Changing the World Through Entrepreneurship

Sir Paul Judge

17th February 2015
Premier Brands
Daily Sales

• 50 million cups of tea
• 14 million whitener portions
• 13 million dollops of jam and marmalade
• 3 million Cadbury Finger biscuits
• 2 million cups of cocoa beverages
• Plus
  • Potato granules
  • Jellies
  • Canned fruit and vegetables
Judge Business School, Cambridge
"Education is the most powerful weapon you can use to change the world"

Nelson Mandela (1918 - 2014)
Future Approaching Fast
Adam Smith: Private Business

• It is not from the benevolence of the butcher, the brewer or the baker, that we expect our dinner, but from their regard to their own self interest.

• We address ourselves not to their humanity but to their self-love.
Adam Smith - 1776
The Wealth of Nations

"China is a much richer country than any part of Europe"
Globalisation –
Greater Interconnectivity

• **Action:** Increasing significance and volume of economic flows across countries and cultures

• **Reaction:** Resistance to impact of global forces on local life and culture
1750 World Population (bn)

- Europe: 0.5, 63%
- North America/Australia: 0.2, 21%
- Latin America/Africa: 0.1, 15%
- Asia: 0.0, 1%
Technological Change
World Population (bn)
2000 World Population (bn)

- Europe/ex-USSR: 0.8 bn, 13%
- North Am/Aust: 0.3 bn, 6%
- L. Am/Africa: 1.3 bn, 21%
- Asia: 3.6 bn, 60%
Proportion of Global GDP
Physical Movement

Goods

People
Information Movement
Proportion of Global GDP
<table>
<thead>
<tr>
<th>Area</th>
<th>2010 (million)</th>
<th>2030 (million)</th>
<th>2050 (million)</th>
<th>2010-50 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>4,167</td>
<td>4,917</td>
<td>5,231</td>
<td>26%</td>
</tr>
<tr>
<td>Africa</td>
<td>1,033</td>
<td>1,524</td>
<td>1,998</td>
<td>93%</td>
</tr>
<tr>
<td>Europe</td>
<td>733</td>
<td>690</td>
<td>729</td>
<td>-1%</td>
</tr>
<tr>
<td>Latin America/Caribbean</td>
<td>589</td>
<td>723</td>
<td>691</td>
<td>17%</td>
</tr>
<tr>
<td>Northern America</td>
<td>352</td>
<td>410</td>
<td>448</td>
<td>27%</td>
</tr>
<tr>
<td>Oceania</td>
<td>36</td>
<td>45</td>
<td>51</td>
<td>42%</td>
</tr>
<tr>
<td>World</td>
<td>6,909</td>
<td>8,309</td>
<td>9,150</td>
<td>32%</td>
</tr>
</tbody>
</table>
### Possible Average Growth Rates 2000-50

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
<th>GDP/Capita</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe+ExUSSR</td>
<td>(0.2)</td>
<td>1.5</td>
<td>1.3</td>
</tr>
<tr>
<td>N. America/Australasia</td>
<td>0.5</td>
<td>2.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Latin America/Africa</td>
<td>1.4</td>
<td>3.0</td>
<td>4.5</td>
</tr>
<tr>
<td>Asia</td>
<td>0.7</td>
<td>5.0</td>
<td>5.8</td>
</tr>
</tbody>
</table>
Proportion of Global GDP
The Business Environment

- The world is changing fast.
- As well as change itself the impact of change is felt immediately and directly through the media.
- The financial system acts as a lightning conductor in taking money to the safest haven.
- Technological change is bringing the death of distance as ideas and money move instantaneously.
- It is also bringing the collapsing of time as competitive reactions become ever faster.
- As in nature the sharks have to keep swimming or they die.
Free Enterprise

• We are emerging from testing times recently
• The global economy is currently on the road to recovery but this is patchy
• However in all countries it is business which will provide the basis for the upturn
• It is free enterprise which generates the wealth which pays for schools, healthcare and social services
Human Diversity
Europe

• In heaven
  – The nannies are British
  – The cooks are French
  – The engineers are German
  – The administrators are Swiss
  – And the lovers Italian.

