

DIGITAL LEADERSHIP

An interview with

Mick Liubinskas

Entrepreneur in residence at muru-D Accelerator

muru-D: Inside Out Entrepreneurship



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The innovation recipe: have unreasonable expectations but be patient for results

Is innovating today different from how it was say 15 years ago?

The cost to innovate has dramatically come down and the tools of innovation are improving exponentially. Theoretically, close to 1 billion people can now innovate. It used be only the happy few who could raise \$5 million from a venture capital fund or billion-dollar companies.

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Tech giants are pouring huge amounts in innovation – Amazon spends \$15 billion a year on R&D for example. Are their innovation successes due to these massive investments?

It is not solely a question of investment. Facebook, for example, is obsessed with change. They want to embrace it so much that they will actually sacrifice their past to build their future. They are built to be exploded or cannibalized within five years. They are not only open to it but also actively try to create it.

How can traditional companies compete with these tech giants?

One thing large traditional organizations can learn is “impatience for action but patience for results”. This is a formula that doesn’t sit well with public companies under pressure to deliver short-term results. In order to have sustainable innovation you need leadership vision for a 5, 10 and 20 year horizon. Traditional organizations also need to improve how they work with entrepreneurs. I have seen big companies with innovation programs that failed because of insufficient incentives for entrepreneurs.

From your experience, how can large organizations improve the way they innovate?

In all the innovations I have been involved with, there has been something unreasonable. An unreasonable objective that no spreadsheet, PowerPoint or strategy session would have been able to identify. Organizations need to have exceptional teams to push through boundaries to first identify these unrealistic ideas and then make them materialize despite all the objections. Airbnb succeeded while most were arguing about if people would want to rent their house to strangers. Uber succeeded when other were doubting that people would go in a car with a stranger. We forget how innovations start; we see them finished, beautiful and big. There’s

an old saying: “The two things you don’t want to see being made are laws and sausages.” It should be laws, sausages, and innovation. Innovation is an awkward, ugly, horrible, messy, chaotic thing up until about a year after it is working

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Innovation departments are often quite isolated in big organizations. How can large firms ensure their innovation departments are connected internally?

I think innovation departments need *some* isolation. If you are too close to the core then you start playing political games, measuring success the same way as the business does and incentivizing the same way to achieve the same results. I have seen a degree of isolation that works at muru-D. We are in a different building with a different brand and work with a different group of people while having very frequent interactions with the mothership’s executives. And it is through these executives and ambassadors that you take the innovative thinking back into the business.

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Tech hub innovation: 10,000 tiny discussions in close proximity

mur-D will open its next center in Silicon Valley. What is it that differentiates an effective tech hub?

For the past 50 years, the Silicon Valley has welcomed successful tech entrepreneurs who keep reinvesting their time, wisdom and money into new ventures. This is how you create a multiplying effect with exponential growth. Look at how Israel created its venture capital industry, that subsequently gave birth to the startup industry in the early 90s (see insert).

Do you think proximity to a major tech hub is a necessity for innovation?

Proximity to tech hubs still matters even though you have thousands of communication tools. Innovation and entrepreneurship are about the 10,000 tiny discussions that are greatly helped by proximity. Also, the same assets in a good tech hub could have significantly better results because of the quality of the people surrounding them.

The Yozma Program – How Israel Gave Birth to its Venture Capital Industry

In the early 1990s, Israel did not have a strong venture capital industry. Today, the country has a host of VC funds that together invest nearly twice as much per capita as those in the US . In 1992, the Israeli government set up a \$100M fund, as part of the Yozma Program. The objective was to invest in ten private VC funds (\$8M each) and a further \$20M directly in high tech companies. The private partners of Yozma were given a 5-year option to buy out the Government's share at predetermined conditions. The results were stark – 8 out of the 10 funds exercised their options and bought out the Government share. Nine of the 15 companies that Yozma VC invested in directly, went public or have been acquired. And in doing so, the Government effectively seeded the birth of a thriving venture capital industry with all of its self-reinforcing virtues.

Fund	Capital Managed (\$ M)	
	1992	2002
Eurofund	20	90
Gemini	25	350
Inventech	20	40
JPV	20	580
Medica	20	70
Nitzanim-Concord	20	280
Polaris	20	645
Star	20	400
Vertex	20	250
Walden	25	175
Total	210	2,880

Source: The Yozma Group, "The Yozma Program - Policy & Success Factors", 2002; Financial Post, "Israel's Yozma an example for Canada", July 2012



mur-D: Inside Out Entrepreneurship



Startup accelerator backed by Telstra Presence in Sydney, Brisbane & Singapore

Alliances with **500 Startups** (Silicon Valley), The Junction (Israel), The Icehouse (New Zealand), Chinaccelerator (Shanghai) and HAX (hardware accelerator situated across Shenzhen and San Francisco)

Evolution of Innovation

Speed of innovation increased



More people can innovate

Theoretically, close to 1 billion people can now innovate as the cost to innovate has decreased dramatically. Digital technologies have lowered the cost and increased the power and functionality of the tools of innovation.

Tools of innovation improved



How Can Traditional Companies Compete with Digital Giants

- ✓ Be ready to sacrifice past to build future
- ✓ Have unreasonable ambitions and dreams
- ✓ Have impatience for action but patience for results
- ✓ Nurture leadership vision for 5, 10 and 20 year horizons.



