

In Focus: Innovation Management and Entrepreneurship

EDITORIAL

The third newsletter from the Innovation and Knowledge Management Center introduces a minor but important change, as you might have already noticed just above. We decided to give a name to the newsletter in the form of "InnKnow FORUM". With this change we first want to emphasise the analytical nature of the articles presented, as they are not simply news headlines concerning our activities, but rather research results that are of interest for discussion and possible application by the management professional. Second, we also want to emphasise our open editorial policy as we routinely invite not only visiting and associated faculty, but also managers, business leaders, and, last but not least, our graduate students and alumni to participate by contributing with articles, comments, mini cases or any other relevant "management updates" on the core topics of the InnKnow Center.

We continue our series of focused issues, devoting this InnKnow FORUM to **Innovation and Entrepreneurship**. In a period of recession and uncertainty these issues are certainly difficult to promote, still they are more important than ever in order to recreate the necessary dynamism and optimism that pave the way out of the difficulties facing organizations today. In Greece we are facing specific challenges of maintaining the dynamism created by the preparations for next year's Olympic Games and of grasping the opportunities and managing the changes that the extension of the European Union will bring. One important factor is then to promote entrepreneurial thinking among the next generation of business leaders. This is why, within the Graduate Program in Decision Sciences of AUEB, a study option in "Entrepreneurship and New Business Development" was launched in September 2002. *The students in this specialization learn how to use tools and methods for managing business creation and growth, how to maximize the positive returns of creativity, innovation and new venture development, and develop their ability to initiate, grow and lead entrepreneurial ventures.*

In addition, a series of Executive Seminars on entrepreneurship are organized. In December 2002, Professor Thomas V. Schwarz from The Seidman School of Business of Grand Valley State University, Michigan, USA conducted an executive seminar entitled "Mastering Entrepreneurship: From Creativity

and Innovation to Business Strategy". Professor Schwarz has authored the first article in the newsletter focusing on the entrepreneur and small businesses as a nation's greatest resource. A second seminar, on "Doing Business in the Balkans: Grasp the Logic to Bridge the Gap", conducted by Dr. Charalambos Vlachoutsikos and prominent guest speakers from companies operating in the region, was conducted during the month of March. A third seminar, on "Family Business Management" by Professor George Vozikis, Bovaird Endowed Chair in Entrepreneurial Studies and Private Enterprise, University of Tulsa, USA, will be run on June 11-12.

Another important event was organized on March 27th. Within the framework of the FORESIGHT project, in which InnKnow has undertaken an analysis of the current and future situation for innovation in Greece, a one day open conference on the "Determinants of Innovation and the Challenges and Future of the Greek Economy" attracted over 150 participants. The success was due to an impressive list of prominent international and Greek speakers. The second article, by doctoral candidate Konstantinos Kostopoulos, presents the conference in more detail and provides an overview of the issues debated.

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The third article, by Professor Gregory Prastacos, Dr. Yiannis Spanos and Konstantinos Kostopoulos, summarises the results of the first part of the research conducted by InnKnow within the FORESIGHT project.

In the following article, Professor Gregory Prastacos and myself outline the most essential steps of planning and launching an entrepreneurial venture and discuss lessons learned from the dotcom meltdown. Finally, I review, with the help of students in the entrepreneurship specialization, a highly interesting book on the Irish experience of entrepreneurship "Driving the Tiger – Irish Enterprise Spirit" by John J. Travers (2001).

Eric Soderquist

ENTREPRENEURS AND SMALL BUSINESSES: A NATION'S GREATEST RESOURCE

By Professor Thomas V. Schwarz

While their contributions have been underestimated in the past, entrepreneurs are now recognized as the force that drives the "invisible hand" of the famous economist, Adam Smith. They are the ones who shift resources out of an area of lower productivity and into one of higher return and value. They are the pioneers who convert ideas into products; dreams into reality. They are what make an economy dynamic as opposed to static.

Today's economic environment is a lot different than it used to be. Entrepreneurs are facing new challenges and the traditional way of doing things no longer rules. The implications are that: 1) continued turbulence and change for organizations will be the norm, 2) there will be a reduced need for organizational physical assets, 3) the influence of physical distance on organizational decisions has all but disappeared, and 4) the compressed time dimension requires organizations to stay on top of changes with no time-outs and no substitutions. Therefore, the new companies of the 21st Century will:

1. Be smaller and more responsive (flexible)
2. Look for niche markets at a global level
3. Innovate with teams and fast-paced product development
4. Be oriented toward superior quality and customer service
5. Have a flatter organizational structure
6. Rely on outsourcing and use the virtual company structure
7. Create value by giving people a major stake in the organization

Thankfully, entrepreneurs welcome and even thrive on change. They both perceive and seize the opportunity to create value, i.e., to meet the new demands of the market (people) as well as those of

other stakeholders such as investors and employees, from the disorder that change generates. In a sense, entrepreneurs are those who "manage change" and bring resources back into a more productive alignment. Government economic stability programs are tools of the distant past. The only stability for an economy today is to remain competitive and that means to use technology, communication, and transportation efficiencies to innovate and create products that meet the ever-growing needs and problems of the world community. Today, entrepreneurship is proliferating world-wide because the marketplace is demanding change.

