

The impact of entrepreneurship and innovation on developing the marketing strategy in business organizations -An Analytical Study-

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Abstract

Entrepreneurship and innovation are considered among the main characteristics of strategic thinking in business organizations today because of their complicated effects on designing and executing the different activities of such organizations, especially the marketing activities which constitute the core of all other activities. In this context, many researchers confirm that the two vital tasks that should be undertaken by top management is marketing and innovation, both are interdependent and interrelated. Innovation is a vital key to the organization survival at the top competitive level and in helping create marketing leaders.

The compatibility between entrepreneurship and innovation create marketing strategies that are characterized by entrepreneurship and innovation, such strategies involve innovative methods that transform existing products and services into new ones with high quality that adds value to existing businesses.

Entrepreneurship is the process of seeking and utilizing opportunities available in the business environment or those opportunities realized through innovation to create value to business organizations.

The economics war at the present is "the war waged to create talents", innovation. This means that the organization must be entrepreneurial in strategic planning for its marketing activities through making use of all innovative ideas and methods that secure its competitive position in different markets.

The objective of this study is to clarify the concepts of entrepreneurship and innovation as being two compatible concepts, and to show their relationship to developing successful marketing strategies in a business environment which is exceedingly quick and dynamic in all aspects especially in the field of entrepreneurship and innovation to offer unique and super quality products and services to different markets.

Introduction

The two concepts of entrepreneurship and innovation are considered interrelated and interdependent. There is no doubt that creative innovation has a great impact on entrepreneurship when it comes to designing and executing any business. The compatibility between entrepreneurship and innovation constitutes one of the essential foundations of modern strategic thinking, because utilizing these two concepts as a guide to strategic planning of different activities, among which are the marketing activities, leads to designing an effective strategy able to compete and excel all other

competitor. Marketing thinking is ever changing and dynamic; it depends on innovation and creativity in developing marketing activities, especially in a business environment characterized by severe change and competition, in order to determine an entrepreneurial marketing strategy that sits at the top of the competitive and market leadership ladder. Both marketing and innovation are among the vital and important tasks of management, each concept completes the other. Since both entrepreneurship and innovation are compatible, therefore marketing and entrepreneurship are compatible. The compatibility among marketing, entrepreneurship and innovation, if it is clear to the responsible management, should help develop entrepreneurial and innovative strategies from the perspective of designing and execution.

The Problem of the Study

This study attempts to answer the following questions:

- Is there a relationship between entrepreneurship and innovation on the one hand, and strategic planning, on the other, so that the development of an entrepreneurial successful and effective strategy is possible?
- Does designing and developing a marketing strategy that utilizes both concepts of entrepreneurship and innovation enable the organization to reach the top ladder of competition and market leadership?

The Importance of Study

The importance of this study lies in the attempt to find a relationship between each of the concepts of marketing, innovation and entrepreneurship. And the impact of this relationship in developing an entrepreneurial marketing strategy, as such concepts are compatible, because the innovation of new products and services that are unique and high in quality forms the foundation to entrepreneurship in this field. Successful marketing strategic planning must rest on a solid foundation of innovation and entrepreneurship, a foundation which is considered an essential intellectual method of such planning.

This study lays the foundation of a new method in strategic marketing thinking in the light of the fact that the three concepts mentioned above have not been tackled by many researchers and that such a relationship among the above mentioned concepts has been rarely established, therefore, this study is a new and rare attempt in this subject.

Objectives of the Study

According to the importance of this study, its objectives are summarized as follows:

- Finding a relationship between entrepreneurship and innovation and pointing out the importance of such relationship to marketing activities.
- Clarifying the connection between marketing, innovation and entrepreneurship in the light of that such concepts are compatible.
- Clarifying and finding the relationship between entrepreneurship, innovation and strategic planning in determining and applying marketing strategies in business organizations.

The Study Methodology

The researcher used deductive analysis as a basic method for this study. Studies and literature review related to the subject have been reviewed so that different aspects of the study be established, such aspects include:

- Theoretical and analytical aspects related to entrepreneurship and innovation and the attempts to establish a link between such concepts as well as to show their impact on business organizations at the present.
- The attempts to find a relationship between the concepts of entrepreneurship and innovation and the process of designing and developing marketing strategies which are effective, successful and entrepreneurial.

