Corporate Innovation and Entrepreneurial Development

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Abstract

This paper aimed at a theoretical exposition of the influence of corporate innovation on entrepreneurial development. To achieve this purpose a review of extant literature on innovation and creativity, concept of corporate innovation process of corporate innovation, approaches to corporate innovation, corporate innovation strategies, entrepreneurial development influence of corporate innovation on entrepreneurial development was made. The review was concluded by the conceptualization of corporate innovation and entrepreneurial development in a model framework. Our analysis in this paper indicated that corporate innovation enhances entrepreneurial development and we therefore submitted that corporate innovation should
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become an integral part of any enterprises if entrepreneurial development must be sustained.

Introduction

Entrepreneurial development has become a Rubicon that is considered vital for the growth and sustenance of a nation’s economic development. According to Rodney (1996), entrepreneurial development refers to increased skills and capacity of the entrepreneur in value creation. It constitutes the bedrock of a nation’s industrialization. To support this claim, Fasua (2007) reported that entrepreneurial development is very vital to the attainment of the Millennium Development Goals (MDGs) in the area of socio-economic development of the Nigeria nation.

Entrepreneurial opportunities abound in virtually all the fields of human endeavour - blacksmithing, carpentry, painting, printing, poultry, livestock, fisheries, textiles, decorations, photographing, manufacturing, mining, extraction construction, transportation, wholesaling and retailing, banking, medicals, entertainment, hotel and tourism, among others. These abundant opportunities have led many governments of the world to evolve policies and programmes aimed at encouraging entrepreneurial development (Hamilton, 2008). In Nigeria for instance, the federal government recently directed all Nigerian universities to award a degree programme in entrepreneurial studies. This is to acknowledge the fact that a knowledgeable and empowered entrepreneur can be a viable instrument to the nation in the area of providing employment opportunities and enhancing economic activities.

In spite of government efforts to promote entrepreneurship in Nigeria, Hamilton (2008), Ijaya (2007), Agbara-Aka (2005), Jaja (2004), Shehu and Dosumu (2001), Musa and Tanko (2001), and Dango (2000), revealed that the growth rate of entrepreneurship in Nigeria has been very slow, and failure even death has been quite common. This scenario contrasts sharply with the tremendous entrepreneurial success recorded in Europe, Asia, and America (Dango, 2000), Agbati (2011) and Sanusi (2007), posited that the most fundamental and logical cause of the slow growth of entrepreneurial development in Nigeria, is lack of corporate innovation. Robbin (1998) defined corporate innovation as a new idea applied to initiating or improving a product, service, or process. It has been argued extensively in the literature that innovation is the fundamental key to entrepreneurial development (see Agbati, 2011; Brennier, 2009; Hamilton, 2008; Sanusi, 2007; Dabson, 2005; Sexton, 2000; Gibbs and Davis, 1990; Drycker, 1985). In view of the above
claim, the objective of this study therefore, is to critically analyse corporate innovation with a view to determine its relationship with entrepreneurial development. To achieve this purpose, this paper will analytically review the following issues-

(i) Innovation and Creativity
(ii) Concept of Corporate Innovation
(iii) Process of Corporate Innovation
(iv) Approaches for Achieving Innovation
(v) Corporate Innovation Strategies
(vi) Entrepreneurial Development
(vii) Influence of Corporate Innovation on Entrepreneurial Development - A Review of Empirical Literature
(viii) A Conceptual Framework of Corporate Innovation and Entrepreneurial Development

Innovation and creativity

Innovation and creativity are considered to be over-lapping constructs between two stages of the creative process; both are necessary for successful entrepreneurship (Martins and Terblanche, 2003). According to Heye (2006), innovation can be defined as the implementation or transformation of a new idea into a product, service, or an improvement in organization or process. It is a process of continuous renewal involving the entire, enterprise and is an essential part of business strategy. Zairi (1994) confirmed that innovation is the new way of delivering quality products and services to customers both consistently and with economic viability in mind. Creativity on the otherhand refers to the production of novel and useful ideas (Amabile, 1996). According to Okpara (2007), creativity is a process by which a symbolic domain in the culture is changed. For example, creativity involves new songs, new ideas, and new machines. He added that creativity is marked by the ability to create and bring into existence, to invest into a new enterprise and to produce through imaginative skills. In a nutshell, creativity encompasses innovation.

