

JOÃO M. S. CARVALHO

INNOVATION & ENTREPRENEURSHIP

Idea

Information

Implementation

Impact

VidaEconómica

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INDEX

How to use this book	11
INTRODUCTION	13
Entrepreneur profile.....	16
PART I – IDEA.....	19
1. Birth and Development.....	20
2. Market Orientation Model.....	20
3. 8P Innovation & Differentiation Model	25
Summary	35
PART II – INFORMATION	37
4. Market and Industry Analysis	37
5. SWOT-GO Analysis	55
6. Market and Marketing Tests.....	57
Summary	75
PART III – IMPLEMENTATION	81
7. Basic Business Creation Model.....	82
7.1. Need-Product	83
7.2. Demand Estimation.....	85
7.3. Marketing	86
7.4. Value Model and Stakeholders	99
7.5. Team, Partnerships, and Processes	101
7.6. Mission.....	102
7.7. Previsional Budgets	103
7.8. Economic and Financial Viability	106
8. Advanced Business Creation Model	110
8.1. Entrepreneurship.....	110
8.2. Business Model.....	112

8.3. Strategic Planning	113
8.4. Financial Plan	125
Summary	140
PART IV – IMPACT	143
9. REQI Model	145
10. COSI Model	148
Summary	154
PART V – CASE STUDIES	155
Acreditar	155
Addega	155
Ajudaris	155
AMClassic	155
Behavioral & Molecular Lab	156
Beesweet	156
Bial	156
ColorAdd	156
CrescerSer	156
Farfetch	156
Gumelo	156
Fruut	157
h3	157
Henri & Filhos, S.A.	157
InfiniteBook	157
InteractiveTouch	157
Jose Gourmet	157
Linehealth	157
Meia-Dúzia	158
Mishmash	158

Mundos de Vida.....	158
Netcar Exchange	158
NMusic.....	158
Nomeiodonada	158
O Talho Vegetariano	158
Opo Lab.....	159
Paladares Paroquiais.....	159
Patient Innovation.....	159
Pinheiro & Ribeiro	159
Pizarro, S.A.	159
Playvest	159
Procalçado.....	160
Projeto Rios	160
Revisão Perfeita.....	160
Rivoli Cinema Hostel.....	160
SAOM	160
Socialis	161
Sovina.....	161
TargeTalent – Blue Stain.....	161
Uber	161
Uniplaces.....	161
Videobserver.....	161
Vigie Solutions	161
VitalJacket Biodevices.....	162
Wedding Tailors.....	162
YClient	162
ZebraOTT.....	162
GLOSSARY.....	163
BIBLIOGRAPHY	169

HOW TO USE THIS BOOK

This manual presents innovative features, beginning with the possibility of being consulted in two languages. It is divided into four parts related to business development phases in any activity sector.

4i MODEL

Idea, Information, Implementation and Impact.

Thus, you can consult this book depending on the phase of development of your project. You can begin reading it in any of its fundamental parts.

If you do not have the initial idea, then you should begin reading the 1st part of this book.

If you already have the idea, then you will need to test it in the market. Thereunto, there is a lot of information to collect and market and marketing tests to do. You will find these subjects in the 2nd part of the book.

If you believe or already have proved that your product (good, service, idea) has a market, then you may need to develop a business plan to attract financiers or investors. You can do this exercise in a basic mode, if you are still in a strategical initial phase or want to assess the profitability level that you can get from the business. Or you can do this through an advanced model leading you to a complete business plan. This advanced model also allows you to organise or reorganise your business if you are already in the market, on the basis of a systematised structure that includes the strategic planning process and the fundamental financial statements. All this is in the 3rd part of the book.

In the 4th part of the book, you can find models that help you to control, assess, and study organisational, collective, and individual performance and results, as well as measure the business societal impacts on both internal and external stakeholders, such as the level of the various aspects of sustainability. Consequently, you will know to what extent measure you contribute, in general, toward a better social welfare.

In the 5th part of the book, you will find organisations that can serve as excellent examples of business success in recent years in Portugal and in the world.

