CHAPTER 1

Introduction to Entrepreneurship

LEARNING OBJECTIVES

By the end of this chapter you will be able to understand:

1. the idea of entrepreneurship as creating value from ideas
2. the idea that innovation is enabled by entrepreneurs
3. the motivations behind being an entrepreneur
4. the characteristics associated with being an entrepreneur
5. the process through which entrepreneurs make innovation happen
1.0 What is Entrepreneurship?

These days, you’d have to be deaf and blind not to notice the “I” word – innovation. It’s everywhere! It leaps out at you from a thousand mission statements and strategy documents, each stressing how important innovation is to “our customers/our shareholders/our business/our future,” and most often, “our survival and growth.” Innovation shouts at you from advertisements for products ranging from hairspray to hospital care. It nestles deep in the heart of our history books, pointing out how far and for how long it has shaped our lives. And it is on the lips of every politician, recognizing that our lifestyles are constantly shaped and reshaped by the process of innovation.

But innovation doesn’t just magically appear. Change requires someone to make it happen, and that someone is an entrepreneur. The word comes from the French, “entreprendre” which means “to undertake,” and typical dictionary definitions see an entrepreneur as:

“a person who organizes and manages any enterprise, especially a business, usually with considerable initiative and risk.”

(Dictionary.com)

But it’s not just about running a business; there’s an element of creating something new. That’s where innovation comes in. Innovation is all about changing what we offer the world and the ways in which we create and deliver that offering, and there’s plenty of scope for entrepreneurs to find new or improved ways of meeting that challenge.

As the famous management writer Peter Drucker put it:

“Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or service.”

In other words, “innovation is what entrepreneurs do,” and we can think of many examples, like the Steve Jobs/Steve Wozniak Apple team, Stelios Haji-Iannou of EasyJet, Mark Zuckerberg of Facebook, or Sergey Brin and Larry Page of Google. This isn’t a new thing; entrepreneurs like Thomas Edison and Henry Ford played an important role in shaping the twentieth century with their innovations. And it isn’t always about making money; major social innovations like the Open University in the UK are the work of entrepreneurs like Michael Young. Table 1.1 gives some examples of entrepreneurs and the innovations they are associated with.

<table>
<thead>
<tr>
<th>Entrepreneur</th>
<th>Innovation</th>
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<tbody>
<tr>
<td>Muhamed Younis</td>
<td>Concerned about the difficulties people on low incomes in Bangladesh were having in raising loans, he developed the concept of “microfinance” and established the Grameen Bank as a vehicle for supporting them.</td>
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<tr>
<td>James Dyson</td>
<td>An engineer and long-standing inventor, he combined insight and perseverance to reinvent a whole range of domestic appliances including vacuum cleaners, fans, and drying systems. His start-up business is now worth several billion, and operates on the international stage.</td>
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<tr>
<td>Amancio Ortega</td>
<td>From early days pedaling his bicycle around northeastern Spain to deliver his products, he grew a global textile empire (Inditex) with major brands including Zara.</td>
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<tr>
<td>Govindappa Venkataswamy</td>
<td>A retired eye surgeon who wanted to bring safe, reliable, low-cost care to low-income villagers in India, he developed the Aravind Eye Care System which has restored eyesight for millions of the world’s poor.</td>
</tr>
<tr>
<td>Neil Tomlinson</td>
<td>Concerned with one of the big humanitarian problems, he founded Aquapax to bring clean water to disaster areas.</td>
</tr>
<tr>
<td>Jon Buscemi and Ryan Babenzien</td>
<td>Two entrepreneurs who saw an opportunity for a start-up competing in the high brand-value footwear space – Greats</td>
</tr>
<tr>
<td>Megan Grassell</td>
<td>Annoyed at the difficulties in finding suitable clothes for her early teenage sister, she started Yellowberry to meet this need.</td>
</tr>
<tr>
<td>Alex and Robbie Georgiou</td>
<td>Long-standing interest in sustainability led this pair to establish Espresso Mushroom – a start-up based on environmentally friendly fertilizer.</td>
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1.1 Where do Entrepreneurs Operate?

We often think of the start-up as the typical model of entrepreneurs in action, but there are many other situations where we can see entrepreneurship. It’s the same basic process but played out in all sorts of different places. Sometimes that will involve creating a new venture from zero, but it’s also the mechanism through which established organizations renew themselves. Coming up with new ideas for projects – new products and services, new processes – is a key part of business life, and that’s something which is driven by internal entrepreneurs.