The Global Entrepreneurship Monitor (GEM) recently released a formal study of entrepreneurial activity within 37 countries (Greece has not yet been represented within the GEM studies) with extrapolation to the greater global economy (Reynolds *et al*, 2002). Now in its fourth contiguous year, GEM reports striking differences of entrepreneurial activity world-wide. Focusing on the start-up of new ventures (along with those ventures with less than 42 months of activity), GEM found that the percentage of a country's population who were involved in these entrepreneurial activities ranged from a low of 2% (Japan) to a high of 18% (Thailand).

Entrepreneurship was found to be lowest in developed Asian countries and central Europe, slightly higher in the EU, substantially higher in the former British Empire (including the USA), higher still in Latin America, and highest in the developing Asian countries. In addition to the level of economic activity, it was determined that stable national characteristics - government policies, social and cultural norms, and education and training - can be either a strength or a weakness of the country. The implication is that each country must learn the practices of how to support its indigenous entrepreneurs as well as to create an environment attractive to other entrepreneurs around the world (c.f., the reference within this issue of InnKnow FORUM to the Irish example of policies that have been successful in this regard).

What economies are suffering the most today? Clearly, it is those that are having difficulty changing with the times. The causes can be many and varied, e.g., strong interest and lobby groups that resist change, bureaucratic governments that fight change, an uneducated workforce that is unable to change, different kind of convictions that reject change, and a host of other issues. The fact is that change is upon us all. The economies of the world that will progress the most are those that see these changes as opportunities rather than struggles, as good rather than evil, and something to embrace rather than to oppose. This defines the entrepreneur and illustrates what an invaluable national asset they represent.

The U.S. economic system is facing many challenges and has been doing so for quite some time. Yet, the driving force in the US economy for the past 10-15



years and for the foreseeable future is clearly entrepreneurial small businesses (Acs *et al.*, 1998). While larger corporations have instituted "downsizing" programs, U.S. small businesses now represent over 99% of all U.S. employers and provide virtually all of the net new jobs created in the economy. Very small businesses (those with less than 20 employees) account for 77% of this growth. Further, new small businesses generate 24 times more innovations per research dollar spent than do the largest 500 companies and they provide 95% of new and "radical" product developments. One measure of the importance of small firm innovation is the number of times a patent is cited by subsequent patents. In the report of Hicks (2003), small firm patents were found to be cited 28% more than their large firm counterparts.

The ability to sell to global markets, to raise capital across geographic boundaries, and with the aid of computer and technology, to deliver world-class products is no longer the sole domain of the large company. Never before have small businesses been able to compete so effectively against large firms. Speed, agility, and responsive to change are necessary resources in the new world economy. Entrepreneurs seek out arenas where they are free to create, innovate, and pursue the opportunities and rewards that the world brings. The U.S. has benefited to a great extent because the entrepreneurs of the world have flocked there for many years. Therefore, a central question to ask for any nation, region or community is whether today's international entrepreneurs aggressively are seeking to locate in "our" region? It is an important question to carefully examine as the future economic position of a nation or a region is, to a large extent, determined by its answer.

What is the condition of entrepreneurship in your country? A proper role of government is to create an environment that is fertile soil for entrepreneurs to do their job. Is this the situation? To learn more, ask local entrepreneurs how they would like the government to help. Invariably, the answer may be as simple as to get out of the way or to create an environment that fosters creativity and new ideas by opening travel and relations with other cultures and systems. Create openness for a multicultural society. Provide security for risk-taking through fair bankruptcy laws and efficient and fair court systems. Make government processes simple and quick.

Entrepreneurs are self-motivated problem solvers. What a wonderful asset for any country. The question for any government should be, "How can we attract and encourage more of these entrepreneurs?" Undeniably, entrepreneurs will create jobs, provide income, produce tax revenue, and provide innovations and solutions for the country and world community. Without the drive, energies, and dedication of entrepreneurs, new business formation does not take place, and without the continual generation of new businesses, the economy stagnates.

DETERMINANTS OF INNOVATION AND THE CHALLENGES AND FUTURE OF THE GREEK ECONOMY

Report from the conference organized by the Management Sciences Laboratory on March 27 2003

By Konstantinos Kostopoulos

The conference was organized by the Management Sciences Laboratory within the framework of the Technology Foresight Project in Greece, financed by the General Secretariat for Research and Technology. More than 150 people representing government, academia and business participated in the conference. Dr C. Wessner (U.S. National Academy of Sciences), Professor N. Vonortas (George Washington University) and Professor C. Pitelis (University of Cambridge), were among the keynote speakers providing an international perspective.