In the end of the book, you will find a glossary comprising the definitions of concepts used in this manual, as well as the references that you may consult in order to go deeper into these thematic.

Good ideas and good businesses!

INTRODUCTION

I have worked in both profit and non-profit organisations and, afterwards, as professor at several universities. At the same time, I am a professional trainer in various contexts (incubators, business associations, non-profit associations), and a researcher of innovation and entrepreneurship phenomena. Therefore, I believe I have managed to gather a body of knowledge and experiences that may be systematised in a theoretical framework, which holds various management models that were developed over time, and greatly welcomed by practitioners and students who have been working with them.

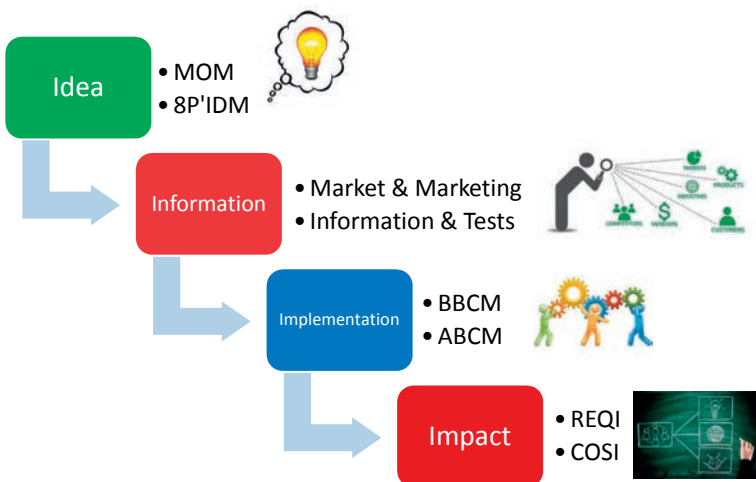
Obviously, all these theoretical and practical developments are based on the research of many colleagues, referenced in the bibliography, as well as the experience of many entrepreneurs, of which I have selected some case studies.

As always, I try to develop models that are simple and effective, in order to be easily used in practice and that can really help entrepreneurs.

The more sophisticated models are difficult to operate, and are often not understood by entrepreneurs, usually requiring professional consulting services for their implementation.

A general model of entrepreneurship and management – **4i Model** (4iM) – is presented, dividing the development and maintenance processes of a business into four phases (Figure 1).

FIGURE 1 – 4i MODEL



1. **Idea** – a business is understood as any activity that aims to meet human needs, whether for profit or otherwise.

The best way to succeed in business is to have a product (good, service or idea) that first meets the satisfaction of consumers, users, customers, or prescribers, and thereafter all stakeholders as far as possible. Thus, underpinned by the **Market Orientation Model (MOM)** an entrepreneur can support the design of a new product, as well as to continue the business at any time.

In the idealization of a new business or when developing an existing business, innovation is critical to capture future customers that ensure the continuity of the organisation. As such, it is important to study models that systematize the various ways to achieve innovation. The **Innovation & Differentiation Model 8P (8P³IDM)** allows you to concentrate strategic thinking around the key dimensions for this process to happen in organisations, either continuously or disruptively.

2. **Information** – decision-making should obviously be informed as fully as possible. This phase entails hard work to estimate demand, to analyse actual or potential competitiveness of the organisation, to evaluate the business sector and competition, to study the applicable law and the requirements of authorities that have power over the business domain. And if the business environment is favourable, there is still the need to test the product on the market as well as marketing strategies for each market segment. It is often necessary to get professional support to do market and marketing studies, in order to work on the primary and secondary data available. However, it is possible for an entrepreneur, with few resources, to carry out some studies with more affordable techniques in order to get a more precise view about the sustainability of the business.
3. **Implementation** – setting up a business entails, in addition to assessing its feasibility, the existence of lenders or investors, if the entrepreneur does not possess enough equity. Thus, it becomes necessary to design and write a business plan that demonstrates its viability. Initially, the **Basic Business Creation Model (BBCM)** can be followed, allowing you to have a vision of what is essential to come up with the idea to reach the market. For a complete plan, it is useful to use the **Advanced Business Creation Model (ABCM)**, covering completely the entrepreneurial process, the creation of a business model, strategic planning and professional assessment of the viability of the business.