And it’s not just in the business world; entrepreneurs are also involved in new ventures which create social value and make the world a better place. They may be start-ups created by passionate individuals, or they may be changes brought about by people working in large public-sector organizations, trying to improve public services. We can find them in the charity sector, in aid agencies, in voluntary advice centers, in soup kitchens, and in community shops.

Local organizations in which people spend some of their “spare” time are also prime sites for new projects – coming up with a plan for a community hall, or a new gym for the school are typical examples. And they don’t magically appear; they involve raising the money, twisting people’s arms to help with time, skills, and labor, and managing the project from gleam in the eye to the final day when everyone can celebrate the new arrival on the local scene. That’s a classic example of entrepreneurship in action. In fact, the more we think about it, the more we realize there are entrepreneurs operating anywhere that change is happening.

This idea of entrepreneurship driving innovation to create value – social and commercial – across the life cycle of organizations is central to this book. Table 1.2 gives some examples.

And it’s rarely a complete solo act – entrepreneurship is usually more of a multiplayer game. There may be someone at the center with the vision and passion, but behind them, there’s often a team helping to realize the vision and make the great idea actually happen. And as the idea grows, so does the network of players linked to making it become real.

Entrepreneurship is a hot topic, but what is it actually about, and how might we make it happen? That’s the purpose of this book, and in this chapter, we’ll try and lay some foundations about what it is and how it works. In particular, we’re interested in both the character – the entrepreneur – and the process they go through to create value through something new.

<table>
<thead>
<tr>
<th>TABLE 1.2</th>
<th>Entrepreneurship and Innovation</th>
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<tr>
<td><strong>Stage in life cycle of an organization</strong></td>
<td><strong>Start-up</strong></td>
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<tr>
<td>Creating commercial value</td>
<td>Individual entrepreneur exploiting new technology or market opportunity</td>
</tr>
<tr>
<td>Creating social value</td>
<td>Social entrepreneur, passionately concerned with improving or changing something in their immediate environment</td>
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**1.3 Why do It?**

What motivates someone to be an entrepreneur? As we'll see, it takes a lot of time, energy, passion, and sheer hard work. So why would anyone want to do it? Research suggests that it’s a mixture of external forces – threats and opportunities driving change – and internal factors. Let’s take a look at each of these, starting with the outside perspective.

Innovation makes a huge difference to organizations of all shapes and sizes. The logic is simple: if we don’t change what we offer the world (products and services) and how we create and deliver them, we risk being overtaken by others who do. At the limit, it’s about survival, and history is very clear on this point: survival is not compulsory! Those enterprises which survive do so because they are capable of regular and focused change.

**VIDEO: Tim Jones, of Innovation Leaders & Future Agenda, on Identifying Effective Innovations**

Tim Jones has insight about the link between successful innovating organizations and how they invest at https://www.youtube.com/watch?v=YZDDr8JUxIw. Link included with permission of ISPIM.

On the plus side, innovation is also strongly associated with *growth*. New business is created by new ideas, by the process of creating competitive advantage in what a firm can offer. Economists have argued for decades over the exact nature of the relationship but they are generally agreed that innovation accounts for a sizeable proportion of economic growth.

**Innovation in Action: Joseph Schumpeter**

One of the most significant figures in this area of economic theory was Joseph Schumpeter, who wrote extensively on the subject. He had a distinguished career as an economist and served as Minister for Finance in the Austrian government. His argument was simple: entrepreneurs will seek to use technological innovation – a new product/service or a new process for making it – to get strategic advantage. For a while, this may be the only example of the innovation so the entrepreneur can expect to make a lot of money – what Schumpeter calls “monopoly profits.” But of course, other entrepreneurs will see what he has done and try to imitate it, with the result that other innovations emerge, and the resulting “swarm” of new ideas chips away at the monopoly profits until an equilibrium is reached. At this point, the cycle repeats itself – our original entrepreneur (or someone else) looks for the next innovation which will rewrite the rules of the game, and off we go again. Schumpeter talks of a process of “creative destruction” in which there is a constant search to create something new which simultaneously destroys the old rules and establishes new ones – all driven by the search for new sources of profits.

In his view “[What counts is] competition from the new commodity, the new technology, the new source of supply, the new type of organization… competition which….strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives.”