The driving force for organizing the conference was the increasing importance of innovation as a critical success factor in the knowledge and information economy. The core objective was to examine the development of innovation and entrepreneurship at three interrelated levels of analysis:

- The national context (macro level)
- Regional clusters and networks of organizations (meso level)
- Individual firms and organizations (micro level)

Critical Factors for Innovation

A central objective of the Foresight project is the mapping of the most important factors that drive and feed innovation processes. The total amount of R&D (Research and Development) expenditures, the level of the related human resources (researchers, engineers, managers), the infrastructure for the information sharing and transfer (mainly Information and Communications Technologies – ICT's), the entrepreneurial culture, the marketing attitude, and several public initiatives and policies (tax reduction, limitation of bureaucracy etc.), can create a fertile ground for innovation to flourish.

The level of R&D investment was emphasized as a critical input for merely all innovative and entrepreneurial actions. Such investments consist of both public and private contributions. As several speakers noted, Greek public investment in research and technological development is increasing, in an effort to converge with the EU average. The General Secretariat for Research and Technology of Greece have played a very active role in this effort, by initiating a number of programs that enhance technological research and transfer, by promoting the creation of new, knowledge-intensive firms, and by providing the necessary financial and managerial resources. Nonetheless, it was argued that Greece needs to intensify efforts towards process simplifications, greater protection of copyrights, tax incentives and better resource allocation and control.



Unfortunately, business expenditures in research and development seem to remain at low levels, a fact that was recognized as a major future challenge.

Regional Clusters

Another interesting topic debated was the importance of the regional perspective and regional clusters for the development of innovations. International research presented showed that clusters promote innovation, productivity and competitiveness at the regional and national levels, and also create employment and accelerate the rate of convergence with leading innovation and technology regions and nations. Some famous clusters were presented from the USA (Hollywood, Silicon Valley) and Europe (Cambridge, UK, and Sophia Antipolis, France). Clusters have a tendency of evolving to "regions of excellence" or "mega-clusters", where several supportive structures, measures and policies can be linked thus creating a critical mass, capable of achieving higher levels of innovation and competitiveness. In Greece, a number of successful regional cluster programmes were presented by Professor N. Komninos, in particular the Regional Technology Plans of Central Macedonia, Regional Innovation Strategies at Epirus, Thesally and Northern Aegean, and the Regional Innovation Actions in Peloponesos, Crete and Attica.

Managerial Factors

The third session of the conference was dedicated to innovation and entrepreneurship within firms and organizations (micro level of analysis). The speakers of this session revealed factors serving as facilitators for the development and opportunity seeking in the field of research and technological innovation. The role of marketing, for example, was recognized as a crucial parameter for the success of new products and services. The research presented emphasized the importance of marketing information and orientation in combination with a well-structured launch strategy and marketing communications (especially through new communication channels like the Internet).

The role of quality in all innovation processes was also stressed as a critical success factor. Quality comes as a result of commitment to excellence, hard work and capitalization on existing and newly created knowledge at all organizational levels. The time-to-market factor was also mentioned as a critical success factor. The proper timing of innovation commercialisation is as important as innovation generation and development. As several industry representatives noted, there is a certain trade-off between innovation and time to market, a fact that calls for cooperation between the R&D, production and marketing functions in order to offer an integrated solution with the right (i.e., innovative) characteristics at the right time and in the right market.

To sum up, the three conference sessions provided an integrated framework to examine and 'foresee' the future of the Greek economy along two closely related axes: Innovation and Entrepreneurship. In this respect, the contributions from policy-makers,

researchers and industry representatives pointed out three business sectors that present a number of opportunities to enhance innovation. The first group includes industries such as the agricultural sector, energy and tourism, which offer many entrepreneurial opportunities stemming from ongoing structural changes and the need for the formulation of a national strategy. The second group consists of technology-driven industries such as IT, e-government, materials handling and biotechnology, where exceptional examples and opportunities for successful innovative products and services can be observed, while at the same time, these companies are engaged in new market expansions and industry restructuring. Finally, the third group comprising industries such as the environmental sector, health and quality of life and culture, should be given high priority for the formulation of a national policy. For a presentation of the speakers talks, please refer to our web site www.msl.aueb.gr.

CRITICAL FACTORS FOR SUCCESSFUL INNOVATION AT THE NATIONAL, CLUSTER AND FIRM LEVELS

By Gregory P. Prastacos, Yiannis Spanos and Konstantinos Kostopoulos

In today's Knowledge-Based Economy (KBE), the importance of innovation is uncontroversial. Innovation is recognized as one of the most crucial parameters for growth, not only at the national level but also at the regional and the firm level, and therefore it is considered as high priority in the policy of almost all countries. The differences in competitiveness and income per capita that are observed among national economies can be attributed, at least to some extent, to different levels of innovative activity and growth.

By the term innovation we define the use of new knowledge in order to offer (that is to design and commercialise) a new product or a new service that customers want. Innovation can be a new product or a new service, a novel production process or technology, a new management system or organizational structure (internally or externally in relation with customers or suppliers). Moreover, innovation may be radical or incremental, depending on the extent to which it represents a clear departure from established practices and capabilities of the firm.

Our effort to examine those factors that are instrumental in innovation development is of utmost importance as it attempts to answer two fundamental questions: *Why some national economies are able to achieve –in comparison to others- higher records of innovation development? Why is the production of innovation concentrated in a relatively small number of countries, while scientific and technological knowledge is (more or less) globally dispersed?*

¹By the term 'innovation records' we mean the ability of an economy to develop new products, services and production processes that are of high economic value, and can be commercialized in international markets.