4. **Impact** – measuring the impact of creating a new business, besides being essential for the entrepreneur in organisational and personal terms, it is also an asset to promote one's business. Consumers demand more than economic value in the products they purchase. There are social and ecological concerns that they consider in the moment of decision-making. Emotion overrides often the so-called economic rationality.

Consumers do not mind paying more if the product is more environmentally friendly, and the organisation is more socially responsible. Therefore, one proposes the use of the **REQI Model** for internal evaluation of results, efficiency, quality, and innovation, together with the measuring tool **Core Organisational Stakeholder Impact** (COSI), designed to assess the impact, internally and externally, amid the stakeholders of the organisations.

The consequence of these impacts can be evaluated in relation to the levels of sustainability in the broadest sense, encompassing individual (psychological), collective (social), environmental (ecological) and economic issues.

Now, verify if you have minimum requirements to be an entrepreneur, responding to the survey that is presented in the next section.

ENTREPRENEURSHIP PROFILE TEST		Never	Sometimes	Many times	Ever
Mark each answer like this: ☒					
Questions	Points	1	2	3	4
1.1. Are you proactive in decision making?					
1.2. Are you persistent with your ideas?					
1.3. Are you disciplined in your behaviour?					
1.4. Do you have dedication to your objectives?					
1.5. Are you disposed to have sacrifices to achieve your goals?					
1.6. Are you able to be very involved in the activities that you develop?					
2.1. Do you look for deep knowledge of client's needs?					
2.2. Do you look to gather all the available information about the business?					
2.3. Do you concern in creation of value that satisfies the clients?					
2.4. Do you study real cases of similar enterprises?					
2.5. Do you consider that collaborators you need are crucial to your success?					
2.6. Is a network of contacts a precious auxiliary to your project?					
3.1. Do you take calculated risks?					
3.2. Do you try to minimize risks?					
3.3. Are you tolerant with uncertainty?					
3.4. Are you tolerant with stress?					
3.5. Are you tolerant with conflicts?					
3.6. Are you able to solve problems?					
4.1. Are you open-minded?					
4.2. Do you comply with the state of things?*					
4.3. Do you easily adapt yourself to new situations?					
4.4. Do you have afraid to fail?*					
4.5. Do you learn with your own mistakes?					
4.6. Are you regularly coming up with new ideas on how to do things better or more efficiently?					
5.1. Do you imagine who you will be in the future?					
5.2. Are you oriented to goals and results?					
5.3. Do you have sense of humour?					
5.4. Do you worry with social status?					
5.5. Do you have self-confidence?					
5.6. Are you aware of your strengths and weaknesses?					
6.1. Do you have initiative?					
6.2. Do the others usually follow you?					
6.3. Do you transmit integrity and trust?					
6.4. Are you patient and listen the others?					
6.5. Can you built and do teamwork?					
6.6. Is it important for you to be obeyed?*					
7.1. Can you go forward without plan the steps to take?					
7.2. Do you evaluate the activities you already developed?					
7.3. Are you skilful detailing ideas?					
7.4. If you discovered new needs, do you immediately establish a plan to meet those needs?					
7.5. Are details important to you?					
7.6. Do you worry with deadlines?					

Invert the points in items with an asterisk.

Add the points obtained in each dimension, in order to know where you have a better or worse profile.

Calculate total punctuation, and look for your main profile in the next text.

