

THE IMPORTANCE OF INNOVATION

ENTREPRENEURING
TOWARDS 2020**PEDRO NUÑO**

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As the global economy begins to slowly pick itself up again following one of the most serious economic crises in generations, concerns about the health of business innovation. IESE Prof. Pedro Nuño shares his views on post-crisis innovation, identifying some important reasons for optimism.

The phenomenon of entrepreneurship also seems to go through cycles. The 80s was a time of restructuring and financial inventions, but not much new entrepreneurial wealth. In the 90s, on the other hand, we fell over ourselves turning innovations into companies and creating new business sectors, such as cell phones and the Internet, which have transformed our society. In the present decade we have once again turned our attention to financial restructuring and innovation, and we may well, as a consequence, end up with fewer companies than we started with.

But all that is about to change. Allow me to make a prediction. There is a huge amount of innovation going on in companies. The problem is that it's not being transformed – quite deliberately – into business. There are also a lot of innovative ideas forming in the heads of executives, scientists, doctors and professionals from all industries. Unfortunately, these people are not sufficiently interested in taking the big leap, nor can they see much in their surroundings to encourage them to do so.

I'll try and give some examples of what I mean. Ericsson set up a laboratory in the 1920s to develop wireless mobile phones. It went on to produce a few models for very special applications such as the military and mining, but most of their telephone business focused on the development and deployment of wired telephony worldwide; Ericsson even got into the cable manufacturing business. Just imagine developing a 50-kg cell phone and having the management board tell you for 60 years that it has no future. Admittedly, the first cell phones were not all that prac-

tical, but the rate of innovation pumped in since they were launched for mass consumption, some 20 years ago, has been spectacular and has created incalculable wealth. Just think how frustrating it must be for those who predicted for 60 years that the 50-kg contraption, if properly developed, would have huge potential, only to have the management board tell them to shelve it.

But let's look at another example. Most carmakers have announced the launch of electric cars for the beginning of the next decade. Several have already unveiled prototypes of the vehicle they intend to launch and are excited at the prospects of this market segment. But some 20 years ago Honda won a race for electric cars in Phoenix by staying ahead for 200 kilometers without recharging. Renault announced the electric Zoom, Fiat the Downtown and Chrysler the TEVan, while at Ford they had been working on electric models since the 1960s. Research into hybrids peaked between 1978 and 1984. In that 6-year period automotive companies whose management boards had not yet approved their hybrid prototype were getting nervous.

So why have management boards chosen now to launch electrics and hybrids? Whatever the reason, it's a welcome development which should raise a host of new opportunities. By a strange twist of fate, just at the time Warren Buffet was buying a share of Chinese car company BYD, precisely because of its advanced position in electric and hybrid cars, I was over there writing a case study about its entrepreneurial chairman and major shareholder, Wang Chuangfu. As Mr. Wang showed me his hybrid and electric prototypes, he told me that he also expected to sell lots of conventional



vehicles in the future. We are looking ahead, then, to a decade in which such an important economic sector as the automotive industry will witness a huge amount of applied innovation, with everything that this implies for the creation of entrepreneurial opportunities in a huge number of areas.

But if we look at another essential industry such as healthcare, seldom has applied innovation been so strong as it is at the present time. Being a member of the Jury of the *Wall Street Journal's* Technology Innovation Awards keeps me very busy in August. Each of the projects presented by the competing companies must be analyzed and ranked. But it gave me great pleasure this year to see that there have rarely been so many new products and services pushing strongly into the market with potential sales of billions of euros, which will certainly bring with them limitless new opportunities for supply, distribution and other related functions.

However, as we look forward to the 2010s, we can see a strong Asia, with China and India and 2.4 billion consumers on the fast track to growth. We can also see entrepreneurial companies beginning to create opportunities in

Africa. As a professor of entrepreneurship at IESE, I guess I have received over 50 business plans so far this year from entrepreneurial alumni planning initiatives in Asia and Africa. This is probably twice as many as the same period a year ago, for a comparable number of projects. Colleagues from other business schools report similar experiences.

All this leads me to think that the time is right to take innovation out of the closet and into the market. But I understand the market is the whole world. This means the management board has to be proactive, to truly lead. And for this to happen, they have to get excited. It's sometimes a good thing to surround yourself with people who see the bright side of things, though it must, of course, be from a realistic perspective.

To finish on a slightly different note, here's another prediction. The 2010 decade will be great, but what about the 2019 crisis? As we take advantage of this time of opportunity, remember that there are cycles. In this business world there is that nagging financial reality they call a balance sheet, and in terms of the care it requires it is second only to people.

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