questionnaires, observation and focus groups.

Focus groups

Focus groups have been used in applied marketing research (Morgan, 1996). They have grown over the last 55 years. They evolved from small to larger groups and crossed the physical barrier of the room. Today they are conducted in webcams and virtual world. They also moved from local to the global. Their popularity has grown along with qualitative marketing studies.

There is an interesting discussion about the differences between group interviews and focus groups. In applied research or problem-driven marketing research wide-spread definition of focus groups (6-10 members) is: focus groups are semi-structured discussions that aim to explore specific set of questions. They build on group members' dynamics and explicit role

of researcher to guide discussion. Sometimes, in product development process, focus groups are ‘recurrent event’ – members meet more than once in their natural settings in order to develop, test, or evaluate the product. Questions are usually open-ended and follow the logic of semi-structured interviews. Although focus groups seem to be ‘practical’, practice-based research method and useful, the use of focus groups is substantively dependent on theoretical knowledge and on scientific discipline (Stewart and Shamdasani, 2014). From wide-spread use of focus groups in marketing research and their contribution to understanding customer behavior, decision making and similar, today’s use of focus groups in marketing research needs to make a step back to look at the focus group theory in order to increase probability to produce new knowledge and understanding by focus group research.

There is rich and extensive literature available on other methods of data collection, such as surveys and questionnaires (for example Creswell, 2013; Davies & Hughes, 2014; Denscombe, 2014; Dillman, 2011; Fowler, 2013; Gray & Guppy, 1994; Salganik & Levy, 2015), interview and focus groups (Eysenbach & Köhler, 2002; Frey & Fontana, 1991; Greenbaum, 1998; Krueger & Casey, 2014; Morgan, 1996; Stewart & Shamdasani, 2015; Stokes & Bergin, 2006), and different techniques of observation (Creswell, 2013; Kawulich, 2005; Price, 2010). From rich and extensively discussed data collection methods we want to point out two issues: asking the right questions and doing observation ethically.

Asking the Right Questions

Scientists, and especially social scientists ask a lot; they ask participants in research in different ways and collect data by using different data collection methods. The quality of research findings depends essentially on the quality of primary data gathered by methods of data collection, such as interviews and surveys. Poor quality of data comes firstly from inappropriate choice of data collection methods and secondly from wrong questions. Interesting enough, what can be observed in practice are poor data collection instruments rather than wrong data analysis methods and procedures. It is difficult to list possible reasons for this situation, however in our practice with students and clients from companies we see simplified, and often copy –paste approach to asking questions. One of frequently observed mistakes is to use Likert scale to measure everything that is in a form of a statement. In order to get some insight into asking questions, the following sections are devoted to good questioning.

Open-ended questions

We have pointed out interview as a method of data collection that is frequently used in qualitative research. Interviews are structured, semi-structured, and unstructured regarding the type of questions and in-advance preparation for the interview. In order to conduct a structured interview a questionnaire with close-ended questions is usually developed. Structured interview is conducted face-to-face in a manner that researcher reads the questions and circles the chosen responses. Structured interviews are from these points of view the same as face-to-face conducted survey. Hence, data can be statistically analyzed. Questions are usually close-ended and choices of possible answers are listed.

Close vs. open-ended questions dilemma is essential when structured interviews are designed. Why would one want to have open-ended questions in a questionnaire? Usually researchers can use one or two open-ended questions if language or wording of participants is important, or participants need to respond following their own reasoning. The logic of questionnaires, however, is related to the use within a paradigm in which they have been developed and used – the quantitative methodological paradigm. For example, in quantitative research the purpose is to understand phenomena on populations, and if sampling is required because population is too large, then samples are expected to be relatively large, random and representative. The observed phenomena need to be measured and findings expressed numerically, after thorough statistical analysis. Open-ended questions require different analysis, if researcher does not want to only count the frequency. Open-ended questions in surveys are usually put at the end of a questionnaire, for example: *Please, add what we were supposed to ask you but we didn't!* Sometimes, open-ended question is a simple phrase: *Other*. We ask participants to add to a single or multiple choice questions an option that has not been listed. Also, it is possible to have open-ended question where the focus is on words by which participants describe studied phenomenon, for example: *Describe, please, the forms of violence in schools;* or *What are the factors, in your opinion, that affect choice of employer? List at least three, please.* Open-ended questions in questionnaires are usually few. It needs to be mentioned that a questionnaire can consist of open-ended questions only but in that case we need to ask ourselves how well the questionnaire corresponds with the aims and purpose of the research and why other options of data collection methods were not used. Open-ended questions are more appropriate for interviews than for face-to-face or self-administered surveys.

Open-ended questions are typical for qualitative studies where the purpose is to gain in-depth insight into the studied phenomena and data collection method is semi-structured interview. Such interviews are based on a set of approximately 8 pre-prepared open-ended questions, for example: *What strategies do you (participant) use in solving complex business situations? What is 'a complex business situation' for you? How do you interpret your own practice regarding decision-making? Provide, please, an example.* Often, open-ended questions are accompanied with additional –clarifying questions, for example: *Can you illustrate your thinking on an example, please? Could you say more about X?* Open-ended questions correspond with a purpose for which a qualitative research is designed and consequently data collection method chosen.

Close-ended questions

Close-ended questions are questions with fixed response categories. In order to develop good questions, categories need to be exhaustive, comprehensive, mutually exclusive, and need to provide meaningful and appropriate response alternatives. Close-ended questions in surveys have many advantages: alternatives are considered by the respondent, responses are uniform, respondents make their own judgements, and recording is simplified (Gary & Guppy, 1994, p. 84). There are also disadvantages, such as inadequate response categories, superficiality of responses, long list of alternatives, and the same type of questions throughout the questionnaire.

Self-administered surveys do not enable corrections. If the questionnaire is poorly designed, contains wrongly stated questions, or questions offer inadequate alternatives - these mistakes cannot be corrected by asking additional questions. Also, a new/ old questionnaire cannot be sent to the same sample within a month or so, when responses return the poor quality of collected data becomes 'visible'. Therefore, questions need to be thoroughly designed and carefully piloted.

There are more issues that need to be addressed. Close-ended questions refer to knowledge, to attitudes, beliefs, opinions, perceptions, and values, and to activities, and practices. Good questionnaires contain questions that refer to all three categories of questions. We can ask what attitudes customers have in relation to a research problem, what they know about the problem, and what their activities are. For example, the questions could be asked about the 'knowledge of healthy food certificates', about the 'attitudes about health', and about their

‘practices, activities’ – buying behavior (how often they buy vegetables, where, how much they pay etc.).

When designing questions, researchers need to pay attention to the focus (single and specific), to brevity (better than complexity), to clarity (avoid ambiguity), to time frames, to biased questions, to leading questions, and to threatening questions. Questioning is, as Gary and Guppy (1994) state, an art as well as a science. We would add also craft, because with regular ‘exercise’ a researcher sharpens his/ her own theoretical knowledge and better transforms it into practice than a researcher who has never before done a research. Good questionnaire in marketing research is a valuable means for collecting data if it is well designed and carefully thought through. If not, it can be a source and foundation for wrong management decisions as well as it fails to serve the scientific purposes.

Doing the observation ethically

Observation is one of data collection methods. It is used in qualitative and quantitative research, and most of all in marketing research that is focused on customer behaviour. Data is collected in the sample’s natural environment. This method of data collection is often associated with ethnographic studies. There is interesting discussion among ethnographic researchers about the role of researcher. Can a researcher be observer only, or he/she is also participant due to the sole presence of him/ her? (For more see Price, 2010). There are 4 stances that observer/researcher can take: complete participant, participant as observer, the observer as participant, and complete observer. If participants are informed about observation, then the presence of researcher, even a ‘hidden’ one, is a factor that influences the behaviour of participants. If observations are longitudinal then it is possible, that a researcher becomes ‘invisible’ or takes the position of participant observer. It is also possible to be complete observer/researcher if observation is conducted in public spaces and if people are not informed that they are observed.

In marketing practice, many companies use ‘mystery shopping’ approach to observe the respect of regulations, to gather specific information about services and products, and/ or to measure the quality of service. There is, however, always an ethical dilemma whether one can be subjected to observations without giving consent. There are numerous opportunities for complete observations in public spaces. The question is how to ensure anonymity. One of relatively strong justifications to disregard the anonymity is the massiveness – the crowd that ensures anonymity. Namely, public spaces – like shopping malls etc. are open to any

public. People come and their behaviour is observed and recorded anonymously. Anonymity is possible if observation is not recorded by video, audio, or any other technology. If this is not the case, as in mystery shopping, when employees are observed with a purpose to be evaluated, then ethical issues need to be discussed and addressed. If data is collected for research purposes only, ethical requirements need to be respected.

Ethical guidelines for research on humans require informed consent. This is in line with deontological ethics – the normative ethics which emphasizes the rule and the duty regardless of the goodness of motives and desirable ends. In social sciences participants can reject participation in research in different ways. Participants can refuse participation clearly, in person (in interviews, observations), or they do not return the questionnaire (in surveys). However, they cannot reject participation if they don't know they have been observed (mystery shopping). The motives and the ends (better quality of services etc.) of a research using mystery shopping or other similar methods, where there is no participants' consent acquired, in our opinion, do not justify the research.

CONCLUSIONS: LESSONS LEARNED

Marketing research findings and results are excellent source for decisions about new product development. Before starting marketing research it is worth considering what data has already been available, what data is 'at hand', and what quality is this data. If a company or entrepreneurs want or need to gather new data, or researchers want to generate new understandings and knowledge, or to evaluate existing practices and theories, a clear research problem needs to be stated and appropriate research design needs to be developed. Too much money, time, and other resources are at stake to let poor, inadequate, or false marketing research to be conducted.

Key lessons to be remembered:

- Don't rely on 'feelings', analyze existing secondary data, and then decide on primary data collection.
- Conduct a marketing research with clear focus, aims, objectives, research question, or hypothesis.
- Carefully select appropriate data collection methods.
- Don't copy-paste instruments of data collection. 'One fit all' slogan is not true in research process, neither in marketing research.
- Remember: garbage in – garbage out! Ask the right questions in the right form.

- Marketing research as a process is science, art, and also craft. It requires knowledge, creativity, and practice. The more you do it, the more you increase probability to conduct good marketing research. Even if you don't research you need to understand marketing research and recognize the quality of data in order to make the right decisions.

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Open Innovation and Entrepreneurship

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Abstract

Open innovation was the trending topic especially among high tech industries from the beginning of 2000's. Today's highly competitive and destructive business environment force companies to manage their budgets effectively. Open innovation perspective tries to encourage joint innovation processes and R&D activities among companies and their stakeholders to reach efficient innovation outputs. However, sides of the open innovation process are not only limited with the companies but also with the elaborated universities, governments, research centers, customers, distributors. Those are counted as stakeholders within an open innovation context. In this chapter, development of open innovation theory, different innovation practices, stakeholders of open innovation, advantages and disadvantages of open innovation and legal framework were elaborated to better understand the paradigm.

DEFINING THE OPEN INNOVATION CONCEPT

For long decades, Research and Development (R&D) activities of companies are held as top-secret, and confidential practices that can only be controlled by firms' internal "genius" employees. Since Industrial Revolution, companies try to hire most talented employees to develop and to market the state of the art products to their customers. However this point of view is a little bit faulty and hard to perform in today's business world. Due to nature of microeconomics, companies have limited resources and with that limited resources they can not reach all potential employees and commercialize their competitive products only by their own. Rivals of a company also have R&D teams and total R&D spendings of that companies are probably higher than one single company's R&D endeavours. Nowadays, knowledge is distributed among many companies and a single firm can not rely on its own R&D performance to sustain growth in long run. In another perspective, companies invest a large bundle of money into R&D activities for commercializing a small number of new products. In such a business environment, companies should collaborate and join forces to develop

value added products for current and potential customers. In another saying, companies should not rely only on its own R&D efforts and human capital.

For example, P&G surveyed her own R&D activities and its performance. P&G find out that only %10 percent of its patents reach an economic value and %90 percent of them have no potential to generate income to the company (Chesbrough et. al., 2006). In most cases, new products can not be commercialized only by internal physical, financial & human resources and they remain inert for several years then lose their potential value. To handle such situations, companies license its patents to other firms which can generate benefits from inert R&D outputs.

Open Innovation become popular since 2000's. Before that, some companies try to practice by their internal motives which was not effective as today's open innovation practices. Advances in social and economic working conditions, enhanced diversity of employees because of globalization, new complex institutions for the purpose of marketing ideas and technological advances to easily collaborate across countries to trigger the exploitation of open innovation practices (Dahlander and Gann, 2010). Open innovation defined as the use of intentional inflows and outflows of information to advance the internal innovative outputs and broaden the markets for outside use of these outputs, respectively. It's the paradigm which considers that companies should use external feedbacks & practices as well as internal ones to market and advance R&D activities and technology (Chesbrough et. al., 2006). Open Innovation paradigm is introduced for the management of innovation activities within companies. It has both outside to in and inside to out activities of technologies and ideas (Lichtenthaler, 2008). Classical Business Strategy suggest to hide innovative ideas and information from the companies within the value chain as just like they become their related competitors, rather than co-creating and collaborative commercialization. However in recent economic environment, firms develop new business models to benefit from the collective creativity through open innovation (Chesbrough & Appleyard, 2007).

On the other hand, open innovation related activities are not only limited within companies but also available within the university - industry collaboration. Universities have long been recognized as vital source of innovation as well as talented human capital for R&D departments (Perkman & Walsh, 2007). The approach of open innovation suggests that there should be a strong relationship among universities and business organizations to generate

noteworthy innovations particularly for regional and national development purposes. Universities can also add extra value to innovation process with their well-educated work force and with their laboratories. For example, Professor Michael A.E. Andersen from Technical University of Denmark and his research team made a breakthrough in class D amplification as a result of university research. This invention resulted with two ventures called Toccata Technology and ICE-power which are acquired by Bang & Olufsen and Texas Instruments (Chesbrough et. al., 2006).

OPEN INNOVATION vs. CLOSED INNOVATION

According to open innovation supporters, in most situation, open innovation procedures are crucial and each company should develop an open innovation policy to reach superior innovation performance. However, open innovation is not the perfect way for all situations. There are some interesting examples which promotes closed innovation activities like Apple's iPod which has been awarded best product prize. Apple iPod produced by closed innovation strategy. Another closed innovation example was Nintendo Wii, which has more innovative features (like augmented reality controls) then Microsoft's Xbox 360 or Sony's Playstation 3 (Almirall & Casadesus-Masanell, 2010). However in this situation, Nintendo can not attain high financial benefit from its closely innovated product as Apple did in 2000's.

Probably the most influential scientist of open innovation field is Henry Chesbrough. When he first published his pioneering book "Open Innovation" in 2003, he attracted many scientists and companies deeply about innovation paradigm. In his book, Chesbrough mostly focused on the innovation activities of Xerox's Palo Alto Research Center (PARC). Xerox was founded in 1950, in that date Xerox' name was Haloid. Later on the company changed its name and became gigantic Xerox in 1970. The company was mostly focused on printing and photocopy machineries. Beyond its narrow business field, the managers of Xerox have strong insight about technology and they decided that the company should expand its business activities around tech – related business fields. By this reason, they determined to build a laboratory which is called as PARC to provide technology to become the supplier of information intensive products. As a research success story, PARC is probably the best between 1970's and 1990's. The graphical user interface, bit – mapped screen, the Ethernet networking protocol, font rendering software Postscript (today it is called as Microsoft

Word), significant contributions in semiconductor diode lasers was discovered in PARC. However, most of these crucial breakthroughs did not become a business success stories for Xerox. Yet, some of these inventions benefit many companies and humanity. For example, Apple headhunted some researchers from these cancelled graphical user interface project to put itself apart from Microsoft by developing user friendly computer interfaces. Chesbrough relate these failures with Xerox's procedures about innovation and closed innovation environment. If an invention is not commercialized by Xerox or has no potential to become a Xerox product, the managers will decide to exterminate the research.

	Open Innovation System	Closed Innovation System
Product Modularity	High	Low
Industry Speed	High	Low
Complex Interfaces	High	Low
Tacit Knowledge	Required	Not required
Externalities	Positive	No positive

Table 1: Characteristics to follow an open or closed innovation approach

Abovementioned examples are the outputs of complex network of innovativeness. In most cases, open innovation sounds solid and decent way for R&D departments of a company. However there are some industrial and sectoral divergence for implementing these perspectives. Almirall and Casadesus-Masanell (2010) found that, open innovation is mostly preferable to closed innovation when complexity of partnerships are not high.

Enkel et. al. (2009), investigated 107 European SMEs and large enterprises to explore the insight of perceived risks towards open innovation. They found that; loss of knowledge, higher coordination costs, loss of control, and higher complexity were the most cited risks, in order, which were related with open innovation activities. They also found that there are some internal barriers like complexity of choosing an appropriate partner, creating a conflict of interest between daily business and open innovation activities, and spending out scarce financial resources, which actually are the funds of open innovation related activities, as the main paradox.