RESULTS		
Questions	Dimensions	Points
1.1 / 1.6	1. Commitment and determination	
2.1 / 2.6	2. Ability to create a project with quality	
3.1 / 3.6	3. Tolerance to risk and uncertainty	
4.1 / 4.6	4. Creativity, self-confidence and adaptation capacity	
5.1 / 5.6	5. Motivation and self-outperform	
6.1 / 6.6	6. Leadership	
7.1 / 7.6	7. Organization and planning	
		Total

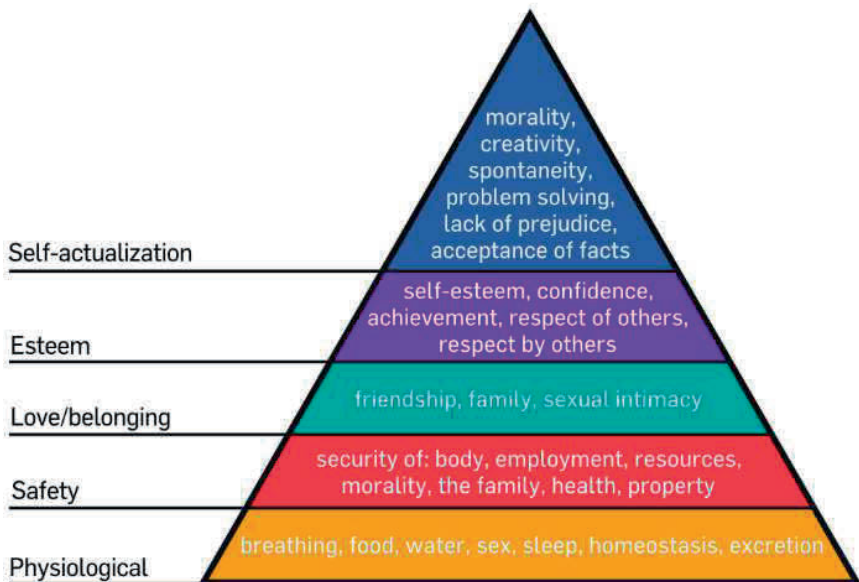
Analysis of the 4 groups:

- Score from 148 to 168 points – you are an entrepreneur. You have the leading characteristics to have success in business.
- Score from 127 to 147 points – you have many characteristics of an entrepreneur. You can improve your weaknesses to increase the probability of having success in business.
- Score from 106 to 126 points – you have not many of the characteristics of an entrepreneur. However, you can be a good manager. You must do a profound work with your weak points, before entering in any business project.
- Score less than 106 points – you are not an entrepreneur. You fall short on important characteristics to be an entrepreneur. This means that your qualities point out that you prefer to be working for other person.

PART I – IDEA

It all starts with an idea. What drives us into becoming entrepreneurs is usually the need for economic survival in the sense that we can meet our basic needs of food, shelter or security. However, there are situations in which ideas are linked to other needs and values, as Maslow (1953) so well described in a simple and effective model, which describes the hierarchical levels of human needs (Figure 2: physiological needs; safety and security; love and belonging; self-esteem; and self-actualisation).

FIGURE 2 – MODEL OF MASLOW



1. BIRTH AND DEVELOPMENT

The sources for new business ideas are everywhere. Human needs should always be at the base, because they are the motivation to the appearance of complete markets, with supply and demand. We can find unmet needs in all type of markets (in the case of incomplete markets, only with the demand side), or those that can be better met, provided we create a new product (good, service or idea) for this purpose. In each country it is possible to find imported products that could also be produced nationally, which is another source of new ideas for businesses. However, it is only worth replacing imports if we can produce with better quality and/or cheaper, or if you live in a country with a protected domestic market. Protected systems are disappearing in the world, because they turn out to be, over time, harmful to consumers themselves due to the lack of open competition.

The development of the ideas will go through market testing, to be carried out since the first version of the product, among friends, family, the street, or, preferably, in individuals who can most benefit from this new product. Therefore, we will test the concept that underlies the product's effectiveness in meeting the identified need.

This whole process of creating a new product and its development must have a market orientation. A product that does not have sufficient demand, in spite of being an interesting idea, will not have a chance of survival in the market, and does not constitute in itself an innovation, but rather a manifestation of human creativity. So be creative does not mean being innovative.

2. MARKET ORIENTATION MODEL

The dominant strategic orientation in an organisation consists in the philosophy that determines the nature and scope of plans and activities, reflecting a direction that promotes behaviours adjusted to a successful performance of the organisation.

