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MODULE 2: BUSINESS IDEA AND INNOVATION

Aiming to introduce the participants into idea making process and present them some successful female entrepreneurs and their stories. The innovation process and its assessment will be also introduced.

WHAT IS BUSINESS

Business is the activity of making one's living or making money by producing or buying and selling products (such as goods and services).

Simply put, it is "any activity or enterprise entered into for profit. It does not mean it is a company, a corporation, partnership, or have any such formal organization, but it can range from a street peddler to General Motors."

Having a business name does not separate the business entity from the owner, which means that the owner of the business is responsible and liable for debts incurred by the business.

The term is also often used colloquially (but not by lawyers or by public officials) to refer to a company.

A company, on the other hand, is a separate legal entity and provides for limited liability, as well as corporate tax rates.

A company structure is more complicated and expensive to set up, but offers more protection and benefits for the owner.

WHAT IS INNOVATION

Innovation is commonly defined as the "carrying out of new combinations" that include "the introduction of new goods, ... new methods of production, ... the opening of new markets, ... the conquest of new sources of supply ... and the carrying out of a new organization of any industry".

However, many scholars and governmental organizations has given their own definition of the concept.

Some common element in the different definitions is a focus on newness, improvement and spread. It is also often viewed as taking place through the provision of more-effective products, processes, services, technologies, art works or business models that innovators make available to markets, governments and society.

An innovation is something original and more effective and, as a consequence, new, that "breaks into" the market or society.

Innovation is related to, but not the same as, invention: innovation is more apt to



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involve the practical implementation of an invention (i.e. new / improved ability) to make a meaningful impact in a market or society, and not all innovations require a new invention.

Technical Innovation often manifests itself via the engineering process when the problem being solved is of a technical or scientific nature. The opposite of innovation is exnovation.

In economics, management science, and other fields of practice and analysis, innovation is generally considered to be the result of a process that brings together various novel ideas in such a way that they affect society.

In industrial economics, innovations are created and found empirically from services to meet growing consumer demand.

What is innovation: why almost everyone defines it wrong

A useful definition of innovation is easily understood, is simple, and clearly tells you whether something is innovative or not.

Definitions matter; it's hard to have effective discussions and build on concepts without them. And the best definitions offer utility.

Mention the word innovation in a corporate context, and you're likely to see some eye rolling.

The word "innovation" has turned into something of a buzzword whose application is so broad and nebulous that it often feels useless.

But innovation is critical in the modern economy.

That's why we're going to come up with a clear and useful definition for innovation.

For our purposes, a useful definition of innovation probably:

- Has easy to understand tests for filtering
- Reliably filters out the sorts of activities that set corporate eyes rolling
- Rarely excludes things most of us would consider meaningful innovation
- Is brief and simple

Various definitions of innovation

It won't take much Googling to see that the definition for innovation varies widely

Here are some paraphrased selections:

- Application of ideas that are novel and useful
- It's about staying relevant
- Great idea, executed brilliantly, and communicated well



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- Feasible, relevant offering with a viable business model perceived as new and adopted by customers
 - Introduction of new products and services that add value to an organization
 - As long as it includes “new” and addresses customer needs, any variation goes
 - Fundamental way companies bring constant value to their customers
 - Work that delivers new goodness to customers in new markets and radically improves the profitability equation
 - Implementation of something new
 - Implementation of creative ideas to generate value
 - Anything new, useful, and surprising
 - ... and so on

There are good concepts in those definitions, but none seem to strike the right balance of clarity, utility, and brevity. We probably need to look elsewhere.

Webster’s defines innovation as **“the introduction of something new.”** It’s hard to dispute that’s accurate. But it doesn’t seem particularly useful.

Perhaps that’s because innovation exists outside of our business mindset.

By their definition, introducing a new paint color that’s a half-shade different from any others known in the market is innovation.

Most of us would not consider that “innovation,” at least not in a useful way. It might be the absolutely perfect shade for your new house, but I think we need a better definition for our purposes.

Peter Drucker said **“Innovation is the specific instrument of entrepreneurship... the act that endows resources with a new capacity to create wealth.”**

It’s eloquent.