In an attempt to present a clearer picture of the concepts of innovation and creativity, Cooger (1990) presented the elements of creativity in the model (fig 1).

Cooger, (1990) conceptualized that creativity encompasses discover, invention and innovation. He further explained that discovery results in new
ideas in the form of knowledge and concepts; inventions result in new technologies and business models, and innovation exploits inventions to allow for the creation of value through commodities, goods services and experiences. He concluded that while creativity is the generation of a new idea, innovation is the translation of a new idea into a new company, a new product, a new process or a new method of production.

**Figure 1: Elements of Creativity**

![Diagram of Creativity, Innovation, and Invention]

Innovation is new product development could include upgrading an existing product or developing a totally new concept to create an original and invocative product (Larsen and Lewis, 2007). This is also true for services and processes, thus innovation is recognized in the literature as ranging from the incremental to radical. There is a broad agreement that innovation should
be present in all aspects of an organization and that it should be in a mindset or a way of life (Abraham and Knight, 2001; Kuczmarski, 1996). Loewe and Dominiquini (2006), posited that innovation should permeate through the various elements of the enterprise’s business model in order to make it harder to be copied by competitors. Therefore, innovation is not only measured by the new products or services offered by an enterprise but also by new and more efficient ways of developing, producing, or delivering products or services.

It has equally been argued that creativity is not required solely in the domain of certain sectors or departments, or only in the development of new products or services, but also needed at every level of the organization. Creativity is seen as going beyond new products, new services and new and improved processes (Heye, 2006; Cook, 1998). Therefore, if one can better organize his or her day or write a report in a new or more effective way, then this is every bit of creative act (Gurteen, 1998).

Innovation and creativity involve the creation of something new that is central to the entrepreneurial process (Barringer and Ireland, 2006). Innovation and creativity are considered to be inseparable from entrepreneurship, which is in turn manifested in the act of starting and running an enterprise. Pretorius, Millard and Kruger (2005) maintain that creativity is clearly part and parcel of the entrepreneurial skills required to successfully start a venture. Entrepreneurs and their start-ups are considered to be important agents of innovation (Bosma and Harding, 2007) not simply in terms of the products and services they provide, but also in terms of the technologies and processes that they utilize (Watson, 1998). Entrepreneurs could be argued to be, by their very nature, the essence of creativity and innovation (Baldacchino, 2009).

The successful entrepreneur investigates and analyses change in order to find opportunities for innovation. Drucker (1985) identifies seven sources of innovative opportunities as follows:

**The Unexpected:** A very common indicator of underlying change is the unexpected result. Unexpected success, failure or surprise often gives clues to underlying trends which can lead to innovation. World events including natural disasters, acts of terrorism and wars have all given rise to innovative new products and services including security devices and rescue equipment.
The Incongruous is the contrast between what everybody knows or thinks how things should be and what they are like in reality. It is also an important source of innovation because incongruity is a further sign that changes are taking place. For example, a Doctor’s search for cure to condition A, leads to a new cure for condition B, C or D.

Process Need: The importance of need as a source of innovation is captured in the proverb ‘Necessity is the mother of invention’. Drucker (1985) highlights the process need as a major area of opportunity, because it is a very specific and identified need. Innovation from process need improves an existing process which is recognized as having significant limitations. It takes new often unrelated, developments to revolutionize an existing process or way of doing something.

Industry and Market Structure: This talk about the sudden change in the structure of the market which can sometimes be after a long period of stability. Such changes offer expectation opportunities to innovators and considerable threat to those who incorrectly read the changes.

