

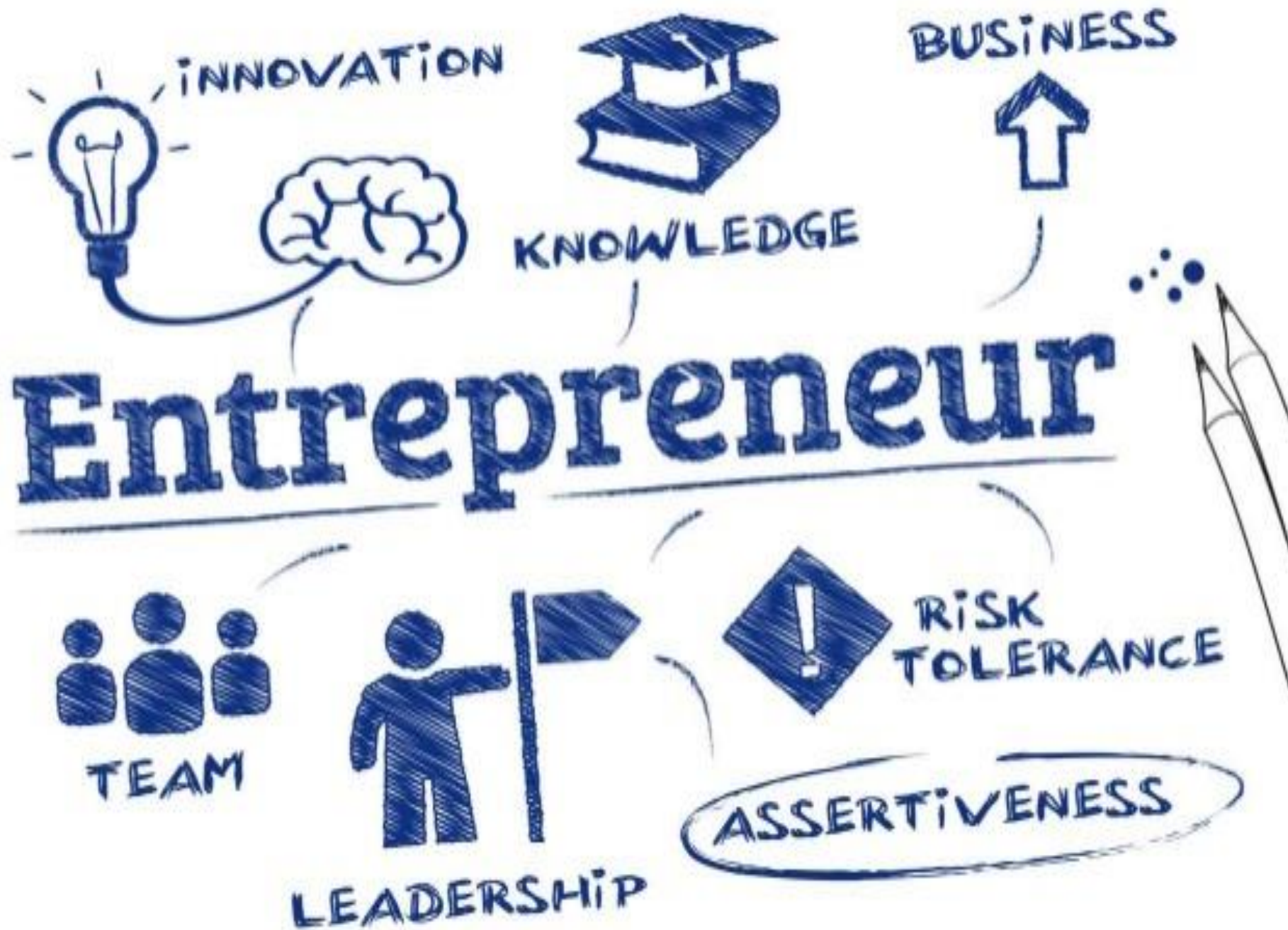


Wollo University
Kombolcha Institute of Technology
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Course: Entrepreneurship for Engineers

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I.Theories of Entrepreneurship (Bula,2012)

Theory	View entrepreneurship/ Entrepreneur/ as
1.Cantillon's theory (1755)	an agent that takes on risk and thereby equilibrates supply and demand in the economy
2.Schultz Approach (Schultz, 1975)	is closely connected to situations of disequilibria and that entrepreneurship is the ability to deal with these situations. entrepreneurship exists in all aspects of life. Thus, housewives and students are entrepreneurs when reallocating their time for housework or student activities.

I. Some Entrepreneurship Theories (Bula,2012)

Theory	View entrepreneurship/ Entrepreneur/ as
3.Austrian Market Process(AMP):- (AKirzner's "alert" entrepreneur")	the AMP was based on three main conceptualizations (Kirzner, 1973).The first was the arbitraging market in which opportunities emerge for given market actors as others overlook certain opportunities or undertake suboptimal activity. The second was alertness to profit-making opportunities, which entrepreneurs discover and entrepreneurial advantage. The third conceptualization, following Say (1803) and Schumpeter (1934), was that ownership is distinct from entrepreneurship. In other words, entrepreneurship does not require ownership of resources, an idea that adds context to uncertainty and risk (Knight, 1921). 4.1 Kirzner Theory (1997) claims that initially the economy is in a constant state of disequilibrium due to shocks constantly hitting the economy and the competition among 'alert' entrepreneurs leads to equilibrium.