• In hell
  – The nannies are German
  – The cooks are British
  – The engineers are Italian
  – The administrators are French
  – And the lovers Swiss.
What is Culture?

• “Culture is the way we do things when nobody tells us how to do them.” (Jack Kemp)

• Culture is like water to a fish. A fish does not know that water exists until it jumps out of it
We are all:

• **Like all others:** We all have basic human needs
• **Like no other:** Each person is unique in his or her own rights
• **Like some others:** This is our culture
  – Share it with some but not with others
    • National/Ethnic
    • Employer
    • Functional
    • Team
Creativity
Continuous Improvement

• The most dangerous poison is the feeling of achievement

• The antidote is to every evening think
  – “what can be done better tomorrow.”

Ingvar Kamprad, Founder of IKEA
Complacency

“Success is dangerous - One begins to copy oneself

It is more dangerous than to copy others

IT LEADS TO STERILITY!”
“Creativity and arts cannot prosper without uncertainty”

Norman Foster
Entrepreneurship
The Ideal Entrepreneur

• Functional skills
  – Planning, marketing, finance, accounting, IT, operations, human resources, etc

• Human interaction
  – Leadership, responsibility, ethics, teamwork, communications

• Stakeholder awareness
  – Global trends, local trends, government, media, customers, suppliers, employees, unions, local communities

• But it also needs creativity, drive and emotional intelligence to become a successful entrepreneur
DARWIN WAS RIGHT

The Fittest Survive
Entrepreneurs

THEY THINK THE UNTHINKABLE

THEN THEY DO IT!
The Value of Entrepreneurship

• We should remember that most of the major advances have been made by small entrepreneurial companies or individuals, not the existing giants.
  – The railway companies did not invent the aircraft industry.
  – IBM did not invent the Internet.

• Entrepreneurship is exciting. There is the potential for huge emotional and financial rewards.

• The future is however uncertain. None of us can know whether an idea will succeed.
The Complexity of Success

• Any new venture requires a whole series of elements to come right:
  – the idea and making it work
  – management team
  – finance
  – marketing message
  – sales and distribution

• Each of these has to be right so the chance of being successful is what is known as a multiplicative probability.

• You only need one element to be scored at zero for the project to fail.
How To Assess Your Start-Up

• The chances of success depend on rating these five elements and then multiplying the scores

• Rate each from 1 to 10 (be honest!)

• Multiply the five scores

• If you rated each one as 10, the answer is 100,000 but you are certainly over-optimistic
Entrepreneurial Leadership

• The importance of a long-term approach is shown by people whose activities have really changed the way we live
  – Thomas Watson at IBM
  – Akio Morita at Sony
  – Henry Ford with cars

• People who successfully start a great company have the gift of strategic vision

• Often under difficult financial circumstances they establish a clear objective and a plan to achieve it
  – They see beyond the day to day activities.
  – They have an almost obsessive quality about what they want to achieve
The Importance of Leadership

• Their dedication is based on the belief that they have identified a long-term need in whichever field they operate

• They are prepared to go to extreme lengths to achieve such success

• Similarly no great religion was established by accident, by committee or by rule book

