

Non-Bullshit Innovation, by David Rowan

Review

The businesses inventing the future

The real secret of successful innovation is trial and error, says Matt Ridley

Matt Ridley May 25 2019 The Times

In the 1980s Naspers, the owner of a South African newspaper devoted to the cause of Afrikaner nationalism, hired an entrepreneurial chief executive. The company was persuaded by Koos Bekker, a brash young man with no media business experience, to gamble on building Africa's first cable-television network. It paid off, so Bekker started Africa's first mobile-phone service, then a bunch of internet startups, most of which failed. In 2001 he invested \$32 million in a loss-making small Chinese messaging service called Tencent. That stake is now worth \$146 billion. Welcome to the extraordinary world in which we live, where vast sums can be made by unlikely people through the unanticipated uses by young people in countries still run by communist parties of technologies invented mostly in California. Forget Trump and terrorism, Brexit and biodiversity, identity politics and immigration: this is the big story of the late 2010s — an unstoppable explosion of innovation, for good and ill, all over the globe.

David Rowan is the founding editor of the UK edition of Wired magazine and in this remarkable book he has gone all around the world chronicling what is happening inside businesses as they invent the future. He visits a school in Peru, a hospital in Finland, a ministry in Dubai, a factory in Switzerland, a hotel and a bookshop in Mayfair, a team of hackers in the Pentagon, a blockchain business in Taiwan, a government office in Estonia and a festival in California, among other places. In each case he tells a story of transformation: how an organisation has found a new way of doing things through innovation driven by ruthless entrepreneurial imagination.

What is especially useful about Rowan's journey is that he sticks to real examples of things that are actually happening, eschewing the vague abstractions so popular with innovation gurus — hence "non-bullshit" in the title. He also does not just stick with small startups, let alone dreamy "inventors". He finds innovation in big companies and even within governments. And he focuses on the creation of markets, not just the invention of machines and gadgets: that is to say, innovation rather than invention. Part of the secret sauce of successful innovation is trial and error. Again and again Rowan recounts how a venture ended up doing something different from what it intended, and how it had to try lots of different things and fail before it stumbled on success. Nokia seemed to be a perfect example. It started in 1865 and went from running paper mills, to making rubber boots, to selling car tyres, to developing cellular radio networks in forests, to inventing text messaging, before becoming the world's biggest maker of mobile handsets. And then it fell from grace, failing to respond nimbly enough to the threat from the iPhone.

Inside Google Rowan explores the way that X, Google's name for its blue-sky new-venture business, is almost gullibly open-minded about ideas, but relentlessly brutal about killing them when they cannot meet low-cost outcomes. Inside Barry Diller's IAC, Rowan tells the story of how it invested in a dating app that in 2012 became Tinder. By the end of 2014 it had been downloaded more than 40 million times, with more than a billion swipes a day, destroying the market share of the dating apps IAC already owned, but seizing a much bigger market instead. It is especially good to come across low-tech, or at least old-world innovation, to remind us that it is not all about digital stuff. Heywood Hill bookshop in

Mayfair reinvented itself as a high-end book-subscription or library-assembly service; Claridge's hotel installed five floors of basement under itself through a 2m-square hole while remaining open to guests; Qantas turned its air miles loyalty scheme into a growing profit centre in its own right, with rewards for things far beyond aviation, such as dry-cleaning or ordering lattes; Welspun, a maker of cotton sheets in India, reinvented itself after it was sued by US retail chains for substituting high-quality cotton with inferior products. By making its supply chain transparent, it discovered an unexpected market advantage by appealing to a new generation of consumers who care about provenance.

The Estonia chapter is the one that intrigued me most. Governments are more resistant — allergic even — to innovation than companies. However, in Estonia it is different. Its politicians reacted to liberation from the Soviet Union not by reinventing an old form of government, but by trying to turn the nation state into a digital enterprise. For instance, it offers an e-residency to people beyond its borders that allows them to set up business in Estonia. There are 45,000 e-residents; the aim is to have ten million paying a Netflix-style subscription so that income tax can be abolished.

Estonia made tax digital in 2000, allowed online voting in 2005 and gave medical patients their electronic records in 2008. If all goes well, it will be offering its services to run other countries at some point. "We need to start seeing the nation state as a platform," says the man in charge. Companies from all over the world are starting to register in Estonia and the country is dabbling in experiments with digital cryptocurrencies, called estcoins, to the fury of money monopolists, otherwise known as the European Central Bank. Estonia has already more unicorns (billion-dollar tech startups) per head of population than any other European country, starting with Skype, developed in Tallinn by a Dane and a Swede, and sold to eBay for \$3 billion two years after launch. Estonia (and to some extent Dubai) aside, the stories told in this book remind us that most innovation is not done by the state. Indeed, it does not happen in universities, or government laboratories. It happens within private enterprises, usually small ones, but increasingly often large ones that have learnt the lesson of failed companies such as Kodak and Nokia and set out to reinvent themselves as internal ideas markets. Sure, scientific research is immensely valuable, and there is synergy between research and application, as well as between the standard-setting role of government and the response of innovators.

Innovation can be encouraged, but it is a mistake to think that it can be planned, predicted or summoned to order. It is a thing that emerges from an ecosystem of experimentation, in unexpected ways, and it grows in a seedbed called freedom.

Non-Bullshit Innovation: Radical Ideas from the World's Smartest Minds by David Rowan, Bantam, 384pp, £20