Within this line of reasoning, basic analysis framework is the concept of **National Innovation System (NIS)** that incorporates three interrelated levels of analysis: The *national economy level* (macro level), the *cluster level* (meso level) where clusters refer to geographically proximate groups of interconnected companies, industries, and associated institutions in a particular field linked by commonalities and complementarities., and the *firm level* (micro level) (Porter & Stern, 1999).

In the national economy level, factors that form an effective framework for innovation development include:

- The investment level in basic research, government policies for support and finance of research and development (R&D), and tax policies affecting corporate R&D and investment spending. Government funding is the mainstay of virtually every nation's investment in truly frontline research. Sustained support for research, particularly university-based research, also tends to augment the pool of scientists, researchers and engineers because research funding often includes stipends and assistantships that attract young talent. Equally important is the contribution of corporate R&D spending.
- The availability of risk capital (or venture capital) that will support the design and especially the translation of innovations into commercially vital products and services. The supply of such funding is very important considering the small percentage of innovative endeavours that succeed in the marketplace.
- The size and the quality of the human capital engaged in R&D in a country and the level of scientific and university education, not only in technological fields but also in management and organization studies, production processes, etc.

- The infrastructure in information and communication technologies that allow the immediate communication and interaction, the elaboration of an increased number of data, the ability to work and cooperate in parallel etc.
- A set of important national policies that include patent and copyright laws, the extent of R&D tax credits, an antitrust environment that encourages competition, and low taxation of capital gains.
- The maturity of the market, concerning the nature of demand for innovative products in the domestic economy and the openness of the economy to international competition.

At the cluster level of analysis, the fundamental factors that determine innovation activities are (Figure 2):

- The availability and quality of the necessary "inputs" to innovation processes. These include high-quality human resources, such as specifically trained, expert, scientific, technical, and managerial staff; state-of-the-art research relevant to local industry issues; and an effective system for communicating best practices and transferring knowledge.
- The existence of a 'healthy' competitive environment, including the norms, rules, incentives, and pressures that encourage innovation-oriented forms of investment. Intense local rivalry and consistent pressure from high-quality international competitors will stimulate innovation by raising the bar for competitiveness and encouraging the inflow of ideas.
- Demand conditions that provide early insights into existing and future needs and press firms to improve and innovate. By raising the bar through their choices, demanding customers drive domestic commercialization activities toward best-

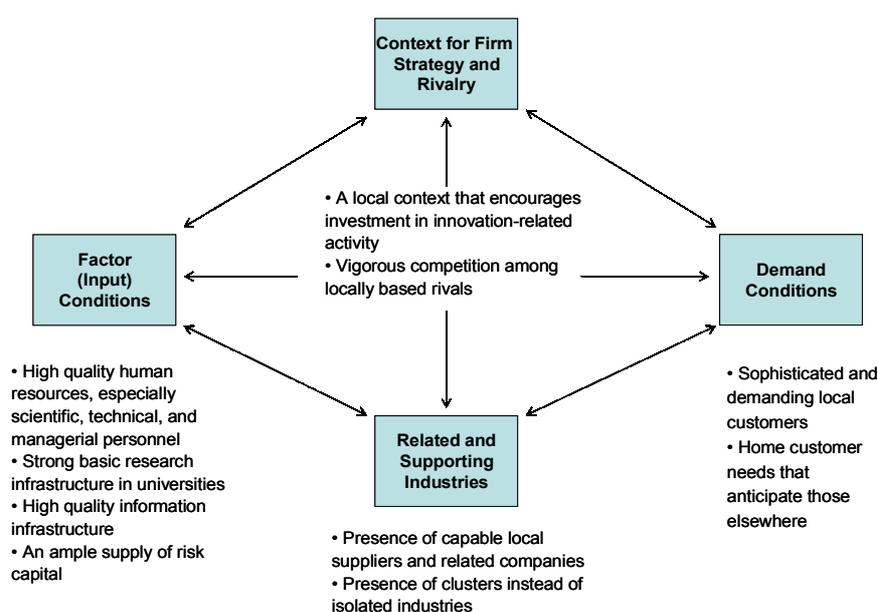


Figure 2: Factors Affecting Innovation at the Cluster Level (Source: Porter & Stern, 1999).



in-the-world technologies and create a strong market pull for innovation.

- The existence of complementary and supporting industries and services.

At the firm level, innovative factors include:

- The operation of an effective R&D department, the level of a firm's R&D spending, the existence of an organizational climate and a top management team that fosters and favors risk taking activities.
- The existence and the elaboration of a firm's intellectual capital, and more generally the management of organizational knowledge. Knowledge (acting as a primary resource for innovation development) requires, in order to be fully exploited, an effective information technology system and the establishment of a knowledge sharing culture based on trustworthiness and cooperation.
- The adoption of a decentralized and flexible organizational structure with 'open' communication channels not only vertically (among organizational levels) but also horizontally (within organizational levels).
- The formulation of strategic alliances, and more generally organizational networking. A firm's participation to a specific network (e.g., a technology park) facilitates communication and knowledge sharing between homogeneous organizations, suppliers and customers.
- The access to financial capital.

