



[Academic Script]

Innovation and Creativity in Business

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1. Introduction to CREATIVITY & INNOVATION

What is the **CREATIVITY**?

Creativity is the act of turning new and imaginative ideas into reality. Creativity is characterized by the ability to perceive the world in new ways, to find hidden patterns, to make connections between seemingly unrelated phenomena, and to generate solutions. Creativity involves two processes: thinking, then producing.

Degrees of creativity

- 1) **Expressive creativity**, as in the spontaneous drawings of children. (**The first level incorporates the primitive and intuitive expression** often found in children and in adults who have not been trained in the arts.
- 2) **The second level of creativity is the academic and technical level.** At this level the artist learns skills and techniques, developing a proficiency that allows creative expression in a myriad of ways.
- 3) **Inventive creativity**, where ingenuity is displayed with materials, methods, and techniques. Many artists experiment with their craft, **exploring different ways of using familiar tools and mediums. This heralds the third level of creativity, invention.**
- 4) **Innovative creativity**, where there is improvement through modification involving conceptualizing skills.
- 5) **Imaginative creativity**, where there is an entirely new principle or assumption around which new schools, movements etc can flourish.

PROCESS OF CREATIVITY

1) Preparation

During the preparation step of the creative process model, an individual becomes curious after encountering a problem. During this stage, she may perform research, creates goals, organize thoughts and brainstorm as different ideas formulate.

2) Incubation

While the individual begins to process her ideas, she begins to synthesize them using her imagination and begins to construct a creation.

3) Illumination

As ideas begin to mature, the individual has an epiphany regarding how to piece her thoughts together in a manner that makes sense. The moment of illumination can happen unexpectedly.

4) Evaluation

After a solution reveals itself in an epiphany, the individual then evaluates whether the insight is worth the pursuit. He may make changes to his solution so it is clearer. He may consult with peers or supervisors regarding his insights during this step before pursuing it further.

5) Implementation

The implementation of an idea or solution in the creative process model is when an individual begins the process of transforming her thoughts into a final product.

PROCESS OF CONVERTING AN IDEA INTO AN OPPORTUNITY

Idea Generation and Screening

Every new product starts its life as an idea. In some cases the idea comes out of a brainstorming session, while other ideas develop as a direct response to a need in the market or a response to a competitor product. Once the idea generation phase ends, the ideas must undergo a screening process to weed out all but the best ideas. The screening process typically includes a variety of general projections including cost, market reception and profitability.

Concept Development/Testing

The concept development and testing phase seeks to gauge consumer reaction to the overall idea of the new product. Large companies often use focus groups to collect data about whether consumers would buy the product, how often they might purchase and acceptable price levels. Small-business owners can use focus groups, though informal business questions to existing customers can also yield valuable information about interest in a new product.

Analysis

If the new idea survives the concept development and testing phase, a business needs to put together a formal analysis of the new product's viability. In general, this analysis encompasses production costs and expected profit margin, as well as total market size for the product. Businesses must also weigh the product's position within the business brand.

Product Development

Product development calls for the actual creation of a product, such as a working model or running a short-term test with a

new service. Most businesses also consider and develop marketing materials during this phase. The product development phase often follows a rinse-and-repeat model of refining the product and marketing, then testing again with customers or focus groups.

Market Testing

In short, market testing takes the product and offers it to a limited group or geographic region. Large companies may also use computer simulations to mimic customer responses. For small businesses that typically cater to a small geographic region or a specific market segment, the market testing phase is often skipped.

Commercialization

The commercialization phase consists of making the product available to the customer base at large and launching a marketing effort to support it. Commercialization includes producing enough of the product to cover initial demand or having sufficient staff to provide the new service.

2. INNOVATION

Innovation: The process of translating an idea or invention into a good or services that creates value or for which customer will pay.

Types of innovation

1) **Open Innovation:** Open innovation is a paradigm that assumes that firms can and should use external ideas as well as

internal ideas, and internal and external paths to market, as the firms look to advance their technology”.

2) **Disruptive innovation** is an **innovation** that helps create a new market and value network, and eventually disrupts an existing market and value network (over a few years or decades), displacing an earlier technology.

3) **Reverse innovation** or **trickle-up innovation** the process of reverse innovation begins by focusing on needs and requirements for low-cost products in countries like India and China. Once products are developed for these markets, they are then sold elsewhere - even in the West - at low prices which create new markets and uses for these innovations.

4) **Incremental innovation** A series of small improvements to an existing product or product line that usually helps maintain or improve its competitive position over time.