1. Some Entrepreneurship Theories

Theory	View entrepreneurship/ Entrepreneur/ as
4.2.Creative destruction theory (Schumpeter, 1999)	✓ <i>entrepreneurship as “a creative activity”. It is innovation and not imitation. An innovator who brings new products or services into economy is given the status of an entrepreneur.</i> ✓ <i>He regarded innovation as a tool of entrepreneur,</i> ✓ <i>Schumpeter's innovator as an economic and social leader does not care much about economic profits and only joy he gets from being an innovator and being a server to his society.</i> ✓ <i>He believes that entrepreneurs are primarily motivated by an atavistic will to power, will to found a private kingdom or will to conquer. Hence, The entrepreneur is viewed as the ‘engine of growth’.</i>

I. Some Entrepreneurship Theories

Theory	View entrepreneurship/ Entrepreneur/ as
4.2.Creative destruction theory (Schumpeter, 1999)	✓ The concept of innovation and its corollary development embraces five functions: 1) The introduction of a new product with which consumers are not yet familiar or introduction of a new quality of an existing product, 2) The introduction of new method of production that is not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially, 3) The opening of new market that is a market on to which the particular branch of manufacturer of the country in question has not previously entered, whether or not this market has existed before, 4) Conquest of a new source of supply of raw material and 5) The carrying out of the new organisation of any industry.

I. Some Entrepreneurship Theories

Theory	View entrepreneurship/ Entrepreneur/ as
4.3 Knight's Approach (Knight, 1971)	✓ He views an entrepreneur in terms of Risk, Uncertainty and Profit. Knight recognized the distinction between risk and uncertainty. The latter is uninsurable since it relates to unique events, e.g. a shift in consumer taste. He explicitly argues that entrepreneurs are owners of companies, i.e., residual claimants, and thus receive profits. ✓ To earn a positive profit, the entrepreneur carries out three tasks: (1) he initiates useful changes or innovations; (2) he adapts to changes in the economic environment; and (3) he assumes the consequences of uncertainty related to the company. (Knight, 1942, 1971).

1. Some Entrepreneurship Theories

Theory	View entrepreneurship/ Entrepreneur/ as
5. psychological Entrepreneurship Theories:	The level of analysis in psychological theories is the individual (Landstrom, 1998). They emphasize personal characteristics that define entrepreneurship. Personality traits need for achievement and locus of control are reviewed and empirical evidence presented for three other new characteristics that have been found to be associated with entrepreneurial inclination. These are risk taking, innovativeness, and tolerance for ambiguity. 7.1 Personality Trait Theory: Coon (2004) defines personality traits as “stable qualities that a person shows in most situations”. there are enduring inborn qualities or potentials of the individual that naturally make him an entrepreneur. Some of the characteristics or behaviors associated with entrepreneurs are that they tend to be more opportunity driven (they nose around), demonstrate high level of creativity and innovation, and show high level of management skills and business know-how. They have also been found to be optimistic, (they see the cup as half full than as half empty), emotionally resilient and have mental energy, they are hard workers, show intense commitment and perseverance, thrive on competitive desire to excel and win, tend to be dissatisfied with the status quo and desire improvement, entrepreneurs are also transformational in nature, who are life long learners and use failure as a tool and springboard. They also believe that they can personally make a difference, are individuals of integrity and above all visionary.

I. Some Entrepreneurship Theories

Theory	View entrepreneurship/ Entrepreneur/ as
5. psychological Entrepreneurship Theories:	7.1.1 Locus of Control (Julian Rotter 1950) ➤ Locus of control is an important aspect of personality. Rotter (1966) refers to Locus of Control as an individual's perception about the underlying main causes of events in his/her life. In other words, a locus of control orientation is a belief about whether the outcomes of our actions are contingent on what we do (internal control orientation) or on events outside our personal control (external control orientation). ➤ In this context the entrepreneur's success comes from his/her own abilities (called internal locus of control) and also support from outside called external locus of control. While individuals with an internal locus of control believe that they are able to control life events, individuals with an external locus of control believe that life's events are the result of external factors, such as chance, luck or fate. ➤ internal locus of control is an entrepreneurial characteristic have been reported in the literature (Cromie, 2000, Ho and Koh, 1992; Koh, 1996; Robinson et al., 1991). In a student sample, internal locus of control was found to be positively associated with the desire to become an entrepreneur (Bonnett & Furnham, 1991). Rauch and ➤ Frese (2000) also found that business owners have a slightly higher internal locus of control than other populations. Other studies have found a high degree of innovativeness, competitive aggressiveness, and autonomy reports (Utsch et al., 1999); as well as risk taking (Begley & Boyd, 1987).

