

The New Entrepreneurs - Movers and shakers in economy and society?

On Drucker and Disney – A fairly simple tale

Talk. Think. Work.

No magical traits separate the successful entrepreneur from other successful people. What makes an entrepreneur great is the same recipe as what makes for a great politician, teacher, union leader or thinker. The recipe is, as Drucker reminded us, astonishingly simple. Listen to people. Think things through. Work hard.

The latter part we typically get, but that is not what sets apart great innovators. It is, instead, the listening and thinking that make the difference. Ours is a generation that often wants to be listened to – often rightly so, though presumptuously at times. The greatest challenge, however, may be to think. In an era of information-overload, time for reflection often seems limited. (Of course, it is not. We still have 24 hours in a day. The question is how we use them.)

We set off with a simple to-do list: listen, think, work. Then there's the "to-be" list, fairly simple again: persevering. Third, there's the "to-relate": the need to remember we're embedded in a society. Remember what entrepreneurship is all about: people. With their needs, in their societies.

These are general characteristics that should be nurtured, in every child and adult, in every setting. Nevertheless, Drucker reminds us that his book *"does not talk of psychology and the character traits of entrepreneurs; it talks of their actions and behavior."*¹ What entrepreneurs need to be today is not very different from what they needed to be decades ago. The principles are the same, only the challenges different. Working hard is not enough - and it is in no way unique to entrepreneurs. What sets apart innovators is *purposeful* work, Drucker concluded. Wanting change is not enough, the question is *what* change we want (ask the many Brexiters with symptoms of buyers' remorse).

Birds don't just fly. They fall down and get up.²

To be: persevering.

This summer I want to treat my godson to a trip to the movies. No superhero-action movie. Instead, a simple tale that, I hope, inspires him and many others of the new generation to become entrepreneurs themselves. In Disney's *Zootopia*, a little aspiring rabbit-officer makes her way to the team of Zootopia's big-animal police team. Though nothing is what it seems at first and failure is followed by more failure, the bunny-cop explores, takes the leads and succeeds in true Drucker-style ("*One does not just "analyze". One goes out to investigate.*")³

The morale of the story? "*I won't give up, no I won't give in, 'Til I reach the end and then I'll start again... I wanna try even though I could fail,*" Shakira sings in the movie. My godson may never have heard of Drucker, but this comes close enough. (However gifted a writer Drucker was, his books may not particularly qualify as bedtime stories for a 6-year old.)

Watching the Deliveroo-guys pass under my window, I realize entrepreneurship is everywhere. We just have to recognize it. From high tech to the apparently most mundane innovations (another delivery-start up? Really?). In this amazing place that is Cambridge, I've seen some of the brightest

¹ *Innovation and Entrepreneurship*, P. Drucker, 2002, HarperCollins (e-book), Preface, p. vii.

² *Zootopia* lead song, "Try Everything", sung by Shakira.

³ *Innovation and Entrepreneurship*, o.c., p. 50.

minds linger in the dark. They are what Drucker called the Edisons of this world: the inventors. Luckily our university has understood the importance of matching its great inventing power with strong entrepreneurial opportunities. Enterprise Tuesdays to entice positive and social scientists alike, hackathons and challenges to get a first taste, and incubators to put ideas into practice – it has made it as common to hear in one of the many dining halls “so, why don’t you just set up your own business to implement this great idea?” as the question “did you already find a job?” used to be.

Getting a flavour of something, however, is not the same as getting the whole dessert. There’s more than one catch. Working hard is one thing, but is our generation willing to give up that fancy laptop? Our cherished holidays? However much my generation may admire entrepreneurs, for those of us not fortunate enough to be endowed with great family fortunes, this path is not all glamorous but requires serious downsizing. A student room, no holidays for years, no (or few) colleagues.

A more important challenge is funding. Few have told me happy-ending stories with VCs. Instead of getting the stereotypical investors who pick 10 projects in the hope that one will succeed, a mover-and-shaker innovation needs investors with sufficient expert knowledge to judge the novelty and its chances of success accurately. It is a familiar disappointment also for true shaker-entrepreneurs seeking funding from foundations. The selection committees for grant money may consist of those who are vested in the “mainstream” way of doing things. Academics and business experts judging projects may have helped create the standard treatment for a disease and show little interest in alternative approaches that undermine the importance of their own “invention”. Think of the amount of money pouring into making ever different monoclonal antibodies, even though a true innovation may require us to look in an entirely different direction. The pot of money may be handed out even before the small but highly innovative start-up has a chance to apply. Unintelligent funding is not only highly frustrating, it is also highly counterproductive. The mainstream ideas may get more money, further marginalizing the truly innovative ideas. And what are the latter complaining about, the mainstreamers utter – aren’t there plenty of foundations, VC, BAs and government grants that hand out money? So if you don’t get enough money, your idea must just not be good enough, right?