Survival and growth pose a problem for established players, but a huge opportunity for newcomers to rewrite the rules of the game. One person’s problem is another’s opportunity, and the nature of innovation is that it is fundamentally about *entrepreneurship*. The skill to spot opportunities and create new ways to exploit them is at the heart of the innovation process. Entrepreneurs are risk-takers, but they calculate the costs of taking a bright idea forward against the potential gains if they succeed in doing something different – especially if that involves upstaging the players already in the game.

Of course, it’s not just about making money. There are many areas in which this “innovation imperative” is about creating social value. For example, in the wake of humanitarian crises like natural or man-made disasters, innovation really can be a matter of life and death. Look at the example of the Aravind Eye Care System, a response by a “silver entrepreneur,” Dr. Venkataswamy,
who decided that his post-retirement project was to bring safe, reliable eye surgery to millions of people in the poorest villages in India. His experience as an eye surgeon helped, but he had to demonstrate real entrepreneurial skills to bring the costs of a cataract operation down from $300 in the big Indian cities to around $30 if his project was to succeed. He managed it, and thirty years later, the model he developed has meant that millions of people around the world who would otherwise be blind are now able to see.

Everyday innovation in social and community activities – healthcare, education, transportation, housing and shelter – depends on a continuous stream of improvements to make better, more customized services available at costs which are sustainable. The challenge of living on one planet with finite resources opens up another huge arena for innovation, much of it driven by a desire to make more sustainable living a viable prospect. And the wide world of arts and culture is another sphere in which individual ideas carried forward with passion can create wonderful new opportunities and experiences. All involve innovation driven by entrepreneurship. (We'll look in more detail at “social entrepreneurship” in the next chapter).

And for the sake of completeness, we shouldn’t forget the criminal fraternity. Not all innovation is positive in terms of the value it creates, and the dark world of crime is driven by a continuing stream of innovation, not least in the murky world of cybercrime.

But entrepreneurs are not machines; they are human beings, and their inner makeup plays an important role in answering the question “Why be an entrepreneur?” Research suggests that there are often powerful internal drives, for example, to achieve recognition or obtain a sense of self-worth, or to demonstrate the ability to “make a mark on the world.” Entrepreneurs are often characterized by a high level of what psychologists call “need for achievement” (nAch).

It’s not just internal identity. We are social creatures, and another key psychological theme is that our sense of who we are comes from our interactions with others. “Social identity” theory suggests that entrepreneurs create a sense of positive identity through engaging in innovation, which helps fulfill themselves, but which also connects to a wider community that respects and values them for this contribution.

We’ll come back to some of these internal psychological themes in Chapter 7.

1.4 Who are Entrepreneurs?

Close your eyes and imagine an entrepreneur. Chances are you are picturing someone like Mark Zuckerberg, Beyonce Knowles, Steve Jobs, or Richard Branson. You’d be right in that these are all good examples, but the risk in picking cases like these is that they tend to reinforce the idea that entrepreneurs are somehow different, a breed apart.

One good way to remind ourselves that they have feet of clay is to look at some of the early pictures of them, looking decidedly less confident and assured! And it’s worth remembering that many of them only succeeded after several early failures and false starts.

This “hero/heroine” model of entrepreneurs is at odds with the reality that everyone could become an entrepreneur. There is nothing specific in the genetic makeup. Entrepreneurs are made, not born.

That’s not to say it is easy; much of the research on entrepreneurs suggests that they practice hard at the craft. They learn and develop skills, rehearsing and improving them to the point where they are able to turn their hand to many different ventures using the same capabilities.

Coming up with good ideas is what human beings are good at. We have this facility already fitted as standard equipment in our brains! But taking those ideas forward is not quite so simple, and most new ideas fail. It takes a particular mix of energy, insight, belief, and determination to push against these odds; it also requires the judgment to know when to stop banging against the brick wall and move on to something else.

It’s important here to remember a key point: new ventures often fail, but it is the ventures, rather than the people, which do so. Successful entrepreneurs recognize that failure is an intrinsic part of the process. They learn from mistakes, understanding where and when timing, market conditions, technological uncertainties, etc., mean that even a great idea isn’t going to work. They also recognize that, while the idea itself may have had its weaknesses, they have not personally failed. Instead, they learned some useful insights to carry over to their next venture.
We’ve learned a lot through research about the nature of entrepreneurs and the process they engage in to create innovation. Sometimes it’s a solo act, but very often it’s about networks of resources, mobilized and orchestrated to help achieve a clear vision. Entrepreneurs are multiskilled, able to see things, build clear focused visions, engage others in those visions, organize and network to achieve them, and manage the process of convincing others along the way, clearing the path to successful implementation. In particular, research suggests that successful entrepreneurs share three cognitive functions:

- perception, the ability to see things differently from others and embrace novelty;
- fear response, the ability to cope with fear of uncertainty and of failure;
- social intelligence, the ability to communicate and socialize a new idea.