First: Entrepreneurship

Entrepreneurship has long been considered an important economic activity. The past 20 years has witnessed an explosion of research into entrepreneurs and their actions. The proliferation of World Wide Web that opened up oceans of information has spawned thousands of entrepreneurial ventures. It is not surprising that entrepreneurs are as varied as the kinds of businesses they start. There are four broad categories of entrepreneurs:

- 1- The home-based entrepreneur.
- 2- The serial entrepreneur.
- 3- The traditional entrepreneur.
- 4- The cyber entrepreneur. They transact all their businesses with customers, suppliers, strategic partners and others on the Internet and deal in digital products and services that do not require bricks-and-mortar infrastructure like warehousing and physical distribution. (1)

(a)- Definition of Entrepreneurship

There are about as many definitions of entrepreneurship as there are people who have written about the subject. Some define entrepreneurship as a concept that describes strategic thinking and the behavior of risk tolerance which results from creating new opportunities for individuals or for the organization. Others define entrepreneurship as characteristics and behavior that start a business, plan and organize it. Tolerate its risks and show creativity in managing it. A person who has such traits is called (an entrepreneur). He is an individual who has the capacities of risk tolerance, transformation of opportunities, creative planning and management of his own. Peter Drucker defines an entrepreneur as "a person who examines changes, responds to changes, and transforms changes into opportunities". In general the definition of entrepreneurship consists of the interaction of the elements shown in the following figure. (1).

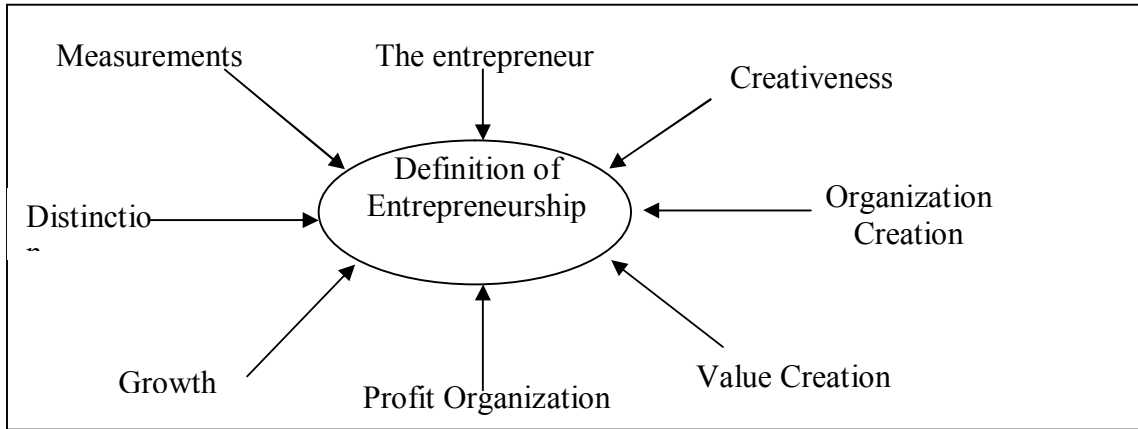


Figure (1)

Elements of entrepreneurship definition

Unlike the past, the global economic warfare are urgently requires us to envision new business environments, strategies, tactics and types of manpower. Some call this economic warfare "the war to create talents". The individuals eager to join business organizations should equip themselves with what the company expects from them in advance. They should harmonize their properties with what the company wants from them as its employees. Such requirements mean core competencies which has become vital in the knowledge based economy environment, among which are digital literacy, global , competency, creativity and openness to learning as well as to have strong work Ethics. Such basic competencies originate in entrepreneurship based on adventurous spirit, defiance and enthusiasm. Entrepreneurship is the base of self-innovation, a trait that should characterize all social members and enterprises, as society can only evolve by pursuing innovation based on entrepreneurship.

(b) Entrepreneurship as Related to Business Organizations and their Employees

- 1- Success and failure depends on "positive view point".
- 2- The two core factors required for this change era are the "critical mind" and the "spirit of challenge". We should boldly get out of our "Comfort Zone" and get into the "Risky Zone". We should keep in mind the lesson "those who set up a castle and settle within it, will go to ruins by all means, while those who keep on going will survive. Survival is the ally of those who respond to the quick change in the global environment.
- 3- The creativeness required for this era originates from diversification and professionalism. As extraordinary and outrageous ideas can change the world, original and diverse viewpoints are required. Sometimes efforts to solve problems which do not have answers should be made. It is often said that the global sum of knowledge and information doubles every 73 days. We should be

aware that continuous hearing activities should be carried on throughout our lifetimes in order to attain professionalism in this knowledge-based era.

