



TOOLKIT 23 – INTREPRENEURSHIP: INNOVATE AND REINVENT YOUR BUSINESS

- ❖ **Bring Silicon Valley into your business.**
- ❖ **Create new exciting products and services.**
- ❖ **Unleash the entrepreneurial and innovative spirit in your business.**

Many businesses are now facing increasing price and product competition. The once sure-footed gazelle has been replaced by the plodding gait of the dinosaur. These businesses find it increasingly difficult to innovate, renew and reinvent themselves.

STORY – 3M INNOVATION

3M Innovation are often held up as a good example of a business that has been successful at innovation by encouraging entrepreneurship within their business.

They work very hard at it.

7% of their annual sales of £17 billion dollars is spent on technology building, 85% of which is devoted to new product development. They maintain the level of spending regardless of profit trends in the business. They encourage anybody in the business to spend 15% of their time working on their own ideas in work time. Innovation in 3M is described as the commercialisation of ideas not just inventing for its own sake.

They have created a culture where people have the right to fail – it's OK to make mistakes. They are entrepreneurs in the way they develop and extend their products.

For example, Post-it® notes. By watching how their customers used Post-it® notes they realised that often when answering the phone you cannot pull off a note to write a message, so they developed the one handed dispenser. They also realised that their sticky tape was made in rolls to suit them not the customer. Can you ever find the end of Scotchtape? So they developed the wrist dispenser for wrapping presents.

They also share technology and ideas right across the business and leverage new technology and ideas into every part of the business (see 'Using the EntreNet', toolkit 25).

Yet there is a hard business edge to all they do. They set tough targets for innovation. 25% of all sales must come from products that have been launched within the past four years. A magnificent business that has put innovation at the top of its agenda and even included it in its brand name.

Many of the traditional approaches to creating an internal entrepreneurial, innovative culture have not produced the desired results.

What has been learned about trying to create an entrepreneurial innovative culture internally, in an existing business might be called INTREPRENEURIAL.

HOW NOT TO CREATE AN INTREPRENEURIAL CULTURE:

- Set up a 'special projects' team of 'volunteers'.
- Insist on measurable outcomes or objectives.
- Meet monthly.
- Appoint people to the team who have the time to be there.
- Insist on regular detailed reports and updates.
- Establish detailed screening criteria for new ideas.
- Throw money at the problem.
- Encourage the innovation team to be different i.e., dress down Wednesday mornings and all day Friday.
- Innovate behind closed doors; keep customers in the dark in case your competitors discover what you are doing.
- Set out to create a 'culture of innovation'.

Many of the attempts to encourage intreprenurship may have faltered because they contravene the ways entrepreneurs actually do innovate and create value.

Therefore it might be helpful to summarise the latest findings about how entrepreneurs do their work, i.e., the fundamental laws of entrepreneurship and then try to apply these lessons internally to create INTREPRENEURSHIP.

1. Entrepreneurship is now generally defined as 'creating value often from practically nothing'.
 - Entrepreneurship is a resource-light activity so throwing money at it may well be counter-productive.
2. Entrepreneurship is a creative act requiring vision, passion and obsessive commitment.
 - Entrepreneurship is mainly a right brain creative, intuitive process, so setting up committees insisting on detailed reports i.e., typical left brain planning and control processes; almost certainly do not add value to the creative entrepreneurial process. In fact they inhibit it.

6. Entrepreneurs learn how to create value in different ways to which traditional business management is taught.

Entrepreneurial Learning
(Right brain)

Just doing it
From successful peers
Family and friends

Traditional Business Teaching
(Left brain)

Courses
Books
'Experts'

7. Entrepreneurs develop their recipe for success by synthesising information from whatever source is appropriate or they personally deem credible. Business is usually taught as an analytical process; breaking the problem down into manageable steps. So one is pulling together and building whilst the other is pulling apart and deconstructing.

If you compare some of the traditional ways of trying to encourage entrepreneurship by large organisations with the fundamental laws of entrepreneurship, it's not difficult to see why many attempts at entrepreneurship have failed.

If you need any more convincing consider these three facts:

- 95% of all the innovations this century in radical new products and services have come from businesses employing less than 20 people. Source: D. Birch, EfER Conference, Berlin, 1991.
- 50% of all fast growth businesses are run by people who worked for large companies, got disillusioned by the corporate culture, left and set up their own business. Source: John Case, The Origins of Entrepreneurship, Inc. June 1989.
- In the majority of successful start up businesses, the lead entrepreneur has spent at least 10 years serving an apprenticeship. This includes understanding the technology, the players in the industry, building network contacts and learning how the business works. Source: Karl H. Vesper, New Venture Ideas: Don't overlook the entrepreneurial factor. Harvard Business Review, 1984.