That’s an extensive list and there are plenty more we could add. In fact, if we were writing a job description for an entrepreneur, the advertisement might read like this:

**Entrepreneurs in Action: Failure breeds success**

Thomas Edison was a pretty successful entrepreneur with over 1,000 patents to his name and the reputation for bringing many key technologies into widespread use, including the phonograph, the electric telegraph, and the light bulb; he also founded the General Electric Company, which is still a major player today. He is famous for his attitude towards failure, typified by his search for the right material to make the filament for his incandescent light bulb, for which he explored over 1,000 different options. He is reported as having said that the process did not involve failure so much as “the elimination of a design that didn’t work, so we must be getting close.”

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**Question:**

**What do you think are typical characteristics associated with entrepreneurs?**

When we see them in action we recognize entrepreneurs by characteristic behaviors like:

- **Challenging** – breaking the frame, opening up existing situations to new perceptions
- **Creating** – finding new patterns, new constructions to put on a set of elements in a situation
- **Tolerating ambiguity** – being able to hold several ideas at the same time
- **(Calculated) risk-taking** – Experimenting and learning through trying out ideas, even if the prototypes fail
- **Articulating a vision** – elaborating and ‘coloring in’ the picture to make it real to others
- **Selling** – being good at convincing others of their point of view;
- **Networking** – being able to connect with a wide range of people.

That’s an extensive list and there are plenty more we could add. In fact, if we were writing a job description for an entrepreneur, the advertisement might read like this:

**Wanted!**

Visionary, creative individual with energy and passion, able to communicate ideas fluently who can engage others in the excitement of bringing innovative projects into being. You will be comfortable with uncertainty, ambiguity and risk taking – but not a gambler. Able to see the bigger picture you know how to respond to problems as challenges. An experienced team player you can create effective team dynamics and foster creative ideas while managing and resolving creative conflicts. While you can tolerate failure as an essential avenue to learning you don’t repeat mistakes and are willing if necessary, to break the rules.

This may sound like a pretty demanding job description, but the good news is that we now know a lot about how to develop these skills. They have been extensively studied and researched, and we can model and practice them to build up our capabilities as entrepreneurs. In the book, we’ll look at them in more detail and give you an opportunity to explore and develop them. But before we do that, we’ll finish this chapter by looking at one more important question: *How do entrepreneurs transform ideas into value?*
How do Entrepreneurs Operate?

One of the most important things successful entrepreneurs recognize is that innovation isn’t like the cartoons, where a light bulb flashes on above someone’s head, and suddenly, there you have an innovation.

The reality is that the original bright idea needs shaping, developing, and building into something which creates value – personal, social, or commercial. And this process involves a journey through a number of stages, from initial gleam in the eye to successfully applied idea. Understanding the steps on the way and navigating past the roadblocks and obstacles are a key part of the entrepreneur’s skill set.

Typically, the journey has the following stations:

- Finding/recognizing an opportunity – coming up with the idea
- Mobilizing resources – articulating and sharing the vision, building a network of support, convincing others
- Making the idea happen – managing the change project, dealing with the uncertainties and surprises
- Capturing value – adoption and diffusion, securing the benefits, capturing the learning for next time

Whether we are looking at an individual entrepreneur bringing her idea into action or a team within a multimillion-dollar corporation launching the latest in a stream of new products, the same basic framework applies.

Creating the Context for Success

It’s all very well putting a basic process for turning ideas into reality into place. But it doesn’t take place in a vacuum; it is subject to a range of internal and external influences which shape what is possible and what actually emerges. This process is shaped and influenced by a variety of factors. In particular, innovation needs:

- Clear strategic leadership and direction, plus the commitment of resources to make this happen. Innovation is about taking risks, and going into new and sometimes completely unexplored spaces. We don’t want to gamble, simply changing things for their own sake or because the fancy takes us. No organization has resources to waste in that scattergun fashion; innovation needs a strategy. But equally, we need to have a degree of courage and leadership, steering the organization away from what everyone else is doing or what we’ve always done and into new spaces.