I. Some Entrepreneurship Theories

Theory	View entrepreneurship/ Entrepreneur/ as
5. psychological Entrepreneurship Theories:	7.2 Need for Achievement theory : McClelland (1961) ➤ While the trait model focuses on enduring inborn qualities and locus of control on the individual's perceptions about the rewards and punishments in his or her life, (Pervin, 1980,), need for achievement theory by McClelland (1961) explained that human beings have a need to succeed, accomplish, excel or achieve. Entrepreneurs are driven by this need to achieve and excel. ➤ high need for achievement drives people towards entrepreneurial activities. achievement motive is inculcated through child rearing practices, which stress standards of excellence, material warmth, self-reliance training and low father dominance. Individuals with high achievement motive tend to be enthusiastic (passionate) for responsibility and a concrete measure of task performance.

I. Some Entrepreneurship Theories

Theory	View entrepreneurship/ Entrepreneur/ as
5. psychological Entrepreneurship Theories:	7.2 Need for Achievement theory : McClelland (1961) ➤ Achievement motivation may be the only convincing personological factor related to new venture creation (Shaver & Scott, 1991). Risk taking and innovativeness, need for achievement, and tolerance for ambiguity had positive and significant influence on entrepreneurial inclination Mohar, Singh and Kishore (2007). The construct locus of control was also found to be highly correlated with variables such as risk taking, need for achievement, and tolerance for ambiguity. ➤ aversion to risk declines as wealth rises, that is, one's net assets and value of future income (Szpiro, 1986). Eisenhauer(1995) suggests that success in entrepreneurship, by increasing wealth, can reduce the entrepreneur's degree of risk aversion, and encourage more venturing. In his view, entrepreneurship may therefore be a self perpetuating process. some entrepreneurs exhibit mildly risk-loving behavior (Brockhaus, 1980).These individuals prefer risks and challenges of venturing to the security of stable income.

I. Some Entrepreneurship Theories

Theory	View entrepreneurship/ Entrepreneur/ as
6.Sociological Entrepreneurship Theory: Reynolds (1991); (Ruef 2001,2002)	focuses on the social context. Entrepreneurial ventures are clearly social entities, because even solo ventures implicitly involve a choice not to share ownership with others in the founding process. Enterprises can be formed as a result of teams. Entrepreneurship has a psychological contract involving a give and take „transactionary“ relationship in form of teamwork involving two or more individuals who jointly establish a business during the pre-start-up phase of the firm, before it actually begins making its goods or services available to the market.” Bird (1989) postulate that there are psychological benefits derived from relationships between team members Unlike a solo entrepreneur, who must bear the burden of making decisions and facing their consequences with no one else to blame, entrepreneurial teams spread the responsibility across individuals. Francis and Sandberg (2000: 6) noted that friendships “may hold teams together and stimulate heroic efforts during difficult times.”

6. Sociological Theory of Entrepreneurship: Reynolds (1991) identified four social contexts that relates to entrepreneurial opportunity.

- 1) Social networks.** the focus is on building social relationships and bonds that promote trust and not opportunism. In other words, the entrepreneur should not take undue advantage of people to be successful; rather success comes as a result of keeping faith with the people.
- 2) Life course stage context:-** involves analyzing the life situations and characteristic of individuals who have decided to become entrepreneurs. The experiences of people could influence their thought and action so they want to do something meaningful with their lives.
- 3) Ethnic identification:-** One's sociological background is one of the decisive “push” factors to become an entrepreneur. Marginalized groups may violate all obstacles and strive for success, spurred on by their disadvantaged background to make life better.
- 4) Population ecology:-** environmental factors such as political system, government legislation, customers, employees and competition play an important role in the survival of businesses or the success of the entrepreneur.

I. Some Entrepreneurship Theories

Theory	View entrepreneurship/ Entrepreneur/ as
Anthropological 7. Entrepreneurship Theory	Anthropology is the study of the origin, development, customs, and beliefs of a community. Or the culture of the people in the community. it emphasises the cultural entrepreneurship model which says new venture is created by the influence of one's culture. Cultural practices lead to entrepreneurial attitudes such as innovation that also lead to venture creation behavior. Individual ethnicity affects attitude and behavior (Baskerville, 2003) and culture reflects particular ethnic, social, economic, ecological, and political complexities in individuals (Mitchell et al., 2002a). Thus, cultural environments can produce attitude differences (Baskerville, 2003) as well as entrepreneurial behavior differences (Nort, 1990; Shane 1994).
8. Opportunity-Based Entrepreneurship Theory /Peter Drucker, 1985 & Howard Stevenson, 1990/	Entrepreneurs do not cause change (as claimed by the Schumpeterian or Austrian school) but exploit the opportunities that change (in technology, consumer preferences etc.) creates (Drucker, 1985). He further says, the entrepreneur always searches for change, responds to it, and exploits it as an opportunity". For him entrepreneurs have an eye more for possibilities created by change than the problems. Stevenson (1990) extends Drucker's opportunity-based construct to include resourcefulness. This is based on research to determine the differences between entrepreneurial management and administrative management. He concludes that the hub of entrepreneurial management is the "pursuit of opportunity without regard to resources currently controlled" (pp.2).

1. Some Entrepreneurship Theories

Theory	View entrepreneurship/ Entrepreneur/ as
9. Resource- Based Entrepreneurship Theories (RBET)	RBET argues that access to resources by founders is an important predictor of opportunity based entrepreneurship and new venture growth (Alvarez & Busenitz, 2001).It stresses the importance of financial, social and human resources (Aldrich, 1999). Thus, access to resources enhances the individual's ability to detect and act upon discovered opportunities (Davidson & Honing, 2003). Financial, social and human capital represents three classes of theories under the resource – based entrepreneurship theories.