5) **Break through Innovation:** Breakthrough innovations are generally considered “out-of-the-blue” solutions that cannot be compared to any existing practices or techniques. These innovations employ new technologies and create new markets.

WHY TO INNOVATE

To introduce new product to the existing line of product.

A) To increase market share.

B) To meet buyers standards or requirements.

C) To improve productivity or reduce production costs.

D) Changing and more complex customer's expectation and demand.

E) More exacting demands on the part of other stakeholders.

F) More open market and more intense competition.

G) The rapid development & diffusion of new technologies, product and services around the world

H) New knowledge requirements that place great emphasis on workers skills & expertise.

STEPS TO SUCCESSFUL INNOVATION

Step 1 SWOT Analysis : Evaluating the companies Strength(Identifying attributes of the company that are helpful to achieving the objective), Weakness(Attributes that can be seen as a roadblock in achieving objectives) , Opportunities (External condition that are helpful in achieving objectives) , and Threat(External conditions which could do damage to the objective).

Step 2 Idea Generation: After SWOT analysis, the next step involves brainstorming in relation to the product innovation, putting ideas down on paper, discussing possibilities and options, and identifying advantages and disadvantages.

Step 3 Market Research: This step will help the company to determine whether there is a place for its product in the market. Does it meet consumer needs? If there are any other products in the market similar to yours, then compare them in terms of price, size, features etc.

Step 4 Identify Resource Requirements: It is crucial to make a list of the resources that are going to be needed to carry out the project and take the product to the market.

Step 5 Identify Resource availability: At this point, determining what the resource will cost, how long they will be needed and how they will be accessed.

Step6 Factor Assessment: Some critical factors must be assessed before proceeding with the development of any product. Things such as technical feasibility cost of production expectations, market concern, and likelihood of satisfactory financial returns, risk involved and commercialization issues must be addressed beginning any product development.

Step 7 Product development: Once the 6 steps have all been fully addressed, the company can finally proceed with the work needed to actually develop and bring product to the market. Activities like formula development, sensory evaluation, scale up, test market, & commercialization are important to the product development.

3. Developing a feasibility study

What is a feasibility study: A feasibility study is an analysis of the viability of an idea through a disciplined and documented process of thinking through the idea from its logical beginning to its logical end.

Level of feasibility Assessment: A feasibility study of an idea is conducted at three levels

- Operational Feasibility: "Will it work?"
- Technical Feasibility: "Can it be built?"
- Economic Feasibility:

"Will it make economic sense if it works and is built?"

“Will it generate PROFITS?”

Why does feasibility study?

1. Provide a thorough examination of all issues and assessment of probability of business success.
2. Give focus to the project and outline alternatives.
3. Narrow business alternatives.
4. Surface new opportunities through the investigative process.
5. Identify reasons NOT to proceed.
6. Enhance the probability of success by addressing and mitigating factors early on that could affect the project.
7. Provide quality information for decision making.
8. Help to increase investment in the company.
9. Provide documentation that the business venture was thoroughly investigated.
10. Help in securing funding from lending institutions and other monetary sources

Data Sources for a Feasibility Assessment: Data required for a feasibility study can come from primary or secondary sources

Primary data can include formal interviews and surveys
Collection of primary data can be expensive and time consuming

Secondary data can include industry and trade publications, statistics of industry associations, and government agency reports

DEVELOPING A BUSINESS PLAN

What is a Business Plan?

A Business Plan summarizes the plan of action after a course of action has been determined through the Feasibility Study

What is included in a Business Plan?

Main Requirements are

- Industry Description
- Market Size
- Customer Base
- Competitive Advantage
- Business Location
- Three years of Financial Projections
- Monthly Tracking of First Year Financials
- Management Experience and Profile
- Personal Statement of Affairs

Other Sources of Cash, if any

SETTING UP OF BUSINESS

- 1.** Identify the Business Opportunity.
- 2.** Determine the size of business unit.
- 3.** Identify the form of business ownership like sole proprietor, partnership or private limited or limited.
- 4.** Location of business must be in a prime area where one can easily access the various ancillary services easily and at minimum cost.
- 5.** Identify the requirement of capital and break it into equity and debts.

- 6.** Various Physical facilities required for the establishment of business unit at an appropriate place so that one can perform his/ her work efficiently.
- 7.** Development Plant layout in such a way which could increase the efficiency of plant with minimizing wastage.
- 8.** Organization structure consists of various departments with the specialized person to do their task effectively.
- 9.** Human Resource requirement must be identify and then put the right person at right place.
- 10.** Registration of a company under the companies acts 1956, which included the formation of memorandum and article of association.
- 11.** One can start their business activity now.
- 12.** Take care of tax planning in advance.