In the case of the individual entrepreneur, this challenge translates into one in which a clear personal vision can be shared in ways which engage and motivate others to “buy in” and contribute their time, energy, money, etc., to help make it happen. Without a compelling vision, it is unlikely that the venture will get off the ground.

- An innovative organization in which the structure and climate enable people to deploy their creativity and share their knowledge to bring about change. It’s easy to find prescriptions for innovative organizations which highlight the need to eliminate stifling bureaucracy, unhelpful structures, brick walls blocking communication, and other factors stopping good ideas from getting through. But we must be careful not to fall into the chaos trap; not all innovation works in organic, loose, informal environments or “skunk works,” and these types of organization can sometimes act against the interests of successful innovation. We need to determine appropriate organization, that is, the most suitable organization given the operating contingencies. Too little order and structure may be as bad as too much.

This is one area where start-ups often have a major advantage; by definition, they are small organizations (often one-person ventures) with a high degree of communication
and cohesion. They are bound together by a shared vision, and they have high levels of cooperation and trust, giving them enormous flexibility. But the downside of being small is a lack of resources, and so successful start-ups are often those which can build a network around them through which to tap into needed key resources. Building and managing such networks are key factors in creating an extended form of organization.

- Pro-active links across boundaries inside the organization and to the many external agencies who can play a part in the innovation process: suppliers, customers, sources of finance, and skilled resources, and of knowledge, etc. Twenty-first century innovation is most certainly not a solo act, but a multiplayer game across boundaries inside the organization and to the many external agencies who can play a part in the innovation process. These days, it’s about a global game, one in which connections and the ability to find, form, and deploy creative relationships is of the essence. Once again, this idea of successful lone entrepreneurs and small-scale start-ups as network builders is critical. It’s not necessary to know or have everything in hand, as long as you know where and how to get it!

### 1.6 Real-World Entrepreneurship

The process model build (see Section 1.5) gives us a helpful map, and this is certainly useful for planning a journey. But how does the journey actually happen? What elements do we need to consider as we go through this journey? Who are the players? How do they interact? What challenges do they face, and how do they overcome them? The reality is, of course, that the journey is never as simple as the map suggests.

What we’ve learned about the process is that it involves a lot of “probe and learn,” trying things out, and (if they don’t work) revising our ideas and trying again. Many of the powerful methods now available – ideas like the “lean start-up” (which we’ll look at in more detail later) – are based on the principle of fast cycles of learning, failing, pivoting, and gradually moving forward.3, 4

Instead of seeing the model as a series of stages, we might see it as a sequence of divergence – exploring possibilities, trying things out, experimenting – and then convergence, closing in on key options and moving on to the next stage. This “explore/focus” approach (see Figure 1.1) is very much a part of the “agile” approach to innovation which emphasizes learning and experimentation.
And successful entrepreneurs reach their goals less through following a detailed plan than in being flexible, adapting to the lessons they learn along the way and mobilizing the resources they can muster in creative ways to deal with the challenges. Again this “effectuation” model is one which we'll look at in more detail as we go through the book.

This doesn't mean that the process model build outlined earlier in Section 1.5 is useless – far from it. But we should recognize it as a map of the journey and make sure we have done some thinking about how the journey might actually take place. One way we can do this is to imagine telling a story of the journey and gradually elaborating on and adding to that story as we make the journey – an approach we'll look at briefly in this final section.

### 1.7 Telling the Entrepreneur’s Story

Any new venture is a story. It starts with an idea – something which will be valued by somebody. Maybe it’s a new thing, maybe a new service, but it has to mean something to somebody; otherwise, it’s just a lonely idea.

As soon as you start thinking about who it is for, you have your first characters in the story. Think about them, who they are, what they do, why they will value your new thing. Paint the picture, make the sketch, bring them to life.

And as you think about them, go back to your idea and make that a little more detailed. How can it be made attractive to your new characters? Bring it to life not just as your dream but as something which they might find valuable.

And, unless your idea is for something the world has never seen before, why is your idea better than someone else's? Why will your characters choose it rather than something else? Think about them and how it fits with their lifestyle, why it would matter to them. Most importantly, why would they pay for it and how much?

Answering that question means you need to think about the value they would place on it once again. If it is a well-made, nicely served cup of coffee, why would they pay you more than they pay for the coffee they can get next door? If it is a handmade chair, beautifully crafted out of old polished wood, why would they pay twice the price of a simple chair they can buy from IKEA?