1. The Entrepreneur and Entrepreneurial Venture

1.1 Entrepreneur:- The concept of entrepreneurship has been around as long as man has existed.

- ✓ **Schumpeter(1991)** defines entrepreneur as someone who establishes a new business to produce a new product or to make an old product in a new way. For him the entrepreneur takes the center stage of socioeconomic development. He takes the role of socioeconomic leader since he has the ability to decide, to direct, to push matters through.
- ✓ Schumpeter's analysis progress does depend on the **"great man"** and as an innovator, economic and social leader the entrepreneur by definition is a monopolist. **Since the entrepreneur is the engine of the economic progress in the capitalist system,** monopolies should be encouraged to lead to new innovations
- ✓ In Schumpeter's scheme, enterprise is the activity of carrying out innovations, and the individuals who do so are the entrepreneurs

1.1 Entrepreneur

The entrepreneurship ability is scarce and the business of entrepreneurs is too risky. AS they undertake the economic activities that lie outside of the routine tasks under the social and economic resistant environments their activities should be encouraged and protected to reduce the risk they take. Entrepreneurial risk and uncertainty are reduced by large scale enterprise and restrictive practices such as patents.

Thus the reward of innovations and taking entrepreneurial risky activities is profit. The profit for Schumpeter is the result of innovation and also the inducement to innovation and only the capitalist system allows the successful entrepreneur to take profit.

However, for **Kirzner (1997)**:"The entrepreneur who 'sees' (discovers) a profit opportunity, is discovering the existence of a gain which had...not been seen by himself or by anybody else.“ To Kirzner, profit opportunities stimulate entrepreneurship.

1.1 Entrepreneur

- ✓ the implementer of entrepreneurship is a man, who has his own ideas, desires, motives, and attitudes, which lead him to doing business, to found a company, to become a self-employer" (Flešková, Babiaková, Nedelová, 2011).
- ✓ entrepreneur is one who organizes a new venture, manages it, and assumes the associated risk. Entrepreneur is broadly defined to include business owners, innovators, and executives in need of capital to start a new project, introducing a new product, or expanding a promising line of business (Price, 2004) in **(Tagrafa & Akinb, 2009)**.
- ✓ the entrepreneur is define as the activity of creating and implementing a new business entity, the prototypical small firms (Metcalf, 2004) in **(Tagrafa & Akinb, 2009)**.

1.1 Entrepreneur

- ✓ Six main components are proposed for inclusion in a definition of the entrepreneur: (1) innovation, (2) opportunity recognition, (3) risk management, (4) action, (5) use of resources, (6) added value (Filion, 2011).
- ✓ Evans(2002)-an entrepreneur is an individual who organizes, manages, & supervises issues related to the production for the supply of goods and services. Moreover, personality traits such as self confidence, creativity, persistence, calculated risk taking capacity, need for achievement, individuality, leadership, versatility, optimism & liking for challenges characterizes the entrepreneurial person (Suresh, 2011).

1.2 Entrepreneurship

it is about creating new realities; transforming ideas into new ventures, and transposing old ideas into new situations (Nicholson & Anderson, 2005).

It focuses on newness and novelty in the form of new products, new process, and new markets as the drivers of wealth creation. Somewhat differently suggested that discovering and exploiting profitable opportunities is the foundation for wealth creation through entrepreneurship. Both of this viewpoints agree that opportunity recognition through entrepreneurship (Ireland et al., 2003). Cited in Tagrafa & Akinb, 2009).

1.2 Entrepreneurship

- ✓ The Global Entrepreneurship Monitor(GEM) operationalized the concept of entrepreneurship as “any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business.” (Daniels, Herrington & Kew, 2016).
- ✓ The self-employed are considered those working on their own-account and they often own and control their own business (Garrido, 2014).

1.3 Entrepreneur as an Individual

VIQ. What are the personal characteristics of Successful Entrepreneurs ?

- ✓ There are some general personality traits that are key for being an entrepreneur (Perseus Publishing Staff, 2003).
- ✓ The most important personal qualities for an entrepreneur are: courage, self-reliance, responsibility, determination, perseverance, proactive approach, creativity and scholarship in a particular area, where this entrepreneur intends to do business (Deáková, Drážovská, Grznárik and Kondášová ,2010).
- ✓ Decision to take on the business risk is symptomatic of a certain type of people. A significant part of the motivation to take risks in business follows from the success motivation (Kvietok ,2013).

1.3 Entrepreneur as an Individual

- ✓ To achieve the set goals, successful people are willing to take on reasonable risks associated with feedback about the level of achieved results. Entrepreneurs are sort of being managed with an inner feeling, they feel that their personal fate is the result of their own efforts. They are independent, autonomous, and rely on themselves.
- ✓ Entrepreneurs differ from the general population and from paid employees in a lot of characteristics. They are more individually oriented; they have a greater individual responsibility and effort (Beugelsdijk and Noorderhaven,2005).
- ✓ In this context the inclination to take risks, self-efficacy and the need for independence are the most important factors affecting personal performance of the businessman Omerzel and Kušce (2013).