The innovation culture of companies has strong influence on the employment of the degree of open innovation perspective. Shared values, behavioral norms and artefacts of a

community are substances of culture at individual level (Hofstede et. al., 1990) While their reflections remain on the norms of employees while they are at work. Naturally, there are different cultural levels, but we can define innovation culture as;

- Organisation – wide common attitudes that support innovation
- Organisation – wide criterion for innovation
- Obvious innovation – oriented practices (Herzog & Leker, 2010).

Bae and Chang (2012) examine 3081 Korean manufacturing companies to find a way to measure innovation performance. Accordingly, there is a meaningful difference on the performance of open and closed innovation. They also found that, firms which adapted open innovation practices have statistically higher effectiveness and efficiency than their closed counterparts. Moreover, obtaining outside knowledge has a certain effect on the performance.

ADVANTAGES AND DISADVANTAGES OF OPEN INNOVATION

Open innovation paradigm proposed to develop collective innovation procedures among companies, universities, research centers and governmental institutions for mutual benefit. As in the examples of previous section, open innovation becomes very beneficial to companies and humanity. However, in some cases one side of the collaboration may lose its comparative advantage and core competencies to its rivals. Collaborating with large firms have sometimes benefited SMEs but in some situations they lose their comparative advantages and as a result they lose the chance of competing against large companies (Narula, 2003). In a large firm perspective, it can reach full potential of its investments and innovative capability by working with outsider workers and their ideas (Dodgson et. al., 2006).

Procter and Gamble (P&G) was one of the success story in implementing open innovation concept to its' R&D processes. In 2009, they announced that their success rate of product development has increased to 50% and the efficiency of their R&D by 60% with implementing the open innovation approach.

Chesbrough et. al. (2006), highlighted eight points of distinctions of Open Innovation, compared to previous theories of innovation:

- 1- External knowledge should be equally important as internal knowledge
- 2- The central motivation of business model is adapting R&D activities into economic value

- 3- Type I (False Positive) and Type II (False Negative) assessment errors in evaluating R&D projects
- 4- The deliberate outbound flows of knowledge
- 5- The plentiful underlying knowledge environment
- 6- The proactive role of intellectual property management
- 7- The rise of innovation emissaries
- 8- New metrics to measure innovation capability and performance

The most important advantage of using external sources for innovation are the admissions to new and unique knowledge and practices (Gassman & Enkel, 2004). Hence the financial advantage which will be derived through its licensing.

Today's business world is not only based on one particular view of innovation. Firms prefer to adopt closed and open innovation views together for their R&D activities. Aforementioned examples of Xerox and Apple are good points to understand the reason behind their perspective. Xerox can not convert it's R&D activities into money with closed innovation practices. However, Apple escape from death with it's closely innovated iPod product.

Open innovation has some advantages on corporate venturing activities. Vanhaverbeke et. al. (2008) investigate this phenomena and found that, open innovation in risk bearing activities like corporate venturing has following advantages:

- 1- First mover advantage of early involvement in business opportunities and technological advances.
- 2- Postponement of financial assurances.
- 3- Reducing the downward risks with early exit option opportunity.
- 4- Postponement of exit option on loosing a spin off venture of intrapreneurs.

Advantages and disadvantages of open innovation mainly based on three pillars which summarize in Table 2 & Table 3.

Organizational	Knowledge Management	Legal
<ul style="list-style-type: none"> • Diversity in R&D investments • Easy market entry • Advantages of obtaining resources 	<ul style="list-style-type: none"> • Broader ideas pool • Synergy effects • Advancement of internal learning capacity through external knowledge flows 	<ul style="list-style-type: none"> • Intellectual property will be used as key asset

Table 2. Pros of Open Innovation

Organizational	Knowledge Management	Legal
<ul style="list-style-type: none"> • High coordination costs • First application costs • Higher fault rate than daily routine workflows 	<ul style="list-style-type: none"> • High dependency on external knowledge • Losing control on key knowledge • Loss of strategic power and adaptability 	<ul style="list-style-type: none"> • Intellectual property spillover

Table 3. Cons of Open Innovation

OPEN INNOVATION & POTENTIAL STAKEHOLDERS

Hannan and Freeman (1984) defined stakeholder as “any group or individual who can affect or be affected by the achievement of the firm’s objectives.” From this widely accepted perspective, a firm’s stakeholders are not only limited to internal stakeholders but also external stakeholders can influence firm activities whether the company is implementing closed or open innovation.

In an open innovation perspective, the number of stakeholders for decision making is not less than in any other practices. In most situations, large companies have many stakeholders with which they can collaborate for implementing open innovation activities. Customers, users, suppliers, start-ups, research centers, universities, competitors, governmental institutions, lenders, and society are some of the external stakeholders of a company. Despite this large external stakeholder pool, companies can only collaborate with a few of them at the same time because of managerial capabilities and organizational barriers of a company (Celuch et al., 2002). Collaborating with many stakeholders will be perceived as positive, however, a company will lose control over its R&D activities and managerial decisions in such a situation. Companies with a great internalization of open innovation view can only work with 2 or 3 stakeholder groups at the same time. Nowadays, customers, suppliers, and start-up companies are the most preferable stakeholders to set up a relationship about open innovation. Firms can create continuous value by establishing win-win situations with their stakeholders as possible. If a firm can understand stakeholders’ needs and desires, it can generate much more win-win situations without any extra effort (Gould, 2012). Such a kind of collaboration may reduce R&D costs, increase efficiency and the effectiveness of R&D activity, provide wisdom via external knowledge. Due to this mutual beneficial nature of open innovation, many stakeholders would like to participate in that kind of stakeholder network. In some situations, companies need to attract potential stakeholders to co-create some innovations. Monetary incentives will be sufficient up to a level but there should be more motivators for most circumstances. Pedrosa (2009) highlights, lowering risks, building new

and attractive networks, developing new knowledge and adapting new capabilities are the crucial factors to attract potential stakeholder to jointly develop innovation.

MANAGING OPEN INNOVATION PROCESS

Open innovation processes mostly focused on managing internal or external knowledge of a company (Chesbrough et. al., 2006). Gassman and Enkel (2004) made a research based on 124 companies and they identified three core processes for open innovation.

The outside-in process: Integrating suppliers, customers and external knowledge sources will improve company's knowledge base and innovative capability.

The inside-out process: Selling intellectual property, selling ideas to the external sources and markets, directing ideas to multiply technological impact.

The coupled process: Linking outside-in and inside-out with companies (or strategic alliances) which share same wisdom to innovate.

Until 2000's, internal R&D activities are seen as the must strategic tool for an innovative company. Internal R&D activities require high initial investments which can only be afforded by large company. That make them special to large companies. Especially R&D based sectors are highly dominated by gigantic corporations because of their huge financial power (i.e. Pharmaceutical industry). In such an economic environment, smaller enterprises struggle to stay alive in long run by their own R&D activities. Within this environment, large corporations also struggle about skimming on their R&D activities. In most situations, corporations spend lots of money to invent or innovate a product to gain sustainable comparative advantage. Mostly; their metrics on evaluating a project or a R&D activity are insufficient. By this reason, many promising R&D activities are cancelled due to insufficient evaluation methods.

In Xerox PARC example, Xerox planned to fund promising internal R&D projects for a given period. After that period, those projects would be evaluated with insufficient or sufficient project evaluation indicators to determine their fates. Few of those were succeed by Xerox evaluators, and most of them are cancelled due to insufficient R&D project evaluation methods. Unsuccessfully found projects are terminated forever or the researchers themselves will get permissions to leave the company with their unsuccessful projects. In a closed innovation view the decision seems right. However, many spin offs from Xerox contribute largely to today's tech giants like Apple and Microsoft. To give an example, graphical user interface of a computer was developed in Xerox PARC and terminated by Xerox PARC because of perceived interrelatedness with its main product segment. After

that, researchers leave Xerox with their prospective idea and join Apple. With this movement, Apple gained its core competency against Microsoft and IBM after 1970's.

Aforementioned example is a good way to understand the necessity of open innovation processes. False negative project evaluations should be managed studiously to prevent incorrect decisions. Xerox was very good at finding and adopting new technologies to its main printing business, however, Xerox was inadequate to find the potential options for uprisings computer arena in new markets (Chesbrough, 2004).

By implementing strong open innovation processes, a firm can gain advantage from not only by its internal research activities, but also can gain advantage through flow of external knowledge to the company. In today's highly competitive business environment, companies should not waste their money through terminated R&D activities. If they identify that the ongoing R&D project's findings will not be beneficial to company's business field, they should look for potential licensing options or bilateral R&D exchanges to gain advantage from that research. By this way, the company can understand the potential of its innovation through following licensee's business activities and decide whether it is going to involve in that field or not.

VARIOUS IMPLEMENTATION METHODS FOR OPEN INNOVATION

A company's core business can be changed throughout the lifetime. Company can adopt changing business conditions and trend to become immune to core business related crisis. A well-known example is Dutch State Mines corporation. It was started business as a state-owned company which was related with coal mines in 1950s. In 1960s, after the decline of coal consumption because of discovery of natural gas in Holland, Dutch State Mines focused its activities on chemicals. In 1970s, they focused on chemical fertilizers. In 1980s, they recognised opportunity about plastics. In 2000s, they established a venture capital company to reach innovative centers of world and to fund highly promising projects. They constantly test ideas and businesses until they became fully grown, later on they spun off or rejected (Kirschbaum, 2005). Nowadays, Dutch State Mines mostly focused on industrial chemicals, petrochemicals and life sciences products (vitamins, additives for pharmaceuticals, etc.) and they became a publicly traded corporation which has about 30,000 employees and €8 billion sales in 2017. A true story of survival skill of Dutch State Mines mostly based on how they seen innovation system and how they connected their corporate culture with innovation and entrepreneurial culture. Teamwork, knowledge based approach, entrepreneurial culture should have been boosted to improve innovation capabilities of a

company. Besides that, an efficient open innovation implementation should be relied on these pillars whether knowledge was based on internal or external sources.

However, implementing the open innovation paradigm into organization's existing culture is not easy. Mortara and Minshall (2011) reviewed 43 cross-sector firms to investigate the implementation approaches of open innovation. They analyzed how firms moved from closed innovation to open innovation paradigm, how they adopt open innovation paradigm to firm's intrinsic culture, and how they coordinate when implementing open innovation paradigm. They found that, the open innovation adaptation process vary according to firm's innovation requirements, timing of the open innovation implementation, and culture of an organization.

Chiaroni et. al. (2011) investigated implementation of open innovation paradigm through an in-depth case study on an Italian cement manufacturer. They argue that, open innovation implementation constitute three-phases of unfreezing, moving and institutionalizing. Additionally, they claim that implementation of open innovation includes four main factors: networks, organizational structures, assessment processes, and knowledge management systems.

LEGAL FRAMEWORK & OPEN INNOVATION

After all, the open innovation adaptability is mostly based on legal perception of companies and legal framework. Intellectual property departments and law units of companies are too sensitive in most collaborative agreements. These departments should adopt open innovation activities expeditiously to avoid conflict of interest among contractors (Enkel et al., 2011). Increasing complexity of market and technological knowledge force companies to collaborate with other firms, universities, research centers, and even competitors. Following industrial era mostly based on patents, licensing contracts, and intellectual properties among companies and that made business environment much more complex than before (Granstrand, 2000; Verspagen & Duysters, 2004).

Valuation of intellectual properties such as patents, licences, and organizational knowledge is complex and may be hard to determine but it has critical importance in open innovation collaborations (Bogers, 2011) for the purpose of outputs' income share. Intellectual Property Right regimes play the vital role in open innovation adaptation. Robust intellectual property right regimes linked with confidence on external actors and collaboration with them (Dahlander & Gann, 2010). Patents play a securing role on intellectual property with their legal ability to block competitors from using a technology (Chesbrough, 2003) for a given

period and targeted countries. Countries' own patent regulations and competition laws which regulate open innovation collaborations directly.

European Commission published a report, "A more research-intensive and integrated European Research Area", to discuss the ongoing problems of innovation in European Union and to discuss how to motivate research based approach by open innovation practices (European Commission, 2008). United Nations Economic Commission for Europe published another report about intellectual property and open innovation to make policy recommendations to European Union partner countries in 2010.

National innovation policies are deficient in most cases. By this reason, European Union has made some regulations to close the innovation gap with the United States and to encourage open innovation activities. In example, Fifth Freedom regulation made cross border open innovation activities more flexible by regulating movement of researchers and knowledge. Additionally, Integrated European Research Area established to guide partner countries.

CONCLUSION

Open innovation approach was trending among companies for a decade and probably it will continue in the decades to follow. At first glance, open innovation looks suitable for high-tech or pharmaceutical companies to decrease their high R&D spendings and to reach external resources to improve their R&D efficiency. But open innovation approach represents much more than this. An industrial or service based companies can also gain benefit from open innovation activities via patents, licensing, intellectual property and etc. SME's can also benefit from open innovation collaborations. They have limited resources for R&D related activities and they can collaborate universities, research centers, other SME's to decrease their costs.

Open innovation is not only aim to decrease R&D costs and increase profits of companies. The main aim is to serve collective wisdom of human beings via diversity in R&D activities, broader ideas pool, synergy effects, and advancement of internal learning capacity through external knowledge flows are the some vital contributions of open innovation to humanity to become more advanced civilization.

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Project Management: Entrepreneurship And Innovation Management Perspective

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***Abstract:** This chapter is designed to provide detailed information and develop technical knowledge and skills within project management area for entrepreneurs and innovators. Throughout the chapter, the characteristics and phases of a project, from idea conception to implementation and evaluation are identified as well as the relationship between project management and entrepreneurship. Chapter suggests utilizing “Logical Framework Approach (LFA)” for project design and implementation. LFA has been adopted by various development agencies and funding organizations for project planning and management purposes. The tool provides an overall framework through which businesses, NGOs and other organizations can develop projects in a systematic and structured way.*

What is a Project and Project Cycle?

Derived from Latin word “*projicere*” meaning throwing forward, the word “project” is defined by The Oxford English Dictionary as an individual or collaborative enterprise that is carefully planned and designed to achieve a particular aim: [e.g.] a research Project /a nationwide project to encourage business development.

European Commission defines a project as a series of activities aimed at bringing about clearly specified objectives within a defined time-period and with a defined budget. (2004, p.8) Similarly, Project Management Institute, USA regards a project as a temporary endeavor undertaken to create a unique product, service, or result. (Project Management Institute 2013, p. 3) From “throwing forward” to definitions put forward by international development and aid organizations, a project carries the following characteristics:

- succession of a set of activities
- for specific and achievable aim(s) and result(s)
- to contribute to fundamental changes / improvements

- with a set budget / funding
- within a specific time frame
- through coordination, planning, monitoring and evaluation

A project could range from small-scaled voluntary projects of NGOs to large scaled development and innovation projects coordinated by research institutes or governmental bodies. However, a project is not a one-time activity or routine activities of a business or organization. Consequently, it requires a time span.

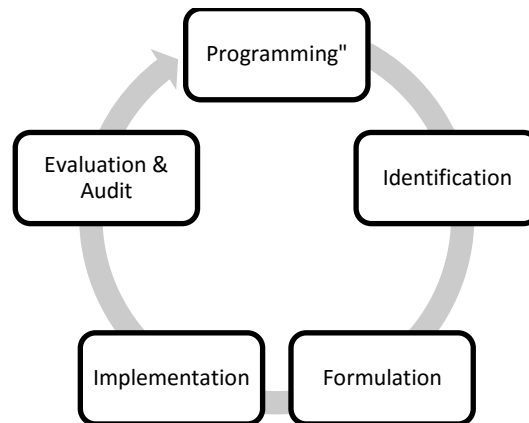


Figure 1: Project Life Cycle (European Commission, 2004)

This circular process highlights that the completion of one phase is required to proceed to the next. Furthermore, circular nature also demonstrates that the results of evaluation and audit determine the new programming and identification phases, completing the cycle. (EC, 2004, p. 16)

During the *programming* phase of the project cycle, large-scale national, regional and international policies are identified according to sectors. This phase represents a framework for organizations and results in the *identification* phase during which the ideas for projects are turned into structured plans. *Formulation* phase concludes the project design stage and the project is ready for *implementation*. Implementation phase includes the organization of the designated activities within the project with the general aim of producing the promised results, which are *evaluated and audited* in the last phase of the project cycle. Results of the project evaluation enable businesses and organizations to apply the lessons learned in to future project ideas, thus repeating the cycle.

This brings about the need to select a structured way of dealing with different stages in project management. A quick research reveals that various different tools and approaches for project management exist for different types of enterprises and sectors. However, for

many international funding institutions, the main practice has been to utilize Logical Framework Approach (LFA) to project management. Following sections of this chapter deal with project management and LFA as the main tool for developing and implementing projects.

Do Entrepreneurs Need Project Management?

