The Implementation of Innovation-Driven Entrepreneurship for the Development of Small, Medium Enterprise

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Abstract. This article discusses the innovation-driven entrepreneur while also highlighting the impact of technical innovation on early-stage entrepreneurial activity and how it can boost economic growth in emerging nations. In order to pinpoint the inventive initiatives of entrepreneurship, this article’s literature study focuses on innovation and entrepreneurship. The results show the maximum frequency of entrepreneurial activities among those initiatives that affirm that products and services offered are perceived as novel only by some customers and initiatives that use technologies between 1 and 5 years.

Keywords: entrepreneurship, MSMSe, innovation

1 Introduction

Innovation and entrepreneurship are now viewed as being essential to a nation’s economic development and survival in the current global economy. In the present wave of globalization, they are also one of the major forces driving economic growth (Abid Bashir and Akhtar, 2016). Currently, entrepreneurship is practiced throughout all spheres of the economy and society (Ng, Jhony, 2012). Universities and higher education institutions teach entrepreneurial awareness; development centers take part in the technology transfer process; businesses promote entrepreneurship internally; and governments create policies to support and promote entrepreneurial activity (Henrekson & Stenkula, 2010).

According to some academics, entrepreneurship and the formation of new firms are essential for the long-term economic progress of a nation and its regions (Rui & Preto, 2011; Almodóvar, Fernández, & Dáz, 2020). Due to its importance for employment, productivity, and socio-economic performance, the field of entrepreneurship has recently seen an expansion in the body of literature (Wikelund, Nikolaev, Shir, Foo, & Bradley, 2019; Stoica, Roman, & Rusu, 2020). According to Ratten (2020), one strategy some nations use to deal with the periods of crisis, change, and uncertainty that societies experience is entrepreneurship. Innovation, which can take the form of a new marketing strategy, a vastly enhanced good or service, or a process improvement, is the application of a new organizational approach in company practices, workplace organization, or external contacts (Tidd & Bessant, 2014; Dogan, 2017). As a driver of economic growth in a region or a nation,

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innovation also serves as a policy tool for fostering socio-economic development (Maradana, Pradhan, Dash, Gaurav, Jayakumar & Chatterjee, 2017).

According to Bakir and Gunduz (2019), greater theoretical, conceptual, and empirical interaction was needed in policy entrepreneurship research to reduce the conceptual stretching that exists in this area. Analysis of the potential synergies between innovation and entrepreneurship policy is crucial to closing these gaps, especially when the goal of the policy is to support and encourage the establishment of technology-based, creative, and quickly expanding knowledge-based enterprises in developing nations while also researching innovation-driven entrepreneurs in these nations.

Kardos (2012) mentions the link between entrepreneurship and innovation by quoting the Schumpeterian study that claims “carrying out innovations is the only function which is fundamental in history.” According to Mrozewski and Kratzer (2016), entrepreneurship and innovation are related concepts. Innovative entrepreneurship combines elements of entrepreneurship with innovation to create new businesses built on cutting-edge concepts (Stefan, Comes, Szabo, and Herman, 2012). A stronger competitive edge and increased competitiveness versus nearby economies can be achieved by innovative entrepreneurship. This study uses a dataset on early entrepreneurship supplied by the Global Entrepreneurship Monitors (GEM) to examine the impact of innovation on these activities.

2 Literature Review

Numerous studies of the factors that influence entrepreneurship have been conducted throughout history from a variety of disciplines, including economics, sociology, finance, and psychology (among others). Due in large part to the transversality, heterogeneity, and subjectivity of the entrepreneurship phenomena itself, this has resulted in its acceptance on a global scale (Abu et al. 2017; Ferreira et al. 2017).

According to the literature, entrepreneurship has numerous positive effects on a society’s social and economic life. According to Doran, McCarthy, and O’Connor (2018), entrepreneurship has become the dynamic engine of socio-economic development around the world and is crucial to the employment market and economic expansion in the modern day. Because it gives an economy new dynamism, they claim that it is essential for the economic well-being and long-term growth of a nation. Through the creation of jobs, entrepreneurship has demonstrated that it is a superb tool for reducing welfare drain and unemployment. Ferreria et al. (2017) made this claim entrepreneurship is a major factor in economic development and a driver of economic growth and competitiveness.