Demographics talks about change demography and population structure. For example, as people get older, there are more opportunities for business serving the needs of older people (for example nursing homes, care for the elderly, insurance products etc).

Changes in Perception: talks about changes in the way of interpreting or understanding reality. Some changes are not really changes at all; the facts do not change but people’s perception of the facts change, which has an equally powerful effect. Changes in perception give the entrepreneur many new openings.

New Knowledge: The most famous innovation is often based on new knowledge or invention which could either be scientific or non — scientific.

The above seven sources are like seven windows on different walls of a building. From each one, one can see things which one can also see from the others but from a different perspective (Akinmayowa, 1994). He divided the above sources of innovation into internal and external sources as shown in figure 2.
According to his classification, the first four sources of innovation are within the organization while the last three are outside the organization and are parts of the economic and social environment.

In furtherance to the above, Jaja (2004) added that opportunities for corporate invocation abound in many areas and be described this as the innovation paradigms in business as shown in table 1.

**Figure 2:** Source of Innovation

**Table 1; Innovation Paradigms in Business**

<table>
<thead>
<tr>
<th>S/No</th>
<th>Paradigm</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New products</td>
<td>Creating and introducing an entirely new product in the market</td>
</tr>
<tr>
<td>2.</td>
<td>New services</td>
<td>Providing new services to domestic or industrial consumers</td>
</tr>
<tr>
<td>3.</td>
<td>New product technique</td>
<td>Adoption of new production orientation or philosophies in the process of production.</td>
</tr>
<tr>
<td>4.</td>
<td>New operation practices</td>
<td>Adoption of new operating practices within the routine processes in the organization.</td>
</tr>
<tr>
<td>5.</td>
<td>New ways of delivering the product</td>
<td>This has to do with new ways of distributing the product to consumers as a means of successfully completing the production process.</td>
</tr>
<tr>
<td>6.</td>
<td>New means of informing the customer about the product</td>
<td>This relates to the new ways of communicating with customers about a new product. It involves promotion and advertisement.</td>
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</tbody>
</table>
7. New ways of managing relationships within the organization
   This has to do with new approaches to identification of interaction patterns, integration and modification with the organization.

8. New ways of managing relationships
   This is the new way of managing the interface between the organization and its business publics.

9. Multiple innovation
   This involves new ways of combining the different innovational paradigm.

Source; Jaja (2004)

The concept of corporate innovation

Organizations should be proactive rather than reactive in shaping their own future. This will allow them to initiate and influence rather than respond to change. Corporate innovation helps enterprises cope with change. According to Terziovski (1999) corporate innovation is simply a radical or transformational change in an organization that results in a significantly different or new entity arising from an organization entering into venture systems, commercial arrangements or engaging in productive activities processes the it had hitherto not been involved with. Corporate innovation is a planned and systematic attempt at efficiently and effectively expanding corporate growth, a form of radical re-invention, which is multidimensional, multi-level and discontinuous as opposed to some unorganized and continuous change (Robbins 1998). It could be small moderate or grandiose and usually arise out of the significant change in the firm’s core competences-technology, expertise and knowledge-and affords the organization technical and market leadership through the production of goods and services that are derived from superior and cost effective, structures, processes and activities.

Corporate innovation as opposed to other types of innovation is geared toward growth and survival of entrepreneurship. The need for innovation could arise when sources of supply go out of business or are becoming costly and irregular, when distribution systems are inefficient, when expertise/competence is far ahead of what obtains in the industry (Robins, 1998; Jha et al: 2004, Jaja, 2000).