Project Management is the combination of designing, implementing, coordinating and evaluating the project process. Entrepreneurs might think project management and the processes associated with it might not be of much use to their businesses. Nonetheless, there has been an increased interest among researchers to link project management and entrepreneurship disciplines.

Projects, by nature are restricted by time. They must have a limited time span and should produce the results within this period. This restrictive nature might seem to contradict with a business's approach. However, this is regarded as an advantage since many entrepreneurial actions might not always tend to be long term. Due to the high rate of failure associated with entrepreneurship, average life cycles of SMEs are compared to the durations of projects. (Kuura, 2011, p. 158) In this view, project management does not contradict entrepreneurship on the contrary, it encourages the entrepreneur to perceive his/her business as a project, and thus the entrepreneur becomes a project manager.

Project management and entrepreneurship disciplines are shown to be linked by their relation to innovation. (Kuura,2014, p. 220) Due to the fact that projects arise from a need for betterment or change, projects can have innovative aspects and be considered as entrepreneurial acts. (Kuura,2014, p. 220) Innovative projects by nature are expected to bring about new methodologies, new ways and approaches to a subject and as each project in principle should be different from regular activities conducted, project management and innovation are closely linked to each other.

Project management tools and approaches in general provide systematic, structured and simplified paths for entrepreneurs and SMEs for goal reaching purposes. Many national, regional and international organizations and funding bodies implement wide range of programmes targeted towards entrepreneurship and innovation. Being familiarized with the approaches used for these programmes, brings entrepreneurs one-step closer to much needed funds and loans for creating businesses.

Logical Framework Approach: An Aid to Thinking

Developed in 1960s, LFA process has been adopted by various development agencies and funding organizations for project planning and management purposes. The tool provides an overall framework through which businesses, NGOs and other organizations can develop projects in a systematic and structured way.

It enables project managers to analyze the current situation, develop connections and relations to reach main aims, determine risks associated with the project, create methods for monitoring and evaluation of the project results and over all present a simple and logical summary of the project. (Australian Agency for International Development, 2003, p.1)

It is important to note that LFA is a methodology of project management (involving stakeholder analysis, problem analysis, objective setting and strategy selection) (EC, 2004, p.57) and Logical Framework Matrix (LFM) is the main output of the planning process, summing up the main components of the project in a chart format. While studying LFA it is important to make the distinction. (Dale, 2003, p.58)

As an objective-centered approach, LFA has two main components in **identification and formulation stages of project management.**

Identification Stage

During the identification stage, the project team should consider following analyses:

- Stakeholder analysis
- Problem analysis
- Analysis of objectives
- Analysis of strategies

Results of the above-mentioned analysis stage will be transferred into the formulation stage and create the LFM. During the identification stage, the project team should also review reports and academic sources as a preliminary analysis in order to establish a framework through which the project could be developed. (EC, 2004, p.61)

Stakeholder Analysis

Projects are not individual or organization based endeavors. A variety of people, groups, organizations and communities are affected by the activities, results and outputs of a project. While formulating the initial analyses, it is important to carry out a stakeholder analysis to assess the directly affected and indirectly effected groups – stakeholders. Main reason of conducting a stakeholder analysis is first to identify possible partners and target groups of a

project and secondly to identify those who could be negatively effected by the project in order to create a sound risk management strategy.

Many different tools can be used to carry out a stakeholder analysis such as SWOT analysis, stakeholder analysis matrix, Venn diagrams and Spider diagrams. Regardless of the method, it is important to remember that primary stakeholders and secondary stakeholders should be clearly identified along with their interest and opposition to the project. (EC, 2004, p. 62)

Problem Analysis

Each project is derived from a need – a problem faced by a community, organization, business or NGO. Before starting formulating a project, the project team should try to analysis the existing problems to find a related issue to tackle through their project.

This process of problem identification is the problem analysis. During the analysis, the project team should clearly establish all related problems and create a cause and effect relationships between these problems. (Australian Agency for International Development, 2003, p.4) One of the main tools used in problem analysis is called the problem tree. Problem tree should be the result of a brain-storming session of the project team and the stakeholders. It requires the use of individual pieces of paper or cards on which to write individual problem statements, which can then be sorted into cause and effect relationships on a visual display. (EC, 2004, p. 67) Resembling an actual tree, root causes of the main problem identified for the project are placed at the bottom while the fruits, in this case the effects are placed at the top of the chart.

European Commission has set out the main steps of creating a problem tree as:

- Step 1:** Brainstorming problems that stakeholders find important as a result of initial situation analysis in related subject area
- Step 2:** Selection of one starter problem at the end of the brainstorming session
- Step 3:** Identification of all related problems to that one starter problem
- Step 4:** Creation of a hierarchy of cause and effects: resembling an actual tree, root causes are placed below the problem while the effects are put above. While doing this exercise, the team sorts all problems with the guiding question of “What causes this problem?”
- Step 6:** Connecting problems with arrows, which demonstrate cause and effect relation in order to establish links.
- Step 7:** Reviewing the finished chart in order to be certain that all important problems are present.

Conducting a problem analysis exercise is always recommended as it establishes a framework for the Project to operate, objectives to be defined and strategy to be chosen.

Analysis of Objectives

Following the identification of the problems and the hierarchical relation between causes and effects, the objectives of the project can easily be detected. Analysis of objectives is the act of turning all negative problems into positive objectives and shows desired outcomes of the project.

European Commission has set out the main steps of creating an analysis of objectives as:

- Step 1:** Turn all negative statements / problems into positive statement / objectives
- Step 2:** Just as cause-effect relation of problem tree all related items should reflect means-ends links
- Step 3:** Reviewing the finished chart in order to be certain that all important objectives are present.

Similar to problem analysis, analysis of objectives should ideally be done with the participation of relevant stakeholders. Possible revisions and inputs of all parties should be reflected in the analysis stage of the project design.

Analysis of Strategies

Exercises of problem and objective analysis will produce a wide range of problems / objectives in various areas of policies. These exercises will enable the project team to see the broad situation in the related field. However, as each project should be carried out in a time frame and should have achievable objectives, an analysis of strategies should be done as a last step of identification in project management.

Strategy analysis is based on the capacity, nature and the expertise of the organization, Let's imagine that a company, higher education institute and a NGO are preparing separate projects on providing employment opportunities for young people in Europe. Following the analyses of problems and objectives, each organization should tackle the problem of unemployment according to their capacity, expertise and the time span of the project,

resulting in the selection of different strategies for each organization. For instance, a business could select to establish a traineeship programme for young people as their strategy while a higher education institution would try to revise their curricula to meet the requirements of current job market and an NGO could offer volunteering opportunities for young people to gain work experience and etc. However, a business is not expected to have the objective of changing national employment policies or a HEI cannot aim to provide direct employment to young people.

A clear project strategy demonstrate that the project has reasonable and achievable objectives. Many times there could be several problems that are within the expertise and capacity of the organization. However, time constraints of projects should always be taken into consideration and appropriate strategy for the project should be chosen.

Formulation Stage

Following the conduction of the analysis phase of project management, formulation stage is implemented and the logical framework matrix (LFM) is completed according to the results of the problem, stakeholder, objectives and strategies analyses.

The matrix has four columns and usually four rows, depending on the number of levels of objectives used to explain the means-ends relationship of the project. The *vertical logic* identifies what the project intends to do, clarifies the causal relationships, and specifies the important assumptions and uncertainties beyond the project manager's control (columns 1 and 4). The *horizontal logic* defines how Project objectives specified in the project description will be measured, and the means by which the measurement will be verified (columns 2 and 3). This provides the framework for project monitoring and evaluation. (Australian Agency for International Development, 2003, p. 15)

Information contained in the matrix is provided below.

* The chart demonstrates the sequence of completion for each box.

Project Description	Indicators	Source of Verification	Assumptions
<p>1</p> <p>Overall objective: The broad development impact to which the project contributes – at a national, international or sectoral level</p>	<p>8</p> <p>Measures the extent to which contribution to the overall objective has been made. Used during evaluation. However, it is often not appropriate for the project itself to try and collect this information.</p>	<p>9</p> <p>Sources of information and methods used to collect and report it (including who and when/how frequently)</p>	
<p>2</p> <p>Purpose: The development outcome at the end of the project – more specifically the expected benefits to the target group(s)</p>	<p>10</p> <p>Helps answer the question ‘How will we know if the purpose has been achieved’? Should include appropriate details of quantity, quality and time.</p>	<p>11</p> <p>Sources of information and methods used to collect and report it (including who and when/how frequently)</p>	<p>7</p> <p>Factors outside project management’s control that may impact on the purpose-objective linkage</p>
<p>3</p> <p>Results: The direct/tangible results (goods and services) that the project delivers,</p>	<p>12</p> <p>Helps answer the question ‘How will we know if the results have been delivered’? Should include appropriate details of quantity, quality and time.</p>	<p>13</p> <p>Sources of information and methods used to collect and report it (including who and when/how frequently)</p>	<p>6</p> <p>Factors outside project management’s control that may impact on the result-purpose linkage</p>
<p>4 Activities: The tasks (work programme) that need to be carried out to deliver the planned results</p>	<p>Sometimes a summary of resources/means is provided in this box</p>	<p>Sometimes a summary of costs/budget is provided in this box</p>	<p>5</p> <p>Factors outside project management’s control that may impact on the activity-result linkage</p>

Table 1: Contents of Logical Framework Matrix (European Commission, 2004)

Throughout the formulation phase, preparation of the LFM becomes a repetitive process. With each part of the matrix drafted, previously inserted information can be reviewed and altered if need be. (European Commission, 2004) Nevertheless, there is a general sequence to completing the matrix, which starts with the Project description (top down), then the assumptions (bottom-up), followed by the indicators and then sources of verification (working across). (EC, 2004, p. 73)

First Column: Intervention Logic

First column of the matrix, commonly referred to as “Intervention Logic”, summarizes the overall objective, purpose, results and activities, all of which are determined during the analysis phase of LFA. Hierarchy between the items can be either formed bottom-up or top-down: By organizing specific ACTIVITIES, project RESULTS are achieved, results produce project PURPOSE and it contributes to the OVERALL OBJECTIVES of the project. Reversely, OVERALL OBJECTIVES of the project can only be reached by achieving project PURPOSE, project purpose can only be reached by delivering expected RESULTS and results occur as a result of carrying out project ACTIVITIES. (EC, 2004, p. 74)

It is of importance to distinguish between “overall objectives” and “project purpose”. Overall objective is the ultimate state of achievement to which the project will contribute. Usually, the overall objective is already established through funding agencies in their funding programme priorities and objectives. Overall objectives are mostly general, program level priorities such as “fostering entrepreneurial culture in Europe” or “increasing living conditions in Balkans”. Due to the fact that a single project can’t achieve broad objectives, each project selected within a given funding programme contribute altogether to the overall objective by fulfilling project based purposes.

Another important point to distinguish is the common mistake of confusing activities (i.e.: development of an innovative platform) with project purpose (i.e.: increased level of ICT usage among university students). Activities are means to achieve project results and purposes however they are not the main reasons to carry out the project in the first place.

Fourth Column: Assumptions

Assumptions are directly related to risk management. They are the answer to the question: “What external factors may impact on project implementation and the long-term sustainability of benefits, but are outside project management’s control?” (EC, 2004, p.78)

While formulating a project, project team should always consider outside factors – risks – for each level of intervention logic: activities, results and purpose(s). As the risks have the high potential to influence the project and its success, an appropriate intervention plan should be thought out. This could be done through a risk analysis to identify main risks involved in each level of the intervention logic. Once, risks for each level are determined they should be reversed into positive statements and included in the assumptions column in the matrix. This exercise enables the project team to intervene in possible risks beforehand and create a sound foundation to the intervention logic column.

This vertical relationship between first and fourth column in LFM is explained as follows:

- IF inputs are provided, THEN activities can be undertaken;
 - IF activities are undertaken, THEN outputs will be produced;
 - IF outputs are produced, THEN component objectives will be achieved;
 - IF component objectives are achieved, THEN the project purpose will be supported;
- and
- IF the project purpose is supported, this should then contribute towards the overall objective. (Australian Agency for International Development, 2003, p.17)

An easy way to determine if the assumption should be included in the matrix is to carry out an assessment of assumptions as shown below.

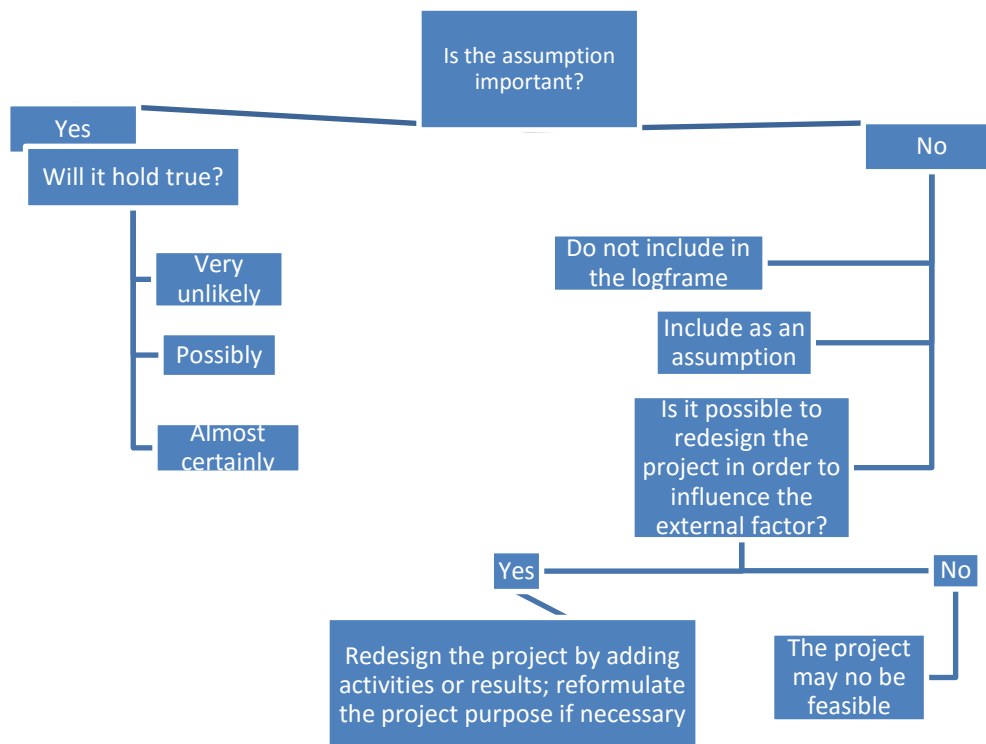


Figure 2 - Assessment of Assumptions (European Commission, 2004)

Second and third columns: Objectively Verifiable Indicators and Source of Verification

According to the sequence of the LFM, following the completion of first and fourth columns, the next step is to identify the second column: Objectively Verifiable Indicators and third column: Sources of Verification. Due to the fact that these two concepts are interconnected, the reading of columns two and three are called “horizontal logic”. (EC, 2004, p. 80)

Objectively Verifiable Indicators shows the project’s purposes in various value formats such as quantity, quality and time. Defining indicators for projects in different levels (objective, purpose, results and activities) enhances the monitoring and evaluation capacities of the project team as they provide qualitative and quantitative data on achievements. They are formulated in response to the question “How would we know whether or not what has been planned is actually happening or happened? How do we verify success?” (EC, 2004, p. 80)

Objectively Verifiable Indicators are referred to as objectively verifiable, as regardless of who is the assessor they should produce the same results and should not reflect a subjective point of view. Features of a good objectively verifiable indicator is defined by European Commission as:

Specific to the objective it is supposed to measure

Measurable (either quantitatively or qualitatively)

Available at an acceptable cost

Relevant to the information needs of managers

Time-bound – so we know when we can expect the objective/target to be achieved (EC, 2004, p. 81)

Closely linked to the indicators of a project, sources of verification clarify how indicators can be verified and measured. It is important to ask the following questions during planning to determine sources of verification.

- How should the information be collected, eg sample surveys, administrative records, national statistics (as in the census), workshops or focus groups observation?
- What source is most appropriate? Who should be interviewed? Is the source reliable?
- Who should do it? eg extension staff, supervisors, an independent team?
- When and how often should the information be collected, analyzed and reported? eg monthly, annually, according to seasonal cropping cycles?
- What formats are required to record the data being collected?

(Australian Agency for International Development, 2003, p.27)

Activity, Resource and Cost Schedules

In order to achieve the results and the purpose of the project, main tools – activities- should be carefully planned and related resources and costs should be allocated.

The distinction between a project and an activity should again be stressed. Activities are the most visible part of a project and many think of activities as the only aspect of a project. However, it should always be remembered that the activities are the tools for achieving purposes. Activities are puzzle pieces creating bigger and full results. Therefore, they should follow each other in a logical way and be different from one another.

When planning project activities, questions of “*what will be done?*”, “*who will do it?*”, “*when will it be carried out?*”, “*For whom will the activity will be organized?*”, “*What are the needed resources?*” should be considered and applied.

