

Innovation and Entrepreneurship: Practice and Principles

by Peter F. Drucker

A review by D. Verne Morland
Marketing Programs, Europe Group
NCR Corporation

[This review appeared in the August 1985 issue of *NCR Managing*, a newsletter published monthly for NCR managers by Employee Communications Programs. Editor: Anne Holaday; manager: Lola Signom.]

Thomas Edison once said that "genius is 1% inspiration and 99% perspiration." Since Edison, the 19th century's most prolific inventor, was also a successful businessman, he is often regarded as the archetype of the modern entrepreneur. Unfortunately, in spite of Edison's comment on genius, most of the articles and books devoted to entrepreneurship have tended to focus on the largely apocryphal "flash of inspiration" rather than on the tremendous amount of hard work that goes into every successful new enterprise.

In his latest book, Peter Drucker seeks to reverse this trend and place the emphasis where it is due. "Innovation and entrepreneurship are," he asserts, "purposeful tasks that can [and should] be organized." They are, in fact, simply part of an effective manager's job.

This is not to deny the importance of inspiration. An open mind, a willingness to exploit change rather than resist it, the ability to see opportunities where others see threats -- these are all important characteristics of successful entrepreneurs. Drucker's premise is that these attitudes and skills can be cultivated and that the search for innovation can be systematized and managed.

Entrepreneurial attention is focused on customer values. This is an especially important point for us in the information industry since we, more than those in other, "low-tech" industries, tend to associate innovation with the technical features of our products. Without devaluing the importance of our advances in areas such as semiconductor technology, communications systems design, and continuous service architecture, we must recognize that our opportunities for creating new value for our customers extend far beyond the technical features of our hardware and software products.

The process, the "business system," by which we create and deliver products and services to our customers starts with technology, but then relies on the design, manufacturing, marketing, sales, distribution, and service skills of thousands of NCR people. At every stage, innovation is possible and, in many cases, "non-technical" innovation can provide the key to success in the marketplace.

For example, Ray Kroc, the founder of McDonalds, didn't invent the hamburger; he established a new system of clean, reliable, fast food delivery that created a whole new industry. Similarly, Henry Ford didn't invent the automobile and J. P. Morgan didn't invent banking; but they applied their imaginations to the systems by which cars were produced and money was exchanged.

Drucker first opens our thinking to the many targets of innovation and he then describes a method by which we can begin to identify and to explore successful new ways of doing things. If innovation is really the tool of entrepreneurs, then, like a tool, it must be easy to use. Drucker proposes that there are seven sources of innovative opportunity:

1. unexpected events,
2. incongruities between the expected and the actual,
3. new process requirements,
4. unanticipated changes in industry or market structure,
5. demographic changes,
6. changes in perception, mood, or meaning, and, lastly,
7. new knowledge.

Drucker asserts that the last entry in this list – new knowledge – is the least reliable and least predictable of them all! This runs counter to conventional wisdom which holds that innovators are usually scientists or technicians to extend the frontiers of knowledge. Drucker argues convincingly that many, many more business successes can be attributed to innovations in the business process than to a knowledge breakthrough at the product level.

There is a great deal of practical advice for NCR managers in this, the latest book from a man who is widely considered the father of modern management. While many of the ideas are not new, the structure into which Peter Drucker places them transforms them from a collection of interesting thoughts into an effective management tool. The responsibility that we all share for changing the shape of our business and delivering more value to our customers can no longer be denied or underestimated.

□ reviewed by D. Verne Morland.

About the author: D. Verne Morland joined NCR in 1982 as a corporate strategic planner. He then served as a project leader in competition information services before being named manager marketing services, Europe group. In this position he oversees and contributes to a variety of programs, including advisory consultant relations, market and competitor research, and product strategy development. Morland holds a B.S. degree in electrical engineering from Princeton University.