The entrepreneur or top management plays a key role and should back up the desired strategic direction.

A market orientation is defined as the planning and implementation of activities and offerings that meet the needs and wishes, present and latent, of all individual and collective entities in the target markets involved in transactional relationships. This presupposes the existence of procedures of generation, dissemination and analysis of information about the market, its stakeholders and environmental trends, with effective coordination of all functions and activities.

Market orientation is a major critical success factor for organisations, as has been proven in dozens of studies over the past 25 years in all sectors of activity, on five continents and in different socio-economic and cultural contexts.

Some relevant factors affecting market orientation are:

1. the level of relationship between the functions, sections or departments of the organisation, the more or less sharing and use of information;
2. the conflict or tension between the functions, sections or departments, because they have different goals and can inhibit concerted responses to market needs;
3. the degree of formalization in the organisation, which can inhibit the use of information and the development of effective responses to market changes;
4. the degree of centralization of the organisation because it can inhibit the spread and use of information;
5. the reward systems that use behaviours oriented to the market as a measure of evaluation and reward of employees;
6. and the training and education of staff in order to be more responsive to the needs of customers and other stakeholders.

Some of the consequences of the implementation of a market orientation in an organisation are:

1. better organisational performance, both in terms of costs and profitability;
2. higher perceived quality of products or services by customers, increasing their loyalty and their satisfaction;
3. greater innovation in the organisation, increasing its ability to create and implement new ideas, products and processes, achieving greater market share, sales, investment return and profitability;
4. and further promotion of a sense of pride and camaraderie among employees, improving organisational commitment, team spirit, customer orientation, job satisfaction and reducing conflict.

In general, all entrepreneurs and managers think their organisation is market oriented. However, this is not true in many situations. There are often other dominant guidelines such as those related to production, to product, to sales, or to legal-normative protection.

If it were true that organisations, particularly the larger and with more influence on our life (banking, insurance, communications, electricity, transport, health ser-

vices, education, etc.), were oriented to the market, then we would not have so many complaints of them, as happens all too often. This happens either because there are low levels of competition in these sectors or because there are almost natural monopolies, or because there is political protection to the business in their country.

Thus, many organisations, seeking to respond to what they consider the demands of the market and in a context of high demand, opt for supplying the product in large quantities at lower cost, setting a production orientation. Usually, the quality requirements are forgotten, privileging the price and distribution.

In other situations, it is thought that the quality or sophistication of supply is the key factor for its acceptance by the market, leading to a greater emphasis on product orientation. There are entrepreneurs who fall in love in such a way with their product that they do not see that there is not a relevant market for it that justifies the creation of a business. Even further, there are entrepreneurs who decide to add new functions and features to the product when no one uses or wants to use them.

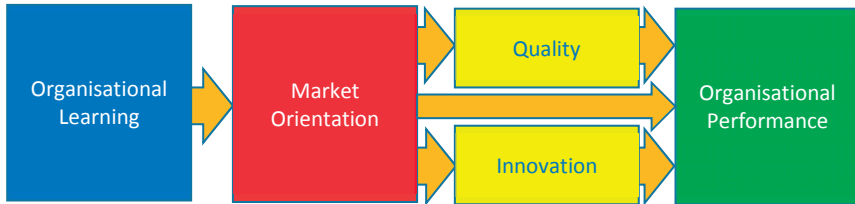
There are also those who follow a strategy that is to persuade the customer to adhere to the offer, using different aggressive marketing tools, which underlie a sales orientation. The will and the customer's wishes are subordinate, seeking to sell the product regardless of the consequences in the future transactional relationship. Nowadays, this type of orientation also takes place, for example in the sale of time sharing, encyclopaedias, or to sell goods.

Another strategic orientation happens when organisations focus more on the possibility of the state, or corporate or professional associations, influencing the market, achieving an agreement or collusion in relation to product standardization norms (goods, services or ideas) or industrial regulatory norms, setting a legal-normative orientation. It is widely used in defence associations of individuals with certain disabilities or illness, as well as the profitable sectors of activity in countries that can still give this protection to domestic producers. It is a good strategy for those who do not want to compete or innovate, preferring the protected markets for extraordinary gains.