1.3 Entrepreneur as an Individual

- ✓ Individuals who demonstrate **increased risk aversion** are more likely to become entrepreneurs (Hvide, Panos, 2014).
- ✓ Generally, the characteristics of entrepreneurship have been determined as being innovative, risk taker and creative; having vision and capability of flexible working and being focused on higher level of success (Tagrafa & Akinb, 2009).
- ✓ Entrepreneurs always take a place in the front row while forming innovations and making the dreams come true. (Tagrafa & Akinb, 2009).

1.3 Entrepreneur as an Individual

- ✓ Most successful entrepreneurs have a set of characteristics that sets them apart from most other business people-
- ✓ For example, resourcefulness and a concern for good, often personal, customer relations; have desire to become their own bosses and enjoy taking risk; a strong need for personal freedom and opportunity and for the type of creative expression that often goes with owning & operating one's own business. Related characteristics- flexibility and ingenuity in responding to changes in the marketplace Griffin, (2002).

1.3 Entrepreneur as an Individual

- ✓ Two main elements of entrepreneurship are identified: *the ability to recognize business opportunities and the ability to take calculated risk* (Lunnam et al., 2006), (Zimmerer & Scarborough, 1998). Miller, 1983 added *pro-activeness traits and renovation* to the entrepreneurship characteristics.
- ✓ the psychological profile of entrepreneurs includes a need for independence, achievement and recognition, internal locus of control and a risk-taking propensity (Kent et al., 1982), (Stoner & Freeman, 1992), (Ufuk & Ozgen, 2001).

1.3 .1 six personal Competencies of Successful Entrepreneurs (Frese ,2000)

Entrepreneurs that acquired the appropriated entrepreneurial characteristics are likely to achieve their business. As Frese (2000) mentioned about the “must have” entrepreneurial instincts, entrepreneurial characteristics should consist of 6 characteristics.

1. **Autonomy** - it means the ability or expectation of entrepreneur to see and seize the opportunity.
2. **Innovativeness** - it means having new concepts of productions, services, or processes which could be applied to business' benefit.
3. **Risk Taking** - it means willing to take risk without knowing the result of achievement. Such as investing big amount of capital and asset to start business or loaning big amount of capital in case of not having enough budget for investment.
4. **Competitive Aggressiveness** - it means the strong desire to win the competition by giving all effort to do everything to be far ahead of competitors.
5. **Stability and Learning Orientation** - it means not being trembled by any business circumstance. And being able to learn from past experiences or situations appropriately.
- Achievement Orientation - it means being struggle to fin

3.3.2 Ten personal Competencies of Successful Entrepreneurs (10 PECs)

- ✓ *the characteristics of a successful personal entrepreneurial characteristics (PEC) of successful entrepreneurs refer to the desired traits, which enable an entrepreneur to do what is expected of them and succeed in business.*
- ✓ *It is the combination of these characteristics that is required to enable any one to perform effectively as an entrepreneur.*
- ✓ *It is possible for people to develop these characteristics and succeed in their careers as entrepreneurs.*
- ✓ *Successful entrepreneurs have common characteristics, which are divided into three clusters; achievement, planning and power (Buiza, 2012).*
 - a) Planning Cluster : three characteristics
 - b) Achievement Cluster: five characteristics
 - c) Power Cluster : two characteristics

a) Planning Cluster

1) Information Seeking (IS):

- ✓ *is having the urge to look for the required information in order to make an informed decision, for example, selecting, starting and successfully managing the desired business.*
- ✓ *This calls for the concerned person to personally seek and obtain information regarding customers, suppliers, competitors as well as any other relevant information that is required to enable the entrepreneur make decisions and improve knowledge on his/her business.*
- ✓ *Does personal research on how to provide a product or service*
- ✓ *Consults experts for business or technical advice.*

