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Introduction - Scribbling in the margins.

When I pick up a book with a title like 'Nine Steps to Becoming a Millionaire' or 'Six Steps to Global Domination' some perverse streak in me kicks in and I try to think of one more way to do whatever it is the authors claim to have encapsulated with their precise number. How can we ignore the fact that the 10 steps to becoming a millionaire never include one like: 'establish favourite nephew status and then kill your rich, aged aunt'? Do successful people really only have *seven* secrets? I don't count myself as remotely successful and I've got loads more secrets than that! What if, these steps being secret, successful people are holding out on us and keeping one back? I bet it would be the biggest and most important secret too. Selfish bastards!

I do understand the value of counting but I want you to know that my counting is designed only to give you an easy way to recall my thinking, should ever feel the need. When I say there are four of something, please feel free to look for a fifth. If you find it and would be so good as to scribble it into the margins for your own future reference, while attributing your discovery to my benign influence, then I would be ever so grateful.

For those of you who like to find the reason to buy a book on its introductory page, this is a book about Innovation; what it is, how valuable it is and how to extract it from yourself and from other people. I reckon it is a handy guide to creating wealth from collaborative endeavour, if wealth is what you seek. I shall try to reveal what it takes to be an entrepreneur so you can *create* a culture of entrepreneurial behaviour in the workplace. This book is particularly relevant if you are not the original entrepreneur behind the business you work in because, as I shall explain in later chapters, the original spark of innovation that brings an enterprise into life is soon dulled by the need to administer a running business. There are now millions of working people who have never known what it is like to work in a culture of entrepreneurship. The businesses they are in are successful because there are barriers to entry into their markets and so they are profitable *despite themselves*. Stand outside the headquarters of any global giant and watch the thousands of people going in and out of the revolving doors, many of them for years on end, and ask yourself; *which of them is an entrepreneur?* Globalisation and the advent of the technology-enabled mega corporation has created an army of administrators and you would do well to ignore much of the sycophantic, self-serving drivel that comes out of the big consultancies that have grown up around them.

Sadly, I have to confess that I cannot tell you how to think like an entrepreneur, I can only tell you the principles of entrepreneurial behaviour. I have reached the conclusion that you cannot think like an entrepreneur; you must become an entrepreneur and then think.

What is innovation?

Before we delve into the subject matter proper, I would like to define what I mean by innovation because it is a word that has more than one meaning in common usage. To me, and in this book, any form of activity that produces a one-off result, regardless of how unique it might be, is not innovation, it is invention. The qualities of innovation are that it is *incremental, repeatable, measurable, and requires collaboration*. To see what I mean let us take a look at each of these qualities.

Incremental – The innovation we are concerned with is natural, inherent in normal human behaviour and therefore it is easy to derive. It follows from this opening definition that it is based on the

knowledge and experience of its contributors and not some wild extension of their imaginations. If an employee identifies that a particular process is slower and more costly than it should be, this is because they *know* the process and can therefore *see* how it could be improved. We innovate in areas where we have domain knowledge and we should not be interested in suggestion-box nonsense where people with no background in a particular subject feel that they can nevertheless contribute to its betterment. From the point of view of the contributor, the innovative step, whatever it is, should be an incremental improvement over the status quo, as opposed to something altogether new, which is invention.

Repeatable – There is absolutely no doubt that innovation can be forced from people. Hold a gun to peoples' heads and they can be pretty resourceful. The trouble is, such an approach makes all of us feel pretty resentful. Large-scale cost-cutting programmes are perhaps the most obvious examples of where 'innovation' can be forced. Usually it takes the form of targets, where business units and departments are obliged to come up with suggestions of ways in which costs can be reduced (or heads shall roll). Such programmes have been reported as being responsible for considerable savings and efficiencies. However, they are difficult if not impossible to repeat and are subject to a high degree of manipulation. Having had first-hand experience of just such a programme in a Fortune 500 company, I treat with scepticism the alleged benefits of such forced innovation. I believe that if one investigated it closely, one would find that it was riddled with fraudulent claims and inflated achievements. I have seen a planned office relocation rebadged as part of the programme when it was in fact nothing 'new' and was entirely unrelated. Loopholes in accounting get exploited, for example counting employees on maternity or paternity leave as headcount reductions provided no temp is brought in to replace them. Contingency funds that a responsible business should carry get eroded and all the slack that is needed to respond to new growth opportunities gets taken away. These programmes are stupidly destructive because their objective is only to increase profitability and not to improve the business. In the course of cost-cutting, most large organizations will cut the wrong costs. Again, stand outside the headquarters of our global giant ask yourself if you believe for one second that when people leave the building the management know exactly what capability has left with them.