So how can existing business people successfully apply the fundamental laws of entrepreneurship in their organisation in order to encourage entrepreneurship?

We know that entrepreneurs synthesise ideas rather than slavishly follow rules and guidelines, so pick the bits that suit you in order to create your own way of doing things. Also the steps in this toolkit are not necessarily sequential.

Here's how to do it

STEP 1 Start thinking and acting as an entrepreneur.

- Talk to entrepreneurs in order to imbibe some of their attitudes, beliefs and qualities.
- Read 'In the Company of Heroes – An insider's guide to entrepreneurs at work', David Hall published by Kogan Page which summaries 10 years work in recognising, understanding and supporting entrepreneurs.
- Obey the fundamental laws of entrepreneurship summarised in this toolkit.

STEP 2 Bring entrepreneurs into your business to give inspiring talks to your people.

- Ask entrepreneurs from outside your industry to share their entrepreneurial experiences with your people.

Example

Scottish Enterprise encouraged entrepreneurs to visit Universities and Colleges to tell their stories. Students then started asking their tutors to bring in people who could help them with venture capital, protecting intellectual property rights (IPR), finding premises etc. In other words, this created demand-pull as opposed to trying to 'teach people' how to become entrepreneurs.

TIP: Ask people with recent business start up experience to present their experiences. Theirs will be much closer to the realities of innovation and intreprenurship than big business leaders.

STEP 3 Find and support the energy in your business.

- Entrepreneurship requires vision, passion and obsessive commitment, so find the people who have these qualities in your business and give them voice.
- Ask people with ideas to come forward from whatever level or department. Give them the opportunity to pursue their ideas in your business – rather than 50% of them learning to start their own business at your expense!

- Listen to new voices.

Example

Encourage diversity in your business thinking; listen to young people, customer-interfacing people, women etc.

STEP 4

Make it easy for people to start a business in your business.

- Give people space to experiment and try out their ideas

E.g., 3M allow all employees up to 15% of their time to work on their own ideas in the company's time.

An insurance company in Glasgow transformed a large old office into small units with screens, telephones and a computer. Anybody with an idea could spend ½ day a week in that facility to experiment with their idea.

If the idea looked promising they could spend a day a week, then if it got even more promising they could spend all week in the new incubator. If the idea took off the company would share the equity with the employee.

Currently 18 new product ideas are being developed to launch stage.

STEP 5

Bring Silicon Valley into your business.

Silicon Valley venture capitalists see an average of 3,000 new business ideas and plans per year. How many do you usually get? Well you can change that.

Silicon Valley works because it's a free market for:

- Talent They don't care if you don't wear a pin-striped suit or didn't go to Oxford University.
- Ideas They value good ideas from wherever they come.
- Capital They try to make it easy for people to get capital.

How can you create Silicon Valley in your business?

Example

One UK blue chip has taken 10% out of its subsidiary companies' budgets in order to create a venture fund internally for innovation. Funds are now available for new business ideas.

- STEP 6** Do not put bureaucratic blockages, even inadvertently, in the way of your fledgling intrepeneurs.
- Basically don't repeat the mistakes of the past i.e., how not to create internal entrepreneurs.
 - Listen to your intrepeneurs and take any blockages out of their way that may be dissipating their energy and passion. E.g., IT can't give us support until 2004!
- STEP 7** Be prepared for some failures.
- If you are being entrepreneurial then you must expect some ideas to fail.
- You will be smart enough to ensure you do not bet your business on a deal too easily!
- As one MD said 'If we don't get a few 'no shows' then we are not taking enough risks.'
- STEP 8** Encourage persistence.
- Innovation takes time, so encourage people to keep going. E.g., it took James Dyson 587 goes to perfect his world breaking Dyson Cleaner.
- STEP 9** Keep the process informal.
- Do not try to formalise the innovation process, allow it to germinate and grow. Entrepreneurship is an informal, often trial and error, idiosyncratic process. You need to try to keep this informality for as long as possible.
- STEP 10** Learn from successful peers.
- Keep an eye on what other entrepreneurial businesses are doing. There are a number of different approaches being tried and developed right now including:

- Incubators inside and outside companies
- Clusters of business
- Start ups within a business
- Creating internal venture funds

We are keeping an eye at what's happening worldwide and will report any new good ideas or developments on our website www.davidhalluk.com