Advice for Entrepreneurs at the Threshold of the 2020s

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Ladies and gentlemen, thank you for inviting me to this learned event and to your beautiful city.

I admit it's been some years since I last taught entrepreneurship. I had become disgusted with ignorant and arrogant investors, with entrepreneurs who had no grasp of their markets, and with myself – because I had led youngsters who did not have entrepreneurial personalities to get excited about new ventures. As a result, they launched and crashed companies, and wasted two or three years of their lives.

An entrepreneurship course can benefit almost anyone, though often the benefit emerges later in life. VCs prefer younger entrepreneurs because they're easier to push around. I, and many of you professors, fell for it. Pushing all comers into an intense collegiate capstone business plan contest is a mistake.

Recommendation 1: We know the characteristics of the entrepreneurial personality. Put these in a self-assessment instrument, for students to fill out at the start of the course. Teach entrepreneurship in executive ed as well as in the baccalaureate and MBA programs.

However – however! – if we are concerned about sustainability, as we must be, in these times of climate crisis, we have to rely on entrepreneurs for our survival. The so-called precautionary principle, which has been the cornerstone of sustainability thinking, is too conservative to save us. This principle states we should do nothing that risks compromising the prospects of future generations. Yet we can't achieve sustainability with current technologies. New ventures bring us many of the needed innovative technologies and products. New ventures, including those attempting environmental innovation, are risky – from market, technological, social, safety, and development perspectives.

A green future depends on innovation. Innovation needs to be financed by debt or equity. And that implies risk. In fact, it is abjuring risk that compromises future generations!

Recommendation 2: Create an alternative to the Brundtland Commission's definition of sustainability. The alternative principle should recognize the need for prudent risk-taking.

I'd like to talk now about WeWork. Full disclosure, my daughter is a Vice President of WeWork. As the company fell into misfortune last year, both the *New York Times* and the *Wall Street Journal* rather astonishingly described WeWork as being "in the subletting business."[1] WeWork's innovations in architecture, amenities, HR, and culture, which contribute to fulfilling work environments, seem well known. Less well known is that following the expensive failure of 1st-generation smart cities, those driven from the top down by Cisco and others, WeWork with its comprehensive intranet – combined with the fact that in many cities it is the biggest tenant in terms of square feet, including living and learning facilities – is well placed to provide an alternative smart city. A kind of libertarian, opt-in smart city. Little surprise that Cisco, IBM and other champions of opt-out smart cities have an incentive to portray WeWork in a bad light.

No question that WeWork's planned IPO valuation was a fantasy. Yet if it were valued as a simple subletter, much value would be left on the table. Canada, the USA, and the world are well into the process of transitioning from a capital economy to a knowledge economy. To an attention economy. And to an experience economy.

So the problems are threefold. The accounting profession has not kept up with the transition. Investment analysts are afraid intangible assets like WeWork's are not protectable. And WeWork did a crappy job of articulating its value proposition.

[1] https://www.nytimes.com/2019/11/17/business/wework-layoffs.html

Recommendation 3: Work with leading accounting academics to devise a balance sheet that defensibly portrays your experiential assets. Hone and disseminate your value proposition.

As for protecting their market position and their not-so-secret sauce, I don't think the analysts needed to worry. No WeWork employee, at least in Gina Phillips' region, would have dreamed of leaving, prior to the ejection of Adam Neumann. By the way, Gina's region is the northwest US, plus BC and Saskatchewan. The company had planned to put all of Canada in its own region, and hired a Canada regional manager. Then the stuff hit the fan, and headcount was frozen. As of late November 2019 when I first drafted this speech, Gina still had western Canada, and the new manager is twiddling his thumbs in Toronto, unable to hire staff.

Anyway, when people experience something wonderful, they say, "If I could bottle this I'd make a fortune." Sure – business accounting can only deal with it if it's in a bottle, so to speak. In the experience economy we must learn "bookkeeping without the bottle." That's a slightly tortured metaphor; I hope you followed it.

Moving on. Two years ago, Google quietly dropped its original motto, "Don't be evil," from all company materials.[2] Eighteen months later, Sasha Baron Cohen delivered an electrifying speech to the Anti-Defamation League, widely seen on YouTube and in a number of newspapers, detailing how Google, Facebook and others have become irresponsible propaganda juggernauts. Cohen outlined the very possible tragic consequences when the new media effectively promote polarization and hate – and when Mark Zuckerberg so obtusely denies responsibility. Suffice it to say hate and polarization do not exactly advance the Sustainable Development Goals. This leads to Recommendation #4:

Recommendation 4: Don't be evil. Develop new platforms – but think very, very carefully about your responsibility for how people will use them.