Corporate innovation is not always an easy thing to achieve especially for SMEs. Harnessing an idea and transforming its potentials into reality requires hard work, prudence, turning around the thinking of many people, laying claims to resources needed to fuel growth, and usually, involves a prolonged battle amongst numerous people and requires tremendous stamina and evidence on the part of the champion (Schon, 1963; Servo, 1988). Ekanem
(2002) observes that innovation is especially difficult in a country like ours where entrepreneurs think of the immediate and how they can make us much wealth as possible from their business. To make matters worst, Ekanem (2002) further observed that our socio-cultural orientation is not very compatible with rapid changes.

Given the peculiar nature and circumstances of small-scale enterprises one may be tempted to think that innovativeness might not constitute serious problem since they are small, require little startup and operating capital and do not require much experience to start. And also that they are usually run by owners or managers who have direct contact with the market place and whose experience and flexibility affords the ability to innovate. But as research (Rizzoni, 1991; Rastog, 1954 and Servo, 1988) has shown, this is very far from the truth and more so for SMEs in developing countries such as Nigeria.

Often times, entrepreneurs are seriously constrained by funding, infrastructure, government regulation and access to international markets. In Nigeria, the situation is compounded by the socio-cultural and economic peculiarities as inflation, corruption, high interest rates, absence of technological infrastructure, etc. Not withstanding these constraints, the Nigerian economy has enormous opportunities and prospects for entrepreneurs which are willing to explore and harness the benefits thereof. This is because, as Okongwu (1986) said, if we are wise and resolute we are guaranteed astounding results because of our vast human and natural potentials taking full advantage of our variegated biophysical possibilities.

Fubara (2000) also observed that products that are manufactured from boundless local resources by entrepreneurs using local technology would initially be sold and test run in domestic markets to improve their quality for the international markets. Consequently, opportunities abound especially for the large scale manufacture of agricultural and traditional craft products such as gin, clothing, clay work for table wares, palm oil and other products such as garri, fufu, tapioca, yam flom, jewelries etc. The market for these products both within Africa and the international markets is enormous and could radically transform the Nigeria economy from its present mono-product structure to a vibrant multi-product economy (Okongwu, 1986).

An entrepreneur that has the vision and the provision to successfully carry out corporate innovation and align itself with the trends and opportunities has
several benefits as identified by the Australia innovation study (1993). These benefits include increase in market share, productivity, efficiency of processes and stimulation of opportunity for growth. These benefits have the capacity to significantly add value to the firm and its customers and also light up export, reduce import and thereby increase foreign earnings. Entrepreneurs can achieve this as Okongwu (1986) noted by targeting low-income markets of newly industrializing nations and several developed countries where it can serve as input order for industries and businesses. To successfully achieve this requires that these goods and services must be of international quality, quantity and packaging standards.

The process of corporate innovation

Entrepreneurs are likely to operate in a single market, probably with a limited range of products or services which are produced from limited resources, expertise/competence or technology and which often do not have central department to undertake complex analysis and market research. The senior managers themselves have direct contact with the market place and whose experience/exposure assists to initiate and direct the process of corporate innovation (Hamilton, 2008).

Ekanem (2002) outlined the innovation process as consisting of the perception of an inadequacy or opportunity of need, technique, product and a technical opportunity for innovation; assessment of entrepreneurs’ competence with a view to converting either the inadequacy or opportunity to a benefit; outlining in a plan the activities, resources and structures that are needed for the innovation; implementation and control of the innovation process

When the above process is critically assessed, it will reveal that corporate innovation process is all embracing as it affects the outlook of the firm. The first thing that the entrepreneurs do when carrying out the innovation process is to perceive an inadequacy or opportunity which usually comes through the manager or owner’s day to day interaction with people, markets and the society or it could arise from problems encountered in day — to — day running of business.

Mobilization to create the will and desire to change is the second stage. The development of a technique, model, behavior or technology that can be used to address this inadequacy and consequently exploit the situation is therefore necessary. It is at this third stage that a plan (strategy) is drawn up, where
structures, resources (material and human) and activities to be undertaken are dearly outlined as well as the cost implication in terms of finance, time, commitments and personal implications. Finally, there is the implementation continuous monitoring of the process to ensure that necessary new skills are acquired, knowledge shared, participation encouraged and a culture of acceptance of change presented. The innovation process in the organization involves various steps.

