

On the Effects of the Entrepreneurship to SMEs' Innovation

¹Zhen Li and ²Hai-Long Li

¹Southwestern Institute of Physics, Chengdu, 610041, China

²Engineering and Technical College of Chengdu University of Technology, Leshan, 614007, China

Abstract: The entrepreneurship is the brain resource and capital's protection for SMEs to succeed and also the determining factor for the management capability of a company, it is the driver for innovation of techniques and systems, it is the intellectual source for the entrepreneurial and innovative culture. Based on large amount of observation and studies, this study finds that the entrepreneurship can influence the dynamic factors [chance, capability and will] to make SMEs carry out the entrepreneurial and innovative behaviors and those behaviors also give feedback to the entrepreneurship for its enriching and perfecting.

Keywords: Entrepreneurship, innovation, SMES

INTRODUCTION

Along with the arrival of the information age and the accelerating of the economic integration, independent innovation is the key for Chinese companies to succeed in the competitive world market. Then, how to effectively enhance the innovative capability for new technologies and to put them into practice has a great impact on the survival and development of Chinese companies. Moreover, during the practicing process, enterprisers play a very important role, for they are the leaders of the independent innovation and actors of the application of new technologies and their entrepreneurship is the driver and key for the independent innovation. Peter (2007) has a research of the innovation and entrepreneurship. Bruno and Tyebjee (1984) have a research of the environment for entrepreneurship. Xu (2008) make a research of how to cultivate the spirit of the entrepreneur. Max (2002) has a research of the protestant ethics and the spirit of capitalism. Liu and Mei (2006) study the protestant ethics mechanism and the spirit of capitalism. Xie *et al.* (2007) have a research of the innovation and core competence. Wang (2011) study the small and medium-sized enterprise business innovation mechanism research.

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THE ENTREPRENEURSHIP IN THE INDEPENDENT INNOVATION

The entrepreneurship is the backbone of a company and also sets an important foundation for independent

innovation, for it is closely related to all the innovative practices. Generally speaking, the entrepreneurship asks the enterpriser to be innovative, cooperative and adventurous, with strategic foresight and shrewd insight.

To be innovative is the core of the entrepreneurship. A real enterpriser should be a person with creativity. Independent innovation is the driver and source for a company to develop. But the success of a company, as a matter of a fact, is the process of being innovative. Here, to be innovative does not only refer to the innovation for the goods and techniques, but also for a company's management, culture, capital, market, personal recourses and so on.

To be cooperative is the essence of the entrepreneurship. In the process of independent innovation, an enterpriser should consider carefully, be good at exchanging and adopting ideas and integrate all the factors systematically to enhance the innovation efficiency. So, he should try his best to establish a good environment for his staff to work effectively and cooperatively, for by such, the company can get the maxim profit.

To be adventurous is the must of the entrepreneurship. As we know, there are many uncertainties in the techniques, market, interest and policies during independent innovation. Therefore, an enterpriser must be adventurous, for with it; he would care less the failures and keep moving before success.

An enterpriser should have strategic foresight and shrewd insight. The independent innovation of a company, which is based on the knowledge, now is mainly on the production, service and the study of new technologies. Under such situation, an enterpriser should carefully find out the subtle needs of the market and give out suitable strategies for the development of his company. And if he wants to be the real leader for

independent innovation, he should be subtle to new things and keep thinking what his company needs and produces.

THE INFLUENCES OF THE ENTREPRENEURSHIP IN THE INDEPENDENT INNOVATION

Peter (2007) thought that an enterpriser is an innovator, who dares to take risks and seek sources for innovation and is good at finding out the subtle changes and making use of the changes to be successful. Given the experience of successful enterprisers, the entrepreneurship plays an important role.

The role of the enterpriser in independent innovation: The enterpriser is the one who carries out the independent innovation for his company. Therefore, he plays a key role during the innovative process. He is the one who makes decisions, organizes and manages all the sources, push the process forward and participates in it.

To make decisions and organize sources is the critical things for an enterpriser in the innovative practices. First, he is the decision maker and his decisions have great effects on the organization of all sources, such as production factors, personal management and capital and so on. Thus, the development of independent innovation and its success directly depend on the decision-making correct. Besides, the independent innovation emphasizes on systematicness. It not only requires the systematicness in the research and development of a company, also in the marketing, producing, financing and management. Meanwhile, it does not only involve the cooperation of the company's internal departments, also of the clients, banking and government. So, without the organization of the enterpriser, the innovative practices cannot carry out. Finally, only that he push forward, manage and participate in the innovative practices, he can give full play to his core functions-to make decisions and organize sources.

The influences of the entrepreneurship in the independent innovation: As the enterpriser plays so many important roles in the innovation, only he, the decision-maker and organizer who is innovative, cooperative and adventurous, can lead the innovative practices, organize all the sources and make use of all the chances to develop the company. With regards the successful innovative practices of enterprisers, we can find that an enterpriser should have the entrepreneurship. Without it, the enterpriser cannot make correct decisions, or lead the company to the right developing direction. The entrepreneurship is the soul and core of the independent innovation.