As your story develops, you can think about how can you reach them. Where do they meet you and your idea? Do they come to the market square and find you and your idea at a stall? Do they go online and find it via the internet? Do they learn about it from friends and come knocking at your door? Do you have a shop? What does it look like? Bring the different ways to life; develop the sketches of how they encounter you and your idea.

Of course, you are interested in more than one person taking up your idea, so repeat the above, adding more characters to your story. Maybe they are all versions of the same person, maybe there are different characters who find you through different channels.

Now step back for a moment and look at what you’ve been doing. You’ve begun to tell a story; it looks like an early sketch or draft of a film script or a piece of theatre, or maybe the outline of a novel. Try telling it as a story out loud, or even better, to someone else. As you tell it, go back and fill in more detail.

We need to add some more to this simple tale. The idea doesn't just happen. It is created by someone (maybe you, maybe you and others).

What’s involved in making your idea real so that your user can value it and buy it? What things have to happen to bring it to life? Think of this as a subplot in your story. Maybe it is
about buying the wood, cutting the pieces, assembling them into a beautiful chair, and polishing and finishing it with care and pride. Where is the workshop, what does it look like? What tools are you using, and where did they come from? Where do you get your wood, and how do you choose it, where do you store it? Flesh out the story about how your chair comes into being, and who's involved in that process. Add more characters into the story.

Or maybe it is about buying the ingredients and then making the perfect cup of fresh steaming coffee. What does the china look like? Where did you buy it? What about the coffee machinery – a simple kettle and cafetiere, or a complex silver Italian super machine? Once again, bring the story to life: the coffee doesn't just appear, it comes about as a result of different activities.

And think about the “who” in all of this. You have some new characters to add to your story, some of them walk-on parts, people who come and go but don’t play much of a role. But there may be others who feature regularly and are a key part of what you do. Maybe your wood supplier is important because he delivers great quality and on time so you are never waiting for what you need to make great chairs. Maybe you have a friend who helps you in the café dealing with the early morning rush of people wanting their fresh coffee on the way to work.

The story is beginning to take shape. You now have a cast of characters and a core story about creating and delivering value through your idea. Try telling it again as a chronological sequence; what has to happen in order for the next thing to happen, and the next? How does the story develop? Maybe it’s a linear process from developing the idea and then trying it out on your market. Or maybe it’s two parallel streams: one about creating the idea while the other is simultaneously exploring the market side.

Now let’s add some more detail. If this thing is going to work, it needs resources – time, energy, money. Think of them as characters of a different sort, and position them first of all on the left-hand side, waiting in the wings to come on stage. Try and develop the detail again – how much time, what kinds of materials, how much money?

Think about when you would need them, what has to be there from the start, what comes into play as you start to develop the idea? How do the resources flow to support the creation and delivery of the idea?

Unless you have a wealthy benefactor or an indulgent parent, you are going to need to get those resources from somewhere. Where do the revenues (the resources flowing in) come from? If you have read them right, then your market will pay for your idea, and you’ll have their money flowing back in. Where else might revenues come from? Maybe loans, or maybe you can sell the idea to someone else as a license or franchise. Create a cast of characters on this side of the story.

And, just as before, try and work out the timing of the revenue flows.

Tell the story again, this time focusing on trying to keep the balance between the income and the outflow of resources. If this flow doesn’t at least balance, you’re in trouble; your idea is going to cost more than it brings in, and pretty soon, you’ll run out of resources. How can you increase the number of characters or their timing to keep this balance? Could you reduce some of the costs?

You’ve now got the very basic outline of a story – a storyboard, a picture of how the themes will develop, and the movement of different characters and scenery. Now start to run the story as if it were a movie, looking for the flow and watching what happens over time as it develops. Imagine (on your own and then telling it to and with others) how it plays out. What happens?

A key part of this imagining is to think about what happens when external things come into the picture, things you hadn’t originally thought about. What if there is a new competitor who comes along and copies your idea? How could you tell the story to make sure that doesn’t spoil your happy ending? Can you protect your idea in some way? Or can you make your relationships with your customers so personal that someone else trying to muscle in isn’t trusted?

Or what if the costs of some of your materials go up suddenly? Or a key resource or person disappears from the story? Try and imagine a whole set of “what ifs“ and think about how you would change the story to make sure they didn’t spoil the happy ending. Of course, it's
not just bad things that can happen “out there”; there are also positive things. What if a large company comes along and likes your product so much they ask to buy it from you, or to license it from you?

