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In the last section, we talked about the two types of entrepreneurship, innovation-driven entrepreneurship and Small, Medium Enterprise, or SME entrepreneurship. In this section, we're going to talk about, what is innovation? Because that's fundamental to what we're going to do going forward.

So what is innovation? At MIT, we like equations. So we like to define innovation. And this comes from one of my first classes at MIT from Ed Roberts, the chairman of the Martin Trust Center for MIT Entrepreneurship. And he defined entrepreneurship in a way that I thought was excellent.

He said, "Innovation equals invention." And let me just stop here. Innovation equals invention. Often people mistake these two things for the same thing.

Innovation equals invention. They are not. Innovation is something that generates value for the world. It makes something faster, better, cheaper. It gives someone some great satisfaction.

An invention is an idea, a technology, a patent. In and of itself, it does not generate value. So these two are not the same thing.

And sometimes you see them interchange. And that's not correct. So innovation equals invention times commercialization.

And when we look at this equation of innovation, something of value, it requires a new idea. And then, it requires someone or some organization that is going to commercialize that idea and to make it a value to the world. So it's important to understand that an idea by itself is not valuable.

Ideas are cheap. Is the commercialization when combined with it that makes them extraordinarily valuable. So while sometimes when I used to say invention plus commercialization, in fact, it's times.

It's a product because if I don't have one, then it's zero. Then, I have no innovation. If I have no new idea, I can't commercialize anything.

Therefore, it's zero. If I have an invention and no commercialization, I have no innovation as

well. So it's actually a product.

And we found this very, very helpful to help explain to people what is innovation when we're talking about innovation-driven entrepreneurship. So next, I want to talk about, what drives this? When we look at the idea, people think that this drives innovation.

It's, in fact, the commercialization aspect of it that's very, very difficult. If you look at the most innovative company in the world today, which I would argue is Apple, the underlying inventions that created Apple, great innovations starting with the Mac, did not come from themselves. It actually came from Xerox PARC. It was windows, icon, mouse, pointer.

That invention, they commercialized to create innovation, which created terrific value in the marketplace and for their customers and for themselves, their investors as well. Likewise after that, you look again that the invention for the underlying and enabling idea, technology from the iPod was MP3, which did not come from Apple, again. That came from Fraunhofer.

But what Apple was terrific at was commercialization to create innovation and, again, to create great value for their customers and their shareholders. So this definition of innovation we found very, very helpful to make clear that innovation is a combination of a new idea, a new technology. But then, it has to be commercialized and mapped to some customer in the real world where it will generate value.