Beyond the investigation of all these factors affecting innovation at different levels of analysis, however, the interconnection between basic research and actual embedding of new discoveries in innovative products and services is a matter of utmost importance. *For example, are there any structured and effective mechanisms for transferring basic scientific results to established or emerging clusters of firms?* In some countries (e.g., Germany, USA), there is a significant activity towards the creation of research joint ventures between universities, companies and public bodies/government, a fact that demonstrates the need of a wide dissemination of scientific results to all aspects of the economy.

In Greece, despite the recognized improvement in generating new ideas and concepts, the level of innovative products and services actually introduced in the market remains low. Our country is considered more as a user of innovation developed elsewhere and less as an innovation 'producer'. *What could be the reasons for this problematic situation?*

At a first level of analysis, some evident reasons might be: 1) the large number of small and medium-sized enterprises, which are managed mainly by their owner, 2) the insufficiency of serious technological infrastructure, 3) the relative small

size of the domestic market, a fact that inevitably affects risk taking behavior in a negative way, and results in very low corporate R&D investment, and 4) the inappropriate tax policy.

Consequently, the existence of all these conditions has placed Greece in the last positions in a number of international indicators of technological research and innovation. Nonetheless, over the last five years, Greece has demonstrated an improvement in almost all factors affecting innovation at the national and cluster level of analysis (e.g., public investment in R&D, life long learning, high educated human resources, availability of risk capital). The fact that Greece still remains quite far behind the EU average indicates that *these positive trends must be accelerated and expanded at all levels of the innovation system (macro, meso, and micro)*.

Under these circumstances, it could be argued that for a typical Greek firm 'quick adoption' of innovation, through technology transfer, represents a more realistic prospect than the 'original' development and production of innovation. On the other hand, higher innovation records can be achieved by the convergence of a series of factors including:

- The establishment of appropriate *motives* for innovation development at the firm level, such as improved legal protection of copyrights and patents, tax incentives and facilitation of the procedures for setting up a new business.
- *The enhancement of new knowledge creation* through a clear commitment of government and public bodies to finance and support basic research, and a clear commitment of the private sector to commercialize the results obtained. In this direction, the role of public-private partnerships would be increasingly important, as they allow cost sharing and the exploitation of research results by the private sector.
- *The effectiveness of public expenditures for innovation*. Parallel to basic research investments, governments support corporate R&D through certain programs of direct and indirect financing (e.g., direct grants, tax incentives etc.). It is of utmost importance to secure the proper use of those resources through, for example, the adoption of competitive processes during the selection of organizations to be financed by the government.
- *The enhancement of interaction between the various 'players' of the National Innovation System (companies, universities, research institutes)*. This interaction is extremely crucial for the successful operation of a National Innovation System. Measures and policies that increase the mobility of researchers between public and private sector and promote the interconnection among state and corporate institutions, have been recognized as positive for innovation.



- The cultivation and exploitation of *networking between firms* and related organizations. In Greece those activities are lagging behind compared to what happens in other EU countries. Actions and programs that promote the benefits of such networks (especially for start-up companies) and create the necessary information and technology centers must be implemented.
- Finally, *the improvement of organizational and managerial inefficiencies*, which seem to undermine the firms' innovation activities, is a very important factor.

The above article is a summary of the full report entitled "Καινοτομία: Προσδιοριστικοί Παράγοντες και Προβληματισμοί για το Μέλλον της Ελληνικής Οικονομίας" ("Innovation: Its Role in the Future of the Greek Economy", MSL Working Paper, March 2003). The paper can also be viewed at the General Secretariat's site www.gsrt.gr

ENTREPRENEURIAL PROCESSES AND LESSONS LEARNED FROM THE DOTCOM MELTDOWN

By Gregory P. Prastacos and Eric Soderquist

The Internet and related Information and Communication Technology boom in the late 1990s instilled an explosion of interest in entrepreneurship. Thousands of young (and not so young) people became passionate entrepreneurs, the venture capital market exploded, governments in US and Europe, including the European Commission, pronounced policies and developed support programs for entrepreneurial activities, and Business Schools and Universities created entrepreneurship courses, programs and centers.

With the bust of the dot-com and telecom bubble, the quality, sustainability and commitment to these efforts have been put to a very hard test. As Dr. Stephen Spinelli of Babson College pronounce, the genie of entrepreneurship is out of the bottle, but it is not wild speculation, fragile technology and grand promotion that builds new ventures and renew old ones. *What is needed is a deep understanding of the entrepreneurial process, rigorous attention to detail and, what differs the entrepreneur from the inventor, an obsession of customer value.* Moreover, the financial objective is not "simply" to acquire cash-investment but obviously to generate cash flow (Spinelli, 2001).

