



## Investor's quotes

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- Bet on the jockey and not the horse.
- An A team with a B idea beats a B team with an A idea.
- People is to opportunity as location is to real estate.
  - The real estate quote is that “there are only three things that are important in real estate: location, location, and location.”
- There is obviously truth in these perspectives, but later we will see that research tends to indicate that the people are very important, but perhaps not everything.

# Key Factors

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- Team

- Small teams of 2-4 seem best
- Complementary skills and experience .
  - ILinc: Wilson senior person with extensive business contacts and computer experience
  - Usluel: Tremendous electrical and computer engineer and good manager
  - Bernstein: Former top gun sales person in industry.
- Diverse abilities and talents fill out teams
- Generally avoid friends and family –potential conflicts
- Clear job description and written business agreement.
- Plan a lot and then plan for what happens when your plan does not work.

- Passion

- Balance passion with being realistic and grounded. You have to have passion, but you cannot let it blind you.

- Coachability

- If asked where do you see yourself in three years say “wherever the company needs me.” and not “I’m the only CEO we will ever need.”
- Avoid answers that appear egotistical. Show that you value others.

# Things to think about in team building

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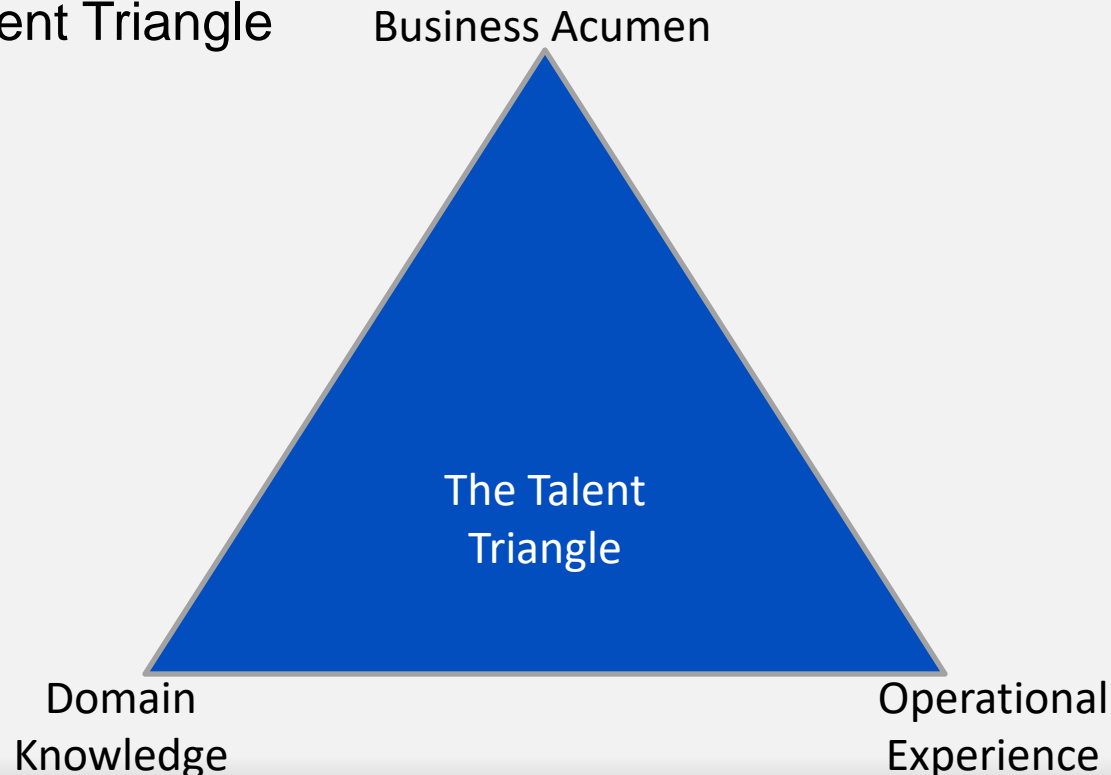
According to Noam Wasserman, Harvard:

- “The Founder’s Dilemma: Anticipating and Avoiding Pitfalls That Can Sink a Startup.”
- Bring in co-founders who have the technical expertise, sales background, or social connections that you lack.
- Creating a more diverse team give you access to a wider, more diverse network.
  - i.e. similar people tend to have similar networks
- Avoiding co-founding with friends and family.
  - The eventual conflict far outweighs the value
- Creating a clear division of labor helps accountability and creativity to flourish.
- Having a plan to address problems
  - Don’t avoid conflict; plan for it.

# Key Factors -2

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- Ability to attract talent
  - Business Acumen
  - Domain Knowledge –remember effectual entrepreneurship and the principle of the bird in the hand.
  - Operational Experience
- The Talent Triangle



# Key Factors -3

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- **Mentors**
  - They were hugely helpful to me when I started ILinc –even when I did not take their advice.
- **Board of Advisors and Board of Directors**
  - Remember the psychological sources of bias which advisors can help reduce.
  - They can also fill expertise gaps.
  - They may even provide pro-bono services
- **Customers**
  - Lean Launchpad insists you get out of the office and talk with customers.
  - Listen instead of selling.
  - Customer acquisition has become *growth hacking*.
- **Social Capital.**
  - Metcalfe's Law! - the value of a network goes up as the square of the number in the network.
  - Often called network economics too.
  - Explains why Google is more valuable than Yahoo and why Facebook crushed MySpace and other social network sites.

# Entrepreneurial Awareness -Opportunities need to be *Recognized*.

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- People recognize opportunities. Some are good at it. Others?
- Characteristics that seem to help
  - Prior Experience
  - Cognitive Factors –entrepreneurial alertness
    - A major key factor is market awareness and sensitivity.
  - Social Networks –solo entrepreneurs and network entrepreneurs
    - Strong tie relationships frequent interaction
      - Often tend to see problems in the same way
    - Weak tie relationships –in-frequent
      - Weak ties are shown to lead to more ideas –different perspectives.
  - Creativity – the process of generating new, often unique, and useful, ideas.

# Components of innovation Organizations from Bessant and Tidd

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- **Shared vision, leadership and the will to innovate**
  - Clearly articulated and shared sense of purpose
  - Stretching strategic intent
  - A fully committed top management.
- **Appropriate structures**
  - Organization design which enables creativity, learning and interaction.
  - Sometimes, but not always a loose “skunk works” model.
  - Find appropriate balance between organic and mechanistic approaches.
- **Key Individuals**
  - Champions, promoters, gatekeepers and other roles which energize or facilitate innovation
- **Effective Team working**
  - Good use of teams (local, cross-functional, inter-organizational) to solve problems.
- **High involvement in Innovation**
  - Organization-wide continuous improvement activity
- **Creative Climate**
  - Positive reinforcement of creative ideas, supported by relevant motivation systems.
- **External Focus**
  - Internal and external customer orientation



## Characteristics of entrepreneurs -Bessant & Tidd

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- Passionately seek to identify new opportunities and ways to profit from change and disruption.
- Pursue opportunities with discipline and focus on a limited number of projects, rather than opportunistically chasing every option.
- Focus on action and execution, rather than endless analysis.
- Involve and energize networks of relationships, exploiting the expertise and resources of others, while helping others to achieve their own goals.
- In the next slide we can compare that to what I presented in Chapter 1.