According to the Project Management Tool Kit published by Council of Europe, it is important to keep in mind the following points in activity planning process.

- A project shouldn't depend on **one single activity** for risk management reasons,
- **Time schedule** should carefully be planned in order not have setbacks,
- **Time schedule shouldn't be overcrowded** with a lot activities at the same period in order not to have crisis in management,
- **Organizational capacity** shouldn't be overestimated, appropriate activities should be planned in accordance with the operational and organizational capacity,
- It is important to remember that **plans should be flexible** to accommodate necessary changes in implementation. (Council of Europe, 2000, p.59)

While preparing an activity schedule for a project, a start and end dates of the project should be chosen. The project should be broken down to different phases such as **preparatory activities, implementation activities, monitoring and evaluation activities, dissemination activities**. Many funding sources require the usage of Gantt Chart in application stage to assess the quality of activity planning of a project. Gantt Chart is an useful tool to identify each activities start and end period and gives an overall summary of each activity in the project, easing monitoring process.

European Commission suggests the following steps in preparation of activity schedules (EC, 2004, p. 57-58):

Step 1 – List Main Activities:

Main activities identified in LFM should be written down.

Example: Let's imagine that we are managing an educational project to increase the level of ICT skills of university students in order to minimize the mismatch of skills required by labor market.

Main activities of this Project could include:

Preparatory Activities: Establishing project management team, creation of project website, online meeting with partners to revise the project schedule and etc.

Implementation Activities: Preparation of training modules, organization of ICT trainings for university students, organization of a summer school between partner countries, annual/6-months meetings with project partners etc.

Monitoring Activities: Preparation of monitoring reports, questionnaires etc.

Dissemination Activities: Organization of an international seminar to share project results with relevant stakeholders and have input regarding ICT education for recent graduates etc.

Step 2 – Break Activities Down into Manageable Tasks

In order to determine the project roles, resources needed and budgetary details, each activity should be further sub-categorized. The important point to consider is that an activity should be broken down to manageable tasks and project team shouldn't be lost in detail.

Example:

Activity 1: Organization of ICT trainings for university students

Management of organizational aspects

Selection of trainers for the activity

Selection of students who will participate in the activity

Preparation of training schedule

Step 3 – Clarify Sequence and Dependencies

Once related activities have been identified, they should be stated in a logical order which presents relations and sequences both between activities and in relation to project purposes.

1.1: Selection of trainers for the activity

1.2: Preparation of training schedule

1.2: Selection of students who will participate in the activity

1.3: Management of organizational aspects (renting training facilities, arranging coffee breaks/lunches, preparation of certificates etc.)

Step 4 – Estimate Start-up, Duration and Completion of Activities

Without an overall start and finish period of an activity, projects cannot be managed. Each activity's duration should be specified in a clear but flexible way to avoid time management problems. It is important to spread activities as evenly as possible throughout the whole project duration to present a realistic plan in Gantt Chart. Deciding on duration of each activity also enables project team to define milestones for the project for monitoring and assessing project's success.

Example:

Establishing project management team (M1)

Creation of project website (M2)

Online meeting with partners to revise the project schedule (every 2 months for the whole duration of the project)

Step 5 – Define Expertise & Allocate Tasks Among Team

Following the previous steps of adding details to activity schedule, defining what type of expertise will be needed and who will be responsible for each sub-activity and activity in each stage of the project will be rather easy.

Following the preparation of activity schedule, project team should also clarify resources (human resources, equipment, materials, location and other) and budgetary details of the project. As each activity is already broken down to sub activities and tasks, it will be possible for the project team to determine the needed resources and the estimated budget accordingly.

Implementation, Monitoring and Evaluation Stages

LFA is not only relevant for identification and formulation stages but it is also a useful tool to employ during the implementation, monitoring and evaluation stages of the Project cycle.

It provides a general framework of the whole project. Firstly, it provides a framework of activities from which more detailed work plans can be developed. Secondly, projects can easily be monitored as a result of indicators stated in the matrix. Thirdly, designated assumptions in the matrix enable the project team to develop risk management plans to be implemented and finally, the results, indicators and sources of verification will provide the Project team with systematic and easily attainable information for project reporting.

European Funding Opportunities for Entrepreneurs & Innovators

European Union places great importance to entrepreneurship and innovation with various funding schemes and European level programmes for promoting entrepreneurship, entrepreneurship education and innovation actions. Following section summaries European level funding opportunities for entrepreneurs and innovators.

As stated in *ENTREPRENEURSHIP 2020 ACTION PLAN* and INNOVATION UNION of European Commission, Europe needs more entrepreneurs to bring Europe back to growth and higher levels of employment (EC, 2013, p. 3). This action plan is based on three pillars and proposes several actions to support entrepreneurship:

- developing entrepreneurial education and training
- creating the right business environment
- role models and reaching out to specific groups

Entrepreneurs and innovators can benefit from the following programmes whilst establishing new businesses, increasing the capacity of established organizations and innovation creation.

1. ERASMUS+ Programme

Erasmus+ Programme is providing financial support to specifically entrepreneurship and innovation education and training through Key Action 2: Cooperation for Innovation and the Exchange of Good Practices Programme within Erasmus+. The programme is open for participation to a wide range of organizations including NGOs, businesses and companies, higher education institutions and governmental bodies. Application requirements, programme details and procedures can be reached at: http://ec.europa.eu/programmes/erasmus-plus/node_en

2. COSME

COSME is the EU *programme for the Competitiveness of Enterprises* and Small and Medium-sized Enterprises running from 2014 – 2020. It aims to make it easier for small and medium-sized enterprises (SMEs) to access finance in all phases of their lifecycle – creation, expansion, or business transfer. COSME aims to reduce the administrative and regulatory burden on SMEs by creating a business-friendly environment. COSME also supports businesses to be competitive by encouraging them to adopt new business models and innovative practices.

COSME supports entrepreneurs by strengthening entrepreneurship education as well as mentoring, guidance and other support services. Actions support specific groups who may find it difficult to reach their full potential, such as young people, women and senior entrepreneurs. Through EU support, businesses have easier access to guarantees, loans and equity capital. Application requirements, programme details, calls for applications and procedures can be reached at: <https://ec.europa.eu/easme/en/cosme-eu-programme-competitiveness-enterprises-and-small-and-medium-sized-enterprises-smes>.

3. HORIZON 2020

HORIZON 2020 Programme is the flagship programme of European Commission in research and innovation. Seen as a means to drive economic growth and create jobs, Horizon 2020 has the political backing of Europe's leaders and the Members of the European Parliament. They agreed that research is an investment in our future and so put it at the heart of the EU's blueprint for smart, sustainable and inclusive growth and jobs. By coupling research and innovation, Horizon 2020 is helping to achieve this with its emphasis on excellent science, industrial leadership and tackling societal challenges. The goal is to ensure Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation. Horizon 2020 is open to everyone, with a simple structure that reduces red tape and time so participants can focus on what is really important. This approach makes sure new projects get off the ground quickly – and achieve results faster. Application requirements, programme details, calls for applications and procedures can be reached at: <https://ec.europa.eu/programmes/horizon2020/>.

4. ERASMUS FOR YOUNG ENTREPRENEURS

Erasmus for Young Entrepreneurs is a cross-border exchange programme which gives new or aspiring entrepreneurs the chance to learn from experienced entrepreneurs running small businesses in other Participating Countries. The exchange of experience takes place during a stay with the experienced entrepreneur with whom they stay and collaborate for a period of 1 to 6 months, which helps the new entrepreneur acquire the skills needed to run a small firm. The host benefits from fresh perspectives on his/her business and gets the opportunities to cooperate with foreign partners or learn about new markets. The stay is partly financed by

the European Commission. Application requirements, programme details, calls for applications and procedures can be reached at: <http://www.erasmus-entrepreneurs.eu/>.

Key Lessons

1. European Commission defines a project as a series of activities aimed at bringing about clearly specified objectives within a defined time-period and with a defined budget.
2. Project approach is of utmost important for entrepreneurs and innovators as start-up can be considered as individual projects with limited life time and budgetary constraints.
3. One of most used and easily applied project management tools is Logical Framework Approach which is the main project management approach of many international funding organizations. LFA enables users to identify and formulate projects from wide range of disciplines. LFA includes analysis and planning phases through which project objectives, purposes, results, activities, time-frame, success indicators and budget can be developed.
4. There are many funding opportunities for entrepreneurs and innovator on an international level. One of the main sources of funding comes from European Union programmes and initiatives. As a part of Entrepreneurship 2020 Action Plan and Innovation Union Initiative, EU provides opportunities in the related fields with full or partial funding

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Social Innovation

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Abstract

Social innovation has started to emerge as a specific field of interest in innovation studies. It is defined as new ideas that meet unmet needs of people in order to increase their life standards and welfare. As a concept, social innovation means developing original and sustainable ideas to the problems that ranging in a spectrum from working conditions to education, individual to societal development, health and environment to climate changes. Social innovation offers a perspective that includes initiating a new movement or idea on a large scale or lesser but continuous changes within an organization on a smaller scale. It helps tackle complex social problems and add social value by creating a social change. In the organizational settings, social innovation includes individual and/or institutional change to increase organizational competitiveness evaluated with planned and controlled improvements in human resources management and enhancements of productivity of work force. Social innovation can be improved by an innovative individual in some cases; it is usually the result of collaboration, cooperation and sharing between actors. It is acknowledged that technological and social innovation has possible overlap and interaction with one another.

I. DEFINING SOCIAL INNOVATION

Social innovation concept was firstly introduced as social inventions by one of the radical 19th century reformist Max Webber. The need for social innovation and its necessity to be taken together with the technological innovation to provide economical effectiveness came into the scene in 1930s by Joseph Schumpeter. He emphasized the role of social innovation in the economy as well as in other areas of society (social, political and cultural life).

Beginning in the 1980s, social innovation has emerged as a new innovation paradigm and research area. In recent years, researchers have placed a great emphasis on social innovation studies, policy makers, practitioners, governmental, and nongovernmental organizations have promoted social innovation projects in order to engage whole society in innovation activity, solve its problems and improve national competitiveness. Undoubtedly, to produce innovation is an element of the development of individuals, companies, communities and nations. It is now assumed that innovation is not just related to technology, but also it is a social fact.

Social innovation concept is used and associated with many different concepts like social movement, public benefit, social entrepreneurship and social influence. Social innovation is defined as “the development and application of new or improved activities, initiatives,

services, processes, or products designed to find concrete ways to deal with social and economic challenges faced by individuals and communities.” (Goldenberg, 2004a). Mulgan, Wilkie, Tucker, Ali, Davis, and Liptrot (2006) described social innovation as creating solutions to “increase living standards” by linking “new ideas” and “social needs”. In this definition two aspects are being expressed: First, it represents a new combination of new elements (ideas or actions), as in the concept of innovation described by Schumpeter (1934). Second, it adopts a problem-solving approach. Social innovation is not only finding new solutions and concepts, but also spreading the current solutions and sometimes improving it in details (Weber & Perkins, 1992).

According to another definition, it is to find a more effective, efficient and sustainable novel solution to a social problem or by starting with an existing solution to create a social value to a society rather than private individuals (Phills, Deiglmeier, & Miller, 2008). This definition emphasizes two features of social innovation: effectiveness and sustainability. While these products and services are being developed, new organizational structures, regulation methods or lifestyles that determine the direction of social development also occur.

Innovation usually results in the replacement of older ones. A condition for the individual and the societies to be long-lasting is to constantly renew their thoughts, feelings, actions and adapt their beliefs and customs to the conditions of the times so as to catch the soul of the time. Conger (2009) defined social innovation as the new code of laws, an organization or a method that changes common or individual relations. Furthermore, by the help of social innovations, individuals are getting used to today’s social realities gradually in time. All systems like marriage and justice were social innovations when first invented (Conger, 2009); and these kinds of innovations are changing the way of social development better than the previous methods could. Social innovation deals with cultural and social institutions and education system such as improving the standards of life and development of human resources (Mahdjoubi, 1997).

Considering the definitions, in general, there are three common traits about social innovation: a need, an effective solution, and benefiting from the solution in individual, organizational or societal level. First of all, a social innovation should be created; second, this innovation needs to generate a change and third, it should be accepted and internalized when it comes to apply.

Modern sociologists have defined social innovation as new paths to create and implement social change (van der Have & Rubalcaba, 2016). Changes in social structures resulting from economic development, urbanization and demographic changes inevitably require changes in social systems and institutions. There is no single way to solve complex social problems and an innovative approach is becoming a necessity to overcome these problems (Conger, 2009). The emphasis of social innovation for SMEs and under developed regions, problems occurred with the increased urbanization and the value of social innovation in both urban and rural settings (i.e. Marx; Adler) have been studied by many researchers. In the literature, to make troubled people readopt to the system, to provide basic human needs and the importance of NGOs' initiatives are especially emphasized (Moulaert, Martinelli, González, & Swyngedouw, 2007; Edwards-Schachter, Matti, & Alcántara, 2012).

As a concept, social innovation means developing original and sustainable ideas to the problems that ranging in a spectrum from working conditions to education, individual to societal development, health and environment to climate changes (Bulut, Eren, & Halac, 2013). Micro level aims of social innovations contain satisfying social needs, improving living standards continuously, enrichment of capabilities of individuals/groups and increasing production capacity of an organization. In the macro level, it is related to a general conversion in the society, eliminating inequalities and providing sustainable development (Buchegger and Ornetzeder, 2000).

Social innovation is evaluated with other types of innovation. It is not possible to develop the social system without product, service, process, organizational, and marketing innovation. Pot and Vaas (2008) view social innovations as complimentary to technological innovations in the organizational settings. Because, social innovation is both part of product innovation and process innovation. As a broader concept than organizational innovation, it comprises improvement of industrial relations and such things as flexible organization, development of skills and competences, networking between organizations. In this discipline, social innovation is defined as individual and/or institutional change to increase organizational competitiveness evaluated with planned and controlled improvements in human resources management (Thom, 1990), enhancements of productivity of work force (Pot & Vaas, 2008), and internal change within enterprises (Gregoire, 2016). Pot and Vaas (2008) assert that for continuous innovation and productivity growth optimal utilization of the potential workforce is needed.

In the concept of innovation, which is perceived as being limited to products and technology, the phenomena and processes of social innovation have been largely neglected. The most important reason for this is contrary to well-defined and tangible technological innovations, social innovations are less easy to observe and more difficult to distinguish from the social environment. Technological innovation ensures progress in quality, price and product features in order to meet customer needs. Therefore, it is closely related to the economy. Bearing in mind the fact that this powerful and interactive relationship between technology and the economy exists, Peter Drucker mentioned that innovation is not just a technical process, but an economic and social process at the same time. In line with the idea, Freeman (1988) argued that Japanese technological developments would not be possible without improvements in the training of the workforce and a number of related social changes within the organizational structures (Mahdjoubi, 1997). In order to create the infrastructure and environment necessary to produce technological innovation, it is necessary to produce social innovations and to make social development and social change.

From the abovementioned definitions, the concept of social innovation is used in various nuances according to the defined field and purpose. The following four domains come to the forefront:

- Development of new products, services and structures that are designed to tackle complex social problems (the sustainability of climate, environment and health conditions) and satisfy current or emerging needs,
- Improvements in society caused by non-market factors such as social movements (social relations and social organization), in other words, focusing on needs that cannot be met by the market,
- Development of new methods to improve the efficiency of labor potential and skills (e.g. social capital development),
- Providing necessary conditions for technological innovation efficiency namely social change that point out conditions for innovation to function and after technological innovation, organization of society in accordance with these innovations.

II. SOCIAL INNOVATION AREAS OF INTEREST

Changes in social structures resulting from economic development, urbanization and demographic changes inevitably require changes in social systems and institutions. It is accepted that new technologies and interdisciplinary models are needed, especially in the

21st century, where technology alone is not enough to solve complex problems of the future that await our world and all humanity. The issues that need to be improved by developing new methods are:

- Alleviation of poverty, inter regional inequality of wealth and income distribution,
- Improving the quality of life in the community,
- Creating new business opportunities,
- Solving educational problems to eliminate ignorance,
- Removing the barriers of rapidly increasing ageing population which needs care and support,
- Solving problems that are emerging from rapidly increasing urbanization by innovative ways,
- Finding social support solutions for health problems especially for chronic diseases which require as much as advances in medical science,
- Fighting with many behavioral problems of affluence (obesity, malnutrition, inactivity, alcohol, drug addiction, etc.) that cannot be solved by conventional methods,
- Fighting with issues such as acceleration of climate change, rapid decline of biological diversity, depletion of natural resources,
- Reorganization of urbanization and transportation systems in order to prevent the ecological degradation,
- Promoting reintegration of individuals and groups excluded from the society,
- Creating new correctional services for reducing crime rates and tackling reoffending,
- Overcoming ethical problems such as corruption, etc.