Entrepreneurs are, have always been and will always be the engine for transforming innovations into new or improved products and services. In other words, the larger the number of individuals who are willing to become entrepreneurs, the more inventions and ideas will materialise in the form of innovations. *Fostering entrepreneurship increases an economy's competitiveness and in the longer term ensures job creation and continuous development and growth.*

The Entrepreneurial Process

Entrepreneurship still remains a rather vague concept. "Definitions" vary from frameworks of specific skills and actions, to descriptions of entrepreneurial attitudes and behaviours. As Dennis De argues, in a paper published by the Swedish Foundation for Small Business Research, most studies on entrepreneurship in Europe and the US conclude that innovation and creativity have to be combined with a willingness to respond to change and create value. *Hence, successful entrepreneurs combine traits such as organizational talent, understanding of concepts and people, imagination, foresight, ability to assert oneself and, last, a certain degree of mistrust – an entrepreneur must be on guard against inventor over-optimism.* This means that entrepreneurship is certainly related to particular skills and mindsets. Most of these, however, can be learned and systematically improved.

As the creation of new knowledge, the entrepreneurial process always starts with the individual. It can be someone like Stelios Hatziiannou of Easy Group, who was elected Honorary Fellow at the Department of Management Science and Technology in November 2002, or Jeff Bezos of Amazon, in other words a person that starts his or her venture from the genius combination of customer needs recognition and creativity, and then develops the venture through visionary leadership and strong commitment to *Business*. It can also be someone like Mark Gregoire of the French National Office for Aeronautic Research (ONERA) or Joe Woodland and Bob Silver of Drexel University in Philadelphia, who, in the 1950s, laid the ground of such well-known product/service innovations as the Tefal frying pan and the Barcode. These people combined in-depth expertise with a stubborn attention to detail and a passion for *Technology*. They did not advance to top executive positions in the companies exploiting their ideas, but they remained the technical mentors and experts for many years.

If the entrepreneur as an individual is certainly the triggering and a necessary "component" in the process of new venture creation, the above mentioned success stories show that *entrepreneurship also requires teamwork and collaboration.* Once an idea has taken root, the entrepreneurial process continues with the formation of a founding team of the venture firm and an intensive testing and evaluation of market and technological feasibility. When forming the founding team, the entrepreneur looks for people with complementary skills, and, above all, relevant experience and contact networks. As far as testing of opportunity and feasibility is concerned this consists of evaluating several issues (table 1).



AREA TO ANALYSE	QUESTIONS TO ASK
Product/ Service	What are the distinguishing features and unique benefits of the product or service? Is there potential for intellectual property rights? How does the product or service differentiate from others in the market?
Industry	What are the demographics, trends and life-cycle stages of the industry? What are the entry barriers? What are typical profit margins in the industry?
Market/ Customer	What are the demographics of the targeted market? What is the customer profile? Who is the customer? Who are the competitors and how does the venture differ from them?
Finance	What are the start-up, working capital and fixed cost requirements? How long will it take to achieve a positive cash flow? What is the break-even point for the business?

Table 1. Feasibility Analysis. Adapted from Allen (1999).

If the outcome of this analysis is positive and a founding team has been set up, the time has come for the business plan. *The business planning and its documentation is the most important part of the process of creating a new venture.* It requires detailed analysis of the feasibility of the venture, which, at the end of the day, depends on whether it will create true and sustainable customer value.

Business plans should be concise and easy to read. Often, there is, however, many things to say when describing a new business. The audience is very different and broad. In his newly revised book on business planning, Richard Stutley, a practising manager, businessman and government advisor based in the UK, emphasises that, *depending on the reader, the business plan will need to convey different messages* (Stutley, 2002):

- A formal description of the planning process;
- A request for funding;
- A framework for approval or;
- A tool for operational business management.

The solution, thus, is to present all information, but develop a clear structure dividing the content into sectors so that every reader quickly finds the information he or she is most interested in.

The process of writing the business plan is a key to success, because it forces the entrepreneur and his or her partners to carefully think over and actually answer to the critical questions about the business (table 2).

The Business Plan:	Reveals gaps in knowledge and helps filling them in an efficient and structured manner
	Ensures that decisions are taken so that a focused approach will be adopted
	Serves as a central communication tool for the various partners
	Lists the resources that will be needed, and thus reveals which resources will have to be acquired if the entrepreneur does not dispose of them him/herself
	Is a dry run for the real thing. No damage is done if the likeliness of a crash landing is revealed in the planning phase.

Table 2. The central role of the business plan. Adapted from Looser & Schläpfer. (2001).

