CHAPTER ELEVEN

If it's new, it's great: innovation and entrepreneurship

INTRODUCTION

If you visit one of your favorite American supermarkets six months after your last trip, you are likely to feel confused and amazed at the same time. Not only will most of the aisles have been moved around the store to keep things interesting, the number of "new and improved" products on its shelves will be significant, not to mention many that are no longer there.

Innovations of all kinds assault your senses while pushing your cart around the store. For instance, there's the coupon dispenser's small red flashing lights on a nearby shelf beckoning you near, sensing you're close enough so it can speak its marketing message aloud: "today only, buy two and get the third free".

The belief that anyone in the US can legitimately try their hand at launching an innovation is widely held in the country. With over 10 million patents issued by the US Patent and Trademark Office by mid-2018,[1] this milestone is certainly beyond what even the Founding Fathers might have expected when they incorporated the establishment of a patent system in the Constitution to "promote the progress of science and useful arts". Leading the world league table in number of patents granted is IBM with 9,100 in 2018,[2] followed by some distance by Samsung with 5,850.

Despite this volume of new ideas, we know that a necessary by-product of innovation is failure. Analysis from market researcher Nielsen reveals that 80–85% of all consumer goods launches flop,[3] which might explain the number of books sold in the US examining how new products and services can be successful. A quick look at Amazon.com's best-selling business books on "innovation" or "entrepreneurship" offers over 100,000 titles, proving interest in how to crack these codes for staying ahead of the curve is undiminished.

SPEED READ

- Entrepreneurship is a core and celebrated American business value.
- Creating new business models are as important to successful innovation pipelines and entrepreneurship as new products themselves.
- Technology is the key enabler for companies of all sizes to be able to conquer new market opportunities.

PICTURE THIS

Sitting in the Frankfurt office of your US parent's subsidiary, you're debating how best to get funding from the bosses in San Francisco for your new idea that you know will revolutionize offices around the world: the "internet of things" stapler that communicates with the printer. Asked to present your proposal at the next global product development meeting in California, you're worried they won't give you the time or budget to take it beyond the prototype stage. How likely are they to support your innovation?

THE BIGGER PICTURE

There is a national hunger in the US for innovations that serve up anything "new and improved". There are many drivers of this desire, starting with the Manifest Destiny wagon trains of the 1800s urging ordinary Americans to "claim as much land as you can, as fast as you can". Anyone could claim some of this abundant resource, provided your wagon train was fast enough, and agile enough, to navigate the mountainous impediments along the way.

This drive by the wagon train entrepreneurs to acquire more, better, faster is still alive and well in American business today. A characteristic impatience – originally born of a new life started in a new, young, richly resourced country – helps too. It's easy to understand – given this history of converting raw prairies into fertile farms – how "new" and "better" have evolved to become synonymous.

The value placed on exploring and exploiting opportunities is deep rooted in the US business psyche, with the label "entrepreneur" serving as a compliment that calls out one's initiative, staying power, risk-taking and commercial savvy.

While in the past, European business cultures featured the entrepreneur and innovator much less positively due to the more conservative attitudes there to risk-taking, though now such mavericks are held up as good examples of how to break away from their socio-economic backgrounds: no longer are prestigious college educations, a wealthy family or past business failures required to generate new jobs and wealth.

VALUES DRIVE CHANGE

As entrepreneurs within and outside of corporate walls push for new ways to balance commercial exploring and exploiting activities, they are driven by some core US cultural ideals (more on these in Chapter 4) that run deep, including:

EVOLVE OR DIE. If there is a national religion in the US, it's Darwinism. If a company or executive is not evolving, then it or she will soon be a dinosaur. And it's this expectation to improve through mutations that drives Americans and their companies to create the big new thing. Ensuring your survival through spotting and exploiting trends both advances and sustains a US business, which is why finding routes to disrupting your commercial models before a competitor does it for you is the route to survival.

PREDICT THE FUTURE. Striving for real-time data on how consumers or clients want their value propositions served up is why corporate spending on research and development activity is a significant expense item, viewed as the best way to prepare for industry disruption or obsolescence. Amazon tops the list, with a gigantic $22.62 billion spent in 2017, equal to nearly 13% of its net sales.[4] Another aspect of focusing on the future has to do with the desire to de-risk that future by predicting what could derail our best-laid plans to build in contingencies from the start (read more on this in Chapter 12: Lots of Plans and Lots of Advice). Besides this approach feeding our belief that we each master our own destiny, it lets us assert our individualism via our imprint on the business plan.