III. SOCIAL INNOVATION ACTORS

Different actors are interested in and are involved in the social innovation development process. Social innovation can be improved by an innovative individual in some cases; it is usually the result of collaboration, cooperation and sharing between actors.

i. Social Innovators and Entrepreneurs

Besides the appropriate conditions, the realization of social innovations depends on a core group or active individuals who play a unique and vital role in the process as the originators and spreaders of knowledge (Goldenberg, 2004a). Social change emerges from within communities and that each individual within those communities has the potential to become a change maker who is usually called social entrepreneur. Unless there is no universally accepted definition, researchers and other actors are trying to determine the general characteristics of social entrepreneurs. Social entrepreneurs have common characteristics like those in business organizations including their effort, dedication, charisma, the ability to use limited resources in hand effectively and motivating other individuals (Leadbeater, 1997). The distinctive features distinguishing social entrepreneurs from business entrepreneurs are their missions to create and sustain social value (Shaw & Carter, 2007), their not-for-profit nature and altruism (Mair & Marti, 2006). Social innovators combine imaginative and real-world problems with creativity and do not allow their limited resources to interfere with their vision. They try to create social innovation and change by bringing together new ideas and resources, have the ability to see, recognize, create and relentlessly pursue new opportunities that others perceive as problems. They change the systems and find new approaches to dissolve important problems by spreading the solution they find and persuading the entire society to develop.

The social entrepreneurs, who are expected to have entrepreneurial characteristics described in the business literature, assume innovative roles to create value. Both social and business entrepreneurs use similar processes (analysis, innovation, experimentation, and resource mobilization) while creating novel opportunities (Dees, 2007). However, the contribution of social entrepreneurs to social, cultural and environmental wealth as well as to the economic development of a nation has begun to be increasingly recognized (Shaw & Carter, 2007). Just as an economic entrepreneur sets up new industries, social entrepreneurs approach innovative solutions to the most important problems of society and are ambitious and determined to implement these solutions on a large scale. There are hundreds of social initiatives such as university departments on social entrepreneurship (Stanford, Harvard, California, Oxford University, etc.), entrepreneurial support organizations (such as the "creative development ideas" competition of World Bank) and summits.

Seelos and Mair (2004) pointed out that many social entrepreneurs do not have any structures or resources in developing countries that provide and support traditional entrepreneurship.

For this reason, social entrepreneurs must use their limited resources to develop new business models, projects, structures and unique strategies while creating social value. In a sense, social entrepreneurs are the driving forces and role models of social change, proving that everything is possible if acted upon.

According to Peter Drucker, social entrepreneurs have the ability to "... change the performance capacity of the community." They constantly engage in innovation, practice and learning. They think in a way that they can innovate, use their imagination and creativity in a systematic way. Social entrepreneurs try to spread sustainable and feasible innovative projects throughout the society by influencing other people. Thus, social entrepreneurs make it easy for other individuals in the society to imagine their new ideas and put into practice their experiences in social change.

ii. Non-Profit Sector

In addition to individuals, non-profit organizations and universities are also active in the development of social innovation. Non-profit sector is formed with enterprises that engage in innovative activities and lead the continuous improvement of social welfare in the communities. The sector is also known as the "civil society", "not-for-profit sector", "third sector" and "voluntary sector". Their common characteristics are: independence from government, volunteerism, dedication to community service, and spirit of participation.

These organizations seek ways to create political and social change and improve social participation in society. They have the capacity of hands-on experience, flexibility, in-depth knowledge of the community, creativity and responsiveness, entrepreneurial skills that is essential for social innovation (Goldenberg, 2004b). By bringing people together from different backgrounds and professions, their efforts result in value to their communities. Putnam (1993), for example, compared the higher success of the northern Italian community to the southern, and suggested that, it depends largely on richer non-governmental voluntary associations called "associational life", religious communities and voluntary associations, non-governmental organizations such as charitable associations, sports clubs, cultural associations and the media.

These voluntary associations develop and nurture mutual support and solidarity habits of their members. In addition, having an intensive network of associations can play an important role in attracting resources such as financial support, risk capital, which will eventually increase investments in innovative activities (Dakhli & Clercq, 2004). The widespread operation of such organizations in the community and the increased participation

also increases the knowledge possessed. This knowledge communicated at the corporate and individual level is essential for the development of an innovation. Being active in many different areas in which one belongs (business associations and social environment) provides access opportunity to information, financial funding, and political support that increases the tendency to innovate.

Social innovation is not only related to individuals or not-for-profit organizations. Besides, politicians and governments (i.e. new methods for a healthier society), markets (i.e. farmers market specialized on organic food), movements (fair trade), social organizations (i.e. micro credit models for low income groups) and academics are also agents of social innovations. Moreover, by the time pass, many social innovations are also taking place in many business sectors and in every aspects of social life.

IV. DEVELOPMENT PROCESS OF A SOCIAL INNOVATION

Change is the normal consequence of innovation. With the realization of change, new problems and needs will lead to a turnaround. However, change is not regarded as innovation when it does not contain new ideas and does not make progress. In this respect, social innovation is an effort, project, product, process or program that changes the basic beliefs, cultures, daily habits and the flow of authority and resources of each social system.

Social innovation offers a perspective that includes initiating a new movement or idea on a large scale or lesser but continuous changes within an organization on a smaller scale. Changes may involve the introduction of new program ideas or a change in organizational philosophy. Social innovation need not always come about with the emergence of new concepts and new ideas, but many times, it can arise from the development and expansion of existing solutions (Weber & Perkins, 1992). Besides, by evaluating the initial outcomes provided and making useful additions at later stages, the ideas at the beginning are expanded to provide better solutions that lead to the development of new technologies needed to support social innovations. Therefore, social innovation can sometimes serve as a basis for further technical advances (Mumford, 2002).

Tidd, Bessant, and Pavitt (2005) think that it is a good starting point to explain social innovation by using technological innovation typology: Product, Process, Position and Paradigm. For instance, an improved new language program in order to improve the integration of minorities can be considered as a product innovation. This program can be communicated via internet (which is a process innovation) and can be targeted to a new immigrant group (position innovation). An example of paradigm innovation can be one that

opens a new era for a nation's future by providing them several rights such as to elect and to be elected.

The goal is to create a social value with innovation. Tanimoto (2006) summarizes the social value creation process in Figure-1:

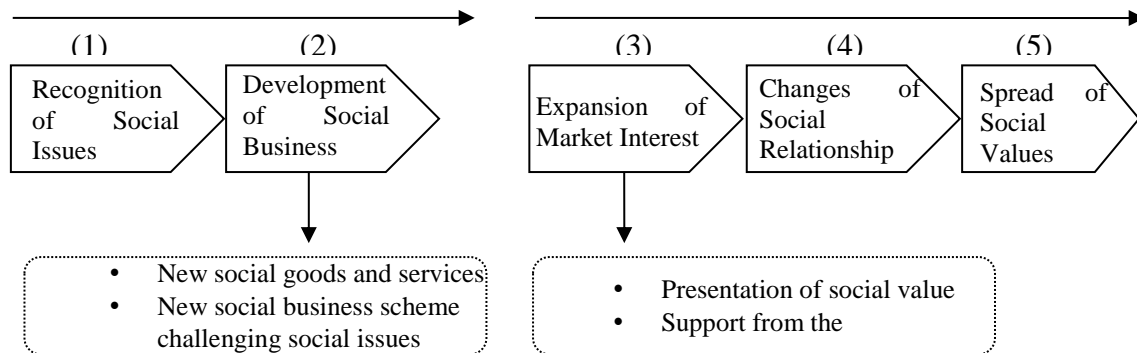


Figure-1: The Diffusion Process of Social Innovation (Tanimoto, 2006)

In the innovation literature in general, the process evolves through similar stages from idea development through prototype and pilot study, development and learning. According to Coates (2000), social inventions can and should go through a similar process of problem definition, idea development, evaluation of alternatives, research to decide what to do, experiment, test and evaluation process. Between the development of an idea for a new solution, its first use and the massive use of this idea, a longer period of time might go by. Buchegger and Ornetzeder (2000) asserted that social innovations can be found in the middle of these three phases.

Expertise plays an important role in social innovation. It may be necessary for identification of the problem, idea generation and causal analysis. Experiences that people have are often motivating and inspiring individuals to produce ideas. Discomfort from the current status quo encourages creativity to seek new approaches to problems. Many successful ideas emerge from education, work experience and hobbies of individuals. Frederick Taylor, who has a great contribution to the development of the principles of scientific management, has worked as an apprentice for a long time and has improved his ideas on scientific management when he was a manager (Mumford & Moertl, 2003). Thus, experience in the system has played an indispensable role for social innovation. The development of ideas underlying social innovation has resulted in a serious dissatisfaction with organizational performance. Taylor's contributions were based on application of the experimental and observational

techniques of science to determine how long a piece of work can be done and the conditions likely to promote more efficient working conditions (Mumford & Moertl, 2003). Besides that, experience alone is not enough. Understanding social needs, values and change with creative thinking is also instrumental in bringing forth ambitious ideas and envisage the possible effects. Especially individuals with entrepreneurial characteristics have this ability. Social innovations can change the way we live and need to be tested as if they were technological innovations that passed many tests before entering the market place. In the solution of social problems, only analysis of the causes is not enough. At the same time, the social consequences of proposed solutions need to be carefully analyzed. The first implementation of paper currency emphasizes the importance of consequences analysis. In the 1700s, lack of coins which caused high interest rates and low commercial growth, was regarded as a major impediment to economic growth, and it was decided to print paper currency as a solution. However, due to inflation and counterfeiting, prior attempts had not been successful. As a result, new printing techniques (such as copper plates) have been developed to prevent counterfeiting and the use of paper currency as an important social innovation has been widespread (Mumford, 2002).

The most important stage after the development of ideas in social innovation is the diffusion and acceptance. The success of social innovations depends on being culturally acceptable, economically sustainable and technologically applicable. Also, developing social innovations in the same speed with technological innovation is hard. Acceptance from a wide group and implementation of social innovations can take quite a long time. For instance, the "ombudsman concept" was originally invented in Sweden in 1809, but secondly it was implemented in Finland after 110 years. From that time, practices have spread in other countries around the world. Since the first establishment of schools in Sumerians, the education and training system has come to its present state with the advancement of new legislations, institutions and methods (Conger, 2009). It is still continuing to evolve. Mulgan (2006b) pointed out that the dissemination of social innovations fits into an "S curve". A pattern of slow growth initially starts among a small group or supporters, continues with a positive acceleration phase; but then declines in a negative acceleration phase as saturation and maturity.

Jacobs (1999) argued that while technological knowledge is a 'must' in order to be competitive, social sciences knowledge will determine 'who' will be the most competitive. Since social innovations have not a market for sale, it is impossible to predict the financial

value of this information used in social processes. This slows the spread of successful models and social innovation. The adaptation of new idea to the current systems, resource requirements, compliance within an existing culture, short, and long-lasting benefits affect the evaluation and acceptance of new ideas.

Effective communication also plays an important role in ensuring broad acceptance. Individuals or groups who want to adopt a new innovation stand on the benefits and appropriateness of that innovation as long as they think that innovation is useful. It is easier to position by adopters when benefits and suitability of innovation are certain. For example, Linux is an example of open source software that is being implemented for social purposes. The motivation behind development of new software sections or applications and finding bugs is to gain social prestige and respect from other members of the community. So the economic change left its place in social change. As a result, it seems that social innovations are formed through processes similar to technological innovation, but they take a long time in both formation and diffusion.

Gregoire (2016) proposed a typology of innovation that includes OECD’s four categories, taking into account the point of view of social innovation as societal change. Table-1 highlights the need and innovation by distinguishing social innovation inside the enterprise and outside the enterprise.

Table 1: Innovation typology (Gregoire, 2016)

INNOVATION			
Economic Centrality of the economic dimension: making profits, reducing costs		Social Centrality of the social dimension: social transformation	
In the monetary sphere: public or private enterprises and not-for-profit organizations producing goods and services			In the non-monetary sphere: civil society
Technological	Non-technological		
Primary and secondary sector: - Product - Process	Tertiary sector: - Service (innovation of product in the tertiary sector)	All sectors: - Marketing - Organizational - Process	- Civil society’s organizations and social movements: innovation in organizational models and ways of thinking - Societal change: behaviors, lifestyles

V. *EXAMPLES OF SOCIAL INNOVATION*

Many social innovations have been developed that affect social life from past to present day. Some of these, which have a social impact, include the followings:

- Establishment of first school by the Sumerians (circa 2500 B.C.),
- Setting up court of law by the Sumerians (circa 2400 B.C.),
- Establishment of libraries in Assyria in 625 BC,
- Going into action of labor union in England in 1696,
- Establishment of Red Cross in Geneva in 1864,
- Implementation of methods such as strengthening health system like telephone diagnostics services to improve the quality of human health,
 - The Open University, which was first established in 1969, allows the concept of distance learning that enables millions of people accession to higher education from their own home,
 - Developing new participatory education and training methods, providing children and young people with the opportunity to create schools, new curricula and programs that encourage problem solving, decision making, accountability, teamwork and creativity,
 - Utilization of e-government and e-trade applications with the development of Internet,
 - Development of dynamic open source methods such as Linux Software and Wikipedia that are supported by individual users' contributions (Mulgan, 2006a), Bria (2014) call it digital social innovations-using digital technologies to co-create knowledge and solutions for a wide range of social needs.
 - Establishment of non-governmental organizations such as Greenpeace to increase environmental awareness,
 - Development of recycling and carbonless home concepts, environmentally friendly automobile engines and environmental control systems (Mulgan, 2006a),
 - The creation of social enterprises such as the microfinance system (Grameen Bank) and consumer co-operatives, which create new markets for the poor and broaden economic opportunities, helping individuals achieve economic independence,

- Different forms of social enterprises like charitable business ventures-that is, commercial businesses established by charities to fulfil a social objective and to generate revenue that is reinvested a portion of their profit in charitable purposes (Mason, Barraket, Sharon, O'Rourke, & Stenta, 2015),
- Providing access to government services through Internet,

A social system is improved by the ancillary inventions that come with the triggering social innovation. For instance, after the establishment of the courts, although they are individually appeared terms such as judge, jury, lawyer, case, defense, new laws and law schools are all become parts of a bigger picture named “justice system” in order to make justice system more effective and efficient (Conger, 2009). Another example can be libraries. The reason beyond the establishment of libraries and create membership system is to make books available to people (Mumford, 2002) and nowadays individual internet access to e-libraries is an example of continuous improvement in innovations.

Whenever there is an innovation in education, further innovations following a social innovation in the field makes education system more efficient. Some of the contemporary implications of these innovations in educational system are; in-class educations, attendance requirements, compulsory preschool education, new test methods, counselor support, distance learning and life-long learning programs. Moreover, computer-assisted distance learning is a sign that the idea of “individual development and learning can be time and location free” is also accepted as an alternative postmodern system to current system. Thus, computer-based long distance education is also admitted as an important social innovation (Conger, 2009).

VI. THE RELATIONSHIP BETWEEN SOCIAL AND TECHNOLOGICAL INNOVATION

This section addresses distinctions and complementarities between social and technological innovation. The technological innovation system includes R&D, use of new technologies, design, and production. On the other hand, social innovation addresses social problems, cultural and social institutions and the education system, which aims to raise living standards and to develop human resources (Mahdjoubi, 1997). The difference of social innovation from technological innovation is the intangible structure of the social innovations based on researching social needs, social processes and developing social solutions. The actual relationship between technology and social innovation seems to be a bit complicated, although it is commonly assumed that technology drives social innovation. Dawson and

Daniel (2010) acknowledge their possible overlap as well. While social innovations may sometimes pave the way for the formation of specific technologies and technological developments, technology on the other hand may force the adoption of proposed social innovations (Mumford & Moertl, 2003).

Technological and social innovations can be seen as closely intertwined and can only be completely captured in their interaction with one another (Howald, Domanski, & Kaletka, 2016). Bulut et al. (2013) supported with their findings that in many cases technological innovations are triggered by social innovations. According to Mahdjoubi (1997), technological and social innovations can be considered as two parts of a system. Namely, social innovation leads to the development of technological innovation by cultivating a society's learning structures. It is unlikely that a social system could develop without technological change. Nevertheless, without social, individual and organizational development, technological innovation cannot be expected to improve economic and living conditions. Social, individual and organizational development is also necessary for technological innovation to be sustainable. In particular, the adoption of newly presented technologies that are new to the specific target group depends on the availability of a suitable social environment as well as the necessary tangible assets. The development of new technologies is not possible in the old context. Social phenomenon like habits, needs of society and changing lifestyles of people are essential for the development of technologies.