Innovation is an awkward, ugly, horrible, messy, chaotic thing up until about a year after it is working. - Mick Liubinskas, *Entrepreneur-in-residence at muru-D Accelerator*



Critical Success Factors for Innovation

Proximity to Tech Hub

Innovation and entrepreneurship are about the 10,000 tiny discussions that are greatly helped by proximity

Entrepreneurs Lead Innovation

Entrepreneurs to lead innovation as they have a specific mindset for this and also encourage them to re-invest their returns to create a virtuous circle

Be Patient But Ruthless

Be patient for results but be prepared to cull an innovation if it does not work

The state of innovation around the world

Tech hubs like Silicon Valley, Tel Aviv and London are all well-known across the innovation ecosystem. Which locations do you think are emerging as the new hotspots of innovation?

New innovation hotspots will come from Africa where a billion people are leapfrogging technologies and striving for a better life. A lot of the unreasonableness that is so crucial for innovation comes from this determination to secure a better life.

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What do you think Europe can learn from hubs like Silicon Valley and Israel?

In Israel, entrepreneurs lead innovation programs – not academics, consultants or executives. Innovation programs have to be entrepreneur-led. They have a different language and mindset; they stand apart and that is crucial. European countries also need to create the same virtuous circle as they have in Israel or in the Silicon Valley. That is about entrepreneurs reinvesting their returns into new startups in the ecosystem. So as a starting point you have to bring existing entrepreneurs back.

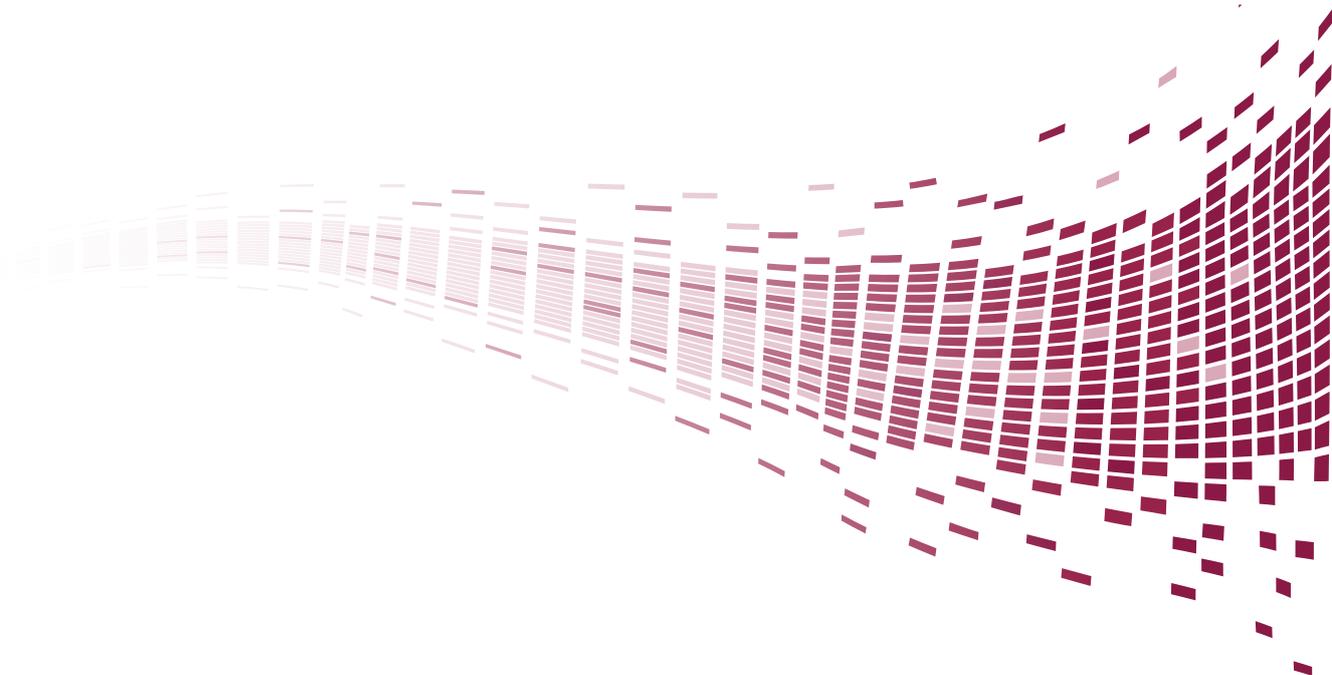
Looking ahead, which companies do you see as benchmarks when it comes to driving innovation?

I have always been a fan of GE and the fact that they have an aggressive entrepreneurial model. If they are not among the top two in a business then they ditch it and invest big bets in new areas. They are patient around new investments but kill them if they don't work.

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What would your advice be for big organizations trying to innovate?

Hire a seasoned entrepreneur as entrepreneur-in-residence; try ten things and be patient for results but always be impatient for action.





Mick Liubinskas

Entrepreneur in residence at muru-D Accelerator

Mick Liubinskas is Entrepreneur in residence at muru-D – a startup accelerator backed by Telstra, Australia's leading telecommunications and technology company. Mick has a successful track record of startup creation. He was the co-Founder & Director of Pollenizer, Australia's first digital incubator, and was a co-founder of Startmate. At muru-D, he is responsible for attracting and selecting high-potential technology startups and then working with them to drive significant, global, long-term success. After many years in Australia, Mick recently moved to Silicon Valley.

We spoke to him to understand how large corporates can work with entrepreneurs to be more innovative.

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