- 4- You should start to create changes and challenges now. One research said that the average durability of the world's businesses has reduced to 12.5 from 30 years, which is then as if a man dies in his teens.
- 5- It is supported by the fact that a third of the 500 companies that "Fortune" named the world's top in the 1970s died out within 13 years. In this sense, it would be safe to say that an enterprise is a living organic body that should continuously change. In order to make these changes. Individuals first should become accustomed to changes.
- 6- Continuously emerging enthusiasm is necessary. Therefore, entrepreneurship, in this knowledge-information era can be attained through a more practical and empirical approach than in the past. We should look at the world with a positive viewpoint. Be fully prepared for adventure, and accept challenges based on diversity and creativeness.

(c) Entrepreneurship Elements:

There is an interaction among four basic elements of entrepreneurship:

- 1- The entrepreneur is the center of entrepreneurship actions.
- 2- The opportunity which is the gap between what is real and what is expected in the market.
- 3- The origination is the framework which incorporates the harmony between activities, sources and individuals.
- 4- The materials which includes supplies and present capabilities which can be invested by the entrepreneur in his enterprise (3).

(d) Entrepreneurs' Characteristics:

Diversity seems to be a central characteristic of entrepreneurs. An entrepreneur appears to exhibit the following characteristics:

- 1- Vision- They visualize a future not seen or thought possible by others in their industry. (4) They have the ability to enact that vision or actually create the future that they envisioned.
- 2- Innovation – Entrepreneurs are people which create new markets, new products, and / or new services. They change: revolutionize, transform and introduce new approaches or systems. They employ resources with a new capacity to create wealth.
- 3- Passion for the business – This passion explains why wealthy people continue working after they are financially secure.
- 4- Product/customer focus – The fact that they keenly focus on products and customers means that most successful entrepreneurs are, at heart, craftspeople.
- 5- Opportunity identification – They seize opportunities, they see opportunities where others tend to see risk.

- 6- Creating value- This means the ability to fashion a solid business idea into a viable business, it also means developing a business model, putting together a new venture team , raising money, establishing partnerships managing finances, leading and motivating employees, translating, thought, creativity and imagination into action.

(e) Entrepreneurship Motivations:

The three primary reasons that motivate people to become entrepreneurs and start their own firms are:

- 1- To be their own boss – because they have had a long-time ambition to own their own firm or they have become frustrated working in traditional jobs.
- 2- Pursue their own ideas – some people are naturally alert, and when they recognize ideas for new products or services, they have a desire to see those ideas realized.
- 3- Realize financial rewards – this motivation is secondary to the first two and often fails to live up to its hype. (5)

Second: Entrepreneurial Organizations:

- 1- Entrepreneurship is the process of exploiting opportunities that exist in the business environment or those opportunities realized through innovation in an attempt to create value. (6).
- 2- Entrepreneurs and entrepreneurial organizations always operate at the edge of their competence, they measure themselves not by the standards of the past but by the visions of the future and they do not allow the past to serve as a restraint on the future, the mere fact that something has not worked in the past does not mean that it cannot be made to work in the future. And the mere fact that something has worked in the past does not mean that it should remain. (7)
- 3- Risk tolerance and that is the ability related to strategic thinking and planning for everything new. (8)
- 4- The organization culture through rewarding entrepreneurial performance, the introduction of state – of – the – art technology, searching for and identifying innovative ideas and executing them within a limited time framework as well as spreading positive value among individuals.
- 5- Units and subunits within the organization should have freedom and independence of action, as well as having access to information.
- 6- The organization should have an ideal style for innovation that is open and supportive to nurture new and quality product and service development in order to have an advantage over competitors.
- 7- An entrepreneurial organization has a simple and flexible framework.
- 8- An entrepreneurial organization is supportive to innovative leadership talents, consequently, developing and improving performance.
- 9- Generally speaking, flexible, adaptive and open organizations are more conducive to innovation and entrepreneurship. It should be innovatively and

- proactively responsive to environmental changes by introducing a new product, process, service or implementing a distinctive business model. (9)
- 10- Entrepreneurial organization in a knowledge – based society builds bridges between individuals and information systems in order to achieve the utmost benefits. (10)

As for entrepreneurial skills, they are summarized as follows:

- 1- Entrepreneurs continuously seek to develop new sources for materials, characterized by a competitive advantage from the perspective of quality, cost and transport.
- 2- They search for and develop new markets within the framework of the modern marketing concept. Business entrepreneurs are creative; they identify opportunities and create customers, thus different from traditional businessmen.
- 3- Entrepreneurs are the organizers and the determiners of most production elements.

