

Entrepreneurship Competencies and Management Capabilities for Innovation and Sustainable Growth: Empirical Study

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ABSTRACT

The aim of this chapter is to challenge the context of entrepreneurship competences and management capabilities needed for innovation. We build our arguments in step with actual practice analyzing data from over 200 innovative companies which have been created under the formal requirements of a regional business plan competition during the last 10 years. This study explores the crucial capabilities to start an innovative business and discuss the capabilities have to be developed to sustain innovation and business growth. Therefore, it can be hypothesised that entrepreneurship and innovation education provided by Universities, Centres for Entrepreneurship and through coaching by Business Plan Competitions should focus on building awareness for the necessity of innovations and prepare inventors, entrepreneurs and students for not simply starting an enterprise but the change process in growing companies. The questions are not of whether or not to educate people about entrepreneurship and innovation but rather what are the context and the capabilities needed to sustain business and become an innovative and successful entrepreneur?

INTRODUCTION

The term innovation derived from the Latin term *innovare* (to make something new) and most definitions about innovation highlight the exploration and exploitation of new knowledge. The first point to make is that innovation is not invention. Invention must be seen as the initial step “*in a long process to bringing a good idea to widespread and effective use*”

(Ex., Tidd, et al, 2003:38). Innovations are the commercialization of inventions (idea-to-cash). Within this chapter innovation includes radical and incremental innovations in different typologies, which include organisational change and non-technological characteristics of products, services and processes. This is in line with the OECD (2005:46) definition of innovation, which describes innovation “*as the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in*

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business practices, workplace organisation or external relations”.

However, the conception of innovation has evolved significantly in recent times. It appears that the complex theories of innovation can be explained by the increasing extent of social ingredients in the explanation of innovativeness. Originally based on tangible forms of capital and the necessity of pull and technological push, innovation management is today integrated in a much larger system (Ex., Lewrick, 2007)

We have seen in the last 10 years the dot-com bubble bursting, a hype establishing Bio-technology companies and lately a run launching businesses in arena of web 2.0. It is mainstream to establish businesses norm in certain areas at a certain time, encouraged by VCs, Business Angels and media to make fast cash. How many dot-com's have survived? How many companies had the right talent on board to steer the company in turbulent times and the capabilities to undergo a continuous change process? Useem (2001) categorized for example the dot-com business founders as “opportuneurs” rather than entrepreneurs. The “opportuneurs” objectives are different, decoupling wealth from contribution, replacing risk taking with risk faking, and exploiting external resources instead of following inner vision.

More companies are incubators which found their origin within university infrastructures triggered by university business plan competitions and supplementary centres of entrepreneurship. Therefore entrepreneurial education must be two folded: Firstly, it becomes of paramount importance to learn from the successful entrepreneurs and enterpriser, to develop this knowledge, transfer it into educational content and develop on this basis our society. Secondly, learners need to have contact to founders of companies which faced the challenges of starting and growing a business, which failed, changed or succeed with their vision.

Different capabilities are needed in different stages of business growths and Di Masi (Ex., 2006:1) highlights in this conjunction: “...the entrepreneurial characteristics required

to launch a business successfully are often not those required for growth and even more frequently not those required to manage it once it grows to any size. The role of the entrepreneur needs to change with the business as it develops and grows, but all too often he or she is not able to make the transition”. This is caused by two main facts, firstly growing organisations become more complex and not only the growing infrastructure has to be managed but also the awareness of the change and transition process. Secondly, the dynamic and competitive environment requires continuous adoption and innovation. Each growth stage poses its own challenges for the venture (Nieman and Pretorious, 2004).

Drucker (Ex., 1985, p. 32) points out innovation and entrepreneurship are interlinked. He explains and analyzes the challenges and opportunities of a new entrepreneurial economy. “Innovation is the specific tool of entrepreneurs, the means by which they exploit changes as an opportunity for a different business or service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced”.

Entrepreneurship and the definition of the entrepreneur are quite different depending on the premises of the discipline. The word entrepreneur originates from the French term *entreprendre* (to undertake), which is associated with to start a venture. Putting entrepreneurship in a historical sequence, six major views can be identified: (1) the “great person” school; (2) classical and neoclassical economics; (3) psychology; (4) sociology; (5) management; and (6) intrapreneurship (see Figure 1). Filion (1997:1) distincts and states that “the economists have associated entrepreneurs with innovation, whereas the behaviourists have concentrated on the creative and intuitive characteristics of entrepreneurs.”

The critical change process from an entrepreneurial setting into a mature company seems to be one of the major challenges. Ardichvilia, et al (2003) recognised that the development process is a cyclical and iterative endeavour. As a company grows, entrepreneurs must learn to

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