Business planning has become a business in itself. There is professional help available that can be very useful, but the essence of the content and form of the plan must be the fruit of the entrepreneur(s). The success of the business plan will be measured by the interest it reveals from its readers and ultimately *if the business developed following the plan evolves successfully!*

Traps to Avoid

Why talk about traps to avoid and not about key success factors? The answer is simple. Besides the issues mentioned above, with the central focus on the business plan, *there are no certain keys, no certain rules to follow in order to become a successful entrepreneur.*

Especially after the dotcom meltdown, it has become urgent to analyse those common mistakes that, even if the entrepreneur is not always responsible, he or she must absolutely safeguard against. In a recent study by CELCEE, the Center for Entrepreneurial Leadership Clearinghouse on Entrepreneurship Education, a US based information provider on entrepreneurial education, *the main traps observed in the Internet ventures are the following* (CELCEE, 2002):

- Investors severely overestimated the speed at which consumers would integrate dot-com innovations into their daily lives, leading to disastrous over-investment. For the future, better prediction tools and methods are needed to forecast the speed of adaptation of growing technology in user markets.
- In seeking venture capitalist investment, many dot-com entrepreneurs presented growth plans that exceeded 50 million Euro in revenue. These businesses were over funded but might have succeeded on a smaller scale.
- Many start-ups were fundamentally “un-Internet” and unsound. Online retailers failed to take advantage of the interactivity of the Internet, merely transferring catalogues to the Web.



- Good timing has always been essential to the successful launch of a new business. Despite good products, many companies came to market before the Internet infrastructure was ready to receive them.
- Too many dot-com businesses were built on the model of giving something away for free and making up the loss through other means – rather than focusing on the value proposition.
- With enough pressure, even the most conservative of investors fell prey to speculative investments in the dot-com sector due to a sort of bandwagon effect that only the harsh economic reality finally could put an end to.

Some more general traps to watch out for are listed by Mark D Csordos in his recently published book "Business Lessons for Entrepreneurs" (Csordos, 2003). *First, entrepreneurs have a tendency to work more in the business than on the business.* In other words not delegating. The advise is to drop, as soon as the chance comes, some of the neat tasks of the lone entrepreneur simultaneously playing the role Inventor, President, CEO, Salesperson, Development Engineer and Financial Director... When some type of venture money comes in, it is wiser for the entrepreneur to focus on his or her passion – most often developing and promoting the product - and leave other tasks to a convinced business partner, a smart college student or a professional partner or subcontractor.

Second, passion is crucial but should not be blind. The entrepreneur's role is to convince all stakeholders, from venture capitalists to family members, that what he or she is up to is really the venture of the century. However, be ware of fooling yourself by over optimism. Csordos says: "Let's face it, people lie to you!" Mostly, maybe, because they are too nice and don't want to hurt the feelings of the eager entrepreneur. Unfortunately it means a lot of wasted effort, time and money. Much worse, however, is when established companies "fake" interest in the entrepreneurial idea and pump the entrepreneur on information under the false assumption that they will provide him or her with the so much sought for support, resources and capital. Then the entire business might be lost, especially if ideas are not yet protected. Awareness of this type of behaviours is important and it will improve with good business planning, experienced business partners and balanced optimism.

The message is clear: Entrepreneurship is the basic driving force for any kind of economic development. *Today, there are no protected companies, no certain customers, no static jobs and no such thing as an established market share.* At the current downturn, focus on entrepreneurship is more important than ever, and if all players learn the lessons of the recent events and leverage the wider than ever windows of new business opportunities opened up by the globalized economy and the ICT explosion, the outlook should be marked by a balanced positivism – one of the fundamental qualities of a successful entrepreneur.

BOOK REVIEW

Driving the Tiger, Irish Enterprise Spirit, by John J. Travers, Dublin, Gill & Macmillan Ltd, 244 pages

Reviewed by Klas Eric Soderquist

Within the past decade, the economy of Ireland has out-performed every other economy in Europe. Many factors have contributed to this success. In this book, John Travers, an engineer, business development specialist and native of Dublin, demonstrates that the most important one is the extraordinary spirit of enterprise that has been unleashed among a new generation of Irish men and women.

The socio-economic developments in Ireland are, to the broad management and scholarly community relatively unknown. In the initial chapter, the author provides an interesting historical overview of what he metaphorically calls waves –the movements that change a society by surging, retreating and leaving a new equilibrium in a continuous and seemingly endless process. Hence, Ireland has experienced shining periods, starting almost 1500 years ago when Ireland was considered the island of saints and scholars. Until Europe's recovery under Charlemagne Ireland was a center of intellectual and artistic refinement, a refuge where learning was kept alive and from which mainland Europe took inspiration. Another prosperous period was from the end of the 19th century until World War one when important movements of athletic, linguistic and cultural nature led to a cultural revival and a surge of enthusiasm and national confidence.

Paralleling the Greek people, the Irish have always demonstrated a strong enterprise spirit in the countries to which they have emigrated over the centuries because of the many times harsh conditions in the respective home country. Both Ireland and Greece have to some extent missed two industrial revolutions, the first, that of steam and steel, because of lack of natural resources, and the second, that of Fordist mass production, because of lack of infrastructure and geographic connectivity. Today, however, both countries have the opportunity to take part of the third industrial revolution, that of information technology and intellectual capital. It seems that Ireland has developed a higher potential in materialising this opportunity, basically, as explained in the book, by a consequent and well organized public policy for attracting foreign investments, that, in turn, has led to an exploding need for spin-off initiatives and local development of suppliers and service providers. Recent Greek initiatives point in similar directions and the Irish example could be used as an important source of inspiration for Greek policy makers and entrepreneurs.