According to Kwabena and S. Kwabena (2011), Knight is credited with making the significant contribution of connecting entrepreneurship with the idea of “risk” at the beginning of the academic study of entrepreneurship. Since then, risk has remained one of the essential characteristics of entrepreneurship. Our definition of entrepreneurship was expanded when Schumpeter added the idea of “innovation” in the 1930s, which includes the development of innovative activities, including new goods, markets, and manufacturing techniques (Kwabena & S. Kwabena, 2011). Other authors, like Kirzner and Penrose in the 1960s, attempted to broaden the definition of entrepreneurship by linking it to access to information, service, and product opportunities; personal attributes and human capital, such as communication abilities, professional experience, and foresight and imagination (Duening, 2010, Kwabena & S. Kwabena, 2011, Abu et al. 2017).

In the past, notable businesspeople like Henry Ford, Sam Walton, or Bill Gates have frequently received credit for inventions; nevertheless, care must be taken to avoid ignoring the possible influence that regulations may have on innovation as well. Some of the essential components of an entrepreneurship theory include policies that are created with knowledge
of the innovative process and that encourage the formation of fast-expanding enterprises (Stough, 2016).

A key factor in the market introduction of inventions is the entrepreneur (Brem, 2011; Fuentelsaz et al., 2018). The term "entrepreneur as innovator" was first used in Schumpeter’s theory to describe a key player in the development of the national economy. The creative “destruction process” (Dekkers, Talbot, Thomson & Whitham, 2014) that results from an entrepreneur’s innovative activity disrupts the equilibrium of an economic system while simultaneously opening up prospects for economic services. Without a starting point, innovation is impossible. As stated by several writers, “Innovation requires three basic components: the infrastructure, the capital, and the entrepreneurial capacity needed to make the first two work” (Courvisanos & Mackenzie, 2014; Stam & van de Ven, 2019). To succeed commercially, innovation must also answer market requirements and involve entrepreneurship (Brem, 2011; Fuentelsaz & Montero, 2018).

The entrepreneurship and innovation theories are frequently supported together because, according to these theories (Braunerhjelm, 2010; Van Stel et al., 2014), an entrepreneur is someone who identifies and investigates business opportunities as a result of the deliberate accumulation of technology and knowledge that results from innovation. According to Sarasvathy (2014), entrepreneurship provides a solution to the following economic problem: How, by whom, and with what consequences are possibilities discovered, evaluated, and taken advantage of for the purpose of producing products and services in the future.

The economic system sees an increase in entrepreneurs as a result of other inventions becoming more prevalent over time. In this regard, Schumpeter’s theory foresees an increase in economic growth that is largely dependent on the rising number of business owners. Although difficult to formalize econometrically, this technique has proven effective in the field of entrepreneurship. The literature currently in existence has found that the level of innovation inside a new business varies significantly (Brem, 2011; Fuentelsaz et al., 2018).

3 Results and Discussion

As was already noted, empirical models for analyzing innovation, competitiveness, and economic growth of a nation and its areas are weak when it comes to creative entrepreneurship. As a result of Schumpeter’s initial strategy, empirical economic literature that views innovation as a driver of economic growth has emerged. There is now a notable corpus of empirical research and evidence on the topic from numerous nations (Duening, 2010, Kwabena & S. Kwabena, 2011, Brem, 2011, Fuentelsaz et al., 2018).

There are various methods for evaluating innovation. Some explored ways include counting the number of patents (Xiao and North, 2018; Stephens et al., 2013), R&D expenditures (Stephens et al., 2013), national science and technology project grants (Xiao and North, 2018), and approved intellectual property rights (Xiao and North, 2018).

Contextual considerations, or the social, economic, and corporate settings, have an impact on how entrepreneurial activity is perceived. According to Stephens and colleagues (2013), there is a lot of evidence that entrepreneurship, innovation, knowledge spillovers, and economic growth are all related. The majority of earlier study has concentrated on urban areas’ advantages over rural ones in terms of innovative industries and clusters. Human capital may be supplied to places that lack innovation (Braunerhjelm, 2010), and there is evidence that local innovation boosts growth (Bauer et al., 2012). Gonzalez-Perna, Pea-Lagazkue, and Vendrell-Herrero (2012) concentrate on the impact of regional productivity and discover that the significant and positive effect of innovation and entrepreneurship involves a synchronous process and that innovation does not have a significant impact if we separate it from entrepreneurial activities. Block, Thurik, and Zhou (2013) indicate that
information is more likely to change “new-to-the-market innovation” when there is a high proportion of entrepreneurship.