Measurable – Ours is a complex world where cause and effect are rarely the easily definable things that we would like them to be. Competition, markets, internal politics, technology, geography, demographics and our social background, all line up as factors with the potential to distort our perception so that what we call facts are in fact little more than vague, biased assumptions. We believe the things that the people whose opinions we respect say to us. Why? Well, because *they* believe them. Surely by now we should have cottoned on to the fact that even really smart people believe a lot of utterly false rubbish. We imagine that drug dealers make a fine living and it takes smart, questioning minds, like those of *Steven D. Levitt and Stephen J. Dubner in Freakonomics* to ask why drug dealers still live with their moms. Of course most drug dealers are comparatively dirt poor, that's why they sell drugs! We imagine that suicide bombers are not afraid to die but I would beg to differ, these people are so terrified of the finality of death that they have to find a way to live forever. Find an atheist suicide bomber and you have found a man of courage!

If we are capable of believing things that might not actually be true we need to find a means of telling when we are barking up the wrong tree. We don't want to be the marketing director who is roundly congratulated on the brilliant new advertising campaign but can't explain why sales are in

decline. We don't even want to be the marketing director who can't explain why sales are going up. There is only one way to make sure that the things we do deliver the results we desire and that is to measure the outcome as we go along and be prepared to adapt when the data tells us something that we had not predicted. To quote W. Edward Deming, "in God we trust; all others must bring data."

Requires collaboration – We are talking about innovation in a business sense and in that respect we are talking about it from inception to delivery. In the context of this book, innovation by individuals working on their own is either invention or occurs on such a small scale as not to be material to our study. If you count the ability to make incremental improvements in areas of specialist knowledge as innovation then 99% of the human population is innovative. Yet the things we can do by ourselves are nothing compared to the things that we can do together. Only together can we build pyramids, cure cancer, fly to the moon, do anything in fact that impacts upon human society in a significant way.

Hold on, I hear you say. What about Einstein and Newton and all the other geniuses that have done so much for mankind? Pish! If Einstein hadn't discovered the theory of relativity then someone else would have. As for gravity, is it really likely that apples would have continued to fall unnoticed? In any case, I don't think you'll find many geniuses who produce any worthwhile ideas who haven't read books or learned at the knee of a master. We all stand on the shoulders of giants, which is why human civilization is so cumulatively brilliant. Just compare the development of societies with writing and those without to see how important the transmission of knowledge from our predecessors is to the development of new ideas. Isolate genius and the test of time will prove the point. Marie Curie was a woman of fabulous intellect and a great pioneer of physics but she carried radioactive material round in her pockets and wouldn't know where to begin to build a nuclear power plant! Ask a seven year old child today if he or she thinks you should carry radioactive material around in your pockets and designs for nuclear power plants are freely available on the Internet.

There is one form of invention that passes for innovation in the context that I have described. This is where invention is the goal of the collaborative endeavour. Let us take the example of an R&D department. If innovation is taken quite simply as the creation of 'what is not' then invention in an R&D department is its end product and the process of innovation must major heavily on the discovery and implementation of 'what is not'. This gives rise to what I call The Crick and Watson Conundrum. The discovery of the structure of DNA might seem to represent invention but their great discovery was a small, incremental step *for them*, based on tried and tested, repetitive, measured research in their field. Moreover, their discovery relied on the work of Rosalind Franklin and Maurice Wilkins, who in turn relied on work produced by the laboratory of Rudolf Signer, who in turn relied on... You see my point. Now if someone else had discovered the structure of DNA; say an elderly receptionist in a law firm, then the world would have been rightly amazed at the fantastic piece of *invention*. Outside of the world of R&D however, innovation should be about 'what is not' only as a subset of 'what already is' and we should always start with 'what already is'.

If we take this view of innovation then we can say that Individuals are inventive but organizations are innovative and therefore we should spend a lot of time understanding organizational behaviour, which we will. The final point to note is that there is a reason for being so pedantically opposed to

invention by people for whom invention is not primarily their job function. It is because of what I call *The Clock* and we shall come across this concept in more detail very soon. Suffice to say it is pointless having innovative ideas; it is only the implementation of innovation that delivers value. Innovation based on 'what is' is far more likely to happen quickly and thus to deliver benefit than innovation that is based on 'what is not'. This is true even in R&D.

The Basic Premise

Ironically, the one constant in the world is change, yet we behave as if change is something unexpected and display disbelief as huge corporations that 'could never fail' expire like faeries at a political rally. We can all understand why small companies fail, but huge, global institutions? It should be impossible for these giants to be overtaken by adverse circumstance. They have money, power, influence, and within their marble corridors and offices are men and women of high ambition and intellect. Yet if you walk those floors and sit down and talk to them behind closed office doors you will find that although these men and women know what they want; they just don't know how to get it. There is a permanent struggle to steer these unwieldy organizations through a minefield of competition, regulation, consumer indifference and economic downturns. If change from the outside is the thing that will eventually defeat them then a culture of innovation on the inside is the only way that a large organization, public or private, can shield itself to survive and prosper in the long term. What would work for a large organization works even better for a nimble, smaller one and if you know how to harness the power of innovation then you can take on larger competition head-to-head and win every time.

