Having the whole world and Keeping our soul

"What good is it for someone to gain the whole world but to lose the soul?" – Jesus Christ in Mark 8:36

Today's Disruptive Entrepreneur

"There is a time for everything, and a season for every activity under the heavens: a time to be born and a time to die, a time to plant and a time to uproot, a time to kill and a time to heal, a time to tear down and a time to build..." – Ecclesiastes 3:1-8

Today is the time and age to be a disruptive entrepreneur, a time and age when Schumpeter's dreams come true, a time and age where Chandlerian[1] views become irrelevant and a time and age where Peter Drucker's amazing tutelage is required reading for not only reward but also for survival.

The following are some of the signs of the times of the age of the disruptive entrepreneur:
1. It takes far less money and far fewer all-round skills to startup
2. It takes far less money to scale
3. It takes far less money to challenge big giants
4. Big tech giants have increasingly been acquiring many companies only for their talent[2]

The above phenomena have been largely due to the black swan events of the internet, mobile and cloud computing.

Many industries that are traditionally not associated with having a technology core like Hospitality and Taxis are in the throes of disruption at the hands of belligerent upstarts like Airbnb and Uber. Airbnb by the way has a market capitalization of $10 billion[3] which leapfrogs it above famous hotel industry icons.

Big Companies and Base Hypotheses

"The companies that refused to make hard choices, or refused to admit that anything much was happening, fared badly. If they survive, it is only because their respective governments will not let them go under" – Peter Drucker

Peter Drucker articulated this increasing occurrence of disruption before Professor Christensen put forward his landmark theory. Companies cannot afford to be complacent. Companies cannot afford to stick to their 'Base Hypotheses'.

I refer to 'Base Hypotheses' as those assumptions under which companies formulate their business model, acquire and utilize resources, engineer processes to convert those resources into products and abide by a certain set of prioritization decisions.

For example, some of the Base Hypotheses of a university maybe:
1. It is necessary for a teacher to stand on a pulpit and deliver lectures
2. GPAs are the most effective criteria for assessing the capabilities of a student

3. It is necessary to test students regularly

4. It is necessary that students must reside in a hostel even if it costs them a lot of money and maybe far away from home

5. A college undergraduate degree must be for 4 years

The list will go on. But the danger with the Base Hypotheses is... Technology.

Technology can shift the base hypotheses in sometimes startling ways. For example, online education may become good enough to make many of the above assumptions irrelevant. Technology in healthcare may make the need for humans conducting the diagnosis irrelevant.

Startups have been more successful in shifting the base hypotheses more than big companies. Big companies suffer from the problem of having some base hypotheses about their businesses due to prior technology constraints but never revisiting these Base Hypotheses until is too late and some startup has already pinned them to the wall. The startup often makes a mockery of a big company's huge resources like brand, bargaining power, relationships and capital by hiding behind asymmetric motivations because the companies do not challenge the base hypotheses.

Big companies can hence take a leaf out of Peter Drucker and make the hard choice of continuously challenging the base hypotheses.

"The greatest danger in times of turbulence is not the turbulence, it is to act with yesterday's logic." – Peter Drucker

Discovery Skills and Me

"To succeed, innovators must build on their own strengths. They must look at opportunities over a wide range, then ask which of the opportunities fits me..." – Peter Drucker

The rise of internet, mobile, cloud computing and other digital technologies have made sure that the scarce resource is not capital but one of ideas. In no prior age could it have been possible for an independent entrepreneur (or any non-governmental entity) to build something like SpaceX like Elon Musk did. As Drucker astutely predicts, I can achieve something great if I can dream far enough and if I am self-aware of what I good at.

The Innovator's DNA mentions two specific skills that we should be aware of[4]. One is discovery skills and the other is delivery skills. Discovery skills are specifically: associating, questioning, observing, networking and experimenting. Delivery skills are analyzing, planning and disciplined execution. Discovery skills are the ones that help an individual come up with great disruptive ideas. Delivery skills are the ones that enable scaling up a disruptive idea to greater heights. The great dilemma here is that a person who is excellent at discovery skills is average in delivery skills and the one who is great at delivery skills is average at discovery skills. Another great insight provided by the book is that you can over a period of time hone the discovery skills and only 30% of it is provided by nature.

Over a period of 4 years I have regularly cultivated these discovery skills and because of them I am better able to appreciate the opportunities that lie ahead of me in this age. Dreaming big, I conceive

of what I call the Idea Factory. The Idea Factory is one which houses discovery skills talent and delivery skills talent.

The discovery skills talent go about conceiving disruptive ideas and the delivery skills talent decide on how to scale these ideas up. Such a notion could have been impossible a few years ago. But not with today's technologies that will help the company to start fast, test fast and scale up fast.

I intend to go with such an organization because it will help me to leave a footprint on a vast number of fields. I specifically will work on platform business models that leverage digital technologies

Peter Drucker often quoted French Economist JB Say: "An Entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield".[5]

Today's digital technologies allow me to do just that but at a greater scale and with fewer skills.

The Promises of Utopia

Peter Drucker talks about seven sources of innovation[6]. One of them is Demographic, Cultural and Social changes. Taking this in a broader, global context we can say that the world (rather than just the company) will be a better place in the future because of the important cultural and social changes that are making 'being your own boss' and entrepreneurship more sought after.