Every time I hear that only the truly innovative companies survive in this competitive world, I can’t help frowning my eye brows. Friends and colleagues courageous enough to venture into Entrepreneurial World have been confronted with companies that are ever more risk-averse. “Come back when you have the patent for your tech start-up, then we’ll talk.” Basically: you talk all the risk, without sufficient funding, experience or network; and once you made it through all of that, a company buys your idea, runs with it and proclaims in its annual report just how innovative its business culture is. Huh?

Even those who went through all that, have sometimes ended up with bitter disillusionment. More than one start-up in Cambridge made it all the way, with a successful product and a lucrative deal. Only to see its ideas shelved by the big company that bought it. An innovation may be so successful that it risks cannibalizing profits on existing products. Profits and reward can stifle innovation just as much as it can encourage it. Which way the pendulum swings, depends on us.

Innovation can get stifled at every stage. Luckily, many still try. Ever more try, in actuality. And when they fail, many fortunately try again. With greater access to technology, greater help through universities and incubators and greater availability of “smart” funding, entrepreneurship is democratized to ever more layers of society. What I hear from people participating in entrepreneur-

gatherings is that the greatest reward is the inspiration. "There's just this buzz!" Whether or not we end up setting our own company, like any experience in life, being exposed to entrepreneurship leaves a trace in our DNA, in who and how we are.

It's the equality, stupid!

To relate: innovation embedded in society

What do economics, company law and management theories have in common? At least one thing: all three profess, in their own way, that the ultimate goal of their respective discipline is to create value. The shared objective is to create wealth and make our societies better off. This links all of our economic, management and entrepreneurial efforts back to the very basic concept of society - and the people it consists of. That link is the "purposeful" innovation that Drucker keeps reiterating. *Knowledge in entrepreneurship is a means to an end.*⁴ After all, we depend on people and their societies not only to create entrepreneurs but to make their ideas fly.

Not all change makes our society better off, however innovative it may be. I'm not even talking about unwanted side effects or age-old problems in supply chains and worker conditions that innovations may leave unaddressed or even entrench. Amazon may have greatly helped us, its customers, though it was less innovative in its labour practices (on the contrary). Apple's products may greatly improve our customer experience, though some of the problems in its supply chain are as old as paid labour – think Foxconn. Uber transformed our transportation options, though questions on social security contributions and tax payments remain. The solution to these concerns is not unique to entrepreneurial ventures. The solution is not to suppress such innovation, though to identify where smart regulation can make it work even better.

Important as these concerns may be, they are not the most crucial ones. Purposeful innovation requires that the innovation itself is used for a valuable purpose. It requires society to perceive it as valuable. This does not necessarily depend on the innovation itself, but how we use it.

Moving and shaking is all good and well, but we want to make sure we move and shake in the right direction. Graduating in Manhattan mid-2008, I can assure you that not all of my fellow graduating friends thought the financial innovations of residential-mortgage-backed-securities or the high-frequency-trader shakers were for the better. Un-doing what we consider an un-purposeful innovation may itself make for great entrepreneurship – witness the support for AEX, the newly approved stock exchange that built a speed-bump into its trading activities. The purpose was very simple: create more equal opportunity for all investors, not only the resourceful high frequency traders or dark pools. The importance of AEX may reach beyond the borders of the stock exchange. It addresses what may well prove to be the greatest challenge for entrepreneurship over the next decade: equal opportunity.

Opportunity? Isn't that a task for the state? So many pressing needs await an entrepreneurial solution. Climate change – rather pressing! Sufficient food and water supply for an ever growing population – definitely urgent! A solution to bacterial resistance to antibiotics – more attention needed, please!

These are all important *problems* to be addressed, obviously. But the underlying challenge will be equality of opportunity - the opportunity for as many as possible to both (i) become an entrepreneur and (ii) benefit from entrepreneurial innovations.

⁴ *Id.*, p. viii (Preface).

In addition to hard work, thought, exploration and perseverance, we all just need some luck too. We all need help at one stage. Lack of opportunity is like being a great runner, who's put in a low-oxygen environment that prevents her to perform. Those with the least resources may be the most entrepreneurial – by sheer need. They are also the least likely to have the access to funding and a network that would translate their idea into a successful, scalable innovation.

The worst thing that could happen to entrepreneurship over the next decade is to create the impression that it is just another form of elitism. Fancy gadgets for the privileged, made by the underprivileged. Gentrification. A sense of ownership and freedom for the entrepreneurs, though unshared by those working for them or around them.