THE INFLUENCES OF THE ENTREPRENEURSHIP IN THE INDEPENDENT INNOVATION OF SMALL AND MEDIUM ENTERPRISES (SMES)

The innovation of SMEs is guided by the entrepreneurship, with which the enterpriser form an entrepreneurial team to carry out the innovative practices to make sure the sustainable development of the company. Based on the entrepreneurial theory, we think that the innovative practices of SMEs are the result of will, chance and capability.

The entrepreneurship stimulates the entrepreneurial will of SMEs: By studying 17 papers about the entrepreneurial foundation, Bruno and Tyebjee (1984) pointed out 12 external variables: the availability of capitals, the accumulation of experience, experienced work forces, available suppliers, clients and new markets, the effects of government, the relationship with universities, the availability of fixed assets, transportation, the attitudes towards to residents of a certain community, supportive service and living standard. According to dialectical materialism, intrinsic factor is the basic reason causing evolvement and external cause is the condition and becomes operative through internal causes. Then, the external variables here only can become operative through the enterprisers who have strong tendency to carry out the innovation.

According to "two-eight" theory, 78% profit of a company is made by 22% "able persons [enterprisers]". Large amount of studies show that enterprisers are very important in the entrepreneurial process, become the key source for the entrepreneurial behaviours and to some extent, determine the characteristics of a new entrepreneur's resource. With questionnaires in Netherlands, Xu (2008) found that Schumpeter's entrepreneurship is the necessary condition for SMEs to succeed and enterprisers play a critical role in the innovative process. So we can say that the enterprisers determines the survival of companies, the characteristics and capability of an enterpriser determines the size of a company and the innovative ability of an enterpriser determines the vigor and competitive capability of SMEs. The entrepreneurship is an important factor for enhancing productivity and stimulating the development of economy. And it mainly acts on the potential innovative enterprisers by three mechanisms, as it shows in Fig. 1.

Creative mechanism: Ellwood thought that culture is a process of learning and producing. A certain culture would set the foundation for the economic development (Max, 2002). Going along with the local economy, society and culture, to be innovative, cooperative and adventurous is helpful to form an excellent

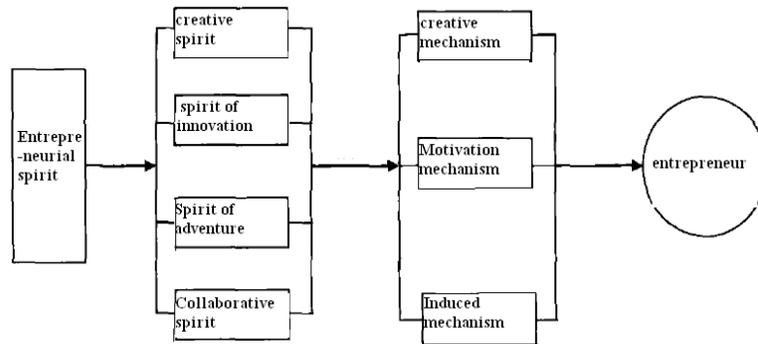


Fig. 1: Three mechanisms and the entrepreneurial spirit

entrepreneurial culture, which would help establish a good external environment and innovative atmosphere.

Motivation mechanism: The entrepreneurial culture, which encourages success and allows failures, could inspire the enterprisers to pursue success, prefer risks and control, because of which the enterprisers would try their best to keep moving on the foundation of new careers, techniques and systems.

Induced mechanism: The experiences, social status and standing of a successful enterpriser would be attractive, demonstrative and guiding to the potential enterprisers who have good innovative capability. For example, in the 1990s, as the 'elites', most of the researchers and government staff gave up their jobs to start their business, which is induced by the successful experiences of the grass-root businessmen.

Learning gives lift to the entrepreneurial and innovative capability of SMEs: The enterprisers and entrepreneurship are dynamic, practical and can be cultivated. Besides, they are consistent with, rely on and interact with independent innovation. Then learning has a significant influence on the innovation of techniques and management (Liu and Mei, 2006; Xie *et al.*, 2007), strengthen the innovative capability and become the main factor to sustain the development of a company. The stronger the will to learning in a company is, the more powerful the entrepreneurial capability is. Learning can motivate the accumulation and application of knowledge and the cooperative development of the two can lift the technical and innovative capabilities.

To adapt themselves to the surroundings, SMEs must keep learning, establish their own learning platforms and integrate their internal resources effectively to share internal resources, learn advanced techniques and management from the outside and then achieve the innovation of the system and techniques of companies. In this study, the relation is demonstrated in Fig. 2.