The strongest points of the book are the important number of cases, the vast array of different industries described, and the broad selection of different types of ventures and types of entrepreneurs that are presented. Each case is rich in detail and transmits, in a narrative form closer to a novel than a management textbook, both facts, conceptual insights and, above all, the personal, very human, sometimes almost philosophical, yet practical thoughts, actions and experiences of each entrepreneur that is portrayed. This has been possible through lengthy talks with the entrepreneurs, conversations that indeed reveal unique insights into their backgrounds, motivation, practices and personal drivers and passions.

What I missed was a summary and concluding section of the book, that could have attempted to classify the cases not only by industry sector, core activity and innovation / added value of each ventures, but also indicating the most central success factors and generalised implications for other entrepreneurs and managers to learn from. In the absence of such a framework, we have attempted a personal summary classification of what we subjectively selected as the eight most interesting cases out of the 15 presented in the book (table 3).

Company and Entrepreneur	Industry and Core Activity of the Venture	Important Success Factors	Implications for Entrepreneurs and Managers
European Access Providers Charlie Ardagh	Internet access technology Broadband data transmission via radio waves A student/family start-up evolving rapidly until their lead financial partner decided to pull out Start up of a new company that is now in an early moulding phase	Intensive global info and technology scanning Commitment to learning by doing and to win the formal battles of licensing and protection Belief in the original idea supported by increasing level of expertise and knowledge	Exploit the wide opportunities that exist in early stages of technology life-cycles Not rely blindly on business partners and if a venture fails, build on your credibility, contacts and knowledge to launch new (and hopefully more sustainable) ventures
IONA Technologies Chris Horn	Object-Based Computing Commercialization by an academic of the technology he had been researching Cutting edge technology attracting interest from leading corporations such as Sun, Boeing, Hong Kong Telecom...	Established players were hesitant in exploiting the new technology Existence of a strong and unfulfilled demand Comprehensive knowledge of the founding partners about the new technology	Establish a trusting initial team that is able to work together coherently also under tremendous pressure Tap into the resources of Universities and research institutions and develop partnerships
Louise Kennedy Fashion Label Louise Kennedy	Fashion industry Quality tailoring clothes From the strict tailoring to the wider lifestyle market (evening, weekend wear and all of the accessories that professional women need)	Perfect understanding of the lifestyle and demand of customers Strong focusing on quality tailoring in a very competitive market place Direct retailing channel and control of the selling areas within stores	Build a multiple perspective understanding of the business and the customers Get work experience at big companies – to be able to see the big picture and maintain a perspective in a profession
Parthus Brian Long	Leading supplier of fully integrated 'platform intellectual property' solutions to manufacturers of next-generation mobile devices	Founding team of people with the right skills and expertise Portfolio of intellectual property in semiconductor design Expansion at an international level	Commitment and desire to creatively develop new ideas to take the business ahead Empowerment of the individual as a force for change

Table 3. Success factors and implications from a number of the case studies presented in the book.



Company and Entrepreneur	Industry and Core Activity of the Venture	Important Success Factors	Implications for Entrepreneurs and Managers
Trintech Group plc Cyril McGuire	Electronic-payment software company Multi-currency transactions	The existence of an invention used as a platform for the launch of the venture Absolute belief in the original idea supported by increasing level of knowledge and expertise First mover advantage Significant allocation of resources to the R&D department Development of strategic partnerships	People remember who was first and companies get a premium for being first. Investors judge companies on the basis of whom they associated with. Focus on building and nurturing the company's own inherent logic Serial entrepreneurs are those who have tried several ventures and failed but who persist and eventually succeed.
Aer Áránn Pádraig Ó Céidigh	An Irish-language newspaper Airline-Aviation Company	Important place given to the entrepreneur's intuition The creation of a business model to suit the particular Irish market The development of good Public Relations with the civil servants and the department officials.	Expertise in a specific sector is not a prerequisite. What it counts is the business potential. Money is not the lifeblood of a business. Belief and passion are the essentials. The team of staff should work <u>with</u> the entrepreneur rather than <u>for</u> the entrepreneur.
Tellabs Ireland Pat & Annette Shanahan	Research and Development in telephony systems and signal converters Physiotherapy practice New technology for testing injuries	Support between family members and belief in each other's capabilities Good management and leadership skills (fairness, find a solution pleasing everyone)	Collaborate with universities Adapt to the prospect of failure without fear or recrimination
Brand Management & Pop Music Promotion Louise Walsh	Music Industry Creation of bands, groups, acts and following their path through to success	Selecting the appropriate collaborators AND artists (committed, hard-working, ethical, down-to-earth) "Right attitude is worth more than fantastic talent" Contacts with central people in the field	Exploit areas that have not yet been covered by other players Establish contacts or form partnerships with people in strategic places for the success of the new venture

Table 3 (Continued). Success factors and implications from a number of the case studies presented in the book.

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NEXT AND PREVIOUS NEWSLETTERS

The next InnKnow FORUM, to be published Fall 2003, will be devoted to **Knowledge Management**.

Previous newsletters, available on our website, were devoted to:

Change Management (no 1, 2002) and **Strategic Performance Measurement – Balanced Scorecard** (no 2, 2002).

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