In actuality, their findings demonstrate that Schumpeterian entrepreneurship plays a significant role in the commercialization of knowledge. Erken, Donselaar, and Thurik (2016) also assess the role of entrepreneurship and its impact on per capita income as predictors of economic competitiveness and performance in various countries using the total factor productivity and total entrepreneurship activity approximation. Additionally, entrepreneurship, R&D, and human capital are important and influential for the region’s innovative development, whether taken collectively or separately.

González-Perna and Pea-Legazkue (2015) also concur that entrepreneurship’s ability to produce high-quality new firms can have a favorable impact on economic growth. On the other hand, González-Perna, Jung, and Pea (2015) investigated the connections between entrepreneurship and knowledge spillovers in highly developed nations, while Pathak, Xavier-Oliveira, and Laplume (2013) investigated the determinants of entrepreneurship in developing countries. Their findings, which show that developed countries have a good business climate and more suitable environments from which innovative entrepreneurs can evolve, emerge, and have an impact on local and regional economies, show that the actors of entrepreneurship and regional economic outcomes change across different stages of development.

There were authors who held opposing views despite the numerous ideas that suggested entrepreneurship was an activity connected to creativity. This notion was rejected by Mrozewski and Kratzer (2016) because they contended that entrepreneurship and invention might be viewed as separate entities. According to several researchers, the nations with the highest rates of entrepreneurship also had the lowest rates of innovation (Braunerhjelm, 2010; Anokhin & Wincent, 2012). Entrepreneurship and innovation, according to Anokhin and Wincent (2012), are only related to the richest nations. This was explained by the fact that these nations, which are known for having highly developed and competitive economies, encouraged entrepreneurs to innovate because doing so is the best way to counteract the forces of competition (Mrozewski and Kratzer, 2016).

In conclusion, research is increasingly being done on highlighting, analyzing, and connecting the importance of innovative entrepreneurship and new firm formation to regional and national economic development. However, researchers should focus on how many new enterprises and innovations interact to affect regional prosperity, according to authors like Dejardin and Fritsch (2011). Furthermore, Doran, McCarthy, and O’Connor (2018) point out that although institutions and researchers have made significant advancements in these kinds of studies, the relationship between entrepreneurship and growth is still unclear, and public policies continue to pay less attention to innovative entrepreneurship. These demonstrate that, in order to foster local economic growth, regional and national governments can support and encourage all forms of new business creation, as opposed to merely knowledge-based entrepreneurship or innovation activities. It is still helpful to attempt a deeper analysis of the causes and occurrence of particular types of entrepreneurship, particularly its relationship to innovation and governmental policies in developing nations, and to consider the function of the innovation-driven entrepreneur, which is the focus of this paper.

4 Conclusions

In conclusion, public authorities are essential to encourage entrepreneurship, especially among people with higher levels of formal education and more experience, in order to develop innovative new companies. Additionally, it should make clear what those precise tools and efforts are, as well as how public policy will be used to promote innovative entrepreneurship. Future studies are required to examine the freedom to operate a business
effectively, the funding of risky activities, and access to pertinent information in order to achieve economic freedom when discussing innovative entrepreneurship initiatives (Autio et al., 2014; Baumol, 2010). Innovative entrepreneurship would increase favorably if the essential resources were made available in such a supportive environment. Innovative business owners make up a small percentage of all firm founders, yet they have a significant economic influence since they invent new technology, create jobs, and improve the ability of regions to revitalize themselves.

This study offers at least two small contributions to the literature on entrepreneurship, innovation, and development. First, it deals empirically with a topic that hasn’t received much attention: innovative entrepreneurship and the behavior of entrepreneurs in developing nations. The majority of research on innovation has taken into account how big and small businesses in developed economies behave. Additionally, future study must concentrate on other objective measurements that can be augmented with other variables, such as R&D investment and country-level variables. However, Fuentelsaz et al. (2018) suggest utilizing more qualitative methods of interviewing business owners or developing human capital measurements to obtain a suitable and accurate profile that would boost innovation.

The needs of new entrepreneurial businesses and those of other small-medium enterprises (SMEs) should be differentiated in order to start a good creative entrepreneurship policy, as not all entrepreneurial entities maintain the same size. So, based on three primary policy options—increasing entrepreneurship generally, raising the proportion of high-growth enterprises, and boosting innovation and R&D in SMEs—innovative entrepreneurship could accomplish economic growth (Dahlstrand & Stevenson, 2010).

References


