

The making of an innovator

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INNOVATORS experiment with things to come up with new ideas to improve the quality of existing products, develop differentiated or new products and re-organise business processes to lower costs.

In a big corporation, there might be a whole R&D department where innovators are employed to design new blueprints so the company can constantly make new offerings. But innovators can also be found in small enterprises tinkering with recipes, for example, to win new customers.

Innovators no doubt derive pleasure from their creative work. Yet, in modern economies, they must be employed in a firm that successfully translates their innovative activity into profits so that they can be adequately remunerated for their effort.

To be able to reap economic rewards from an innovative activity, an economy must have a ready supply of entrepreneurs who start new firms.

While an innovator might also have entrepreneurial talent, such as Bill Gates, this is often not the case.

As Singapore reaches the status of a mature economy, growth will come from new start-ups in the SME sector. These start-ups provide job opportunities for innovators to improve a business process or test a new product in the market. Because not every start-up will be successful, we need a ready supply of new entrepreneurs to create an innovative economy.

An entrepreneur is someone who brings people together to work with physical capital and ideas to create a product or to produce an existing product at lower cost. Using data on Stanford University's Graduate School of Business alumni, Professor Edward Lazear published a research paper identifying the characteristics that make a person more likely to become an entrepreneur.

The data he used combined information on postgraduate work and income with the courses taken by these students.

Prof Lazear's main finding is that people with a more varied career, as evidenced by taking on more roles in their work experience, were more likely to become entrepreneurs. This is consistent with our understanding of what an entrepreneur does. He or she does not need to specialise in any area.

What makes a successful entrepreneur is having sufficient skill and knowledge in varied areas to be able to bring people and resources together to make a business succeed. In other words, Prof Lazear's research suggests that a well-rounded person, that is, a generalist, is more likely to become an entrepreneur.

One question is whether people tend to be generalists by nature or become one by making conscious investment decisions. There is empirical support for both hypotheses but the investment view has stronger support.

A person with the inclination to become an entrepreneur makes a conscious investment decision to take on varied roles in his or her career in order to acquire the necessary background to start a business.

The data allowed Prof Lazear to match an individual's work experience with the courses he took and the grades obtained in the MBA classes. He found that a student who chose a more specialised curriculum was less likely to start a business.

Those who were more likely to become entrepreneurs chose a variety of courses that they hoped would prove useful when they started a business.

We can apply Prof Lazear's findings to Singapore. First, our education system should be flexible to allow people to have breadth in their curriculum. Even if a person specialises in one discipline initially, there should be multiple pathways to enable him to diversify into other disciplines later.

Second, the workplace needs to develop a culture which supports people who wish to take on different roles in their career. In this way, Singapore's educational institutions and workplace can help to produce a steady stream of new entrepreneurs who will create satisfying jobs for innovators.

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