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Innovative people

The start-up Confinity began in Silicon Valley as a simple idea. Just as people can hand a physical dollar bill from one person to another, they should be able to "beam" a dollar from one smartphone to another. In 1998, three people in Silicon Valley invented a piece of software that could send money from one PalmPilot to another.

The devices from Palm were precursors to the contemporary smartphone. In the 1990s, however, they did not have the capability for an internet connection. To beam money from one device to the another, the people needed to be about two feet apart. This was an interesting and elegant technical solution, but it lacked a fundamental element in its business model: a person holding a Palm device would probably have a wallet full of dollars. Exchanging physical dollars was easier, faster and safer than using this software.

The innovators continued to search for potential sources of growth. They even approached one of the authors of this book (Ted), who at that time was an employee at Palm tasked with helping the software developers to create new innovations for the PalmPilot. Ted concluded that the idea would never find traction.

With hindsight, Ted and the entire world now know that his prediction was short-sighted and less than visionary. A year later, the founders of Confinity – Max Levchin, Peter Thiel and Luke Nosek – launched a working electronic payments system and shortly thereafter sold the company to X.com, founded by Elon Musk. Thiel soon replaced Musk as CEO, renamed the company PayPal in 2000 and in 2002 took the company public, garnering $61m through its initial public offering. Only months later, Thiel sold PayPal to eBay for $1.5bn. PayPal is now one of the largest digital payment platforms in the world.

Clearly, innovation does not happen by itself. Someone, an imperfect human being, must be searching for novel ways to create customer value. What traits within the founders of Confinity propelled them to persist and to evolve their idea? What makes some innovators more likely to find success than others?

The most successful innovators have an "innovator's mindset". It may be that some people are born with this mindset, but the elements of it are complex enough to lead us to believe that it is a set of cognitive and emotional characteristics that can be developed over time by anyone. Research into entrepreneurship reveals that this mindset has three key elements: orientation, self-efficacy and objectivity. Here's a look at each of them.

Entrepreneurial orientation

Entrepreneurial orientation (EO) emerged from academic research in the early 1990s as a powerful predictor of venture success. People who showed this complex trait were more likely to start and grow new companies. EO is not a single characteristic. One of the seminal articles in this field was written in 1996 by G.T. Lumpkin at Northeastern State University and Gregory Dess at the University of Texas.[1] Over the past 30 years, scholars have determined that EO encompasses a set of five traits that successful innovators have in greater amounts than people who rarely innovate. Innovators always have at least some degree of these traits, though the amount of each trait and the combination can vary. Read the descriptions here and then take the self-test that follows to assess your own EO.

- *Innovativeness* refers to the ability to generate new ideas, be they products, processes or technologies. This quality has long been a durable trait in entrepreneurial research, harking back to economist Joseph Schumpeter who, in 1942, introduced the concept of "creative destruction", by which he noted how entrepreneurial innovation periodically overtakes the status quo in business, replacing current products and processes with new technologies. Schumpeter believed that a definite entrepreneurial spirit (*unternehmergeist)* was necessary to innovate and that people working in companies that invest in innovation ultimately drive the economy forward.
- *Autonomy* relates to an innovator's sense of independence to take a strategic initiative, disengaged from any surrounding bureaucracy, to explore a new venture. For those who work in hierarchical command-and-control companies, the innovator might be considered a "maverick" who refuses to adhere to the rules and conventions of the company's policies and processes. Once involved in an innovation start-up venture, the person may continue to exhibit this same strong autonomy and

may even be seen as autocratic, imposing their vision on others in the new venture.

- *Risk-taking* captures the trait that entrepreneurs need to have to take action in the face of uncertainty. Risk-taking may involve making financial and other resource commitments with no guarantee of payback or profit. This characteristic does not mean that innovators do not assess risks or consider them in their decision-making; they do. Innovators determine that such risks are worth taking because they can envision success.
- *Proactivity* reflects the entrepreneur's desire and drive to seize any first-mover advantage possible to shape a new market. This quality affects the innovator's sense of speed in wanting to get things done as quickly as possible and their sense of time to be in the marketplace before anyone else.
- *Aggressiveness* refers to an innovator's sense of intensity and posturing during head-to-head competition with any other product, service or technology that is deemed a rival. It is simply the quality of being a competitive personality, unwilling to let anyone else win. Aggressiveness differs from proactivity in that proactivity looks at unoccupied market space, whereas aggressiveness assumes existing competition.