An entrepreneur can be obtuse without being evil. I've often repeated one pundit's slur on "nerds who write insignificant apps to do things their mothers used to do for them," like picking up and delivering laundry. One of last year's most

[2] https://www.zdnet.com/article/google-erases-dont-be-evil-from-code-of-conduct-after-18-years/

celebrated corporate innovations was Domino's pizza-tracking app.[3] A pizza-tracking app! Yes, you can now know the exact oven time, temperature, and location of the pie you ordered. I don't suppose it knows when the delivery boy sneaks a slice of pepperoni off the top.

We are facing real dangers of climate collapse, nuclear war and global pandemics. People are writing pizza-tracking apps. Thus, recommendation #5:

Recommendation 5: For humanity's sake, turn your talents to something important.

I've been involved in a multi-university initiative to reform engineering education. The initiative is called Peace Engineering. It exposes engineering students to social sciences, technology assessment, and business. Its aim is to move engineers away from designing only things that are "cool" or things that are attractive to employers in the military-industrial complex. We want them to design consciously with human well-being, social impact and conflict reduction in mind.

Peace engineering's major hurdle is that almost anything can be weaponized, and someone (perhaps in the government) is always thinking about how to weaponize your most peacefully intentioned invention. Peace engineers will have to build entire, fast-growing civilian value chains around their innovations, so that the economics of peaceful application become quickly and quite visibly more attractive than the gains from destructive uses.

Furthermore, the "grow fast and break things" approach today's investors favor, will not work for peace innovations. Ethical peace engineers will not break the law, as Uber and others have done, nor exploit contractors who really should be treated as employees. Peace engineers will break old supply chains and old business models, but will not indiscriminately externalize risks.

Our investors, incubators and accelerators know how to build new business ecosystems quickly. They do not know how to build, ultra-fast, the kinds of ecosystems that peace innovations need.

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[3] https://www.dominos.com/en/pages/tracker/#!/track/order/

Recommendation 6: Grow fast and don't break things. (Except old business models and old value chains.) Design new cooperative institutions to accelerate and protect ecosystems for supporting peace innovations. Make peace innovations!

Three more recommendations to go.

Today, individual countries are choosing and "adopting" one of the Sustainable Development Goals as their special national focus. Because it is well established (with ample research literature) that advancing one of the SDGs can retard progress toward another SDG, this strategy is silly. Entrepreneurs should focus on research and invention that reduces the trade-offs among the SDG targets. This, once you stop to think about it, is the most obvious way to accelerate fulfilling the SDGs.

Recommendation 7: Focus on research and invention that will reduce trade-offs among the SDG targets.

A Peace Engineering grant was to have come through the US Air Force, and was to complete the funding of my position at University of New Mexico. At the final Senate appropriation hearing, the money was diverted to the US-Mexico border wall. I'm sure it tickles your sense of irony that peace engineering money went to the border wall.

I was gratified to be invited to contribute a commentary article to the very high impact factor journal *Engineering*, published by the Chinese Academy of Engineering. I sent a completely innocuous note about peace engineering, with absolutely no remarks critical of China. Editors returned it to me, claiming it was "too sensitive at this time," probably referring to the troubles in Hong Kong.

So I've been dumped on by the United States government *and* the Chinese government. Google, Uber, and others also run up against national and local governments. Thus Recommendation #8:

Recommendation 8: These days, an entrepreneur needs a political advisor. (As well as a lawyer, an accountant, etc.)

Economist Paul Schmelzing has mapped the trend of global returns on capital for the last six hundred years. He showed that average returns have declined steadily from 15% in the 1400s to approximately zero (and sometimes less) today. In an era of shrinking returns on capital, your VC is desperate to get outsized ROI. S/he insists you produce a "Minimum Viable Product."

Yet you are in this game because of your passion. A VC who insists on MVP (Minimum Viable Product) is not your MVP (Most Valuable Player)!

Recommendation #9: Negotiate for the PPP, the Practical Product of Passion!

I hope you find these recommendations helpful, and I thank you for your kind attention.