According to Iyayi (2000) four psychological steps (4Ds) are involved in every effort aimed at change and improvement (innovation) whether at the individual, group or organizational level. These steps he identified include-desire, decisions, deployment, and determination to continue.

**Desire:**- The first step is to desire for change or improvement itself. This could be dissatisfaction with an existing state of affairs, changes in the environment which demand that we also make changes in the way we do things, if we are to remain effective.

Decisions are about intentions to act; they are futuristic and may, therefore, never be implemented (Iyayi, 2005) It is the actual decision to change and improve by engaging in actions that will lead to the realization of the desire.

In the drive theory of motivation, for example, it is suggested that action or behavior is a consequence of some stimulus which may be internal or external to the organism.

Deployment (Action) is what converts decisions to action. In deployment, the individual (entrepreneur) group or organization takes action that is designed to give effect to the decision.

Determination to continue is keeping faith with the actions that are required to keep the organization in the newly improved state without the danger of relapse or going back to the old ways of doing things. This fourth step requires determination or discipline or continuous hard work to keep the organization in the new state.

**Approaches to achieving innovation**

Saha (2006), Pinchot and Pinchot (2003), Musa and Tanko (2001) Umoh (1999); and Wickham (1998) revealed certain keys to sustaining innovative process. These keys are the champion, the championing system and tolerating failures.
Champion: - Champions are potential innovator and they can be encouraged to carry forward major development; champions are punctual to the innovating process. The champion is not a blue sky dreamer or an intellectual giant. The champion might even be an idea thief. But above all, he is the pragmatic one who grabs into someone else’s theoretical construct, if necessary, and bull headedly pushes it to fruition.

Championing System: - Entrepreneurs often need a sponsor. The numerous schemes describing systems of championing all come down to the same thing. Some form of primary champion plus some form of protector. As one move from consideration of the individual to the organization, one finds that there is a need for a number of players pushing innovation forward. Peters and Waterman (1982) identified three primary roles: the product champion, the executive champion and the godfather.

The Product Champion is the zealot or fanatic in the rank which is described as being not a typical administrative type. On the contrary, he is apt to be a loner, egotistical and cranky. But he believes in the specific product he has in mind.

The Successful Executive Champion is invariably an ex-product champion. He has been there going through the lengthy process of husbanding, seen what it takes to shield a potential practical new idea from the organization’s formal tendency toward negation.

The Godfather is typically an aging leader who provides the role model for championing.

Tolerating Failure: - Specifically, champions don’t automatically emerge. They emerge because history and numerous supports encourage them to nurture them through trying times, celebrate their successes and nurse them through occasional failure which can be tolerated.

Corporate Innovation Strategies

There are several types of innovative strategies adopted by small and medium enterprises. These strategies as Tide (1998) said are usually directed at achieving ether one or more of the objectives of corporate innovation at the incremental, radical and transformational levels. Aluko, et al (1997) identified four major strategies that are adopted by entrepreneurs. These include integration strategy, diversification strategy, strategic alliances and corporate combination. According to them, integrative strategies occur in
enterprises that had hitherto been operating at one stage of the product-market chain but desires to engage in others. Consequently, a firm could either decide to engage in the sourcing of its raw materials or extend its business backwards to include business activities in the sources of its raw materials. For example, an SME that operates a cold store dealing mostly in the sale of frozen chicken and turkey can decide to set up its own poultry farm that will serve as a source of supply life poultry products to other cold stores. The advantages include having a greater control over the quantity as well as having a position of greater security with regards to delivery thus leading to the absorption of intermediate profit (Soderquist, 1996; Aluko, et al. 1997 and Longencker, et al. 1997).