If the potential of disruptive technologies and disruptive entrepreneurs are tapped, Utopia does not seem farfetched. Healthcare costs will fall by a huge margin (and probably Republicans and Democrats can find something else to fight over), Energy costs will come crashing down because of the fall in prices of solar panels, clean tech will become viable, each person will be able to afford clean drinking water as he will have a low cost instrument that can wipe out bacteria, malaria will be in the history books in the same vein as bubonic plague, genetic engineering can make us live longer, we no longer need hospitals and can treat ourselves at home, we can all connect to office and collaborate from home and enjoy less trafficked roads and more time with kids... The possibilities are endless.

The power of disruptive entrepreneurs and disruptive technologies in creating a far better future clearly begs the case for a pro-disruption and pro-entrepreneurship Government policy. Big companies should not be unfairly protected as they are now, big banks are long due to be disrupted and even taxes can be allocated by citizens in the same way that Wikipedia is collecting donations!

The future looks rosy if taken a particular course of action (which seems to be the logical course of action).

But the question is not whether such a course of action will result in a new golden age of humanity but if we will confound ourselves into not adopting that particular course of action.

But why would we not take actions that would lead to utopia or even little less than utopia?

Investing in Dystopia

Mankind will invest in dystopia if two events become a repeated certainty:

1. Big and powerful entities and corporations hoard the knowledge and access to disruptive technologies and Governments actively collude with them to do so and in preventing disruptive companies to put up a fair fight with big companies.

This will cause many technologies to be crammed into benefit existing beneficiaries and will prevent non-consumers from reaping the benefits. Big companies also will have a propensity to not innovate as well as small companies. Once this happens, a cycle of events will ensue. Income inequality and other forms of inequality will increase. Big companies will use disruptive technologies for efficiency innovations that cut a lot of jobs without benefiting new consumers. The highly disadvantaged and poor will resent the injustice. Government will be co-opted by the seemingly 'too big to fail' companies. The blame will be passed on the hard working disruptive technology entrepreneur and technology in general will be made a scapegoat for the problems of the poor. This attitude of scapegoating technology can be seen today as well where the biggest worries of regulators and politicians are the disruptive entrepreneurs and companies like Apple, Uber, Airbnb etc. But the sad fact is that there are more mining billionaires in the Forbes top 100 billionaires than technology billionaires[7]. This scapegoating of technology will escalate a crisis for basic human needs because the very definition of technology is 'doing more with less' and you are taking away that capability. Then follows the usual routine of wars that may in effect be apocalyptic because the technology in warfare maybe advanced by many degrees from what it is today.

2. Mankind augments misplaced desires and wants

We really have to decide if we are going to use mobile computing devices that according to Forrester Research are equivalent to what super computers were in 1993[8] to more often fling angry birds at angry pigs than use them to acquire new skills that can the previous generations could not comprehend to acquire.

The problem with these misplaced desires and wants is that they drive investments (from say VCs) away from areas that are crucial into areas that are frivolous. This will mean there will be some who will be taking vacations in the Sea of Tranquillity in the Moon while many will still be dying from Malaria.

Technology has never been a complete blessing to mankind. For example, 40% of the internet is pornography. The cotton gin increased the slave trade. Tor, a beautiful piece of sophisticated engineering is used by anonymous criminals.

Technology also augments the misplaced wants and desires of mankind because it allows people to push boundaries like never before and hence they may tend to push the previous boundaries of possible immorality.

I believe today's generation like mine is allocating capital in the worst way possible. One indicator that it is truly is so because savings rates are at record lows while optimism is also low!

Capitalism will be a truly effective engine to solve the problems of mankind only when we as a society will prioritize decisions that channel our collective energies in solving the most pressing issues of mankind.

At the Crossroads – Focusing on the Important Problems

History has taught us that mankind often tends to repeats its own mistakes. So what would we do?

"The best way to predict the future is to create it." – Peter Drucker

We may currently actually be engaged in a strategy of investing in dystopia because the huge developments in technologies have come despite and not because of Governments and Big companies. Wherever the Government has looked less, there disruptions have historically been better. We may also be invested in dystopia because of the disproportionate manner in which frivolous and important problems are being solved.

Technology innovation does not cause us to change who we are, but it will cause us to revisit who we are and what will be our choices. Technology can never be a substitute for bad morality.

And technology will inevitably solve what we want to solve. We need to focus on solving the important challenges of the very poor with few market incentives to solve some of these challenges. And society and Government must celebrate disruption rather than oppose it.

But what will happen if singularity ensues? Well, that is an added incentive to work faster to uplift the poor! We may have fewer jobs and in return less money. But what matters is, in singularity, we may have more 'wealth' – excellent health, clean water, unpolluted air, unlimited transparent information etc. The most important worry should be of an equitable society before singularity hits. And probably just like technology freed us from being an agrarian society to pursue other interests, technology singularity will free us from the need to work to just feed ourselves and work on things that we are truly passionate about!

Probably we may have the entire world and keep our soul too!

References

Note: Quotes have been extensively taken from Peter Drucker's Innovation and Entreprenuership: Practices and Principles

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