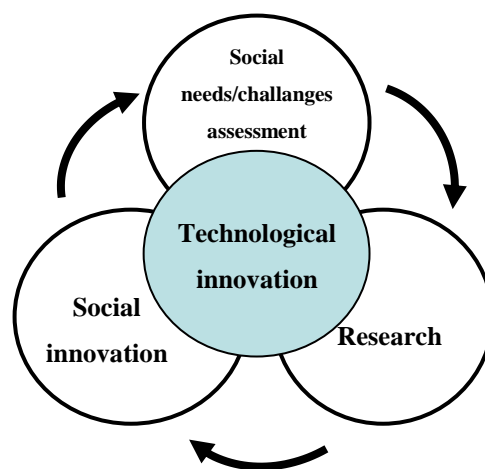


Figure-2: Relationship between social and technological innovation

The right conditions for technological development and economic growth in the industrial age are provided by social innovations that are directed with social change and emerging as a result of the new requirements. As seen in Figure-2, technology can serve as a growth engine for businesses or the general economy when developed along with social needs assessment, research and social innovation.

With this in mind, most tasks in society can be accomplished by using technological or social solutions, and conditions that facilitate technological innovations.

Referring to the importance of the relationship, Coates (2000) stated that engineers accept social innovations for two reasons. First, social innovations are generally important determinants in shaping the solutions or opportunities for engineering developments. Second, for every social purpose that can be proposed for the realization of an engineering development, there are one or more social innovations that would lead us to the same goal. As an example, the traffic congestion on the highway discussed. The engineering solution is usually to build more lanes. But social innovations have complementary and supportive roles like turnpike, a separate lane for heavy vehicles, or shifting work hours to avoid rush hour problems, and public transport services.

In the spreading process of technologies, it is benefited from new forms of services, consultants, and networks of local actors. Technologies are not only a basis for socially innovative projects, but also are invented during the project development process. In more than a third of the social projects that Buchegger and Ornetzeder (2000) reviewed, technological solutions arose at the time of project. For instance, during the car sharing project, new software for data gathering and electronic safe deposit boxes, energy-saving technology, or infrastructure measures (company mobility management) were implemented.

If we look at the transportation system, widespread use of automobiles is not just a reason of modern production lines and advance internal combustion engine technology, but also a series of associated social innovations like road signs, highways, shopping centers, parking lots, driving schools, traffic wardens and traffic officers. Furthermore, increased energy dependency also leads to researches on alternative and renewable energy sources (Mulgan, 2006a; Conger, 2009). According to Mumford (2002), the widespread use of new technologies, such as automobiles, electricity, or the Internet, and advances in health depend on social innovations as well as technological innovations.

VII. CONCLUSION

The concept of social innovation has briefly presented in this chapter. There is a growing literature and extensive body of practice on social innovation that has an ongoing role ranging from individuals to community development. Social innovation, suggesting ways for dealing with many complex issues and problems, has emerged as a complementary to economic technological innovation that mainly concerns material conditions of living. At different levels, beneficial projects are made for the promise of greater wealth for everyone.

A commitment to co-design, collaboration and realistic solutions are crucial for the successful development and implementation of a social innovation. Social innovations have direct effects on technological innovations by the way of creating change in many aspects of life and also affect national productivity in an indirect way by improving work force potential and capabilities. Thus, social innovations may be seen as one of the complementary and driver force of technological innovations.

Key Points

Definition	Social innovation means consciously exploiting and developing new ideas or new uses of old ideas to the problems that ranging in a spectrum from working conditions to education, individual to societal development, health and environment to climate changes.
Objectives	<ul style="list-style-type: none"> - Social development and social change by adding social value, - Satisfying current or emerging needs, - New working conditions and development of new methods to increase the efficiency of labor potential and skills, - Tackling with emerging problems related to modernization, globalization, poverty, environment, education, and health, - Providing necessary conditions for technological innovation efficiency.
Actors	Individuals, not-for-profit organizations, universities, politicians and governments, markets, movements, social organizations and academics are agents of social innovations.

<p>Abilities necessary for social innovation</p>	<ul style="list-style-type: none"> - Creativity, cooperation, knowledge sharing, partnership, mentoring, struggling with uncertainty, - Interrogation, problem solving, thinking across disciplines, and making connections, - Listening and effective communication, - Determination, ambition, risk taking, leadership, ability to persuade others and communicate vision, effective resource utilization, - Ability to see common patterns across cultures, countries, and markets.
<p>Process of social innovation</p>	<p>Problem definition, idea development, evaluation of alternatives, research to decide what to do, experiment, test and evaluation process. The most important stage after the development of ideas in social innovation is the diffusion and acceptance.</p>
<p>Current examples</p>	<p>Distance learning, e-government and e-trade applications, dynamic open source methods, Grameen Bank, Greenpeace, telephone diagnostics services etc.</p>
<p>Relationship with technological innovation</p>	<p>The actual relationship between technology and social innovation seems to be a bit complicated, although it is commonly assumed that technology drives social innovation. Social innovation leads to the development of technological innovation by cultivating a society's learning structures and has complementary and supportive roles. Social innovations are generally important determinants in shaping the solutions or opportunities for engineering developments and in the spreading process of technologies.</p>

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Typology of Innovation, Innovation Strategy and Innovation Audit§

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Abstract

It is the goal of this script to on the one hand create awareness for the necessity of innovations and on the other hand present them as an opportunity for the future of SMEs. It should encourage the participating and trained companies to implement innovation supporting measures. The project goal is the increase of innovation skills of SMEs trained in innovation management.

The participating persons shall be provided with an overview of the whole topic innovation management. They should be able to understand the process of innovation management including the sub processes input, project management and implementation as well as the most important points of those sub processes. Further the participants should be able to understand the importance of the organisational factors and the close connection of all parts.

1. Theory

1.1. Innovation necessity – opportunities through innovation

International competition, growing customer demands, rapid technological development as well as new guidelines and norms (e.g. environmental protection standards) pose high requirements for the development and management of new products and services.

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Further information is available at the web page:

<http://www.adam-europe.eu/adam/project/view.htm?prj=3975#.WPDMWqKkKUK> (14.4.2017)

The competence of customer oriented and at the same time cost and time-efficient creation of development processes thus is becoming an increasingly important factor of success for companies. Further also diverse legal, social and ecological requirements must be met.

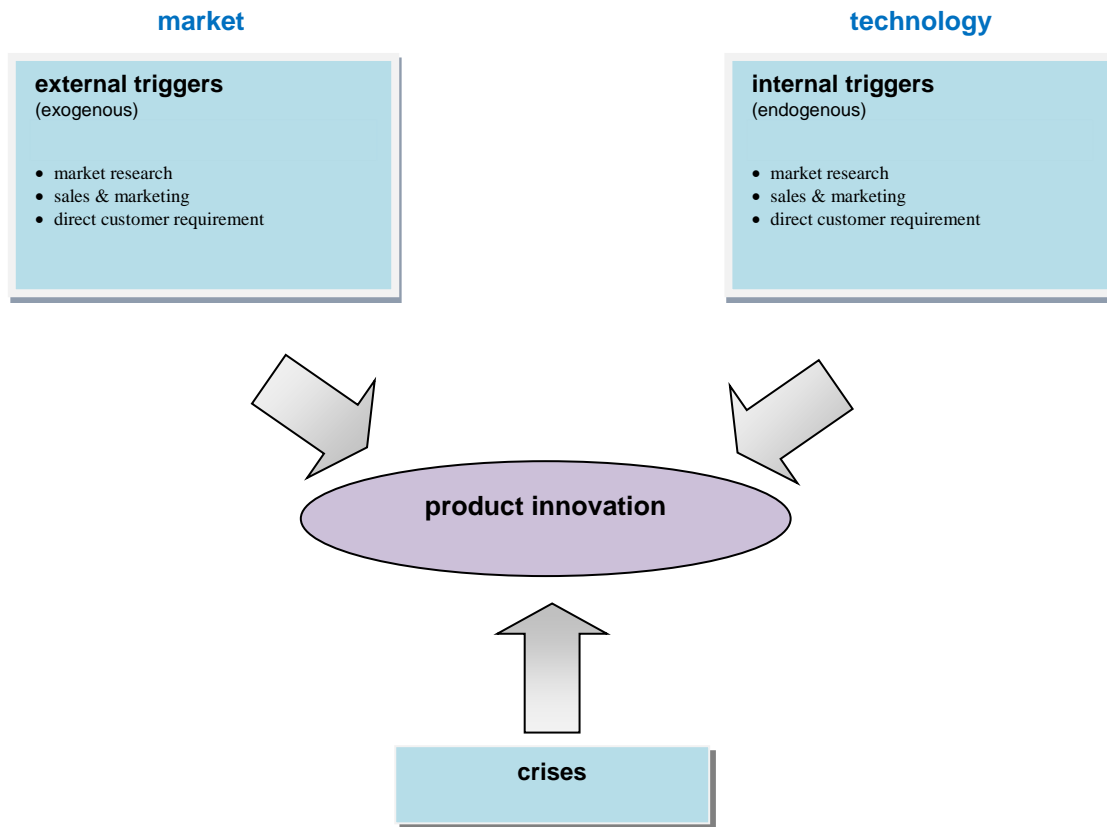


Figure 1 Innovation necessity, (Vahs und Burmester, 2005)

Innovations are an important factor of success in a competition which is getting increasingly intense. Only those who are able to invent themselves over and over again and thus gain new competitive advantages will be able to survive in the long run. This is true for companies, organisations, teams, employees and countries (DISSELKAMP, 2005). Today there is more and more discussion about the necessity for innovation in companies, which is subject to various factors.

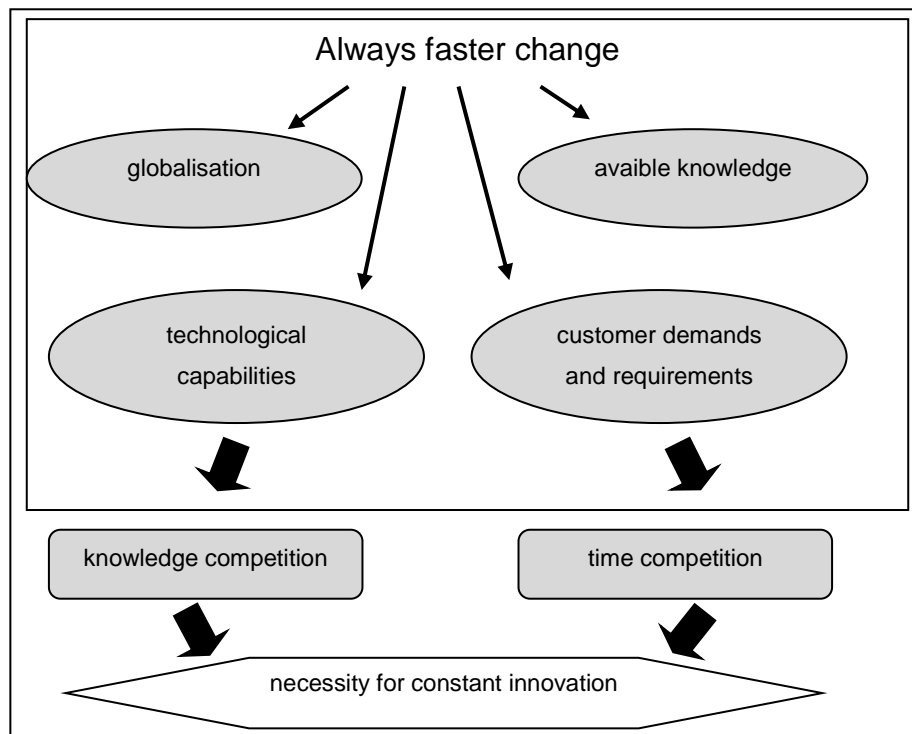


Figure 2 Innovation necessity, (Stern & Jaberg, 2007)

Innovations result from ideas, if they are implemented in new products, services and processes, which find real usage and thus penetrate the market. Commercial success in the future will therefore depend mainly on the companies' abilities to create new products, ideas and processes or take up innovations quickly. The requirements for this are good innovation skills. To take up changes as real opportunities companies today first and foremost need the skill to be able to predict new trends and if possible even create them (Canton, 2006). In that case the increasingly rapid change brings advantages and opportunities for new businesses or business areas. The winners in this situation are thus the companies that are able to adapt faster to the new situation than the competition.

1.2. Definition and success factors of innovations

Definition

Innovations result from ideas, if they are implemented in new products, services and processes, which find real usage and thus penetrate the market. (Disselkamp 2005)

innovation = ideas + new products/services + market implementation

Innovations don't always have to be completely new ideas. The term innovation rather means the implementation of something new and results in a noticeable improvement for the user. They are characterized by a special characteristic, clear originality and a noticeable user benefit. Innovations are as a result qualitative new products, services, processes, structures, markets and cultures (Disselkamp, 2005)

1.3. Different sorts of corporate innovations

We distinguish different forms of corporate innovations:

- Product innovation
- Process innovation
- Market innovation
- Structural innovation
- Cultural innovation

Product innovation

Product innovation is the development of a new product to on the one hand keep up with the technological development, but on the other hand also to in any case compensate the shift of demand on the side of the demanders. The necessity for product innovation lies in the change of demand preferences and the rise of technological trends.

Process innovation

Process innovation is about the optimisation of the way goods and services are produced, and not the service itself. Process innovations help companies to create their operating procedures more efficient (that is to say cost and time efficient) and more creative. The process includes the way as well as the order in which goods and services are produced in a company.

Market innovation

Market innovations open up new business and buying markets, like new customer or delivery groups and increase the turnover, decrease the buying price or increase the quality of goods and services.

Structural innovation

Structural innovations are amongst others innovations in the functionality of the working structure like e.g. the implementation of new working hours, work places or enhanced processes of human resources development, but also enhancements in the structure of

distribution, marketing, organisation or logistics. They serve to increase employee motivation and qualification or the rationalisation of operational processes.

Cultural innovation

Cultural innovations are enhancements in the social area for individuals as well as in the relationship between individuals.

Open innovation

Open innovation is based on the idea that innovation should not only happen within a company, but that the outside world should also be included in the innovation process in order to increase the company's innovation potential. Reasons for this are growing competitive pressure, globalisation and shorter product life cycles. To a large extent, the success of an innovation depends on a company's ability to create networks with other stakeholders like suppliers, customers and other institutions. The term "Open Innovation" was coined by Henry CHESBROUGH (Haas School of Business/University of California, Berkeley).

For Gassmann & Enkel (2006), the necessity to optimise and subsequently open the innovation process arises from globalisation, shorter product life cycles and the higher innovation pressure related to these factors. According to Gassmann & Enkel (2006), open innovation can be divided into three core processes:

- **Outside-in process**

The outside-in process refers to the integration of external knowledge into the innovation process. The suppliers', customers' and external partners' (e.g. universities) know-how shall be used in order to increase quality and pace of the innovation process. As early as 1986 Eric von Hippel created a tool of the outside-in process when he described the lead user method – the inclusion of exceptionally progressive consumers into the development of new products.

The outside-in process shows that the place where new knowledge is created doesn't generally have to coincide with the place where innovations emerge.

- **Inside-out process**

The inside-out process refers to the externalisation of internal knowledge. Companies use this process for instance in order to earn license fees for patents or innovations which they don't use for their business operations.

The inside-out process shows that the place where knowledge and innovation emerge doesn't generally have to coincide with the place where the innovation is used in order to create new products.

- **Coupled process**

The coupled process is a combination of the outside-in process and the inside-out process: the internalisation of external knowledge combined with the externalisation of internal knowledge.

The coupled process is focused on the creation of standards and the development of markets. The different environments should play an active role in the development of innovations, and the simultaneous externalisation of the innovation should lead to the emergence of a market around this innovation (e.g. release of source codes).

Open innovation is distinguished from closed innovation – the understanding of innovation according to Schumpeter (SCHUMPETER, Schempeer, 1942), who describes the exclusivity of an innovation as the essential benefit for the innovator. In addition, the open source development of products can be seen as an extreme form of open innovation.

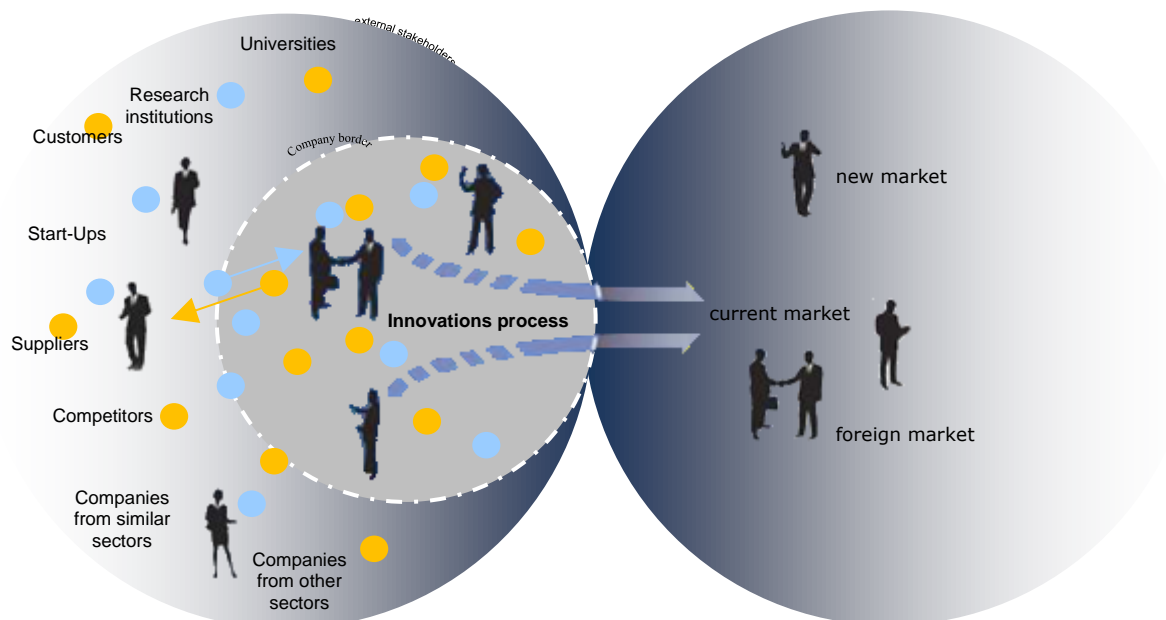


Figure 3: Open Innovation

Apart from the manufacturing industry, open innovation is also applied in the financial sector, where institutes do not only offer their own products, but also products of other companies and competitors. These partnership concepts for the sale of external innovations were adapted by the manufacturing industry and have become a de facto standard in the financial sector known as open architecture. This approach enables providers of financial products to offer more independent consulting and achieve better customer acceptance.