An entrepreneur could also innovate by expanding into business activities that are related to the marketing and distribution of goods and services. Thus a cold store can also expand by engaging in the processing, packing and supply of poultry products to restaurants, schools, and refectories etc. Gibbs and Davies, (1990) Rizzoni, (1991) and Demelto, et al. (1980) Sebora, et al. (1994) variously highlighted the benefits that can arise from integrative strategies of SMEs as that of having a greater competitive advantage, flexibility and maximum use of resources to reduce waste. Furthermore, Longenecker, et al. (1997) said that to gain competitive advantage, an SME should produce standardized products at very low prices per unit for customers, produce products and services that are considered unique in the industry and fulfill the needs of a particular group of customers. This will have the effect of enabling the continuous availability of variety of standardized, reliable and affordable products for every client or customer group.

A second type of innovation strategy adopted by entrepreneurs is diversification. Diversification represents departures from the normal pattern of operation and would typically involve new products and market. Day (1999) observed that there are two types of diversification strategies: concentric and conglomerate diversification. An entrepreneur that innovates by concentric diversification develops new business unit that have marketing or technological synergies with the firm’s present product. Thus, a carpentry business that specializes in the production of household and office furniture can expand into roofing business. While an entrepreneur that innovates by conglomerate diversification develops new business unit that do not share any marketing or technological synergies with the firm existing product or competence. An example of a conglomerate diversification is that of
privately owned fuel station which opens and runs a restaurant and business centre in addition to its original business of selling petroleum products.

Although, the point has earlier been made of corporate innovation being more of a significant change, there are also times when the change, there are also times when the changes are incremental. According to Terzirovski (1999) incremental innovation is concerned with developing the organization from where it is currently, rather than been “Greenfield sites” an entrepreneur usually adopts this strategy by changing from its original business to another. The compelling reasons for doing so as Damanpour (1991) observed may be the lack of required competence as a result of accelerating socio-economic or technological developments, inability to secure resources to achieve or sustain competence levels and increasing costs resulting in decreasing profits due to intensive competition.

Another type of incremental innovation common among medium scale enterprises is strategic alliances in the form of inter-organizational relationships. This strategy enables SMEs to re-organize, recharge and be transformed into new entities that have the competence and capability to offer products or services that hitherto they did not have. Gibbs, et al. (1998) suggested that strategic alliance could be joint ventures or consortium. These types of alliance combine the distinctive competences of two or more enterprise can be found in the hospitality industry where entrepreneurs who usually operate their businesses right out of their own homes and with the support of their families come together to form an alliance with each other to undertake a big contract or service that ordinarily either of them would not have been able to do. For instance, a caterer operating out of the home and using the family bus and kitchen facilities would join with a decorator who also operates out of home to undertake contracts that involves the decoration of company’s end of year party. They might decide to use a common name for the alliance and agree on what each party is expected to do as well as how they will eventually share the profits thereof. This affords each party the opportunity to learn a little of the other’s skills competences. Even when such alliances are dissolved by mutual agreement, each entrepreneur would have benefited significantly from each other.

**Entrepreneurial development**

A worldwide consensus on the critical role of competitive markets and entrepreneurs in economic development has emerged in the last decade. According to Sexton and Smilor (2000), the primary barrier to economic
growth in developing countries is often not so much a scarcity of capital, labour or land as it is a scarcity of both the dynamic entrepreneurs that can bring these together and the markets and mechanisms that can facilitate them in this task. To support the above, UNDP (1999) states that entrepreneurship is the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential. Entrepreneurs identify an innovation to seize an opportunity, mobilize money and management skills, and take calculated risks to open markets for new products, processes and services.

Entrepreneurial development refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programmes. It aims to enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generation and economic development (UNDP, 1999). Entrepreneurial development focuses on the individual who wishes to start and expand a business and its concentrates more on growth potential and innovation. To determine the likelihood of entrepreneurial success, it is important to identify the factors that affect the level of entrepreneurial development in any country. These factors include the perception of opportunity, degree of respect accorded to entrepreneurs, acceptance of wide disparities in income and a family environment which is oriented towards business (Sexton and Smilor, 2000; OECD, 1998; Tomecko and Kolshorn, 1996; Abadi and Funtua, 1996).