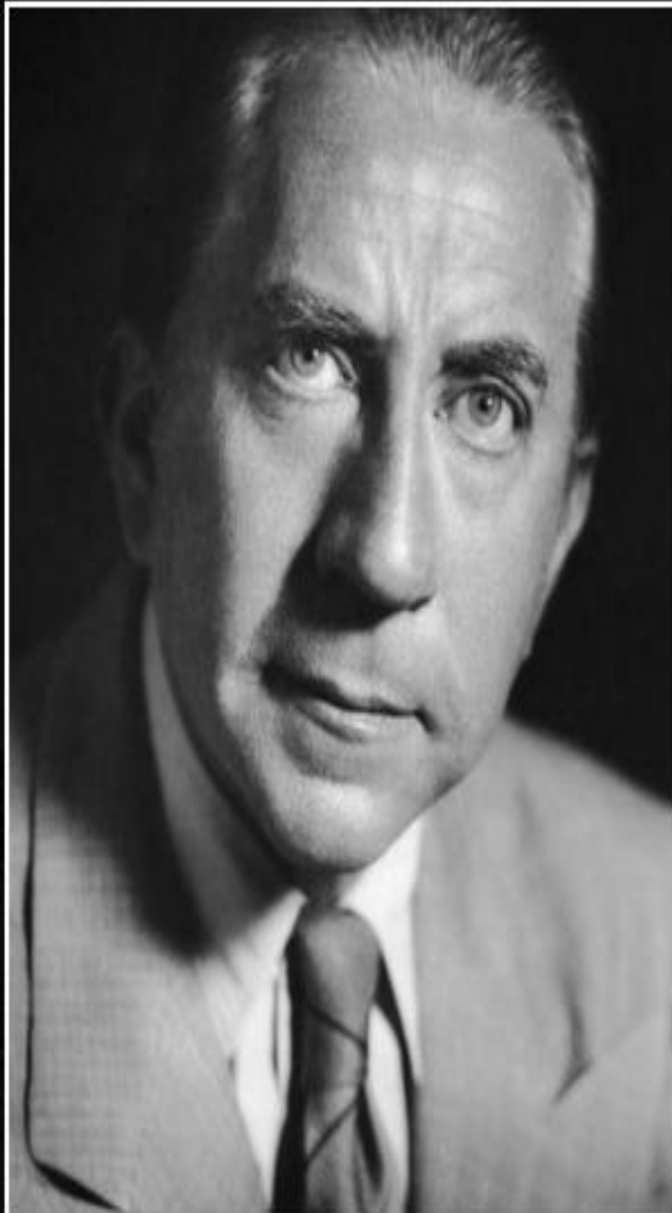
Source: 2015 Society of Interdisciplinary Business Research (www.sibresearch.org)

a) Planning Cluster

2. Goal Setting(GS)

- ✓ *GS is the ability of an entrepreneur to set clear and specific goals and objectives. These goals and objectives are normally high and challenging but at the same time, realistic and can be attained, given the resources that one has got at his/her disposal.*
- ✓ *Set goals that must be **SMART** (Specific, Measurable, Achievable, Reliable and Time bound), meaningful and challenging.*
- ✓ *“Without goals, and plans to reach them, you are like a ship that has set sail with no destination.” Fitzhugh Dodson, author*
- ✓ *Goals may be of Short term (less than two years), medium term 5 years, long term 10 years and above. EX.- write your SML personal goals.*

3) Risk Taking



You must take risks, both with your own money or with borrowed money. Risk taking is essential to business growth.

— *J. Paul Getty* —

AZ QUOTES

3) Risk Taking

- ✓ Entrepreneurs are people who prefer taking moderate risks. Before they commit themselves and their resources, they assess the risks that are associated with a business opportunity that they have selected, and their ability to manage them, the benefits that they will realize and the challenges that they will face from the venture to be undertaken.
- ✓ Entrepreneurs can earn profits as a result of taking risks and the higher the risks, the higher the profits. However, entrepreneurs will always prefer to take on those risks that they can manage.

**IF YOU DON'T
TAKE RISKS,
YOU WILL ALWAYS
WORK FOR
SOMEONE
WHO DOES.**



4. Systematic Planning and Monitoring

- ✓ *SPM is the ability to develop plans that will be used in monitoring and evaluating the progress of the business.*
- ✓ *SPM helps the entrepreneur to carefully monitor his/her business' actual performance against desired performance and turn to other alternatives whenever the need arises; so as to achieve his/her set goals.*
- ✓ *Involves Plans by breaking large tasks down into time-constrained sub-tasks. Revises plans in light of feedback on performance or changing circumstances.*

a) Planning Cluster

4. Systematic Planning and Monitoring

- ✓ *Plans by breaking large tasks down into time-constrained sub-tasks.*
- ✓ *Revises plans in light of feedback on performance or changing circumstances.*
- ✓ *“I ain’t Martin Luther King. I don’t need a dream. I have a plan.” Spike Lee, actor and director.*
- ✓ *“Plan your next move because every step contributes towards your goal.”—Sukant Ratnakar, author and motivational speaker.*
- ✓ *“By failing to prepare, you are preparing to fail.” — Benjamin Franklin, Founding Father of the United States*

5. Opportunity Seeking :-

- ✓ *This refers to the quality that enables the entrepreneur to see and act upon new business opportunities even in situations where other people see nothing but problems/hopelessness only.*
- ✓ *It also encourages him/her to seize unusual opportunities Review of Integrative Business and Economics Research, for obtaining the necessary resources such as financing, equipment, land, workspace, technical assistance, etc, which will enable him/her to implement his/her business ideas. (Chalermwan,2015) available online www.sibresearch.org)*

5. Opportunity Seeking :-

- ✓ *It is the ongoing process of considering, evaluating, and pursuing market-based activities that are believed to be advantageous for the firm.*
- ✓ *It is keeping an eyes open for new business opportunities.*
- ✓ *Successful entrepreneurs are obsessed with problem-solving. they love troubleshooting to achieve their goals .*
- ✓ *“Where the rest of the world sees problems, the Entrepreneur sees opportunities.”*