FAIL FAST, FAIL OFTEN. While the new product failure rate mentioned above would likely put off most enterprises, the American corporate will seek to apply the learning from its market tests in order to rapidly improve the next iteration. Persistence, combined with these test-and-learn cycles, allow the "go to market" strategy to be executed and profits captured from the target customer or client. And it is these iterations that are the fuel which drives the innovation engine, enabling it to exploit opportunities left on the table by the weaker, bigger and less agile players currently in the market.

THE ENTREPRENEUR'S ECOSYSTEM

While the entrepreneurs that rise to fame (and get funding) are more likely than not to be white males which narrows the search for new business ideas, they all rely on financing and clear business models to get their "go to market" strategies off the ground. The ecosystem factors that will predict their success include:

PROXIMITY TO IDEAS. While we typically focus on the "new is better" innovations embraced by American consumers and clients, we also are influenced by *where* new commercial ideas are born. Where the ecosystem is located *geographically* matters a lot. Some microclimates are highly productive, especially Silicon Valley, which

culture has inspired others around the country – and indeed the globe – to recreate this locale's legendary ability to create unicorns (companies valued at $1 billion or more), though many find its lack of diversity and "echo chamber" insularity problematic.

As a result, the US has newer hubs in Austin, Seattle, Boston and Santa Monica, all sharing the aim of hosting high-growth scale-ups that create jobs and boost their local economies.

As the *Financial Times'* Management Editor Andrew Hill observes,

> in the bloodstream of American entrepreneurship is the idea of disruptive innovation so evident in Silicon Valley, which to a large degree informs how other companies think about how they should innovate. The success of entrepreneurs there, and indeed across America, is based on taking an idea and scaling it, with the genius of US entrepreneurship being how these businesses systematize it. US companies stay close to the prevailing academic wisdom on innovation, so ideas from Harvard's Clayton Christensen on disruptive innovation, or Eric Ries' on lean start-ups feed the American entrepreneur. Under GE's Jeff Immelt, the company picked up on Ries' idea and brought that into their product and service innovations. This is a good example of a big company using the idea of innovation and spinning it out to the rest of the company.

And while credit for innovations is mostly given to the private sector, Hill observes "businesses have been born as a direct result of US Government agencies such as DARPA [Defense Advanced Research Projects Agency] looking for civilian applications to seed their innovations which is counter-intuitive".

PROTECTING THE CLIMATE. Typically, large corporates will seek to insulate the innovation project or company from the mothership in order to protect the entrepreneurial culture from bureaucratic taint. Andrew Hill's analysis suggests

> the disruptive innovation idea put forward by Christensen is that companies need to disrupt themselves, but smashing your core business is not the answer. They must maintain that core while bringing on the innovation which might be the company's future.

BAE Systems' purchase of data analytics business Detica has been kept at arm's length, as has Google's purchase of mapping app Waze.

INNOVATIVE BUSINESS MODELS. New revenue models such as Amazon GO, Uber, Task Rabbit, WeWork, Deliveroo and Blue Apron show the creative ways value chains are reassembled to capture customers not served by the incumbents. And what's being served are not just tangible products but time savings, convenience, personalization and premiumization. Time-poor and cash-rich consumers are a growing slice of the working population, with the money to pay others to do tasks on their behalf.

ADVISORS AND FUNDERS. Besides the structures, processes and cultures that support innovation and entrepreneurship, a host of other factors contribute to make real the dreams of business founders. Ecosystem members including venture capitalists such as Kleiner Perkins, corporate venturing departments of big companies such as IBM, the management consulting firms' own venture operations such as Bainlab and McKinsey's Accelerator, and even specialist incubators such as the Women's Technology Cluster in San Francisco, all help founders and their ideas along the commercialization chain (more on this in Chapter Twelve). These partners are chosen carefully for what they bring to the party: cash, office space, networks, management talent and often all of the above. Blackbox Connect in San Francisco is one such accelerator that claims to "create equality of entrepreneurial opportunity by connecting them to the mentorship, knowledge, resources, and networks they need to succeed and inspire".[5] There are also entrepreneurs who help other start-ups not necessarily in their own

sector. According to Laurence Kemball-Cook, founder of green energy company Pavegen,

