

# Scaling Up Innovation

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*World Bank's Innovation Fair – Moving Beyond Conflict.*

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## Introduction

This presentation is premised on the assumption that technology is a force for good in conflict ridden and fragile areas (for example improving communication, improving logistics, etc) and that mobile has been singled out as being a particular apt technology in these environments.

This presentation makes the following observations

- (1) Naive entrepreneurship is a high risk and high return strategy that must be rejected from a theoretical perspective in favour of lower risk strategies (that perhaps produce lowered returns, but do not exclude the possibility of the next Google.)
- (2) While investing in business plans is probably correct (even when dealing with a charity that dispenses prosthetic legs), investment should go to the environment (that is technological background) as well (in equal parts).

## Government role in innovation

Relying on government to assist start-ups is not a good plan. It is like dancing with a well intentioned elephant - it is inevitable that small companies will get crushed. It seems to me that more often than not government lands up competing with the very SMME's it seeks to bolster.

I do believe that it is the responsibility of government to create an internal market – however despite intentions in this direction this has been shown not to have happened in South Africa. This internal market in turn can be geared to improve government service delivery – for example using dotmobi to tell pensioners their payment dates.

Asking civil servants and academics to sponsor / mentor / encourage entrepreneurship is surely a bad idea, since they get paid regardless of risks or levels of bureaucracy. To give the management of innovation to a civil servant cannot be logically sound.

## Entrepreneurship as a strategy

If policy regarding innovation is through naive entrepreneurship, this is akin to taking your last R100 and going to a casino. You will lose. Betting on a high risk, high return program is guaranteed to fail. A better strategy is to focus on lower risk and perhaps lower return within your sphere of influence. It is in my view better to invest in the mom & pop store down the road that you can meaningfully monitor, than invest in some global investment

fund (complete with class fronted buildings) that you hope (despite evidence to the contrary) will invest your money prudently.

## **Relying on statistics**

To manage start-ups as an portfolio is also not useful: thus the assumption that if you give R10 mil to 10 companies, in the expectation that 9 will crash and burn, but one will make it big, covering the cost of the initial investment, and then adding profit. A far better idea would be to put in place in addition systems to manage the “failed” organisations into a new vehicle.

## **The background determines...**

My claim is that to scale innovations you need to lay the groundwork and infrastructure. This is not very sexy, perhaps. You need to plan for success, but assume the worst. This strategy does not preclude the Googles, but does ensure that results are expected.

## **The Big Idea**

Ideas are cheap – bringing ideas to market is the end point. I have seen claims that ideas are overvalued. Too much is made of the wild adventure of entrepreneurship, and not enough is made of intrepeneurship – that is, pushing innovation from within existing enterprises and communities. Grand leaps of faith are not a dependable strategy.

## **My assumptions**

While access to markets and availability of seed and startup support is critical in starting businesses, innovation is necessary through all levels of business.

There is not much thinking put into encouraging SMME's to collaborate. This is ironic because to survive they need to collaborate, but they are all scrabbling for any (the same?) work; funding is predicated on mortgaging your home, etc. There does not appear to be anything structural to encourage co-operation

## **Specialisation and Products**

In order to scale a business it is the view of the author that independent products need to be developed. If you consider the big tech companies (Intel, Sun / Oracle, IBM, AMD, Microsoft, SAP) then very often nuts and bolts technologies sit at the heart of their proposition – this is if you assume silicon fabs are nuts and bolts technologies. Oracle, SAP and Microsoft do not have a physical production line perhaps, but they have been in the market sufficiently long to make their service a thing – i.e. Microsoft takes data, shrink wraps it, puts it in a box on a shelf.

As far as I can see, trying to make a product out of a service is very hard. In South Africa there are a lot of Integration companies – these I see as a thin veneer over international products.

The ability to specialise is the opportunity to develop economies of scale – that is they can replicate the same product (service) more at a lower unit cost. Rather than all 22 football

players chasing the ball, being able to focus on doing something well is not happening in South Africa.

There is the phenomenon whereby SMME's are trivialised. I think there is the need to create the means to be able to interchange information – this may well extend beyond IT companies.

## **Conclusion**

I question whether “entrepreneurship” is a good strategy. I question whether governments are the correct agency to foster innovation.

I claim that developing products is the start of innovation and I propose that government and strategic funding goes to creating and fostering an enabling environment where data interop standards are encouraged.