

19. Innovation and Entrepreneurship

A few years ago, when Japanese consumers got fed up with pasta and the demand for it fell dramatically, an entrepreneur was inspired by the term [Shokukin](#) (innovative spirit), and he thought of a clever way to survive. He invented the “new, genuine Italian” pasta. In his marketing campaign, he explained why his pasta was the best. While it is being produced and stored, throughout the factory, as well as in all warehouses, music by Vivaldi and Verdi is played around the clock. So, when you cook it, if you listen carefully, your pasta is likely to replay all these absorbed tunes and turn your meal into a genuine romantic Italian experience.

A New York cab driver, Frank, figured out how to receive the biggest tips ever recorded in his trade. He greets passengers in their native tongue ([Google Translate](#) helped him learn the greetings in fifty languages). Then he offers them a newspaper, fruit or refreshment, plays their choice of music, provides accurate tourist and traffic information, and, if a client wants that service, he is a trained city tour guide.

Both examples indicate that there are endless ways to create value and that it all depends on entrepreneurial spirit coupled with innovative thinking. However, most people think that it's easy for a small business to be entrepreneurial and creative, but that kind of spirit is hard to build in large companies.

Any analysis of contemporary business and political practice proves that there is no better mechanism to support innovation than an entrepreneurial mentality, just as there is no better way than the free market to make supply meet demand, nor is there a better way to rationally use resources than private ownership and competition, nor is there a better method of administering government than democracy.

As a rule, bureaucratic systems are inferior to enterprising environments. “Working hours is over,” “We’ve just closed,” “That is not my job,” are typical reactions from a bureaucracy. They reflect the employees' disinterest and negligence, leading to customer dissatisfaction because the work is either poor quality, finished late, or not done at all. Bureaucrats are reactive and attempt only to survive, unlike the entrepreneurs who are proactive and development-oriented. Bureaucratic environments, build respect for rules and procedures while entrepreneurs change the rules in order to achieve results. For breaking a rule, you are punished by a bureaucrat, but may be rewarded for innovation by an entrepreneur.

Bureaucracies are led by a strong authority aligned with a rigid organizational structure. Creative entrepreneurs are tolerant, democratic and flexible, ready to embrace changes whenever necessary. Bureaucratic decision making is based on outvoting, work is done by experience, and the formal hierarchy is fully respected. Entrepreneurial people search for consensus, appreciate innovation, reward initiative and support participation in decision-making.

Take a look at one example. [W. L. Gore & Associates](#) is one of the 200 largest privately held companies in the United States with more than 50 facilities in East Asia, Australia, Europe and the Americas. *It is best known for its innovative products and a unique organizational culture. Instead of a formal management hierarchy, the company has a flat, lattice-like organizational structure and everyone shares the same title of associate. There are neither chains of command nor predetermined channels of communication. Associates choose to follow leaders rather than have bosses assigned to them. The associates are encouraged to communicate directly with each other and are accountable to fellow members of their teams. Such teams are typically organized around opportunities, new product concepts, or businesses. As teams evolve, leaders emerge as they gain followers. The unusual organizational structure and culture contribute to overall company's success and associate satisfaction and retention. It has inspired the new management style called open allocation; the employees are given a high degree of freedom in choosing what projects to work on, and how to allocate their time. And, of course, it makes them creative and innovative.*

In bureaucratic systems, you are good if the boss likes you; in entrepreneurial surroundings, if the customer likes you. In selecting and hiring employees, bureaucrats respect formal requirements while entrepreneurs prefer

talent, creativity, ability and demonstrated skills. Trapped within a bureaucracy, capable individuals often have a feeling of lagging behind, while the entrepreneurial environment makes them bloom and grow.

Bureaucratic environments seek dependent, obedient employees who think the same, act the same, and dress the same. Entrepreneurial cultures prefer independent, imaginative employees. In such systems, young people advance quickly while most bureaucratic bosses try to make sure no one gets promoted before his time.

An entrepreneurial principle is to reward results and motivate people to work harder and innovate. Bureaucratic systems often reward working time, irrespective of results. Clients and customers are a nuisance for a bureaucratic system. Customer satisfaction is the paramount goal of true entrepreneurship.

Although most of the previously described differences may sound like exaggerated stereotypes, they are often proven by management research. It is important to note that a culture is either enterprising or bureaucratic, irrespective of company size. For example, Google, Apple or Starbucks may be large systems built on entrepreneurial spirit. Also, a hairdressing salon and a car repair shop in my neighborhood can be sad examples of a small and rigid bureaucracy.