According to UNDP (1999), the entrepreneurial development programme of any country should require a selection process that attempts to identify those target groups that have some of the key prerequisites for entrepreneurial success. While it can be argued that public funds should be spent on those who most need help, a selection process deploys limited resources where they are most effective to the overall benefit of the community. Beneficiaries may be individuals or group (Oyefusi, 2011). The selection of those who are most likely to succeed as entrepreneurs should be based on clear and transparent criteria. For example, entrepreneurs are characterized by the need to be independent, to create value, to contribute the family and society, to become rich or quite often, not to be unemployed. Potential entrepreneurs display initiative and ambition, have business sense and foresight, and are decisive. They are agents of change who accelerate the generation, application and spread of innovative ideas (Oyefusi, 2011; Sexton and Smilor, 2000; UNDP, 1999).
Entrepreneurial development is conducive to economic growth and the creation of employment. UNDP (1999), reported that government programmes and policies have a significant impact on the level of entrepreneurial development. While many governments profess support for entrepreneurial businesses, they often lack specific policies and coordinated programmes designed to support entrepreneurial activity. Oyefusi (2011) asserted that liberalizing imports, ending public monopolies, and opening public services to private-sector provision of goods and services enhance the conditions for entrepreneurial development. Fostering entrepreneurship involves ensuring that markets for capital, labour, goods and services are working well. It also requires that impediments to entrepreneurial development be removed and that conditions be established in which innovation and risk-taking can flourish. Government policy-makers also seek to foster entrepreneurial development through programmes which for example, augment the supply of information, encourage networking, facilitate the provision of finance, and seek to create positive attitude towards entrepreneurial activity. Policies that facilitate access to finance, professional services and training for start-up businesses, and those that simplify business registration financial reporting and taxation etc are essential to entrepreneurial development.

Influence of corporate innovation on entrepreneurial development- a review of empirical literature

Several studies in both developed and developing nations of the world have empirically demonstrated the linkage between innovation and entrepreneurial development; Examples of such studies are Agbati (2011), Brennier (2009), Meredith, Nelson and Neck (2008), Sanusi (2007), Dabson (2005), Pinchot and Pinchot (2003), McGrimmon (2002), Sexton (2000), Umoh (1999) and Gratton (1999). Each of these studies has been distinguished by differences in research setting, differences in definition of explanatory variables, differences in unit of analysis, and differences in statistical analysis. In all of these studies, there are mixed findings.

Agbati (2011) analyzed the impact of new product development on the growth of entrepreneurship in Switzerland. 138 companies were considered for the study with the chief executive of the companies as unit of analysis. The researcher used a regression analysis technique to test the hypothesis raised in the study and the result indicated that 1 percent increase in new
product development leads to 72.4 percent increase in the growth of entrepreneurship, and the P-value of 0.024 revealed a significant impact.

Brennier (2009) investigated whether new method of production enhances the value creation of enterprises in Norway. In the study, 325 venture capitalists were considered and a simple percentage was used to analyse the data collected. The result shows that over 68.3% of the respondents strongly agreed that new method of production enhances the value creation of enterprises in Norway. But Meredith et al (2008) earlier observed in their study in the same city of Norway on whether new product development promotes the value creation of enterprises, and their result revealed that 56.7% of the respondents disagreed that new product development promotes the value creation of enterprises. These results show that the definition of the explanatory variable used in the studies is responsible for the mixed findings generated.

