Globalising Entrepreneurship
Palo Alto-Style

Silicon Valley can't save the world, but a federated model with a rich toolkit can.

I grew up near Palo Alto, so if I had a bias, it should be that Palo Alto is the epicentre of the tech world. And, as 'all things tech' come to be understood as the driver of growth in business (like a massive snowball picking up speed down the mountain), it's important to notice what's happening in and around Palo Alto.

It's accepted that the world is becoming more and more flat. Entrepreneurs who change not just the world but major industries, can come from any corner on the planet. Skype put Estonia on the map as Nathalie Kaspersky did for Russia, Daniel Ek for Sweden, Mark Shuttleworth for South Africa and so forth. But what Palo Alto does, very successfully, is to say, 'If you aren't a Delaware Corp, if your accounts aren't done in US GAAP, if your angels didn't hail from Stanford and you don't know where the University Café is, then we don't think we can engage with you'.

It structures the unstructured data of start-ups. And the cartographers always win.

Those who structure industries make all the money as they create a self-fulfilling loop. 'I define what's good; therefore what's good comes to me'. As a marketer, I tip my hat to Silicon Valley.

Unfortunately if you are from Odessa, Doha or Cairo and don't land and stay at San Francisco Airport, you don't stand a chance.

Or do you?

David vs Goliath

The world is driven by networks today, but it is also driven by the tug-of-war between the incumbents in every industry and their eying up the ascendancy of the challengers. This David and Goliath struggle is always epic, and defines how broad prosperity travels through the populace.

The new Davids seek to solve problems that they can perceive in society, and mass adoption of their solutions tends to be good for most of the population. Entrepreneurs have to be inclusive in their approach or they may fail to find a market, So the essential challenge that David brings to Goliath is to open up.

As winners of the last generation's game the Goliaths are the established king pin. But there is always another subversive entrepreneur who seeks to topple all the established winners and incumbents and create a new order of things. I've worked with a few of the big ones; it's an awesome battle to witness up close.

Innovation is about economics, not technology

In one vision of the future, 'big tech', mostly U.S. tech, takes over every industry as Amazon has taken over storage and books, Apple music and telecoms, Google advertising, and so on.

But there is another version whereby large enterprises get wise to the game and lean in to the tech challenge. They realise that tech is no longer an industry, but a layer. And the CEOs of those large industries embrace that layer. Whether they are radio stations, banks, telcos, retail shops, airlines or health care firms they crave those digital revenues. And they suss out that the problem lies in the business model that they've been working to.

Innovation is not about technology but economics; otherwise, we'd all be flying the Concorde – we're not; we're stuffed into jumbo jets. Case in point: Kodak , Polaroid and Instagram were in the same industry. And yet they didn't have a dialogue. Instagram was organised around the consumer, and the former were working for their suppliers.

Change of rules

Size used to drive market power. You couldn't be small or young, and be listened to. It was a case of, 'I'm a record label, so I'm big, and you, artist, are small. Take it or leave it'. But then the canny Davids decided to play a trick on those old Goliaths. They changed the rules of the game.

They realised that the world had gone network. Business was no longer linear. It wasn't that I sold, you bought and one of us had to win, but that we were participating in a transaction with multiple parties: consumer of music, artist, distributor etc. Someone needed to organise those economics, and David stepped up to the plate.

Enter Apple which broke the hold that mobile telecom firms had on the consumer. Enter Spotify which exploded a market enabling mass discovery by reducing the cost of production and distribution and then organising the economics for the ecosystem at the heart of the music industry.

Enter Monitise whose CEO and founder Alastair Lukies said a very basic thing at the beginning of his 10 year journey: 'If mobile banking is going to work, it has to work for everyone – the telco, the bank, and the individual who gets a lower cost of capital'. More than 1,000 financial institutions are now serviced by Monitise. It bought out its U.S. competitor and has been backed by VISA five times. Monitise created the economics for the mobile banking industry; that's why it's experiencing the biggest J-curve in U.K. tech industry history.

Where's the entrepreneur factory?

But how do we repeat the success of an entity like Monitise? Where's the entrepreneur factory? How can we breed in the right software for the mindset?

Throughout history great entrepreneurs have been found across the globe. However the infrastructure for releasing their gift has not been evenly distributed. And this is where Palo Alto exerts a very firm control.

Once upon a time, Britain took over the world. It cleverly said, 'The language is English, and the civil service works like this, and the currency is the pound.' They structured their universe, and the benefits came back multipled, reinforcing their place at the centre of the world they touched.

Today's challenge to take Palo Alto to the world is no different. The cartographers win. As Wayne Gretzky said, 'a good hockey player plays to where the puck is, but a great one plays to where it is going.' We must grab hold of where the world is going, and internalise that future vision in order to play our best game today.

We must open-source the tools to win. Our corporates must become a legitimate highway for the digital cars looking for distribution. We must desire to become the industry architects and to position our companies as the operating systems of their industry.

The 'game'

A couple of years ago, I set up a venture capital fund and we found great British entrepreneurs to back. But what I hadn't fully internalised at the beginning, (despite 25 years working in the tech industry) was 'the game'. The game for every European tech venture capitalist is to back a start-up and sell it to a U.S. big tech firm. That's it. It's actually not creative.

But I didn't get into venture capital to sell to the Americans.

We must change the rules of the game. We must aspire to organise industries. If we genuinely know where that puck is going, then the game we play today is not a Palo Alto-centric one. It's a game of disruptive economics with open-sourced productivity too. The software is actually in the brains of the entrepreneurs and the CEOs of large corporates who will dominate this next decade. Whose code are you writing?

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