• A mission cannot be generated without strong leadership
Leadership - The Need

- As the world becomes more global we have to compete against people around the world.
- People are the greatest asset for any organisation.
- Whether for a country or a company, whether fighting a war or trying to gain market share, competition is in the end between work forces.
- Leading these workforces is increasingly important.
- Organisations must be led to overcome their own inertia and to adapt to changing conditions.
- Leadership is what gives an organisation its vision and translates that vision into reality.
- It reconciles the wood and the trees.
- It gives the heartbeat to the organisation.
<table>
<thead>
<tr>
<th>Manager</th>
<th>Entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Replaceable</td>
<td>• Original</td>
</tr>
<tr>
<td>• Administers</td>
<td>• Innovates</td>
</tr>
<tr>
<td>• Maintains</td>
<td>• Develops</td>
</tr>
<tr>
<td>• Focuses on structures</td>
<td>• Focuses on people</td>
</tr>
<tr>
<td>• Relies on control</td>
<td>• Inspires trust</td>
</tr>
<tr>
<td>• Short range view</td>
<td>• Long range perspective</td>
</tr>
<tr>
<td>• Asks how and when</td>
<td>• Asks what and why</td>
</tr>
<tr>
<td>• Eye on the bottom line</td>
<td>• Eye on the horizon</td>
</tr>
<tr>
<td>• Accepts the status quo</td>
<td>• Challenges status quo</td>
</tr>
<tr>
<td>• Classic good soldier</td>
<td>• Is their own person</td>
</tr>
<tr>
<td>• Does things right</td>
<td>• Does the right thing</td>
</tr>
</tbody>
</table>
What is Risk?

• An evaluation of costs and benefits
• Risk-taking implies a possible loss
  – Inherently failure-prone
  – Not “sure-thing-taking”
• Variability in the outcome
  – Higher the risk, the greater the likely return, but
  – Greater variability from one outcome
Risk and Enterprise

• Success cannot be easily predicted
• Many are called but few are very successful
• Like exploration, at the beginning we cannot gauge success
• Applies to all new ideas and projects, not just in business
• Risk is an inherent part of progress
Risk of No Risk

• The only man who never makes a mistake is the man who never does anything. (Theodore Roosevelt)

• Twenty years from now you will be more disappointed by the things you didn’t do than by the ones that you did do. So throw off the bowlines, sail away from the safe harbour. Catch the trade winds in your sails. Explore. Dream. Discover.

(Mark Twain)
Classic Hierarchy

• Organisation charts and lines of authority
• A boss, “the old man at the top”
• Authority generally enough to get people to do things
• Success depended on keeping the boss happy
Entrepreneurial Management Styles

• Ray Kroc
  – I saw in my mind hundreds of McDonalds around the country.

• Estee Lauder
  – I am what you call a stern taskmaster. I expect perfection. And if I get it, then I ask for a little more perfection.

• Soichiro Honda
  – If I’d had to manage my company myself, I would have very quickly gone bankrupt.

• Sam Goldwyn
  – I don’t want to be surrounded by a lot of “yes” men. I let people tell me the truth, even if it costs them their job.
Team Work
Remote Teams Are More Difficult To Communicate With

- Remote teams are becoming more common with increasingly borderless businesses
- Communicating with international remote teams is challenging
  - Usually in complex matrix organisation
  - Multiple time zones and cultures
  - More vulnerable to weak management
"Globalization continues to transform the business landscape. This has led to an increased hiring emphasis on college graduates that possess or have the ability to acquire global skills and competencies. Having professionals with international experience gives us a competitive advantage because clients increasingly are looking for advisors who can offer global perspectives."
“This new type of hero…..must learn to operate without the might of the hierarchy behind them. The crutch of authority must be thrown away and replaced by their own ability to make relationships, use influence and work with others to achieve results”

Rosabeth Moss Kanter
Your Life

- Your degrees are not only a reward for your hard work but also a challenge
  - What are you going to do with your talents?
  - What do you want to achieve?
  - What do you want to change?
  - How are you going to shape the world?
  - Who are you going to help?
One Chance

• College is something you complete
• Life is something you experience
  • There is no core curriculum
  • The entire place is an elective
  • Your choices are infinite and the results uncertain
• Life is not a dress rehearsal
• We only get one chance
• You should make as much of it as you can
Think of Five Balls

• Your career is not everything and you will find that you have many other responsibilities and interests
• Imagine life as a game in which you are juggling five balls: work, family, friends, health and spirit
• You are trying to keep all of them in the air
• You will soon understand that work is a rubber ball. If you drop it, it will usually bounce back
• However the other four balls - family, friends, health and spirit - are made of glass. If you drop one of these they will be irrevocably scuffed, damaged or even shattered. They will never be the same
• You must understand this and strive for balance in your life
WHAT MATTERS MOST IS HOW YOU SEE YOURSELF.