



The Knowledge Wave - swimmers and surfers **(notes for presentation)**

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Do you remember the talk feasts about the knowledge wave? That was a decade ago. With such events the usual outcome is wet feet and not much surfing or even swimming..

Here is the good news. Knowledge is constantly being created, the waves are continuous and there is an ocean of opportunity to be explored and exploited. NZ has not missed the bus, and may not have even completely missed the bus that was called and we understood to be the Knowledge Wave of the early 2000's.

Not all knowledge is useful, and not all knowledge has the ability to be used commercially, often knowledge is competing and sorting fact from fiction is hard. That is when sound judgment comes into play. Not every wave can be ridden, not every wave is worth riding.

Today is about identifying what makes a surfer and how are they different to a swimmer.

What is a swimmer anyway?

Most businesses and most people are swimmers. They seek calm waters, they avoid challenges, and thus opportunity and they simply take what is given to them and are buffeted by the waves of change. Most swimmers don't drown, some do, and more when the sea turns nasty. Swimmers master existence and acceptance. Life is pleasant; until a fundamental change occurs, then life becomes unpleasant.

As Buffet says "you can see who is swimming naked when the tide goes out"

What is a surfer?

A surfer wants to take advantage of his environment, he wants to master the opportunities, a surfer accepts the risk of a wipe out, a surfer has developed skills and most importantly goes into the water prepared, and with a surf board.

I will talk with you today about what makes a business a surfer, and which sort of enterprises are most likely to produce surf boards. What characteristics should you foster in your business if you want to be a true innovator generating knowledge which can lead to Intellectual property and sustainable advantage for your business?

Businesses don't have a characteristic, people do. When people come together they develop a team culture, or characteristics. It starts and ends with people. Thus as organisations build the core issue is ensuring a collective vision is developed and adhered to and rigorously pursued.

Personal characteristics:

Whoever is building or leading an innovative organisation will have to have all of these characteristics in order to have a chance of being a surfer.

- Vision and leadership.
- Awareness.
- Judgment and intuition.
- Courage.
- Determination.
- Communication skills.

Organisational characteristics

- Small is better than big.
- Rebels are loved not ostracised.
- Contrarian thinking is valued.
- Connectivity both internally and externally, marketing production logistics customer service finance all talking to each other, connections to customers supply chain competitors supplier and market place.
- Contribution recognised and rewarded Incentive plans clear.
- Ownership options for the innovators are open, they can share not just revenue and profit but VALUE.

Management characteristics

Have budgets, but also have free time budgeted, organisations that think create.

When these characteristics of openness, connectivity awareness intuition and courage combine, the ability for organisations to be aware of the hidden surf boards that can be ridden on selected waves is vastly improved.

So the first and most important hidden asset in any business is the knowledge and experience of your people and thus retention strategies for team retention are important, but this is not a morning to talk about HR.

But it is entirely possible that the systems and processes you have around people, motivation, team retention and management might in and of themselves be IP, and what is more if you have documented them - they might be protectable and or licensable.

Now I will go through some practical examples of assets that emerge in businesses when you are aware that you perhaps should be looking for them.

Saleable by-products that become a valuable product: When you are in the business of collecting analysing and interpreting data, there are often many uses to which you can put it that are not at first blash obvious.

For example CNX CHCH – A technology company was one of the first in the world to deliver up real time passenger information systems. CHCH was its first customer and 12 years on the 99.9% accurate projection - to bus users are still world class. But the bus companies only care about passengers to the extent that they are volume rather than route funded. If they are route funded they actually want fewer passengers.

Eventually we realized that what they actually wanted was route management data. If you knew with enough history how long buses go along a route, and how many passengers they pick up and where, you suddenly have valuable data to tailor service to demand. It is the same data but more valuable.

When you aggregate data, so that you can compare the operating efficiency of your customers in depth you then have another data set and this too is valuable as it allows all operators to improve based on the collective analysis of reliable data.

Data is IP - that is my point.

Next case study, you are a hardware and software integrator. Progressively as the demands of the system become greater you ended up with ever increasing complexity, but also ever increasing redundancy, wasted cost. Redesigning and existing configuration of equipment to remove redundancy and eliminate cost creates design knowledge. This is the sort of stuff that happens in contracting teams all the time. The on site doing of work creates design as well as process knowledge.

Another example is a company that makes high performance industrial materials. When we examined the way in which we made this stuff, none of which was unique as it was still an industrial process and product, we discovered that one of the team had off his own bat developed a unique way of polishing multiple units simultaneously with the same precision as individual processing. This is an example of practical people finding solutions at the work place in a factory that becomes part of your competitive advantage and your industrial knowledge.

Customer lists and history is also knowledge. If you know your customers and what they buy and when this is also IP - Do you capture that data?

Another company I exited with others a couple of years ago had a very interesting history too. The application that we invested in was a piece of technology embedded in other technology. The main proposition wasn't investable but the enabling engine of it was.

Sometimes the essence of a competitive advantage is lost in the detail and we make things harder than they are.

I once looked at an idea to reconfigure how we deal with human excrement. This guy had a process that processed shit 3 times faster than any competing process, thus using less resource, should have been a winner but for the extreme capex. The essence of his system was a method for accelerating evaporation - cheap to install and was in effect a simple consumables model, no capex. It was a brilliant idea but the owner wanted the big ticket item so neither has come to pass. IP is not always obvious to those closest to it.

Sometimes the value of IP is in how it is sold. For example the sales team in a start up took a product that was designed for a business to business market and turned it into a viable business to consumer market. The change in how the same product was presented created new knowledge.

Just about every business of any scale will have within its production: marketing, design and project teams (and possibly even the finance and HR teams), knowledge that is valuable. This enables the business (that they are all part of) to surf - if they choose to do so.

First they need to identify the tools they have, then find the courage to stand up on the board and surf!

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