The democratizing potential of entrepreneurial innovation is enormous. Riding the wave of change, an innovator sees race, gender or wallet volume not as an obstacle but an opportunity. Drucker tells the anecdote of the House of Rothschild's dismissal of the "riff-raff" migrating to the US as an interesting clientele in the 1860s.⁵ Too bad for them, as JP Morgan seized the opportunity to build the impressive investment bank it is today. (Sounds familiar to anyone who heard about Grameen Bank?) Citibank's expansion was largely due to its early inclusion of a young, ambitious female workforce, still unwelcome elsewhere.⁶ Today, a platform such as Coursera carries the potential to democratize top-level education, giving everyone with an internet connection access to free courses from top educators. Solar panels generate the electricity for rural women in India to charge their phones, rendering obsolete the time-consuming and costly trip to a neighbouring town to do the job for a sizeable fee.

We've seen in both our own Western democracies and around the globe how a sense of deep-rooted inequality has shaken our societies. At home, we've seen the anger of our own minorities rise to a boiling point, triggered by police violence, job doors being closed due to skin colour and *défaitisme* moulding in utterly depressing neighbourhoods. We've seen boat after boat of people arrive at our shores and our borders, looking for a place of opportunity and hope for a better life. This is where we need our innovators most urgently. This is where the next decade of entrepreneurship can be make-or-break: help facilitate the inclusion that our societies need to remain united, ensure no talent is wasted due to lack of opportunity or network, focusing our energy on progress, rather than stagnation and strive. The *purposeful* innovation that Drucker hammered on, was not just one that gave a sense of ownership and freedom to the entrepreneur. It needs to be one that creates value, in the broadest sense of the word.

The entrepreneur, the state and the entrepreneurial state

Will the Entrepreneurial World replace the Welfare State? No. It will not and it should not. Why chose either one of them if we can have the best of both worlds by combining their strengths?

The role of both is different, though they can overlap, challenge each other and join forces. As economist Ha-Joon Chang reminded us, there is no such thing as a "free market": before we can let the market play out its full potential, there is quite a bit of state support needed. Mazzucato showed us how this support may be much more entrepreneurial, and innovation-stimulating, than we typically credit it for.

There will always be those of us who need some additional help. We're too young, too old, our body in need of treatment or our mind broken. The welfare state can help us when we are most

⁵ *Id.*, p. 90.

⁶ *Id.*, p. 94.

vulnerable, when no innovator has addressed our needs. Even in what we often see as the most entrepreneurial country, the US, entrepreneurs came up with disappointingly little innovations to provide affordable health care for all. As Drucker reminded us, we should never forego the principles of the welfare state, though its current structures may be far outdated. Observing the consequences of mechanization in his own time, Drucker warned that *"unless we can make innovation an opportunity for redundant workers ... their feeling of impotence, their fears, their sense of being caught will lead them to resist all innovation."*⁷ Mazzucato's Entrepreneurial State may help us combine the best of both worlds to make that happen.

Purposeful innovation, purposeful people

Any innovation can be used for the better or for worse. Bitcoin and the dark web, computer code such as the infamous Stuxnet virus, or hedge fund activism: whether we use it to make our societies better off depends on us, not the invention. And what we define as better off, depends on the society we live in. Managers and shareholders in Japan, for example, gave only a lukewarm welcome to hedge fund activists, deeming long-term relations and loyalty more important than short-term shareholder return.⁸

Purposeful innovation is the reason we should invest not only in ideas, but in people. *"Treat a man as he is, and he will remain as he is. Treat a man as he could be, and he will become what he should be,"* Emerson warned us.

Make people matter. Management may genuinely try their best. Managers of publicly listed companies whom I interviewed for my research were often frustrated by the short-term, short-sighted straightjacket imposed on them by financial markets. The requirement of quarterly reporting, for example. Financial markets and company law, for that, desperately need entrepreneurial innovation. The very reason why entrepreneurship does so well right now may be exactly that each of us wants to matter. We prefer the satisfaction of creating our own jobs rather than merely being an "input" in the shareholder-value-maximization theory.

Conclusion – the tempest and the breeze

The reference to the "New Entrepreneurs" in the theme of the essay challenge may have had Drucker frown. There is nothing new about entrepreneurship, as he reminded us. Entrepreneurs need the same traits as in all decades before ours: talk to people, think, work hard. Try over, and over, and over again. Relate to the very society of which we are both the product and the shaker. All *"fairly simple rules"*, as Drucker concluded. *"Innovative opportunities do not come with the tempest but with the rustling of the breeze."*⁹ It's up to us to feel the breeze rustling in our societies and make it work – for the better.

⁷ *Id.*, p. 258-259.

⁸ *Hedge Fund Activism in Japan: The Limits of Shareholder Primacy*, J. Buchanan, D. Chai and S. Deakin, 2012, Cambridge University Press.

⁹ *Id.*, p. 255.