6. Demand for Efficiency and Quality

- ✓ *This is the quality that enables an entrepreneur to do things that meet or surpass existing standards of excellence or improve on performance by striving to do things faster, better and cheaply. By doing this, the entrepreneur remains ahead of others, makes more profits and retains a growing market share.*
- ✓ *Entrepreneurs find ways to do things better, faster or cheaper;
Acts to do things that meet standards of excellence*
- ✓ *Develops or uses procedures to ensure work is completed on time or that work meets agreed upon standards of quality*

b) Achievement Cluster

7. Persistence :

- ✓ *This is the quality, which enables the entrepreneurs to develop determination to have a thorough job done at any cost in terms of personal sacrifice.*
- ✓ *entrepreneur remains working towards the achievement of his/her set goals.*
- ✓ *Takes action in the face of a significant obstacle.*
- ✓ *Takes personal responsibility for the performance necessary to achieve goals and objectives.*

b) Achievement Cluster

8. Commitment to the work contract

- ✓ *This is the ability to accept final responsibility for completing a job for the customers. Customers expect entrepreneurs to perform and honour their commitments. Therefore, the entrepreneur should do everything possible to ensure that he/she fulfils the commitment with his/her customers. It means joining the workers to work with them to ensure that contractual commitments are fulfilled, the entrepreneur will do it.*
- ✓ *Makes personal sacrifice or expends extraordinary effort to complete a job.*
- ✓ *Strives to keep customers satisfied and place long term goodwill over short term gain*

c) Power Cluster

The power cluster is made up of the following two characteristics.

9. Persuasion & Networking (PN)

- ✓ *This is the ability to link, convince and influence other individuals, agencies and other groups in order to maintain business contacts at a high level. This will help or work for the cause of the business in a positive manner to accomplish own objectives.*
- ✓ *entrepreneurs Use deliberate strategies to influence or persuade others.*
- ✓ *Uses key people, as agents to accomplish own objectives.*
- ✓ *Acts to develop and maintain business contacts*

Source- 2015 Society of Interdisciplinary Business Research (www.sibresearch.org)

10. Independence & Self Confidence

- ✓ *This refers to having a strong belief or confidence in oneself and the ability to complete a difficult task or meet a challenge.*
- ✓ *Ability to deal with customers, suppliers, employees*

1.4 Creativity and Innovation

- ✓ Schumpeter believes that human economic development is the history of continuous creative destructions by entrepreneurs. The entrepreneur is an innovator, not an imitator in the production and, as an innovator, naturally he is monopolist. Since economic progress comes from innovations, innovator monopolist should be protected and entrepreneurship should be encouraged (Tiryaki ,2005).
- ✓ Schumpeter does not define those who are **imitators** or those who simply recognize and respond to the new situations as entrepreneurs unless their responses consist of forming **new firms to create new innovations** (**Ahmet Tiryaki ,2005**).

1.4 Creativity and Innovation

- ✓ Schumpeter's entrepreneur plays the role of a revolutionary in creation of new production functions and methods. Thus, entrepreneurs create disequilibrium and this creative destruction is possible only under capitalistic system.
- ✓ Innovation & creativity have become increasingly important determinants of organizational performance, success, and longer-term survival. They are the process, outcomes, & products of attempts to develop and introduce new and improved ways of doing things.

1.4 Creativity and Innovation

- ✓ According to Alpert (1993) “Innovations are the lifeblood of our economic system”
- ✓ “Innovation is a critical driver of growth and prosperity. China’s move up the rankings, and the U.S. drop, is a reminder that without investment in education and research, trade tariffs aren’t going to maintain America’s economic edge.”(Tom Orlik, Bloomberg Economics chief economist,2020).
- ✓ Creativity and innovation can occur at individual, work team, organization, or at more than one of these levels combined, but will invariably result in identifiable benefits at one or more of these levels-of analysis.
- ✓ **Q. is creativity a competence, or a coincidence (twist of fate)?**

1.4 Creativity & Innovation

- ✓ The creativity stage of this process refers to idea generation, and innovation to the subsequent stage of implementing ideas toward better procedures, practices, or products.
- ✓ creativity has been conceived of as the generation of novel and useful ideas, while innovation has been argued to be both the production of creative ideas as the first stage, and their implementation as the second stage (Amabile, 1996; Oldham & Cummings, 1996; Shalley & Zhou, 2008).
- ✓ creativity occurs not only in the early stages of innovation processes, but there is a cyclical, recursive process of idea generation and implementation (e.g., Paulus, 2002).

1.4 Creativity & Innovation

- ✓ a stronger conceptual differentiation between creativity and innovation have advocated (Oldham & Cummings, 1996; Rank, Pace, & Frese, 2004).
- ✓ innovation may also include absolutely novel and radical ideas as well as ideas that are less novel and more incremental (Zaltman, Duncan, & Holbek, 1973)
- ✓ Hence, whereas creativity and innovation are related constructs, they are by no means identical.

1.4 Creativity & Innovation:

❖ Theories of creativity and innovation

1.4.1 Componential Theory of Organizational Creativity & Innovation-

- ✓ work environments such as organizational motivation to innovate, resources (including finances, time availability, and personnel resources), and managerial practices impact creativity by affecting components that contribute to creativity which represent a basic source for organizational innovation (Amabile, 1997).
- ✓ There are three major components contributing to individual or small team creativity: expertise, creative-thinking skill, and intrinsic motivation.
- ✓ The role of motivation component as a psychological mechanism underlying influences from the work environment on employees' Creativity received empirical support unlike the other components mentioned above.