What if you get an unsolicited rave review on a website from a celebrity talking about your product? What if your service gets featured in an influential business newspaper as an example of an exciting new start-up? What if an old college friend (a marketing expert) offers to help you with some important introductions to key networks and customers?

Like any story, it can develop in many ways. It makes sense early on to sketch it out as a draft and run it a few times, finding out where it needs strengthening, where it isn’t clear. The happy ending is when you are able to use your idea to create value, and enough revenues flow to help you maintain and develop, maybe building on the idea, maybe launching a new one.

The whole idea of the storyboard is to make explicit and visual your thoughts about how your idea could create value. The more detailed the imagined picture, the less you will be surprised, and the more prepared you will be. And in creating it in this visual storytelling form, you make it possible for other people to share your vision. Sure, they may challenge and question it, but that could be very useful; they may see something which you don’t. At some stage, you may well need to “pitch” your story to someone else to get their support – maybe an investor, maybe a key partner. By telling them a well-developed story and inviting them to add to it, tell it in their way, you are bringing them on board or at least around the table, perhaps giving you some sharp advice, perhaps asking you a key question which you have missed.

Throughout the book, we’ll be exploring different aspects of being an entrepreneur and developing an innovative venture. We’ll use the storyboard as a framework to hang these ideas on, giving you more questions to ask and themes to look at as you build your own venture. And we’ll provide with you a wide variety of tools to help you explore and answer those questions.

Chapter Summary

- Innovation is about growth, about recognizing opportunities for doing something new and implementing those ideas to create some kind of value. It could be business growth; it could be social change. But at its heart is the creative human spirit, the urge to make change in our environment.

- Innovation is also a survival imperative. If an organization doesn’t change what it offers the world and the ways in which it creates and delivers its offerings, it may well be in trouble. And innovation contributes to competitive success in many different ways: it’s a strategic resource to getting the organization where it is trying to go, be it delivering shareholder value for private sector firms, providing better public services, or enabling the start-up and growth of new enterprises.

- Innovation doesn’t just happen. It is driven by entrepreneurship. This powerful mixture of energy, vision, passion, commitment, judgment, and risk-taking provides the motive power behind the innovation process. It’s the same whether we are talking about a solo start-up venture or a key group within an established organization trying to renew its products or services.

- Innovation doesn’t happen simply because we hope it will. It’s a complex process which carries risks and needs careful and systematic management. Innovation isn’t a single event, like the light bulb going off above a cartoon character’s head. It’s an extended process of picking up on ideas for change and turning them through into effective reality. The core entrepreneurial process involves four steps:
  - recognizing opportunities
  - finding resources
  - developing the venture
  - capturing value

The challenge comes in doing this in an organized fashion and being able to repeat the trick.

- This core process doesn’t take place in a vacuum. We also know that it is strongly influenced by many factors. In particular, innovation needs:
  - clear strategic leadership and direction, plus the commitment of resources to make this happen
  - an innovative organization in which the structure and climate enable people to deploy their creativity and share their knowledge to bring about change
  - proactive links across boundaries inside the organization and to the many external agencies who can play a part in the innovation process (suppliers, customers, sources of finance, skilled resources and of knowledge, etc.).
Key Terms

**Effectuation** theory of entrepreneurship which suggests that rather than work with simple causal models, entrepreneurs manage the innovation process through building on the resources which they have.

**Entrepreneurship** the powerful mixture of energy, vision, passion, commitment, judgement and risk-taking, which provides the motive power behind the innovation process.

**Incremental innovation** small improvements to existing products, services or processes - ‘doing what we do, but better’.

**Innovation** the process of translating ideas into value: social or commercial.

**Invention** coming up with a new idea.

**Lean start-up** an approach to managing the entrepreneurship process which stressed the use of multiple short experimentation and learning cycles, rather than a single ‘master’ plan.

**nAch** need for achievement, a psychological theory which suggests that entrepreneurs are motivated by their desire to make a mark upon the world.

**Radical innovation** significantly different changes to products, services or processes – ‘doing something completely different’.

**Social innovation, social entrepreneurship** creating new ventures where the primary goal is social change (making the world a better place), rather than commercial advantage.

**System innovation** (sometimes called Architectural innovation) changes in the whole system, for example moving from that computer design to a completely different way of processing information.

References