Chapter 94
E-Novation and Start-Up Companies

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ABSTRACT

Author experiences from working jointly and within startups inform this chapter. Emphasizing the importance of employees achieving unprecedented productivity through working collaboratively and supported by flexible roles and social technologies cannot be understated. Startup employees led by the entrepreneur are masters of embracing complexity. This means the startup team understands cause and effect follow a non-linear relationship with the subtlest of changes potentially resultant in producing chaotic behavior and surprise. For the startup, especially in recessionary times, this means counterintuitive thinking wins the day. In light of this, small expenditures can have a greater impact on developing new business compared with the large budgets available to incumbent players.

The startup employee prefers not to be constrained by the old broadcast model of email instead exploiting social technologies. This includes the use of wikis as an enabler of both interactive communications and repository of company knowledge. A founding myth helps drive new hires and can underpin a service centric focus creating unique customer experiences based on the vision of the entrepreneur and storytelling. A startup is a learning organization improving processes and results on an ongoing basis mirroring entrepreneurship as a learning process. Within a startup, limited processes exist, and core employees embrace next practice to help drive a major source of competitive advantage. Startup employees realize success goes beyond consideration of product functionality or a track record of existing customers. Each business development opportunity for the startup is driven by experience co-created with the customer.

By 2010 the potential to launch a "startup-in-a-box" with an E-Novation framework (Pattinson and Low 2008) supported by social technologies to foster intense collaboration among core employees will become both a reality and essential. Only through a combination of framework and social technologies can startups and founding employees keep pace with the changing business landscape and generate a rapid amount of knowledge to sustain sufficient advantage in the market.

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INTRODUCTION; THE STARTUP DEFINED AND COMPLEX SYSTEMS

Startup company categories (Luczkiw 2005) include self- employed independent consultants, small business owners (franchisees and mom & pop operations) and entrepreneurs. The entrepreneurs see themselves as "dream merchants" (Purewal 2001), formulating plans intuitively (Mintzberg 1983), building emerging businesses rather than extending and defending existing businesses (Baghai and Coley 2000). Most importantly, the entrepreneur capitalizes on opportunities arising from "market transitions and business model shifts" (Fryer and Stewart 2008) in advance of the overall marketplace. The primary focus of this chapter is the entrepreneurial driven company (startup).

Central to the fabric of the startup is the notion of a startup as a complex system and a key property of the entire system, "emergence". A startup behaves as a complex system composed of numerous agents (parts), which can each interact with each other through artifacts including home offices, laptops and mobile phones. The system complexity relates to the unexpected or surprise behavior of the overall system stemming from the interaction between agents arising from connectivity. This system characteristic otherwise known as "emergence" can never be predicted from the individual agent behavior nor understood by decomposition of the system. Therefore, in a complex system cause and effect follow a non-linear relationship with small changes potentially having a big impact and large changes having minimal impact. To this end, complexity has been dubbed the "science of surprise" (Casti 1994) and startups on numerous occasions demonstrate surprises in a variety of markets leading to leadership positions in markets where established players have been operating for decades including the Apple iPhone and the incumbent mobile phone players or Google and advertising agencies.

Arising from author experiences working within and interacting with startups, the key concepts and tools of a startup as a complex system are illustrated in Figure 1. These concepts and tools are now discussed in more depth.

COMPLEX SYSTEMS, SURPRISE AND ENTREPRENEURSHIP

Through the startup stage of a company, entrepreneurs are driven beyond the pursuit of self-interest and are not beholden to traditional macro economic decision-making but a higher calling moving a founding vision to reality. Against this backdrop, complex systems theory offers bystanders a lens to better understand entrepreneurial interactions with employees, learning and processes. Complexity regards the actors (e.g. employees or mobiles) less important than the actual interactions themselves. The interactions between employees provide the organization with the structural capability to achieve resilience in turbulent environments or sustain competitive threats. The interactions represent a feedback loop fueling the complex system or organization. Given the agents are intelligent human beings double loop feedback takes place with agents learning from the results of actions and altering behavior together with other agents to get closer to achieving business objectives. In this manner the startup can be seen as a complex adaptive system (CAS).

Startups when commencing operations are reliant on customer feedback from the outside to provide the voice of the customer and guide product designs. Web forums and email are no longer the only mechanisms for customer feedback a plethora of social tools including Twitter, Forum, Wufoo.com, GetSatisfaction and CrowdSound (a social feedback widget) allow startups like Bump Inc to participate in customer conversations with these tools requiring minutes to setup and ensure "a startup feeds off feedback" (Mckay 2008).

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