1.4.2 Interactionist Perspective of Organizational Creativity

- ✓ creativity is a complex interaction between the individual and their work situation at different levels of organization (Woodman, Sawyer, & Griffin, 1993).
- ✓ **At the individual level**, individual creativity is the result of antecedent conditions (e.g., biographical variables), cognitive style and ability (e.g., divergent thinking), personality (e.g., self-esteem), relevant knowledge, motivation, social influences (e.g., rewards), and contextual influences (e.g., physical environment).
- ✓ **At the team level**, creativity is a consequence of individual creative behavior, the interaction between the group members (e.g., group composition), group characteristics (e.g., norms, size), team processes, and contextual influences (e.g., organizational culture, reward systems).
- ✓ **At the organizational level**, innovation is a function of both individual and group creativity (Woodman et al., 1993).

1.4.3 Model of Individual Creative Action

- ✓ employees have to consider between two competing options- to be creative or to undertake merely routine, habitual actions Ford (1996).
- ✓ there are three groups of factors that might influence this decision: sense-making processes, motivation, knowledge and skills. Individual creative action is thus argued to be a result of the joint influence of these factors, in the case any of them being lacking, an individual would not engage in creative action.

1.4.3 Model of Individual Creative Action

- ✓ The motivation to initiate a creative or habitual action is further determined by goals, receptivity beliefs (e.g., expectations that creativity is valued—creative actions are rewarded), capability beliefs (e.g. expectations that one is capable of being creative or confident in creative ability), and emotions (e.g., interest and anger as facilitators of creativity whereas anxiety constraints creativity).
- ✓ This model is complex to empirically test as a whole that it does not attract research attention like the former two frameworks (a& b).

1.4.4 Theorizing on Cultural Differences and Creativity

The question of whether there are differences in creativity in different cultures has significant implications for management practice, international business and economic development (Morris & Leung, 2010; Zhou & Su, 2010).

However, theorizing and research in this regard have lagged behind practical needs. This significant research-practice gap has led to repeated calls for greater research attention on cultural differences and creativity (Anderson et al., 2004; Shalley et al., 2004; Zhou & Shalley, 2003), especially on similarities and differences in creativity between the East and the West (Morris & Leung, 2010).

1.4.4 Theorizing on Cultural Differences and Creativity

Regarding individuals' creativity, theorizing has focused on cultural differences in individual creativity, such as how task and social contexts moderate the relation between individuals' cultural values (e.g. individualism/collectivism, power distance, and uncertainty avoidance) and creativity (Erez & Nouri, 2010), how culture moderates influences of leaders, supervisors, coworkers, and social networks on creativity (Zhou & Su, 2010), how culture influences the assessment of creativity (Hempel & Sue-Chan, 2010), and how culture affects the entire process of creativity (Chiu & Kwan, 2010).

1.4.4 Theorizing on Cultural Differences and Creativity

- ✓ team creativity, differs in terms of national culture. She suggests that paternalistic organizational control fosters team intrinsic motivation and creativity for teams in the East, whereas for teams in the West, such organizational control acts as an inhibitor of group intrinsic motivation and thus creativity.
- ✓ This is one of the first models published in the mainstream organizational science literature that takes a multi-level approach to directly address the role of national culture as it may influence how organizational control at the organizational level of analysis affects team creativity at the team level of analysis.

1.4.4 Theorizing on Cultural Differences and Creativity

- ✓ Even so, empirical examination of it has been rare, perhaps partly because its multi-level theorizing requires that researchers collect data from a large number of teams embedded in a good number of organizations in Eastern and Western countries.
- ✓ On the other hand, conceptual works positing positive impact of teams' cultural diversity on team creativity have received more research attention and empirical support (Stahl, Maznevski, Voigt, & Jonsen, 2009).
- ✓ Consistent with the “value-in-diversity” thesis in the diversity literature, this line of work essentially argues that cultural diversity promotes divergence in teams, and divergence leads to creativity (Stahl et al., 2009). While the above works largely focus on creativity, the next two focus on innovation.

1.4.5 Four Factor Theory of Team Climate for Innovation

- ✓ West (1990) posits four team climate factors facilitative of innovation: vision, participative safety, task orientation and support for innovation.
- ✓ Innovation is enhanced if
 - (1) vision is understandable, valued and accepted by the team members,
 - (2) team members perceive they can propose new ideas and solutions without being judged or criticized,
 - (3) there is a stimulating debate and discussion of different possible solutions within the team which at the same time will more likely be carefully examined, and finally
 - (4) team members perceive support for innovation (Anderson & West, 1998; West, 1990).

1.4.6 Ambidexterity Theory

- ✓ Ambidexterity refers to “the ability of a complex and adaptive system to manage and meet conflicting demands by engaging in fundamentally different activities” (Bledow et al., 2009a: 320).
- ✓ ambidexterity represents successful management of both, exploration (e.g., creating new products) and exploitation (e.g., production and implementation of products).
- ✓ Some support has already been published for the major precepts of ambidexterity theory (Rosing, Frese, & Bausch, 2011), and this perspective therefore holds potential for future studies most notably into leadership effects in innovation processes.

THANK YOU...!!