Obviously, the best strategic orientation is to market, in spite of the eventual use of other strategies to solve organisational problems of survival, but with the awareness that we are not providing the best service to customers.

The Market Orientation Model has other variables that are positively correlated with each other (Figure 3).

FIGURE 3 – MARKET ORIENTATION MODEL



Organisational learning is the process whereby organisations learn by interacting with their environments. Members of an organisation share information, and create an organisational memory in the form of beliefs, assumptions and shared standards.

Organisational learning is linked to individual learning, which is a necessary but not sufficient condition of the first. The way an organisation learns is part of its organisational culture, and may be in line with various types of strategic orientation.

There are two levels of organisational learning: adaptive, which is the most basic and reflects the organisation's assumptions about its environment and of itself; and generative that happens when the organisation wants to question its ordinary beliefs about the mission, customers, skills or strategy. Therefore, the generative mode is a more advanced level, which goes along with a more proactive market orientation.

As such, we define organisational learning as the process of creating knowledge capital, implying a constant challenge to the practices and beliefs of the organisation, reflected in an open mind attitude, formal and informal commitment to learning and training, a shared vision, mission and values, and behaviours of information research, experimentation and innovation, to improve individual and collective performance.

A market-oriented organisation is, of course, to some degree a learning organisation, but the opposite may not be true. An organisation can have clear learning characteristics but at the same time be, for example, product-oriented, seeking to acquire all the information and knowledge that provides capacity building, skills enhancement and organisational behaviours development, to improve the product and make it more sophisticated.

Furthermore, organisational learning may be just at the adaptive level, setting up a passive market orientation, adjusted to current needs and desires, and forgetting future or latent ones.

If the organisation's information system is not geared to meeting target audiences' needs and wishes, but just to its own, then there is an autistic or manipulative orientation, with other focuses: product, production, sales, and legal-normative. Thus, organisational learning is a necessary but not sufficient condition for the existence of market orientation.

At a more advanced level of learning, environmental change and the need to adjust organisational behaviour in order to fully address the new challenges, is recognised.

In this context, the so-called organisational memory is important, as capital of experience and collective knowledge of the organisation, containing the theories in use, shared mental models, databases, procedures and formal routines that guide behaviour. Thus, there is a close relationship between organisational learning and other resources or skills, such as knowledge, quality, innovation and organisational culture.

In the MOM, it is considered that there are positive impacts of organisational learning both direct and mediated by market orientation, in quality and innovation.

Quality encompasses excellence in management processes, a culture of continuous improvement, cost advantages, creation of better relationships with customers and other stakeholders, involvement of all employees in the quality management process, and a high degree of market orientation. In its most succinct definition, quality has to do with customer requirements satisfaction.

If an organisation wants to maintain its activity in the market, then it has to focus on the quality of the product in order to satisfy current customers. As the business owner wants to continue to have business in the future, then he also has to worry about the latent needs and wants of tomorrow's customers, and with the changes in the preferences of today's clients. This implies a commitment to ongoing innovation as a fundamental condition for the sustainability of the organisation over time.

An innovation is often an effect of experience or scientific curiosity, being a manifestation of human creativity, but may have a weak development or be abandoned if it has no market applications, and it will just be recovered when someone discovers its possibility to satisfy a human need.

So, market orientation has a positive direct impact on both quality and innovation, and together these three resources have a direct positive impact on organisational performance, which can be measured by financial and non-financial indicators, grouped in effectiveness and efficiency measures (Note: in part IV of this book we will develop these concepts within the REQI model).

INNOVATION & ENTREPRENEURSHIP

This is a book that explains step-by-step how an organisation can be started and managed to be successful. The author presents several models that helps entrepreneurs and intrapreneurs on their needs to innovate, analyse information, implement new ventures, and assess internal and external organisational impacts. This manual is useful to everyone, in particular to entrepreneurs, managers, and university teachers and students.

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