The concept of endowing resources with a new capacity to create value is interesting. But still it doesn’t feel like a particularly *useful* definition.

Scott Berkun thinks **“Innovation is significant positive change.”** That’s starting to sound better to me.

He adds the notion of “significance.” If it doesn’t matter (to someone), should we call it innovation? I think not.

But this definition focuses on the outcome rather than the process. If you don’t know whether something is innovative until after the fact, it’s hard to apply the definition proactively. And while the word “change” implies novelty, it’s probably

too broad. What if we're looking at a change to a well-known business model that results in a loss in stock value but an increase in stability?

There's *something* novel about that, but it doesn't feel like innovation to us.

Tim Kastelle writes innovation is "***not just having an idea—but executing it so that it creates value.***" He incorporates three key concepts: an idea, execution, and value creation. You'll see below this is probably the closest to our definition.

A proposed definition of innovation

Here's how we define innovation:

Innovation is the process of creating value by applying novel solutions to meaningful problems."

The reason we believe it has utility is in the three explicit tests for "innovativeness" we can apply:

- **Is it novel?**

The notion of novelty is baked right into the word "innovation." If it's not new, it's probably more optimization than innovation.

- **Does it solve a meaningful problem?**

If not, maybe it's art instead of innovation. That's not to say art isn't valuable, but it's generally not designed to solve a problem. To us, innovation is.

- **Does it create value?**

If not, maybe it's an invention rather than innovation. Inventions can lead to value creation, but usually not until someone applies them through innovation.

It also points out that—at least where we're concerned—innovation is a process.

It's not the result itself per se, but the path to get there. We know it's possible to innovate unsuccessfully—there's plenty of evidence that innovations often fail. What's key is that you're seeking to create value by applying a novel solution to a meaningful problem.

According to this definition, innovation isn't limited to the commercial context.

Non-profits can be innovative; their value creation metric is simply different.

The Value of Definitions

We shouldn't underestimate the role that definitions and language can play. Even revisiting the way an organization defines this can unlock new ideas and help organizations prioritize initiatives.

And it ensures that a team is making meaningful progress toward creating truly innovative solutions.



Innovation: Definition, types of innovation and business examples

What is innovation? How many types of innovation are there? Can there be innovation outside of the business world? Is innovation the same as an invention? And what are the good examples of innovation on business?

Different Types Of Innovation

According to the 4th and most recent edition (2018) of the Oslo Manual, there are four main types of innovation:

1. Organizational Innovation

Organizational innovation refers to the development of a new organizational strategy that will somehow change a company's business practices, as well as the way its workplace is organized and its relationship with external stakeholders.

Examples of organizational innovations:

1. The first companies adopting a four – day week working schedule of only 4 days per week
2. The first companies that started to use the power of digital and allowing employees to skip the office and work from home (depending on the role)

2. Process Innovation

Process innovation is about implementing a new or improved production or delivery approach, including changes in operational methods, the techniques used and the equipment or software.

Examples of process innovations:

1. The first firms betting on SaaS (software as a service) technology, and using, for instance, cloud contact centers from **Talkdesk**, changed the way their customer support processes used to be organized
2. The first hotels that decided to make decisions based on big data using, for instance, insights from the **Climber Hotel**, made changes on their decision-making approach

3. Product Innovation

Product innovation is the introduction of a new or improved good or service. These inventions or changes may have to do with improving technical specifications, the materials or the software used or even advancing on UX (user experience). However, product innovations don't need to improve all functions or



performance specifications.

An improvement to or addition of a new function can also be merged with a loss of other functions or the downgrade of some other specifications.

Moreover, a product innovation must add available to potential users but doesn't necessarily need to generate sales. Because if it did, then innovations with low demand or, for instance, digital products like apps that are free would be excluded. At the same time, routine changes or updates aren't considered product innovations as they are only correcting errors or making some seasonal changes.

Examples of product innovations:

1. Lego has been changing the materials of its famous bricks to biodegradable oil-based plastics
2. The first electric vehicles introduced in the car's market were also an innovation, and new batteries with longer ranges that keep coming out are also an example of innovation.