> most of the deals I've closed in the US have been as a direct result of other founders and CEO's. Founders can help other founders with introductions and a big hug as they've had help throughout their journey and believe in giving back to others on similar journeys, to pay it forward. It's easy for them to see their younger selves in a new founder and feel an affinity toward that individual. An introduction from a founder to an investor is always going to be more valuable than an introduction from the professional services firms as you earn more respect from the investor. I'd advise building relationships with founders who can help you with introductions to investors, clients, potential employees and a wider network by going to the US, hanging out, go to events, use the local co-working spaces, give keynote talks as they'll find you more easily that way too.[6]

SUPPLIERS. Whether it's data-driven insights, academics, executive talent or manufacturers of components, the successful entrepreneurs ensure they know where and how to access these resources. With data being one of the most valuable resources, finding ways to obtain it given the growing dominance of the data miners we know as the FAANGs (Facebook, Apple, Amazon, Netflix and Google) is key.

HEROES AND VILLAINS

While at one time Facebook CEO Mark Zuckerberg, Uber's Travis Kalanick and Theranos CEO Elizabeth Holmes (former leader of the now-defunct blood testing business) were celebrated for their ability to create "unicorns" (companies valued at over $1 billion), each has suffered reputational damage, as have their businesses, due to hubris or poor business decisions.

What characterizes the innovation heroes is obsessive attention to solving customer problems ethically and creatively. One example is the not-for-profit healthcare venture Haven, which is lowering the costs of healthcare for employers and employees alike by cutting out the middlemen in that complex system. Founded by Amazon's Jeff Bezos, Berkshire Hathaway's Warren Buffett and JP Morgan Chase's CEO Jamie Dimon, it is simplifying the systems, technologies, contracts, policies and other barriers to supplying programs for their workers with the intent to widen the pool to include other US corporates looking to save money and have direct control over their healthcare system.

THE GOOD, THE BAD AND THE UGLY INNOVATIONS

Today, there are at least as many business model innovations as "new and improved" physical products.

In the "artificial intelligence" category, there is Allstate Insurance's Drivewise plug-in device and app to monitor safe driving in exchange for lower premiums and alerts about when your car requires servicing. Then, there's the Oral B Genius X toothbrush using sensors that track where in the mouth the toothbrush is placed, plugging this data into an algorithm which gives users their score each time the brush is used. The associated app provides personalized tips on how to improve brushing and track their score over time.

Similarly, skincare brand Neutrogena offers its 3D-printed, customized face masks using a customer's iPhone X camera to scan their face, after which they receive a mask by mail for a perfect fit on their face. Choosing from six separate ingredients for the mask means the user's unique skin issues can be addressed while monitoring their skin's progress over time via their app.

Rosa Foods' meal replacement Soylent appeals to those who view food as a "time-consuming hassle" according to founder and software engineer Rob Rhinehart. His 35 chemical ingredients mixed

with water turn this powdered drink into a vegan delight for those wishing to use their time for other pursuits.

While Tesla's electric vehicles have revolutionized the auto industry by providing pollutant-free transportation, Google's Waymo is making self-driving cars appealing for users and cities alike.

Then, there are the host of absurd innovations, including the "Panty Hose x 3"[7], which allows women three-legged pairs to rotate legs should a run develop in one of them. You might prefer the "Toilet Landing Lights"[8], which fit around its rim to help you find the seat in the dark. Or if dignity is your priority, why not opt for the "Hospital Happiness"[9] modesty flap at the back of the hospital gown to protect your backside when guests come to visit?

New parents might like the baby diaper alarm that flashes when wet, alerting parents a change is needed without needing to tuck your finger inside it to check.[10]

Famous (last) words

"The future is already here – it's just not evenly distributed". (William Gibson)

"I have not failed. I've just found 10,000 ways that won't work". (Thomas Edison)

"Ignore the people who tell you it won't work, and hire people who embrace your vision". (Michael Dell)

"The earlier changes are discerned, the earlier the opportunities they create can be converted into innovations". (Peter Drucker)

"You can't just ask customers what they want and then try to give that to them. By the time you get it built, they'll want something new". (Steve Jobs)

NOTES

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