Apart from these positive areas of application, however, open innovation also has negative effects. (FASNACHT, 2009), for example, points out that too open business models lead to complex and uncontrolled systems. This systemic risk has been underestimated and is seen as one of the triggers of the global financial crisis.

1.4. Factors of success in product development

The following list contains success factors in product development

- Success oriented corporate culture
- Organisational structure for interdisciplinary projects
- Clear market, technology and cooperation strategies
- Precise market-oriented product and project definitions
- Efficient interdisciplinary teamwork
- Stronger weighting of predevelopment and product definition phase
- Structured innovation process, transparent Go/Stop decisions
- Efficient project management
- Usage of integrated development methods
- Support of creativity
- Simultaneous product, production and marketing development.
- Market-oriented cost and quality management.
- Prototyping and customer oriented product tests (SCHÄPPI ET AL, 2005)

2. Innovation management methods

2.1. Integrated product development

Successful products can in the future most likely be expected from those companies that are able to organize innovations according to the decisive success factors like market, customer demands, etc. and implement them efficiently (in regard to time and costs).

Integrated Product Development (IPD) offers an efficient development and management concept comprehensively taking into consideration the success factors. The basic thought of IPD is to form all resources and processes, which are necessary for the successful creation and marketing efficiently and in a coordinated way already parallel to the product. This includes for example the product-specific processes acquisition, production, marketing, controlling and/or logistics.

As holistic and efficient concept supports the creation of products from the idea to the successful commercial launch. IPD can be used for the development of products and services and supports the development of essential innovation resources. (e.g. core competencies, organisation, strategy, etc.)

All components that are necessary to create successful goods and services for the customer together form the goods and services system (Figure 4). The interaction of these components is finally decisive for the new product's success. (SCHÄPPI ET AL., 2005).

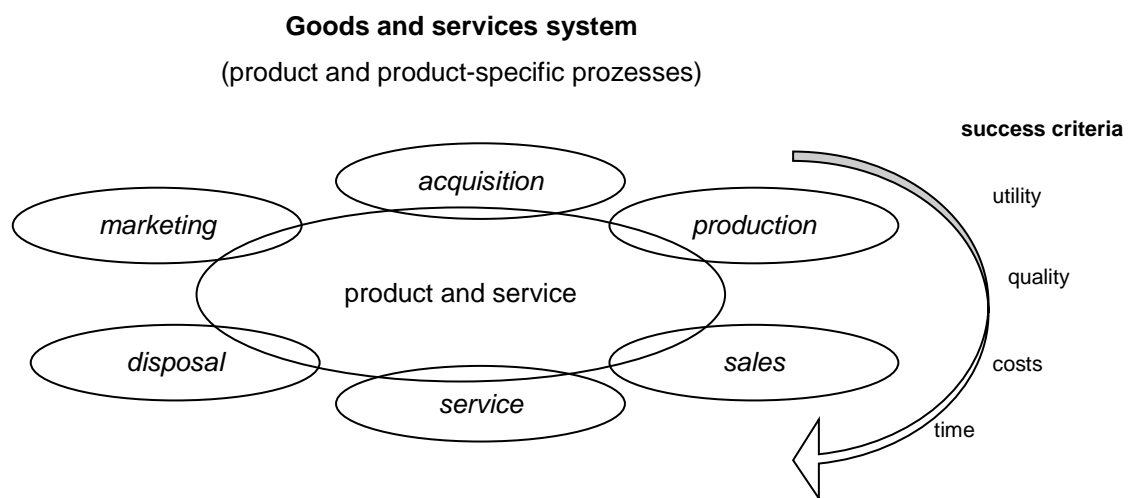


Figure 4: Goods and services system, Schächli et al, 2005

2.2. House of Innovation

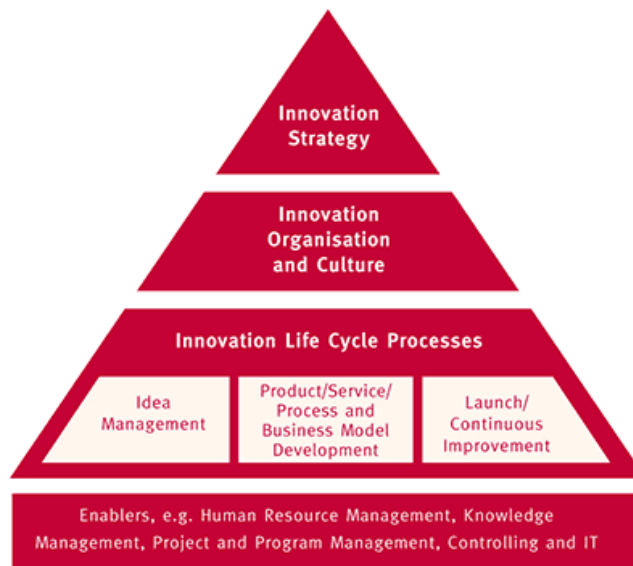


Figure 5: House of Innovation AT Kearny

Based on experiences in innovation consulting for different branches A.T.Kearney has developed the “House of Innovation”. This model depicts the most important building blocks of successful innovation management. The roof of the House of Innovation is innovation strategy, a planning process that clearly defines for which corporate goals innovations are necessary and how they can be supported by resources, processes, technologies and behaviours within the company. A company aligned for innovation should next to innovation strategy also include this goal in its organisation and corporate culture.

2.3. From the market to the market

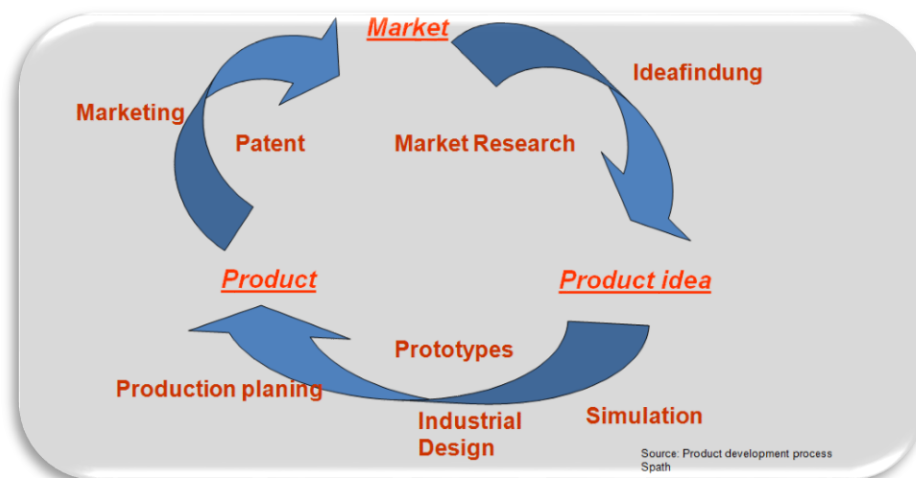


Figure 6: From the market to the market, (Spath)

2.4. From market to product idea

Suggestions and information are taken from the market which cause an idea finding initiative. The company realizes a problem, a new opportunity is recognized, customer feedback comes in which contains new suggestions. Or information comes from market research because the company gave a specific search order. Further increasingly creative teams come in at this stage which support the companies professionally in the idea finding process. The result of this phase are product ideas, which now have to go through different evaluation methods leading to specific, usable products.

2.5. From product idea to product

In this phase of the product development process specific products are formed from the ideas and their production methods are worked out. In this stage the product is made “ready for production” and “ready for market”. The difficult hurdle must be cleared in this phase to implement the developed concepts.

2.6. From product to market

This final phase describes the actual implementation of a service or product innovation to the market. This is where the circle is complete. All activity comes from the market, end it also ends here

3. Strategy

3.1. General

An organisation legitimizes itself through the environment it relates to. Due to the fact that this environment is not static, but constantly changing (customer demands, competitor behaviour, economic situation, technology) the organization must be able to adapt to those changes. Further it should be able to recognize the signs of the times, to be able to adapt its goals for the future and thus stay competitive. The company’s vision, which means its long-term goals, directly influences the organization of the company’s individual sectors.

As strategy in business we understand classically a company’s (mostly long-term) planned behaviour for reaching its goals. In this sense the company board’s strategy shows how a medium-term (approx. 2-4 years) or long-term (approx. 4 – 8 years) company goal shall be reached.

This classic definition of strategy is criticised today mainly because of its assumption of planning capability. Therefore it has undergone some extensions, like e.g. by MINTZBERG. Also Porter moves slightly away from the concept of planning capability. For him not the long-term planning is relevant but the ability to develop a competitive advantage based on a long-term approach clearly resting on distinctive features. Henry Mintzberg next to rational planning of strategies puts expressively the possibility of emergent strategies, which are not written down anywhere, but which develop from the business venture. According to his view strategy has five meanings, which are important in the framework of strategic management:

- Plan (Intention to act)
- Ploy (Manoeuvre/ruse for defeating a competitor)
- Pattern (Unambiguous behavioural pattern)
- Position (An organisation's positioning in its environment) and
- Perspective (View and interpretation of the world).

KIRSCH differentiates similarly between formulated (written down) and formed (self-developed) strategy. For him each strategy is per definition a formed strategy with strong evolutionary character. Formulations are only the part of it that tries to interact rational and controlling. A similar point of view was held already by Harry Igor ANSOFF who talks of "planned learning".

But there is no homogenous definition of strategy in scientific literature. Therefore some known definitions in this regard:

"Strategy is one of those words that we like to define in a certain way, but then use in another" (MINTZBERG, 2002).

"Strategy is a coherent array of activities that distinguish one company from its competitors..." (PORTER, 1996).

"A strategy is defined as a pattern, of purposes, policies, programmes, actions, decisions, or resource allocations that define what an organisation is, what it does, and why it does it. Strategies can vary by level function, and by time frame." (BRYSON, 1995).

Therefore strategy is the "great plan behind everything" or the "basic pattern of the action". This plan can either define a vision or a mission (economy), a majority or power (politics) or a certain military goal.

The goal of a strategy pyramid is a commonly carried vision. "A vision describes aims that are out of reach but not out of sight" (from David Parrish, T-Shirts and Suits). According to

SCHMIDT a mission describes the ways and measures that are necessary to reach a goal (SCHMIDT, 2003) where vision and mission are often used synonymously in practical terms or are defined as object of an enterprise. Operative and strategic goals are defined and the necessary measures are derived. The strategic goals describe the comprehensive goals for the implementation of the vision. The operative goals highlight superior development and research needs from which necessary projects, programmes and measures can directly be derived.

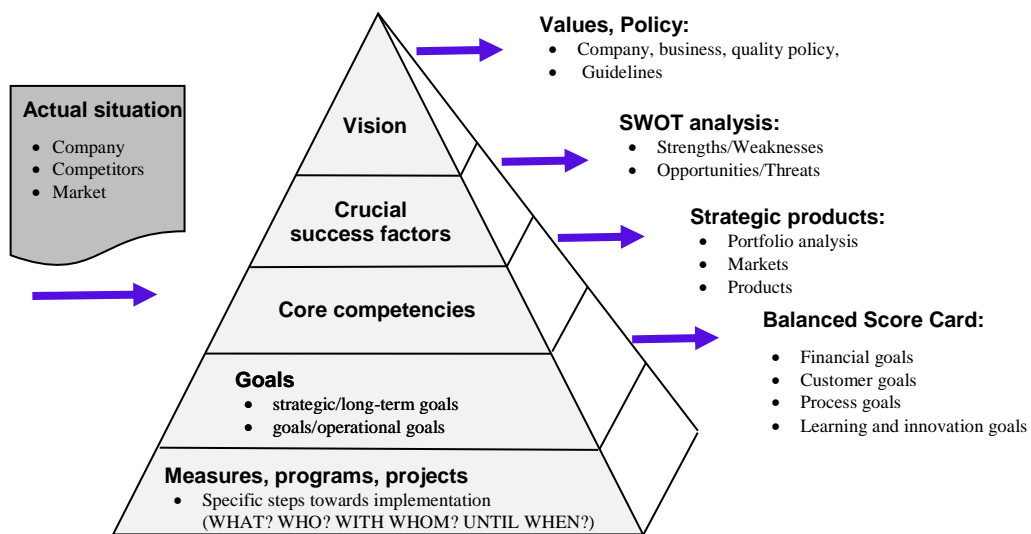


Figure 7: Strategy pyramid – Model for strategy development

The corporate strategy always defines itself through subareas. A separation into business, operation, innovation and technology strategy is absolutely reasonable. These individual strategies must suit the company’s general abilities like processes, the budget, the corporate culture as well as the overall skills.

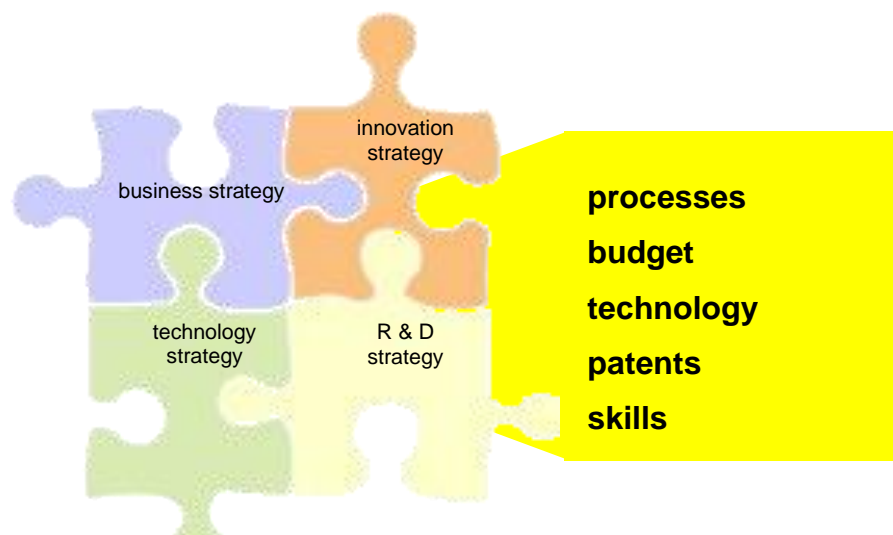


Figure 8: Strategic corporate processes

This means that innovation strategy comprises all topics that define a company's future added value from new products and services in existing and new strategic fields of business. The innovation strategy defines all spheres of activity and strategic initiatives for product development, development of competencies and investments and disinvestments of technology areas. Gilbert and respectively Vahs and Burmester (2005) define this as follows:

"Innovation strategy determines to what degree and in what way a firm attempts to use innovation to execute its business strategy" (Gilbert, 1994).

"Innovation strategy comprises the package of decisions, measures and behaviours actively set by a company and its product mix in regard to the search, selection and realization of innovations and basic changes towards the future market and competition conditions" (Vahs and Burmeister, 2005).

Strategic options set down in the innovation strategy may include amongst others:

- Intensity of innovation activities (R&D expenditures, percentage of the turnover)
- Solo venture or cooperation
- Leader or follower strategy
- Organisation of innovation activity (e.g. outsourcing)
- Complexity of the innovation process (product or process innovation)
- Concentration of innovation on promising priorities

In general innovation strategy is seen as the answer to challenges in technology, market and ecology. These can be separated as follows, with the differentiation matching the factors already discussed in the chapter Input.

Technological trigger (technology-push, knowledge-push)

Innovations are initiated by researchers and developers. The technology push is seen as the decisive criteria of success. A market or demand must be searched for or created for the innovations. Classical seller market – pressure to offer e.g. invention of laser technology

Market trigger (market-pull, need-pull, demand-pull)

The main factor for successful innovation is the customer. The innovation activities are suited to the market. Development of innovation marketing e.g. customer demands – smaller and lighter mobile phones but more efficient batteries.