Sanusi (2007) in his M.Sc Thesis Submitted to the department of Management Tafawa Balewa University, Bauchi examined the relationship between creativity/innovation and entrepreneurial development in Nigeria. He considered the Agro-Allied Companies quoted in the Nigerian Stock Exchange Market as the population for the study and adopted the correlational technique for data analysis. His results suggested a positive significant relationship between creativity/innovation and entrepreneurial development in Nigeria. Similarly, Dabson (2005) in her study on “Promoting Sustainable Entrepreneurship in Emerging Market”, observed that innovation is the key factor. She further suggested that a high degree of integration is required among the various units of an enterprise for the innovation to be successful.

Pinchot and Pinchot (2003), in their study on “Business Process Re-engineering and Entrepreneurial Development in North America, concluded that re-engineering a business process has a positive significant relationship with entrepreneurial development. But McRimmon (2002) earlier observed that business process re-engineering has no positive effect on entrepreneurial development. The study shows that such an innovative process challenges the entrepreneur’s cultural traditions and consequently increases cost of operations. As operational cost increases, value creation decreases, he added.

Sexton (2000) examined the impact of innovation on corporate profitability of Small-Scale Enterprises in New Zealand. 568 small-scale entrepreneurs were considered for the study from a cross-sectional survey design. The data
generated from the study were analysed with the Ordinary Least Square (OLS) and the result shows a correlation co-efficient of -0.78 with a P-value of 0.007, which indicates that innovation has a negative significant impact on corporate profitability of small-scale enterprises in New Zealand.

Umoh (1999) did a study in Cross-River State of Nigeria on the Relevance of Innovation in Entrepreneurship. He adopted a pilot survey of 50 entrepreneurs chosen from the city of Calabar. His result revealed that 88.6% of the respondents opined that innovation is highly relevant in entrepreneurship. Also, Gratton (1999) in a Cross-Sectional survey of entrepreneurs in Jordan indicated that innovation and invention promotes entrepreneurial success.

**Conceptual framework of corporate innovation and entrepreneurial development**

Having examined the theoretical underpinning and empirical literature of the subject matter of this paper, below is a conceptual framework or model showing the link between corporate innovation and entrepreneurial development.

In the model below, corporate innovation (independent variable) has been operationalized into three variables-new product development (NPD), new method of production (NMP) and process re-engineering (PRE) while the key constructs used for entrepreneurial development (dependent variable) are value creation (VACRE) and employment generation (EMGEN). The framework shows the relationship between each of the independent variables and the dependent variables. The relationship between corporate innovation and entrepreneurial development does not exist in a vaccum some contingent variables such as firm size (FIRS) and firm’s age (FIRA) moderate and influence the relationship. Hence, such variables are described in this model as contextual factors.
Figure 4: A Model of Corporate Innovation and Entrepreneurial Development

The relationship can be mathematically represented thus:

\[ VACRE = f \left( a + b_1 \text{NPD} + b_2 \text{NMP} + b_3 \text{PRE} + b_4 \text{FIRS} + b_5 \text{FIRA} + \ldots \ldots \mu_i \right) \]

\[ \text{EMGEN} = f \left( a + b_1 \text{NPD} + b_2 \text{NMP} + b_3 \text{PRE} + b_4 \text{FIRS} + b_5 \text{FIRA} + \ldots \ldots \mu_i \right) \]

Note:

\( a = \) Regression Constant (Intercept)


\[ b_1 - b_3 = \text{Regression co-efficient} \]

Other variables are as previously defined

**Conclusion**

This paper has provided a glimpse into corporate innovation and entrepreneurial development and critical review of existing literature has demonstrated the relationship between entrepreneurial development and corporate innovation. It has been revealed that for any enterprise to grow and survive, in such a way to create value and provide good employment opportunities for economic development it must be dynamic and employ radical measures and transformational strategies for new product development, new method of production, new ways of delivering product, new process, and new ways of managing relationships within and outside the enterprise. These can be achieved through the process of corporate innovation.

Based on this theoretical exposition, it is suggested that for entrepreneurial development to be enhanced and sustained corporate innovation becomes a “sine quo non”.

**References**


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