

A bright idea is not always enough.....

"A bright Idea is not always enough....."

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February 10, 2010

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Statement #1:
"We need more innovations. Innovations are creating progress"

Statement #2:
"We need more entrepreneurs. Entrepreneurs are vital for our economy"

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Claim:

Nine out of ten people asked to define innovation would say it is a new product

They are wrong!

Joseph Schumpeter claimed that in addition to mean a new product, the word innovation can also be used for:

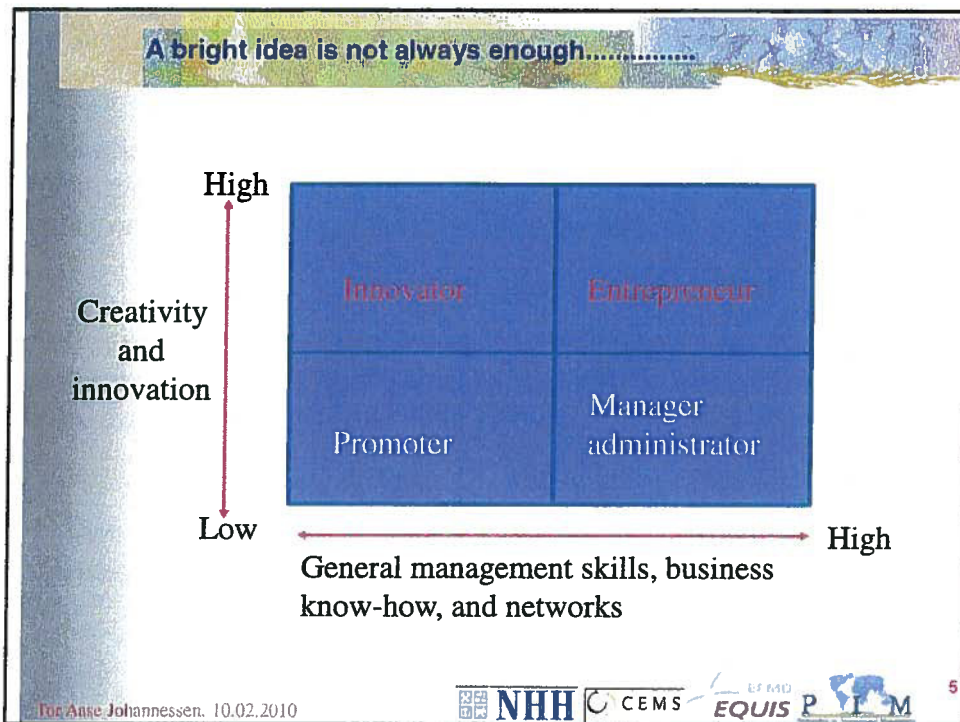
- **new processes for manufacturing existing products (process innovation)**
- **new markets for existing products (market innovation)**
- **new products (product innovation)**
- **new production factors to manufacture existing products (factor innovation)**

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Let us define these two concepts:

"The innovation process is the process that takes place from the moment an idea of an innovation is born until the innovation has been developed". An innovator is often described as a creative person, with lots of ideas, often a bit disorganized

"Entrepreneurship are the activities and processes needed to commercialize the innovation, and which create success or failure". The entrepreneur is often described as a person with organizational skills, and competence in business administration



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- From this follows that innovators should preferably not become entrepreneurs, but remain busy developing more innovations, while entrepreneurs should be looking for innovators with interesting ideas they can commercialize
- However, this is not always the case
- Quite often, we observe innovators who receive funds in order to establish their own venture, often with dismal, and in some cases disastrous outcomes

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- **The distinction between innovators and entrepreneurs is more visible in the US than in Europe. Thomas Edison did not invent the electric light bulb – he commercialized it**
- **NOKIA originally manufactured pulp, but saw the potential in mobile phones (incidentally, the GSM system was developed by Norwegians who did not see the potential)**
- **Norsk Hydro is an excellent example of cooperation between an innovator (Birkeland) and an entrepreneur (Sam Eyde)**

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- **In a couple of recent Master theses, students have interviewed innovators who have become entrepreneurs. They were all highly skilled in their product areas. The interviews revealed some interesting findings:**
 - **Almost none had any prior knowledge of typical business administration subjects such as accounting, marketing and finance**
 - **Of those who had some knowledge of marketing, almost none were familiar with important areas such as branding and brand management**
 - **Ventures with consumer products seemed to have more knowledge than those on industrial markets**

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- If these findings are representative for the entire population of newly established small and newly established ventures, it may partly explain the high failure rate of such ventures
- A closer look at a selection bankruptcy reports some years ago, revealed that lack of sufficient routines for collecting outstanding accounts receivable rather than low sales was one of the most important determinants for the bankruptcy
- However, this should be subject to more studies and analysis, but CPAs confirm that this often seems to be the case

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- The situation in Norway seems to be that the innovator often are given funds to develop his/her own venture, with little or no emphasis on what I have called "entrepreneurial skills", i.e. knowledge of business administration, particularly accounting, finance and marketing.
- The creation of the so-called "technology transfer offices" at universities throughout Europa, can be seen as a recognition of the fact that university researchers need help to commercialize their innovations although the cost measured in IPR sometimes can be high for the researchers
- I have just taken part in the process where the outcome was a new venture with a very competent board, leaving the creative process to the innovator, who then has also become an entrepreneur

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SUMMING UP

- We need both innovators with innovative ideas as well as people who can commercialize them
- This means that we will have to separate stronger between those with bright ideas on one side, and those who are able to make them sellable and take them to the market
- We should look for the bright ideas in places we usually don't associate with innovative ideas, such as schools (the pupils) and universities (the students)
- My own experience shows that business school students are far more innovative than people believe, and if given the right tools (theory), they are able to come up with great product ideas

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- To start with, students could have their student loans converted to scholarships which would make it easier for them to establish a new venture with a lot of initial expenses and little hope of a profit at least for some years
- Or, alternatively, the repayment of the student loans could be delayed for 5 years
- Finally, courses in innovation and entrepreneurship should be introduced as early as possible in their school career, even in elementary school
- The concept "Elevbedriften" ("School student venture") should be allowed to continue after the graduation (under the present rules, the ventures must close when the school students graduate)

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