# Characteristics of Successful Entrepreneurs – I presented in chapter 1

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- **Passion for the Business**
  - Desire to change the World
- **A Product/Customer Focus**
  - Steve Jobs was perhaps the epitome –although he did say that “A lot of times, people don't know what they want until you show it to them.” -BusinessWeek (25 May 1998)
- **Tenacity Despite Failure**
- **Execution Intelligence**
  
- **Why does the World Care?**
  - Innovation –Change the World
  - Job Creation

# Cognitive Characteristics of Innovators (B&T)

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- **Information acquisition and dissemination.**
  - Including the ability to capture information from a wide range of sources, requiring attention and perception.
- **Intelligence.**
  - The ability and capability to interpret, process and manipulate information.
- **Sense making.**
  - Giving meaning to information.
- **Unlearning.**
  - The process of reducing or eliminating existing routines or behaviors, including discarding information.
- **Implementation and improvisation.**
  - Autonomous behavior, experimentation, reflection and action.
  - Using information to solve problems, for example during new product development or process improvement.

## Adaptor versus Innovators.

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- **Adaptors** characteristically produce a sufficiency of ideas based closely on existing agreed definitions of a problem and its likely solutions, but stretching the solutions. These ideas help to improve and 'do better'.
- **Innovators** are more likely to reconstruct the problem, challenge the assumptions and to emerge with a much less expected solution which very probably is also at first less acceptable. Innovators are less concerned with doing things better than with doing things differently.
- M.J. Kirton developed his Kirton Adaptation Innovation theory (KAI) and a scale to measure it to explain the cognitive differences between the two.
  - <http://www.kaicentre.com/initiatives.htm>

# Kirton presents a more detailed comparison shown here:

## **Adaptors:**

Characterized by precision, reliability, efficiency; seen as methodical, prudent, disciplined

Concerned with resolving problems rather than finding them

Seeks solutions to problems in tried and understood ways

Reduces problems by improvement and greater efficiency, with maximum of continuity and stability

Seen as sound, conforming, safe, dependable

Does things better

Liable to make goals of means

Seems impervious to boredom, seems able to maintain high accuracy in long spells of detailed work

Is an authority within given structure

Challenges rules rarely, cautiously, when assured of strong support and problem solving within consensus

Tends to high self-doubt when system is challenged, reacts to criticism by closer outward conformity; Vulnerable to social pressure and authority; compliant

Is essential to the functioning of the institution all the time, but occasionally needs to be 'dug out' of the current systems

When collaborating with innovators: supplies stability, order and continuity to the partnership

Sensitive to people, maintains group cohesion and cooperation; can be slow to overhaul a rule

Provides a safe base for the innovator's riskier operations

## **Innovators:**

Seen as thinking tangentially, approaching tasks from unsuspected angles; undisciplined, unpredictable

Could be said to discover problems and discover less consensually expected avenues of solution

Tends to query a problem's concomitant assumptions; manipulates problems

Is catalyst to settled groups, irreverent of their consensual views; seen as abrasive, creating dissonance

Seen as ingenious; unsound, impractical

Does things differently

In pursuit of goals liable to challenge accepted means

Capable of detailed routine (system maintenance) work for usually only short bursts. Quick to delegate routine tasks

Tends to take control in unstructured situations

Often challenges rules. May have little respect for past custom

Appears to have low self-doubt when generating ideas, not needing consensus to maintain certitude in face of opposition; less certain when placed in core of system

In the institution is ideal in unscheduled crises; better still to help to avoid them, if can be trusted by adaptors

When collaborating with adaptors: supplies the task orientations, the break with the past and accepted theory

Appears insensitive to people when in pursuit of solutions, so often threatens group cohesion and cooperation

Provides the dynamics to bring about periodic radical change, without which institutions tend to ossify

# Does Leadership Matter?

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- Reviews of research on leadership and performance suggest leadership directly influences:
  - Around 15% of the differences found in performance of businesses;
  - Contributes around an additional 35% through the choice of business strategy;
- So directly and indirectly leadership can account for half of the variance in performance observed across organizations.
  - <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.466.1272&rep=rep1&type=pdf>
- Although research has identified many characteristics that are associated with good leaders it does not appear that having those characteristics is very well correlated with or predictive of being a good leader!
  - As a silly example (reduction to the absurd): leaders tend to be taller than the average population. That does not mean that a tall person will be a good leader.
- At a higher level, one can say that good leaders can be a diverse group.