The test of the premise

Walk into any large company that employs one hundred plus people and within ten minutes of talking to its employees, at any level, you can find things that they know they should not be doing, or they should be doing differently. If you work in such a company then the chances are that even as you read the previous sentence you knew it to be true. It might seem that the executive do not know this but I will show you that they do in fact recognise their shortcomings and they shy away from the harsh reality that they cannot do anything about it. You cannot tell 'the organization' to do something, you can only tell people, but the organization *does exist* and force of personality and power of intellect are useless in the face of a non-living thing. You shall see that it does not matter how smart the executive is, how many lieutenants a leader gathers round, or how committed to the cause they declare themselves to be. Unless they know how to make an inhuman, unthinking organization behave, there is nothing that they can set out as a goal that cannot be ignored and no initiative that cannot be defeated.

But what has the resistance of the organization to change got to do with innovation or, for that matter, entrepreneurship? Well, if you master organizational behaviour, instead of trying to master human behaviour then you can create the type of organization where a culture of innovation and entrepreneurship can thrive. Innovation is about collaboration and since the industrial revolution we have learnt to collaborate within non-familial organizational structures. The reason that we do not do better, faster, more effective things even when we *know* they can and should be done is because we keep being defeated by the organizations that we create to collaborate within. They work for a time but for very good reasons there comes a point where the organization becomes so large and

impersonal that its sheer size and complexity starts to defeat innovation. I say *for very good reasons* because one of the reasons for an organization to exist is to grow. There is safety and prosperity in growth and while growth is occurring we are prepared to ignore the damaging cultural side effects of being smaller and smaller cogs in an ever growing machine. At some point however, and this point varies from individual to individual, we all become frustrated by our inability to influence the organizations we are in. This is why we all hate bureaucracy; it is the helplessness of the individual in the face of the organization. When frustration sets in we all lock away our entrepreneurial and innovative souls. We still have them in us, but we won't bring them out to work for something that does not and cannot appreciate them. Kiss the badge all you like, no organization is capable of loving you in return.

Why do we work together? We work together to hunt the mammoth because on our own we eat rodents. How did we arrive at this arrangement? Because the desire to collaborate and cooperate is embedded in our DNA. Natural selection took care of those humans who did not wish to collaborate and consigned their genes to oblivion. If this is the case (and I strongly believe that it is) then why do so many people go against their genetic engineering and work with such resentment that they will neither collaborate nor cooperate to the best of their ability? The answer is clearly not because we are lazy or bad but because in our infinitely inventive way we have made a monster out of our own behavioural traits. The need to collaborate creates a need for complex organizational structures to collaborate within. If the structure is successful then it will grow ever larger and more complex, absorbing more and more people like a sponge. After a while the organization assumes a form of self-awareness. People within it start using dangerous terms like 'brand image' and 'mission statements' and the senior members of the group, who profit the most from its size, start to care more about the image without than the people within. The organization becomes more important than the individuals who run it and many of them feel disenfranchised and, to be honest, miserable. Miserable people don't work very well together; what's the point? Read on and you will find that this situation need never arise and even if it already exists it is easily remedied.

Chapter 1 - The Four Pillars of Entrepreneurial Behaviour

Unless we are in some way mentally handicapped we are all innovative. By that I mean it is almost impossible to find a human being who cannot think of a simple and immediate way in which the circumstances or conditions in which they find themselves cannot be improved. This ability to see the benefit of change is the basis of entrepreneurial behaviour and many entrepreneurs are successful simply because they see that a change that will benefit them is very likely to benefit others and so they implement it on a broader scale than that which is required to meet their exclusive, individual need. What separates the entrepreneur from the rest of the population is something that this chapter hopes to explain, but let us start by accepting that seeing that some level of innovation could deliver a benefit is so common that it is not worthy of deep discussion, at least not in the context of this book. Actually converting the potential innovation into something that delivers a tangible return is what separates the entrepreneur from the dreamers. In other words, we could express the formula as:

$$Id + E = I (\sim) = a/A$$

where Id is an idea, E is the entrepreneurial intervention, giving the result I (innovation), which in turn is equal to action.

Action can have two outcomes depending on squiggle(~), which represents a multitude of random and non random factors that give big 'A' (action that has positive benefit to the entrepreneur and will generate a return) or little 'a' (action that will deliver an inconsequential return if any). Yes, not all innovation is successful and quite a lot of entrepreneurial endeavour is wasted on little 'a' initiatives.

If the conversion of ideas into innovation is driven by the innate entrepreneurial spirit that lies dormant in most of us it would seem that examining what it means to be an entrepreneur would be a good place to start. First, it has little to do with money. When entrepreneurs enter into business they make money as a by-product of their actions, but I have never met an entrepreneur who is primarily motivated by money. There are people we call entrepreneurs, because chance and circumstance have contrived to make them wealthy, who are not, by my definition, particularly entrepreneurial. There are also a great many entrepreneurial people who are not notably wealthy. How do we tell them apart, true entrepreneurs from the imposters? Since every entrepreneur is unique we should try to understand entrepreneurial behaviour through principles and not rules because rules have such narrow definitions you can always find exceptions to them. The four principles that I have identified I call The Four Pillars. These are the factors that drive the behaviour of most entrepreneurs, even if this is not how they would have put it.

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