Third: Consideration for Establishing an Entrepreneurial Business:

- 1- The role of information- which is now readily available to practically anyone from anywhere in the globe at any hour of the day and in almost any format. The almost instant availability changed the nature of the economy. This in turn affects the context of entrepreneurship.
- 2- Technological needs where all organizations regardless of size type, or location, use some form of technology to do their work. Four key technological trends that are affecting the context of entrepreneurship are the increasing rate of technological change and diffusion, the increasing commercialization of innovations, increasing knowledge intensity, and increasing recognition that advanced information technologies are the cornerstone of successful businesses.
- 3- Globalization is where the linkage of economies and culture that fosters a business and competitive situation in which organizations has no national boundaries.
- 4- Changing demographics identifies a series of vital statistics of population. The world's population is getting older and younger at the same time. (11)
- 5- It is widely recognized that innovations in the areas of knowledge transfer and communications represent significant opportunities for competitive advantages.
- 6- It should be well recognized that the small and medium-sized enterprises are the seedbed of inventiveness, creativity and innovations, and that there should be symbiotic relationship between marketing and entrepreneurship. (12)

Peter Drucher's view that "management have only two key tasks: marketing and innovation", reinforces the adopted view that the two are intimately interlinked. (13) and that innovation is the key for competitiveness and market leadership.

- 7- Growth which includes tangible growth indicators such as revenue growth, increase in market share and growth profits. But there are also intangible outcomes in growing a business and pursuing opportunities.
- 8- Economic and social change both positive and negative. Positive benefits may include advancement in technology, increased levels of employment and productivity, and enhanced quality of life as well as improved efficiency.
- 9- Financial risk- the success of entrepreneurs is closely tied to the way they perceive and manage risk.
- 10- Tenacity despite failure - establishing an entrepreneurial business requires a certain degree of experimentation. Failures inevitably occur during this process. The test for entrepreneurs is their ability to perceive through setbacks and failures.

Fourth: Factors Propelling Innovation and Entrepreneurship in Relation to New Products:

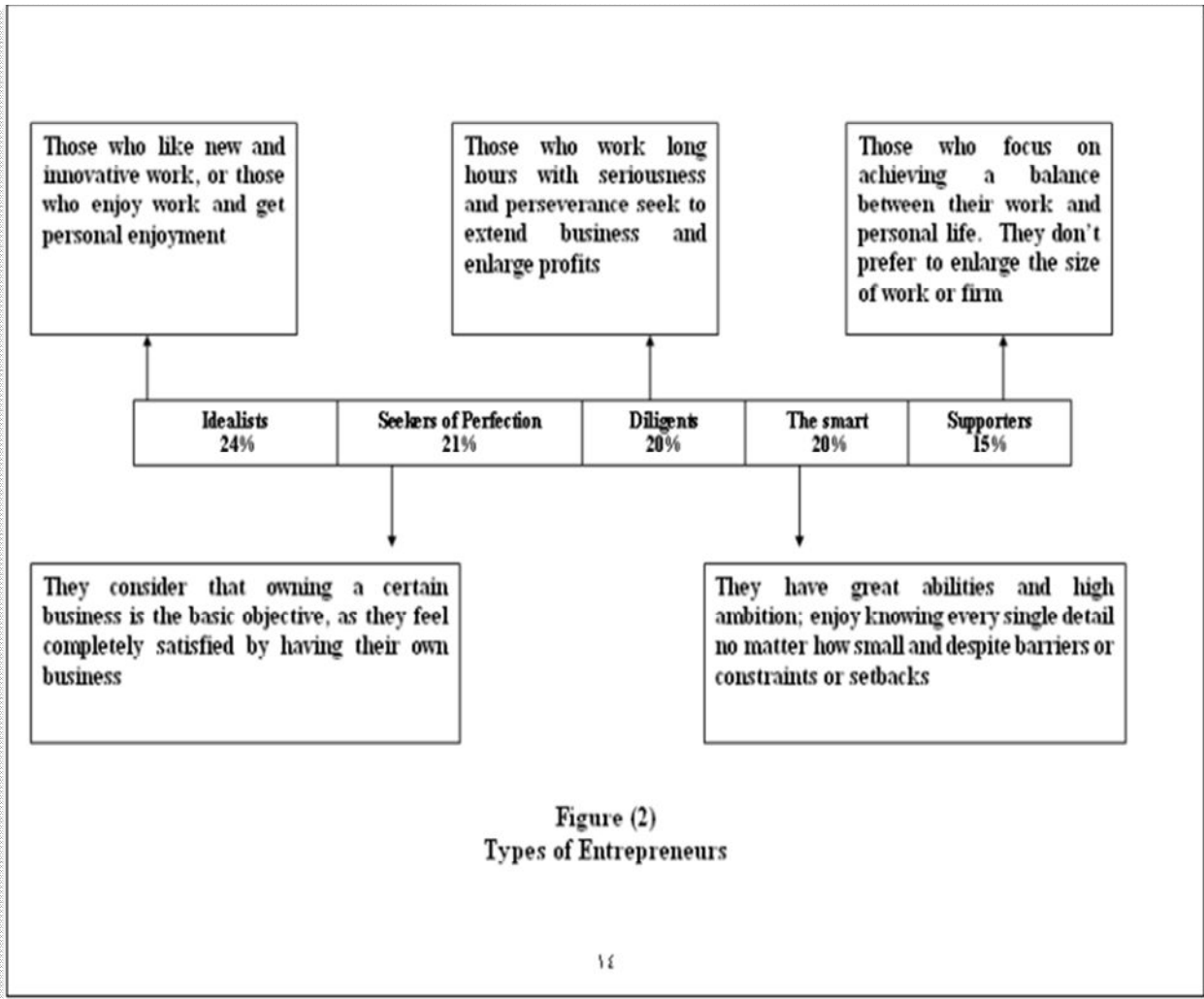
- 1- Clear vision communicated throughout the company.
- 2- Development of a culture of innovation - through rewarding people and taking calculated risks.
- 3- An organic organizational structure - rather than having a central group of IT managers, producers and product managers, each product unit employs their own staff and their own responsibilities.
- 4- Job clarity.
- 5- Accountability and responsibility.
- 6- Clear key performance indicators.
- 7- Strong financial position and reasonable profit expectations.