4. Marketing Innovation

Marketing innovation means developing a new marketing strategy that produces changes in, for instance, the way a product is designed or packed, or even other decisions regarding price or promotion.

Example of marketing innovation:

Haagen Dazs' new waste-free container

5. Eco-innovation And The Sustainability Approach: A 5th Type Of Innovation:

Eco-innovation is an innovation resulting in significant progress towards the 2030 goals sustainable development established by the UN.

In practice, it means reducing the impacts of our production modes on the environment, improving nature's resilience to environmental stresses, or achieving a larger efficient and responsible use of natural resources.

In this way, we can say eco-innovation may create value in two different areas. First, from a sustainable development perspective, as it promotes sustainability throughout a product's entire life cycle, it helps to address challenges such as climate change, resource scarcity, and biodiversity.

Second, it can also boost a company's performance and competitiveness.

By embracing new and greener processes, technologies and services, eco-innovation can help organizations access new markets, increase productivity and profitability across the value chain, strengthen their reputation or attract new investors.



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Examples of eco-innovations:

1. A while ago, Procter and Gamble realized householders could save on their electricity bill by switching to cold-water washings and started developing cold-water detergents (product innovation)
2. As part of its sustainability strategy, **IKEA** is changing its fleet to electric vehicles (process innovation).
3. **Nestle's** new paper-based straws as an alternative to plastic straws (marketing innovation).

The first companies concerned with the sustainability of their operations that decided to change their suppliers and partners if they don't prove they are also making efforts to become more sustainable (organizational innovation).

Check the video that follows to better understand the concept of eco-innovation:

What Is Innovation In Business?

According to the Oslo Report, business innovation is: *" (...) a new or improved product or business process (or a combination thereof) that differs significantly from the firm's previous products or business processes and that has been introduced on the market or brought into use by the firm."*

Innovation Is Not Only Business-applied

Nonetheless, innovation isn't just about business. It's a dynamic process that needs implementation, i.e. that something is put into active use or made available, but it can take place in all sectors of an economy. In fact, it can happen, according to the UN System of National Accounts (SNA), in four broad sectors of an economy: businesses, the general government, households, and NGOs serving households. But how exactly?

- **Innovation in businesses** consists of organizations that are mostly oriented towards the production of market goods and services.
- **Innovation in the general government** consists of institutional units with political and regulatory responsibilities. They redistribute income and wealth, as well as some services and goods, for individual and collective consumption, usually on a non-market framework.
- **Households** are institutional units made of one or more people. Their main purpose is to supply labor, undertake final consumption and eventually, as entrepreneurs, to produce goods and services too.
- **NGOs serving households** are legal entities mostly engaged in producing non-market services for households or the community. Their resources and manpower are the results of voluntary contributions.



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Innovation Is More Than Creating: It's Also A Destructive Process

Schumpeter (1934) brought into discussion several arguments on how businesses search for new opportunities and competitive advantage.

One of his most famous arguments has to do with the concept of “creative destruction”. In Schumpeter’s vision, capitalism is a dynamic and innovative market system that is constantly changing. These changes, he says, happen because of new ideas and processes that take over the current paradigm (status quo) and create new ways of producing goods, services or entirely new industries.

Innovation And The System’s Perspective

According to the Oslo Manual, the systems perspective of innovation is about examining the interdependencies among actors. As the innovation path has uncertain outcomes and follows a complex and non-linear approach, the systems perspective is a multidisciplinary and interdisciplinary one.

This means innovation systems can be connected by industry, geography or technology and are many times interrelated. According to the **OECD**, systems perspectives are used to create innovation policies that coordinate system transformations in society.

From the decarbonization of transportation systems to the improvement of the education system in teaching coding, these transformations require different actors, from producers to consumers, to work together and ensure that all the complementary components of a complex network are in place.

For instance, following Oslo Report’s example, for producers to develop their range of electric cars, more people need to buy from this segment and a network of charging stations need to be created as well.

Other Curiosities About The Process Of Innovation

- Innovation is a continuous learning process with several inputs. It’s not a linear or sequential process as it involves many interactions and feedback.
- A prototype or idea of a product that does not yet exist is in general not a product

innovation as it doesn’t meet the implementation requirement. This condition of putting

into use or making available for the use of individuals, firms or other organizations is

what differentiates innovation from other concepts like “invention”.