Ecological triggers

Ecological problems should be solved through innovations. E.g. energy saving lamps / particle filters leads to fine particles.

Balanced strategy

A successful implementation of innovation depends on impulses from technology, market and ecology. If all three impulses are balanced, this is called “Balanced Strategy”.

3.2.Planning horizon

The factor time determines the focus of an innovation project. The customers’ needs are only recognizable for the near future. The customers themselves, in most cases, cannot define long-term requirements. Therefore market-orientation is foregrounded in shorter planning horizons. Long-term innovation projects are oriented on technological aspects, because demand must be created first. Orientation along ecology has little influence.

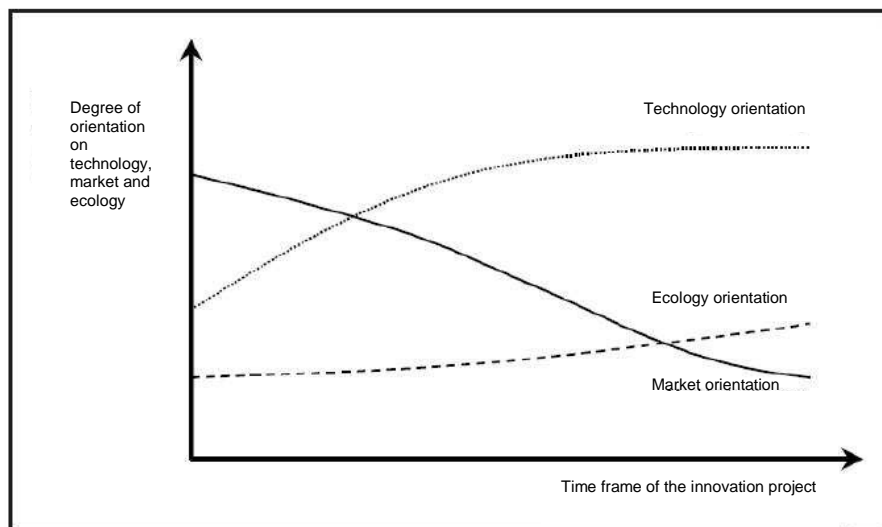


Figure 3: Technology, market and ecology orientation in dependence from the project’s time frame. (Vahs & Burmester, 2005)

A functional strategy is a goal and task oriented distinction from other functional strategies. This strategy focuses on strategies in the R&D area. Synergies with other areas are hard to implement and a fight for resources very likely. A meta strategy must be preferred, because all functions can be included goal-oriented into the innovation process. Knowledge from all areas can be used for innovation activities, but the communication and coordination effort is comparatively high. Integrating the innovation strategy in all functional areas supports a consciousness for innovations in all areas and the company’s innovation ability

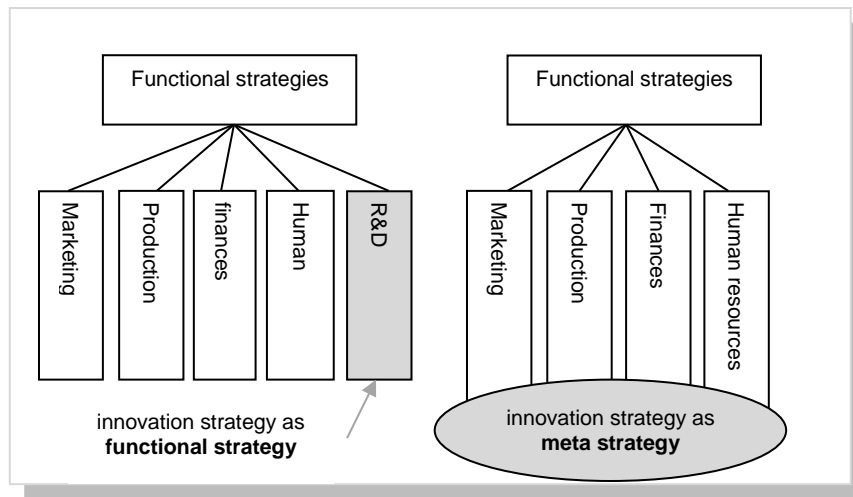


Figure 10: Difference between functional and meta strategy

3.3. Stages of strategy development

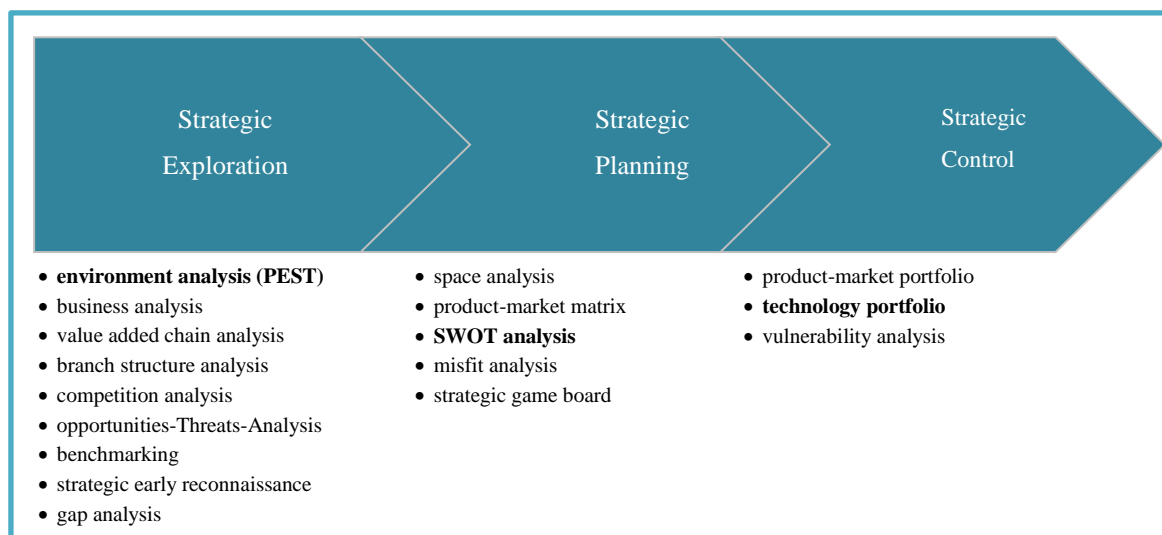


Figure 11: Stages of strategy development

In the following selected instruments for the formulation of innovation strategies are described in detail.

Environment analysis

The goal is the sensitizing of the management, identification of the environment as well as the recognition and evaluation of opportunities and threats through strategically oriented evaluations of present and future conditions. Known instruments for this case are the

environment-strategy-structure approach, the stakeholder approach, the indicator analysis, the market analysis and the branch structure analysis (Porters Five Forces).

The environment analysis for example according to the PEST method is a useful starting point for the analysis of the external company environment and its driving forces. PEST stands for:

Political

Economic

Social

Technological

Most of the time the PEST method is used as approach for the evaluation of foreign markets and regions. It is carried out before direct investments, economic involvements in foreign countries and before the introduction of products on foreign markets. For this reason this analysis approach is often used before offshore or near-shore investments. This approach allows narrowing down target regions and risks for possible involvements at an early stage and confronts potential “wishful thinking” with a control algorithm.

TOWS or SWOT analysis

The SWOT – strengths – weaknesses – opportunities – threats – analysis is known as strategic search field analysis. The goal is to graphically depict the contrasting of internal strengths and weaknesses as well as external opportunities and risks for the development of the strategic direction. From the combination of the strengths-weaknesses analysis and the opportunities-threats analysis a comprehensive strategy for the further alignment of company structures and the development of corporate processes can be derived. The strengths and weaknesses are relative numbers and can only be evaluated in comparison with the competition (Lombriser & Abplanalp, 1999).

Technology portfolios

- are an instrument for strategic portfolio analysis and try to induce a most advantageous shaping of different innovation alternatives from the view point of the company
- are used for the formulation of innovation strategies and are based at the interface of strategic planning and strategic supervision

- aim for the already existing technologies and at technologies that still have to be developed. In further consequence recommendations can be given for innovations

The technology portfolio is divided into two evaluation levels:

- **Resource strength**

is understood as the measure of present and future mastery of a certain technology in comparison to the competition. Indicators are the R&D expenditures, human resources potential, available goods and the available know-how (e.g. number of registered patents)

- **Technology attractiveness**

is understood as a technology's ability to develop and its future exploitability (range and depth of implementation, acceptance, compatibility) and can be operationalized into numbers like the future time need for further development and the diffusion process (market penetration)

After the operationalization, the evaluation and the weighting of respective indicators a technology portfolio can be created, which is the basis for possible innovation strategies. We differentiate three generic strategies for innovation activity in dependence from the forms of the two dimensions technology attractiveness and resource strength.

Generic strategy – investment strategy

Investment in innovation projects

High potential and own resource strengt

- h → permanent success possible
- Often new fields of technology, which demand a high use of resources

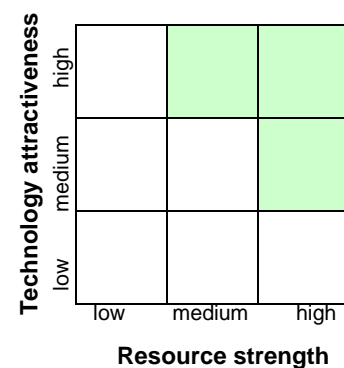


Figure 12: Generic strategy – investment strategy (Vahs & Burnmeister, 2005)

Generic strategy – disinvestment strategy

Withdrawal or dismissal of innovation projects

- Neither the future exploitability nor the manageability in the own company is guaranteed

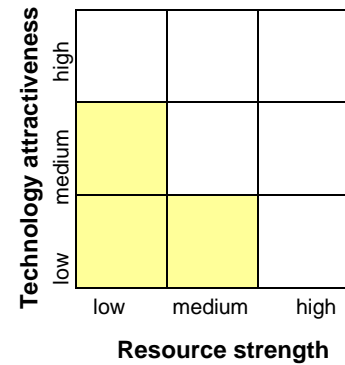


Figure 13: Generic strategy – disinvestment strategy (Vahs & Burnmeister, 2005)

Generic strategy – strategic individual decisions

No general recommendation is possible, therefore

- the goal of a high resource strength can be pursued through investments
- high resource strength may not be built up further due to low technology attractiveness

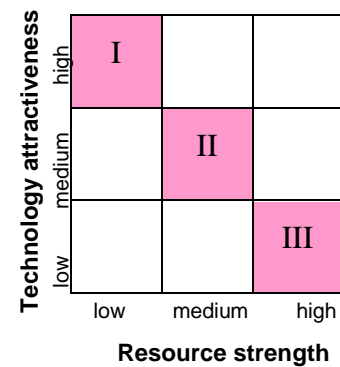


Figure 14: Generic strategy strategic individual decisions (Vahs & Burnmeister, 2005)

In the transition zone the situation must be evaluated differently,

if an innovation project will likely move to the top right or to the low left and which application of resources will be necessary and economically reasonable.

4. The Innovation Manager

4.1. General

SCHUMPETER already pointed out that the “implementation of new combinations” requires the cooperation of different people. “The function of a businessman and the function of an inventor are completely different things. The businessman is neither an inventor as a matter of principle – when he is one, this is an incidental combination of different functions – nor is he the inventor’s henchman which would make the inventor the actual businessman” (Schumpeter, 1912).

Schumpeter separates function and person, to a large extent influencing the scientific handling of those aspects of innovation management relating to human resources. Instead of asking about persons or positions, roles and functions are defined, described, searched for and explained.

Innovations are working processes during which the involved managers generate certain “contributions for achievement”, for example the initiation of the innovative process, the development of a solution to a problem, process control, the decision and finally the implementation. In this process, they rely on certain characteristics or rights of disposal which in a nutshell are called “sources of power”. As is pointed out in the literature regarding cooperation and integration, innovation should not only be seen from the perspective of an intra-company personnel constellation. The mentioned contributions for achievement can also be provided by externals, therefore, the missing characteristics or sources of power can also be introduced from the outside. The technical know-how can originate from an external office, the solution to a problem can be determined by a client, the initiative can come from a supplier, the process control can be taken over by a consultant, the approval of resources can depend on an associated company. The goal of innovation management is to make decisions concerning new projects and implement these – only the result counts, it is irrelevant if it was triggered internally or externally (Strebel, 2007).

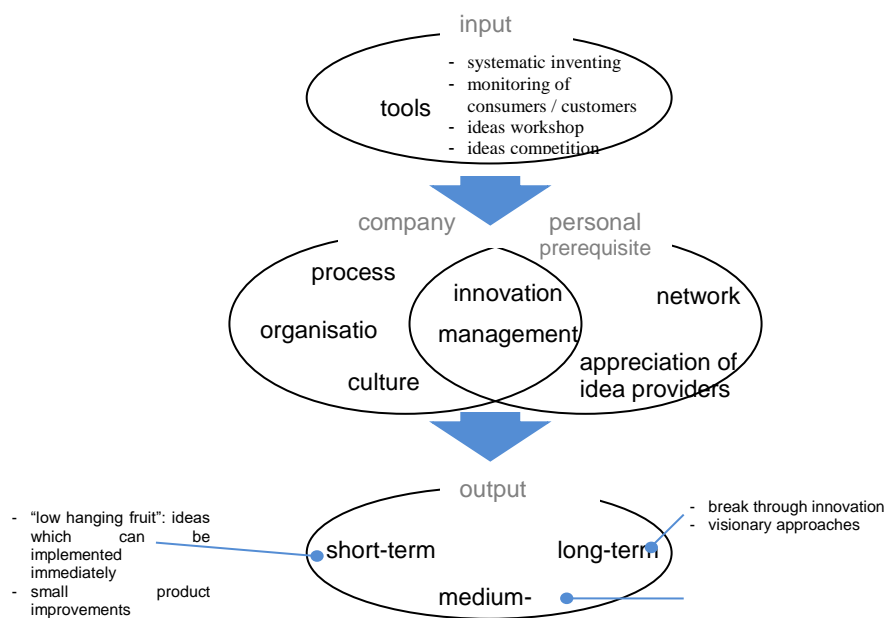


Figure 15: How innovation management works (Boldt, 2010).

The innovation manager is the main responsible for the idea management within an organisation and lends a face to the topic of innovation. He provides for the following:

- That idea management exists as a field of responsibility and activity, that innovation culture is upheld and remains relevant,

That collections of ideas are coordinated and updated and that their contents are assigned to a team

Tasks of the innovation manager are:

- To incorporate the corporate strategy and goals into the organisation's innovation strategy,
- To define (stretch) goals for the long-term control of success,
- To recognise the organisation's innovation potential,
- To find, form and lead innovation teams,
- To motivate employees to actively participate,
- To compel the management to make binding promises
- To represent organisations externally and internally with regards to innovation and to communicate innovation matters, to recognise and resolve conflicts – this also includes overcoming resistance to innovation.

The innovation manager has to develop a strong awareness regarding the necessity of innovation and have the following characteristics:

- Credibility
- Openness to new ideas
- High motivation and enthusiasm for new ideas, interrelations and suggestions
- Analytical thinking
- Reliability
- Taking over responsibility
- Acceptance from all persons involved

Additionally, the innovation manager should:

- remain within the organisation for a medium or long period of time in order to guarantee the success of his work,
- act as a role model for the employees,
- possess entrepreneurial farsightedness as well as a basic understanding of business processes.

5. Innovation Audit

Innovation consulting is based on the methodology of the innovation audit. An audit (from Latin “hearing”) is basically an analytical method used to analyse process flows. In this sense the term was originally used in human resources management. Today audits are held from time to time in almost every division of a company or organisation: financial management, information management, production processes, customer management, quality management, job satisfaction, etc. Depending on the division an audit either analyses the current state or gives a comparison between the original goals and the actually realised goals. An audit is also often held to determine and solve general problems or a need for improvement.

Long-term company success can only be guaranteed by a continuous innovation policy which is also effective on the market. The most important requirement for the introduction of innovative processes is the view of the own company from a new perspective. Here innovation audits deliver an initial neutral overview of possible innovation constraints in the company. The goal of an innovation audit is the identification of a company’s innovation barriers, the discovery of starting points for improvements and together with the company the introduction of first steps to remove discovered shortcomings.

A company may hold an innovation audit for the following reasons:

- To implement methods of innovation management to initiate process improvements or product developments;
- To improve the company’s competitiveness;
- To weigh the current possibilities, before changes are made which may prove too expensive;
- To find out how the usage of current techniques and technologies may be optimized.
- An independent evaluation may help in persuading business or other partners that changes are necessary (Innosupport, 2005).

Innovations are gaining increasingly in importance for the survival on the market. An innovation audit helps to determine the current condition of innovation skills. It discovers weaknesses, which is the basic requirement for finding solutions for these weaknesses.

The results from a thorough innovation audit concern mainly:

- A complete and comprehensive analysis and evaluation of a company's needs for enduring growth.
- A conscious search for new products, new services, new technologies and new markets (Innosupport, 2005).

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