Entrepreneurship is considered the fourth key element of production and that innovation and creativeness determine a new economic mix of elements (14). One important study classifies entrepreneurs into five types:

- Supporters.
- The smart.
- Diligent.
- Seekers of Perfection.
- Idealists. (Figure 2)

On the other hand Yorklovich (15) divides entrepreneurship into:

- Innovators.
- Systematic innovators.
- Optimistic Promoters.
- Founders of Firms.



Fifth: Knowledge Innovation:

The Future as an Asset:

Entrepreneurship has gained interest partly because it is the source of innovation. Industries, are like nations, they have a life cycle curve which shows points of transformation. According to Debra Amidon. (16) Amidon shows a number of stages of knowledge innovation. Figure (3)

Development from Tangibles to Intangibles of Assets:

VI		Future as an asset
V	A	Knowledge as an asset
IV		The customer as an asset
III	B	The company as an asset
II	re-designing quality	The project as an asset
I		The product as an asset

Figure (3) Lifecycle of Assets curve

According to the figure above, there is a noticeable change from tangible to intangible assets by the firms. Tangibles would include physical assets such as land and buildings, plant machinery and equipment. Intangibles would include software, brands, trademarks, and licenses, rights over scientific discoveries, knowledge recipes and relationships. The gradual development from tangibles to intangibles. As shown in the figures goes as follows – product as an asset, project as an asset, company as an asset, customer as an asset, knowledge as an asset and future as an asset, which means, the potential value that results from investment in innovation. Indeed the transition from the industrial to the information society is characterized by the rapid growth of intangible assets. This is the space for knowledge innovation and entrepreneurship. Intellectual capital should be the solid foundation for any business organization for future growth and development. The focus on intellectual wealth and knowledge by nations is in itself a major change being witnessed by the business world.