- The economic and social impacts of ideas and innovative changes depend on the diffusion and uptake of related innovations

In order to identify the meaning of innovation, we give some examples Of Famous Innovators

- Steve Jobs starting developed the smartphone world with the iPad
- Marie Curie made great researches on radioactivity
- Elon Musk has been making great progress on luxurious electric cars
- Ann Kiessling made plenty of findings on the area of biology
- Nikola Tesla worked on the production, transmission, and application of electric power
- Amanda Jones was the inventor of a vacuum method of canning
- Thomas Edison invented the incandescent electric light bulb
- Grace Hopper invented the first compiler for a computer programming language
- Leonardo DaVinci, among many other things, invented the parachute
- Josephine Cochrane invented the first mechanical dishwasher
- Alexander Graham Bell invented the first telephone

6 QUESTIONS TO ASK BEFORE STARTING A BUSINESS

1. Is Now the Right Time to Start a Business?
2. Do You Have a Business Idea, and Is That Idea an Opportunity?
3. Are You Prepared to Pivot and Adapt?
4. Do You Have a Strong Team, or the Ability to Form One?
5. Are You Prepared for the Possibility of Failure?
6. Why Do You Want to Start a Business?

THE IMPORTANCE OF INNOVATION IN BUSINESS

Modern businesses grow and succeed in today's corporate climate for a myriad of different reasons. Some are known for their products, others for their services, and others still for less easily-defined factors such as strong brand loyalty or captivating ad campaigns.

If you were to look at the organizations that truly stand out from the pack today as clear leaders within their industries, however, it would be clear that they all have one common factor: they all embrace innovation.



Why Is Innovation Important for Business Success?

We've all heard the phrase "adapt or die" and for businesses to achieve success in today's modern world, this is a universal truth.

Take, for example, the massive expansion in technological advancements in the past decade; because of this extreme growth, businesses have been forced to adapt and expand more than ever before.

Three critical factors on the importance of innovation in business.

1. Innovation Helps Companies Grow
2. Innovation Keeps Organizations Relevant
3. Innovation Helps Organizations Differentiate Themselves

How to Embrace Innovation

In order to drive business growth, stay relevant in changing times, and differentiate from the competition, business leaders must be able to think creatively and embrace innovation into their business models.

This doesn't mean that a willingness to innovate is the only ingredient for success, however: leaders must also have a solid understanding of how to go about bringing that innovation to life.

One way to do this is by gaining experience working on exciting, challenging, and innovative projects, as doing so will expose you to the skills needed to become an innovation driver within your organization.

Innovation can mean a single major breakthrough – e.g. a totally new product or service.

However, it can also be a series of small, incremental changes.

Whatever form it takes, innovation is a **creative process**.

The ideas may come from:

- inside the business, e.g. from employees, managers or in-house research and development work
- outside the business, e.g. suppliers, customers, media reports, market research published by another organization, or universities and other sources of new technologies.

Success comes from filtering those ideas, identifying those that the business will focus on and applying resources to exploit them.

Introducing innovation can help you to:



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- improve productivity
- reduce costs
- be more competitive
- build the value of your brand
- establish new partnerships and relationships
- increase turnover and improve profitability

Businesses that fail to innovate run the risk of:

- losing market share to competitors
- falling productivity and efficiency
- losing key staff
- experiencing steadily reducing margins and profit going out of business

Approaches to innovation

1. Analyze the marketplace
2. Identify opportunities for innovation

Planning innovation

1. Assess the competition
2. Study market or industry trends
3. Build a relationship with your customers
4. Involve your suppliers and other business partners
5. Consider what taking a particular innovative step could Mean for your business.
6. Include your vision in your business

Female Entrepreneurs

Women Whose Stories Will Inspire You

- 1: Haircare Pioneer - Madam C.J. Walker (Sarah Breedlove)
- 2: Beauty Boss - Estée Lauder
- 3: Syndicated Entrepreneur - Oprah Winfrey
- 4: Representing the Underrepresented - Kimberly Bryant
- 5: Plant-Based Cravings - Pinky Cole