It is true that most large systems used to be small entrepreneurial initiatives. *For example, Akio Morita with six young, curious college graduates established Sony in 1946. They started with 20 employees and a vision to build a company as a playground for engineers to develop innovative products. Sony of today is a company with annual sales higher than the GDP of a small European country; still, they are dominated by the entrepreneurial spirit. Their famous products like Walkman, Discman and PlayStation have all been outcomes of engineering playfulness. Morita has always been the first to play with various inventions at his office. He was especially fond of the telephones for two and helped establish the popularity of the walkie-talkie. He also used to send messages to his co-workers via remotely controlled flying balloons. His deputy was best known for a huge model of electrical railway installed in his office. He and Morita used to spend hours playing with it while discussing future products and services.*

Coming from the top, playfulness and curiosity may become extremely contagious for all the employees, creating an environment of constant innovation. And, of course, good ideas bring money!

In the times of Shoguns, a Japanese warrior, [Nobunaga](#) decided to attack a powerful enemy army. He believed in his victory, but his soldiers were doubtful. So, before the battle, he took them to a Shinto temple. After my prayers, he shouted, I am going to flip a coin. If it's the heads, we win. If it's the tails, we lose. Destiny holds us in its hand! Nobunaga prayed in silence and then tossed the coin. It was the heads. Seeing this, his warriors eagerly ran into the battlefield and defeated the enemy.

No one can change destiny, said Nobunaga's deputy, in the evening while they were celebrating the victory. It's true, said Nobunaga, showing the coin with the heads on both sides.

Innovation stems from "entrepreneurial" initiatives coming from all the team members. They must have a desire to fight, a winning spirit, a readiness to attack all problems as soon as they are spotted without seeking prior approval, support or permission. There is an old rule: if you ask enough people for permission, you'll inevitably come up against someone who will say "no." Less effective people think: *If I haven't explicitly been told 'yes,' I can't do it*, whereas the most effective people share the belief: *If I haven't explicitly been told 'no,' I can*.

In 1995, the famous CNN reporter [Christiane Amanpour](#) came to Sarajevo to interview the leaders of the major political parties regarding the just-signed Dayton agreement. Among them was Zlatko Lagumdžija, a friend of mine, the wartime vice-president of Bosnian government and the head of the Social Democrats, also a professor of information technology management. He took her to the first floor of the Business School building and asked her kindly to wait for him a couple of minutes.

Being a perceptive journalist, Ms. Amanpour looked around in wonder. The floor was packed with computers, their screens throwing grayish light on a few dozen young, smart eyes, deeply immersed in work. The computers were top quality, more advanced than those in her CNN office. The scene surprised her. She knew that, until a

few days ago, this building had thick concrete plates instead of windows, to protect the inside from sniper shots and mortar shells. Like all buildings in Sarajevo, the premises had no electricity for a full nine months. During that period, the price of fuel for an aggregate amounted to hundred dollars per gallon on the black market. How did this high-tech flower manage to blossom, surrounded by the atrocities of war?

Professor Lagumdžija explained that the whole floor is the MIS center (Management Information System), built with donation money. Instead of buying weapons, they invested in the technology. It was an oasis for young, talented people, taking them from the deadly streets and providing them with modern hardware and software. Wars end sooner or later, and the country is best rebuilt with knowledge and technology.

The journalist smiled and said: Forget about Dayton, which I originally wanted to discuss with you. Let's tell the story of the MIS center. And she did. The three-minute report circled the world, depicting a fairytale of a technological oasis amidst the disasters of war. It provided a tiny shift in perception of Bosnian politicians, stressing their care for the future in the war-torn country. But there was a more substantial result; a new donation, used to rebuild and equip yet another floor of the school building which is now called the MIT center (Management of Information Technology).

If the journalist were from any of the local TV stations, she would have done it, as asked by the editor. No initiative would be appreciated by her boss. However, a globally successful network should allow freedom and creativity. If you come across a better story than the one you originally planned to do, then follow the better story. In the end, your mission is to do the best job possible, and not strictly obey the orders from the boss.