Meanwhile, leaning is helpful to motivate the initiative of the entrepreneurial team and overcome the

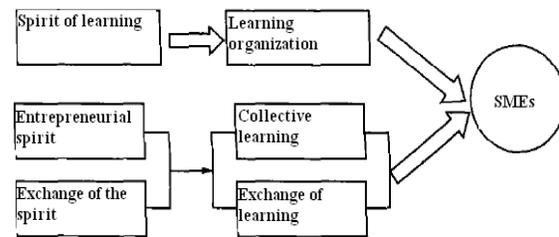


Fig. 2: Learning gives lift to the entrepreneurial and innovative capability of SMEs

laziness. By this, learning is not only for the enterprisers, but also for the whole staff of the companies. Then, on one hand, positive leaning can enhance the activity and sensitivity of the enterprisers and staff, arouse the initiative and creativity of the staff, strengthen the sense of learning and innovation and promote the their knowledge structure and own ability to solve problems and lean new knowledge. On the other hand, open-minded leaning is good for establishing a relaxing, free and open leaning environment for innovation, especially in those developed districts.

In short, leaning encourages companies to establish a learning organization, emphasize self-study and communication with the outside and strengthen the accumulation of internal knowledge and integration of the external resources, which can prepare the personnel, technical and social capitals for companies to enhance their own innovative capability.

Responsibility gives birth to the entrepreneurial chances for SMEs: Sensibility to chances is the core factor during the entrepreneurial process, for which means being sensible to the production or service that can make or increase profits. With regards the emergence of chances, the entrepreneurial chances mainly derive from the technical reform, the external changes by population and governmental control and the internal factors such as asymmetric information. Therefore, we can say that the social relationship is main channel to get the entrepreneurial chances for the enterprisers and the entrepreneurial process is inlaid in the changeable social relationship network.

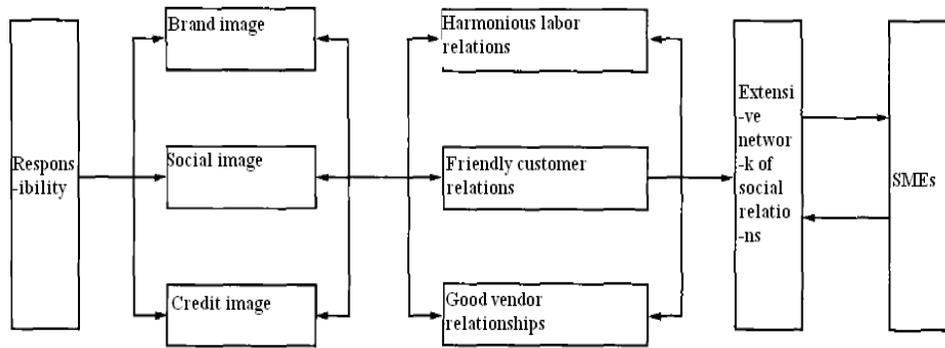


Fig. 3: Responsibility and the entrepreneurial and innovative capability of SMEs

Responsible is the soul for entrepreneurship and the core feature of a company. However, trusting relationship between business subjects is like a game of prisoners because of the asymmetric information and transaction cost. And this becomes worse in such a competitive and cooperative economy, for the corporations are an organic society, based on the specialization division and cooperation. Trust is considered as the nontraded investment of a industrial cluster (Wang, 2011) and the companies of the cluster should share the risks and responsibilities. Besides, in the value chains from companies to customers, based on goods, the well-informed violate fair deals and then make the other party's interest injured, which we can usually observe this form some companies breaking promises and invading the customers' interest. Apart from this, the staff's declining loyalty to their companies and inharmonious labour relation are also reflection for the lack of responsibility.

Responsibility gives birth to the entrepreneurial chances by establishing brands and public images of the enterprisers and companies to set a good social relationship network, such as Haier, Lenovo and Alibaba. The whole process includes the following aspects: A, The enterprisers should establish harmonious labor relation, help the staff have dedicated working attitudes, improve the internal relationship, lift the staff's loyalty to their companies and strengthen the competitive ability to gain bigger market and more customers. B, The companies should have friendly customer relation to set a selfless image and provide safe and qualified goods and service to satisfy the needs of the society and the customers' values. C, the enterprisers should try to form good relations between trading companies and manufacturers. They should try to trust and be trusted by others and pay much attention to the trusting cooperative relations between companies and other trading companies and manufacturers (Fig. 3).

CONCLUSION

The realization of the entrepreneurship is a shift from the enterprisers' personal ability to the whole company's ability. It is established by the enterprisers' personal authority and management to the company.

From the perspective of the entrepreneurship's factors, we can find that they mainly influence SMEs from chance, ability and will to push the innovative practices. And among the three, to be creative, innovative, adventurous and cooperative is help to form the creative, motivation and induced mechanisms for companies to find their own potential capability and force the SMEs to be innovative for their own survival. Learning strengthens the self-study and communication of the whole entrepreneurial team with the enterpriser as its core and integrates their all kinds of resources to enhance their entrepreneurial and innovative ability and to provide personnel, social and technical support. Then responsibility helps to establish the image of companies and give them chances for developing. Meanwhile, the entrepreneurial and innovative behaviors also will give feedback to the entrepreneurship for its enriching. In such a circle, the two could interact with each other and help the SMEs to develop and expand.

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