## Some characteristics that many leaders exhibit:

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- bright, alert and intelligent;
  - This is similar to what is known as **entrepreneurial awareness** (or alertness)
- seek responsibility and take charge;
- skillful in their task domain;
- administratively and socially competent;
- energetic, active and resilient;
- good communicators.

# Creativity Components

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- Preparation
  - most business ideas stem from previous experience –often at work.
  - Malcolm Gladwell, in his book “Outliers” postulates a “10,000 hour rule.” Most individuals that are particularly good at something have devoted at least 10,000 to preparation.
- Incubation
  - Pondering or ruminating an idea just below the surface.
- Insight –”Eureka” -”Aha!”
- Evaluation
  - Viability –find the weak spots. Don’t be blinded by a dream
- Elaboration
  - Working out all the details –doing the business plan



# Key Factors

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- **Policy and Reward**
  - Upper management should establish an innovation policy that is promoted throughout the organization. It is necessary that the organization through its leaders communicate to employees that innovative behavior will be rewarded.
- **Hetero- versus homogeneity in teams**
  - When forming teams, some heterogeneity is necessary to promote innovation. However, if the team is too heterogeneous, tensions may arise, when heterogeneity is too low, more directive leadership is required to promote team reflection, for example, by encouraging discussion and disagreement.
- **Climate**
  - Leaders should promote a team climate of emotional safety, respect, and joy through emotional support and shared decision-making.
- **Autonomy and Space**
  - Individuals and teams have autonomy and space for idea generation and creative problem solving.
- **Time window**
  - Time limits for idea creation and problem solutions should be set, particularly in the implementation phases.
- **Evaluation by Leaders**
  - Team leaders, who have the expertise, should engage closely in the evaluation of innovative activities.

Denti and Hemlin; Meta-review of 27 studies: <http://www.worldscientific.com/doi/abs/10.1142/S1363919612400075>

## Building Entrepreneurial Teams

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*'It takes five years to develop a new car in this country. Heck, we won World War 2 in four years...'*

- Ross Perot made this critical comment on the state of the US car industry in the late 1980s, which illustrated the frustration with existing ways of designing and building cars.
- Eventually, through extensive use of team work, US automobile companies were able to significantly reduce this time.

# Effective High Performance Teams

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- Clearly defined tasks and objectives;
  - Effective team leadership;
  - Good balance of team roles and match to individual behavioral style;
  - Effective conflict resolution mechanisms within the group;
  - Continuing liaison with external organization.
- 
- Research has shown that diversity leads to more effective teams.
- 
- Tuckman and Jensen suggest that the stages are
    - ([https://en.wikipedia.org/wiki/Tuckman%27s\\_stages\\_of\\_group\\_development](https://en.wikipedia.org/wiki/Tuckman%27s_stages_of_group_development) )
      - Forming -
      - Storming – resolving conflicts and leadership and exploring alternatives
      - Norming – finding shared values
      - Performing
      - (adjourning) –added later, but expressing the need to complete the task.
- 
- All teams are groups, but not all groups are teams.
    - How well do they work together.

## What hinders teams?

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- Lack of actual team work: -group versus team;
- Don't over specify HOW to do the task (the means) –even when the endpoint might be fairly specific. -ends versus means
- On the other hand, a lack of structure tends to allow teams to wander too far afield and use too much time on the task. Some structure is necessary. -structured freedom;
- Teams need to have support, access to the needed information, and even some training. - support structures and systems;
- While teams are formed with specific expertise and experiences, they may need explicit coaching in some areas. - assumed competence.