*Ideal networks are better off without a traditional editor, a powerful individual who approves all assignments. Rather, the reporters should be free to chase the stories they believe to be relevant. The journalist who constantly succeeds in tying up the pieces of his story into a valid product should eventually receive more time and get promoted as a headline news star. By analogy, a change agent is supposed to create an atmosphere in which the best, smartest and most capable individuals can give everything they have. They must be recognized and promoted as quickly as possible. The task of a leader is to build an environment open for initiative and entrepreneurship. In order to do it, he must follow a simple rule: *Attract the best people, keep the best people, and never lose the best people!**

In creative environments, permission should not be sought for everything. Each employee should presume that, whenever he wants to do something good for the system, his boss' confirmation is implicit.

As a supervisor to my students, I am often asked how something should be done. How to compile a good seminar? What does a satisfactory dissertation look like? How many pages should a critical review consist of? What types of software should be used in team projects? How to prepare for the exam in order to earn the highest grade?

They expect answers narrowed down to "technicalities": e.g., the number of pages of a critical review should be between five and ten, the references should be quoted according to the Harvard System, the oral exam is based on this and that chapter from the textbook, projects should be prepared using the following software package...

Of course, the provided information helps the students understand what is good and what is bad, how things should, or shouldn't be done. I am ready to go into details, if necessary, but before that, I smile and say: You know what I expect from you? Knock me off of my feet! Amaze me! Thrill me! Do something great and take my breath away!

In fact, the message I want them to remember is that they have the initiative and can use it to the best of their knowledge and ability. I do not want to set formal boundaries of their creativity. Only the sky is the limit! By asking them to amaze me, I tell them that they are potential geniuses, able to knock me off my feet, should they invest enough energy, effort and time.

An employee who wants to "please" and "amaze" his boss will have to give it all. He should go beyond the expected. In order to succeed, he must show initiative because nothing great occurs by itself. He should be

independent and eager to avoid the path already taken because nobody is amazed by a routine solution. He should try harder, otherwise the outcome is a mediocrity. And, of course, his self-confidence grows because the boss expects him to do great, it means that his abilities are appreciated.

Innovative environments should practice the amaze-me approach. Every organization needs people who are ready to say “we can change things here, we can achieve awesome goals, and we can be the best!”. Creative people are often worth as much as the initiative and responsibility they are prepared to take.

As the Minister of Science, I had two senior advisor positions open. Whom should I promote? The standard practice suggested that I should look at those who were currently positioned immediately below in the hierarchy; in this case the regular advisors. Then, I should select the best among them. I did that, but I was not pleased with what I found at that level. A typical advisor has a dozen and more years of experience and is considered a solid expert, equipped with knowledge and skill. Also, he is an educated bureaucrat with the following attitude: Every morning I come to work, drink coffee and read newspapers, waiting for my boss to call me and tell me what to do. If, for some reason, he forgets me, I can read newspapers and drink coffee all day long. If he assigns me a task, I complete it relatively efficiently. After I dump my product on his table, I go back to my office and the routine starts all over again: newspaper, coffee, gossip and waiting.

This was not exactly what I wanted. I needed creative senior advisers with initiative, people who wouldn't sit calmly in their offices, reading newspapers and drinking coffee, waiting for me to invent a job for them. I wanted individuals who were ready to fight problems and come to me with innovative proposals of actions to be taken. Instead of putting their work and problems on my desk (as most unproductive advisors do), I wanted them to take problems and issues off my table, hopefully before I even knew I had an issue or a problem. I needed independent people with initiative, able to think and work on their own.

After going through the list of all the people in my “pyramid”, I decided to promote two former apprentices. One had three years of experience with the organization, the other just two. As soon as I declared my decision, there was a fierce reaction from the personnel department: That's impossible! It never happened before! However, there was no legislation standing in the way, so I did it. It was the first case of promotion based on capabilities, not results, usually personified by the years of bureaucratic experience.

There were two short-term impacts of my decision; on the positive side all the employees became more proactive and ready to take the initiative, in response to the signal my action sent. On the negative side, I was boycotted (though politely—they still fear the boss in government bureaucracy) by most of the advisors who were disappointed for not being promoted. Luckily, in the long run, my choice proved to be very good. Both newly appointed guys quickly became my most valuable associates, their work and attitude encouraged others to show more creativity, initiative, and proactivity, and there was an overall rise in motivation and entrepreneurial behavior.

The best lesson I learned from that episode was that a boss must work and think for all the obedient and initiativeless employees while the proactive and creative employees work and think for him.