Sixth: Marketing Entrepreneurial Strategies:

- 1- An Entrepreneurial and innovative organization needs internally focused strategies that propel growth and stimulate change within such organizations.
- 2- Entrepreneurial organizations need externally focused strategies that actively seek out new ventures, acquisitions, mergers, or joint ventures to achieve marketing and commercial success through innovations.
- 3- Such strategies should be diverse enough to address a spectrum of technological, financial and human issues and should be congruent with the future scenario envisaged for the organization.
- 4- Given the close synergies between entrepreneurship and innovation, the strategy should be both entrepreneurial and innovative and should include methods of transforming established products and services into something new that will add value to existing businesses.
- 5- The strategy should meet and exceed the changing needs of customers, as well as an emphasis on marketing and developing new markets.
- 6- In the current turbulent marketing environment, developing organizational capacity to acquire, create, accumulate, and exploit knowledge should be an essential strategy in gaining a competitive advantage through innovation.
- 7- A good strategy depends on effective execution and requires an appropriate system, a capable staff team, a wide range of skills, and an encouraging and supportive management style that fosters an innovative and entrepreneurial organizational culture.
- 8- The combination between entrepreneurship and innovation is a crucial factor to the long-term sustainability of such strategies , because Entrepreneurship and innovation are positively related to each other and interact to help an organization to flourish, both are complementary and a combination of the two is vital to the organizational success and sustainability in today's dynamic

environment. Entrepreneurship and innovation are dynamic and holistic processes in entrepreneurial and innovative organizations.

What Factors contribute to Successful Entrepreneurs?

- 1- Flexibility in strategic planning – In this technologically – dominated business world, the organization needs to have a flexible structure to be able to respond to the ever – dynamic and ever- changing environment.
- 2- Provision of high levels of service – A company's reputation plays a major part in obtaining repeat business from existing clients and attracting new clients.
- 3- Developing basic management skills – A Successful entrepreneur must acquire basic management skills and attributes such as leadership negotiation and business planning. Furthermore, a balance needs to be a maintained between the technical demands and the business demands of the company, especially those relating to people management – customers. Suppliers and employees. Motivating employees will remain a key task for managers regardless of the type of the organization.
- 4- The establishment of a new venture requires a great and long commitment as far as hard work and financial capital are concerned. A successful business requires patience to achieve satisfactory results.

Entrepreneurship and Marketing:

- 1- The rapid change in products in response to customers' changing needs and preferences and the wide variety of such products calls for continuous development of products and creating new ones in order to meet and satisfy consumer needs. Entrepreneurial organizations gain superiority over competitors by offering customers high quality products and services.
- 2- Entrepreneurs should carefully examine the market through dividing it into segments (sectors) in accordance with specific criteria. The pricing process is complicated and needs creativeness and innovation. Project entrepreneurs should maintain a balance between budgeting and flexibility – between costs and production. On the one hand, and marketing competitive trends as well as customers expectations. They should re-examine internal and external factors related to price changes and their effect on the new situation.
- 3- The search for unusual, new and creative promotion methods in order to attract customers. Here the application of the Internet and other related network technologies promise significant returns for the customers who look for how, when. And where to find products and services on the Web, and for the organizations that get the feedback from such customers.
- 4- The importance or speed delivery of products and services to customers is a must, whereby organizations gain competitive advantage. The concept of value creation lies at the heart of competitive advantage. A high emphasis needs to be placed on providing regular and outstanding service to clients.

Steps of the Innovation Process:

According to Roffe, (17) different skills are needed for the different steps of the innovation process, namely:

- Idea generators.
- Information gatekeepers in touch with.
- Knowledge Sources.
- Product champions who develop new methods and processes.
- Business managers who keep business on the right track.
- Leaders who encourage and foster innovation and entrepreneurship.

Recommendations

- 1- The creation of knowledge awareness through focusing on its concepts. It is essential to allow for a knowledge culture because converting new ideas and inventions into viable innovations is the foundation of the modern knowledge society. This should be achieved by focusing on education, training and embracing talents and creativity, as well as through lectures, seminars, conferences, supporting groups, and workshops.
- 2- Establishing the basis for knowledge on solid foundations and supporting all means that facilitate converting ideas into innovations. Encouraging talents, and applying the principle of finding continuous access to global innovation centers as well as building good relationships with global partners.
- 3- The generation and knowledge creation are realized through research and development, openness to learning, and sharing, managing and exploiting of advanced information technologies with the accumulated global knowledge, in order to prepare for a future based on education, knowledge and entrepreneurship.
- 4- Exploiting the acquired knowledge to achieve continuous development. Perhaps one of the key indicators of using knowledge is the information revolution and knowledge economy.
- 5- The diffusion of knowledge – such process is an indivisible part of knowledge awareness.
- 6- Integrating and coordinating knowledge activities among organizations, as the focus on human wealth and providing knowledge should certainly quicken the pace for achieving knowledge economy which, in turn, leads to achieving social and national economic development

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