# Advantages and Disadvantages

**TABLE 9.2** Potential assets and liabilities of using a group

Potential assets of using a group	Potential liabilities of using a group
<ol style="list-style-type: none"><li>1. Greater availability of knowledge and information</li><li>2. More opportunities for cross-fertilization, increasing the likelihood of building and improving upon ideas of others</li><li>3. Wider range of experiences and perspectives upon which to draw</li><li>4. Participation and involvement in problem solving increases understanding, acceptance, commitment and ownership of outcomes</li><li>5. More opportunities for group development, increasing cohesion, communication and companionship</li></ol>	<ol style="list-style-type: none"><li>1. Social pressure towards uniform thought limits contributions and increases conformity</li><li>2. Groupthink: groups converge on options that have greatest agreement regardless of quality</li><li>3. Dominant individuals influence and exhibit an unequal amount of impact upon outcomes</li><li>4. Individuals are less accountable in groups, allowing groups to make riskier decisions</li><li>5. Conflicting individual biases may cause unproductive levels of competition, leading to 'winners' and 'losers'</li></ol>

Source: Isaksen S. and J. Tidd (2006) *Meeting the Innovation Challenge*, Chichester: John Wiley & Sons Ltd.

# Co-Creation or “Conjoint Innovation”

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- So many innovations were created by two or more persons working together.

Examples of conjoint innovation include:

- |                    |                                      |
|--------------------|--------------------------------------|
| • Apple*           | Steve Jobs and Steve Wozniak         |
| • Google*          | Larry Page and Sergey Brin           |
| • Facebook*        | Mark Zuckerberg and Eduardo Saverin  |
| • Microsoft*       | Bill Gates and Paul Allen            |
| • Netflix*         | Marc Randolph and Reed Hastings      |
| • Intel*           | Robert Noyce and Gordon Moore        |
| • Marks & Spencer* | Michael Marks and Thomas Spencer     |
| • ARM Holdings     | Mike Muller and Tudor Brown          |
| • Skype            | Niklas Zennström and Janus Friis     |
| • Sony             | Masaru Ibuka and Akio Morita         |
| • Rolls-Royce      | Henry Royce and Charles Rolls        |
| • DNA              | James Watson and Francis Crick       |
| • Electrification  | George Westinghouse and Nikola Tesla |
| • Steel process    | Henry Bessemer and Robert Mushet     |
| • Steam power      | James Watt and Matthew Boulton       |

\*Ranked ‘world’s most innovative’ firms, <http://www.fastcompany.com/most-innovative-companies/2011/>

# Climate

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- Climate is defined as the recurring patterns of behavior, attitudes and feelings that characterize life in the organization.
- Objectively shared perceptions that characterize life within a defined work unit or in the larger organization.
- Climate is distinct from culture in that it is more observable at a surface level within the organization and more amenable to change and improvement efforts.
- Culture refers to the deeper and more enduring values, norms and beliefs within the organization.

## Creating a good climate –the factors

**TABLE 9.3** Climate factors influencing innovation

<b>Climate factor</b>	<b>Most Innovative (score)</b>	<b>Least Innovative (score)</b>	<b>Difference</b>
Trust and openness	253	88	165
Challenge and involvement	260	100	160
Support and space for innovation	218	70	148
Conflict and debate	231	83	148
Risk taking	210	65	145
Freedom	202	110	92

*Source:* Derived for Isaksen S. and J. Tidd (2006) *Meeting the Innovation Challenge*, Chichester: John Wiley & Sons Ltd.



## Summary –B&T

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- Leadership and organization of innovation is much more than a set of processes, tools and techniques, and the successful practice of innovation demands the interaction and integration of three different levels of management; individual, collective and climate.
- At the personal or individual level, the key is to match the leadership styles with the task requirement and type of teams. General leadership requirements for innovative projects include expertise and experience relevant to the project, articulating a vision and inspirational communication, intellectual stimulation, and quality of leader-member exchange (LMX).
- At the collective or social level, there is no universal best-practice but successful teams require clear, common and elevating goals, unified commitment, cross-functional expertise, collaborative climate, external support and recognition and participation in decision making.
- At the context or climate level, there is no “best innovation culture”, but innovation is promoted or hindered by a number of factors, including trust and openness, challenge and involvement, support and space for ideas, conflict and debate, risk-taking and freedom.