Innovation Wars: Trump, Lean Startup, and Zero to One

Dr. Ian Mitchell, November 25th 2016

"What separates the winners from the losers is how a person reacts to each new twist of fate."

- Donald Trump

It may be that the past few years - up until the end of 2016 - will define the ascendancy and zenith of the Lean Startup movement. For many it has been nothing less than the "new agile". At enterprise scale, the Lean Startup approach has taken the calculus of incremental delivery out of the development shop and into the boardroom. For the first time since the drafting of the Agile Manifesto in 2001, a framework has emerged which is incontrovertibly value-driven and business-focused. Only DevOps has rivalled Lean Startup for mindshare, and indeed the two have been linked as complementary practices. Each takes its own tack towards continuous delivery and a lean flow into production, with carefully controlled batch sizes and minimal leaps of faith.

A critical tenet of this approach can be found in the first few pages of "The Lean Startup" by Eric Ries. In the introduction to his 2011 work on this topic, he claims that: "Startup success can be engineered by following the right process, which means it can be learned, which means it can be taught".

To Ries, in other words, the skills for becoming a successful entrepreneur are not necessarily encoded in a founder's DNA. There is a rational method to innovation which can be applied, a science to this outwardly arcane and serendipitous art. That science is

distilled into a neat shot that warms the heart, and gives us an intoxicating glow of hope. No great leap of faith is demanded. Creating a successful "Lean Startup" is revealed to be an empirical process of envisioning and steering, of pivoting with minimal waste, of accelerating to scale, and of no assumption left unvalidated. It is building, measuring, and learning about value by actually delivering it...one increment at a time. Above all, the process is shown to be affordable and repeatable. It is a framework that you and I might use.

But then Peter Thiel, the founder of PayPal, came along. In 2014 he wrote his own book on the innovation problem...and we found that this highly successful entrepreneur had a rather different message for us.

In "Zero to One", Thiel argues that there is, in fact, no repeatable innovation process which can be leveraged. "[T]he most important task in business - the creation of new value", he wrote, " - cannot be reduced to a formula and applied by professionals". All too often, value is critically dependent upon the ambition and heft of a single remarkably capable entrepreneur. Moreover, Thiel says that the organizations they lead "often resemble feudal monarchies rather than organizations that are supposedly more 'modern'". So much then for the intoxicating glow we had from "The Lean Startup". Now we feel the cold light of dawn as we sober up in the fields of our betters, repenting a hope that turned out to be bombast. If we are not monarchs in this neo-feudal system then perhaps we must be content to bend ourselves like peasants to the plow.

To Thiel, genuine innovation is essentially non-incremental in nature. There is a real and substantial leap to be made. It's the leap from having no product at all to having not just *any* product, but a de-facto monopoly. Forget about being good enough just to gain market traction. A product must be *so good* that the risk of serious competition is negated, a monopoly being justified through a proven track record of delivery excellence. Such high achievement lends itself not to incremental risk mitigation and gradual evolution, but to drive, courage, and overarching genius. A bold plan and unusual talent is needed to get from "zero to one".

Now, all of this may seem marginally interesting, as if we had competing theses from Silicon Valley to fuel an academic debate. And perhaps that's all this might have been, had not recent political events thrown the difference between these philosophies, and their

implications, into stark relief. These are the events of the 2016 US Presidential Election campaign.

To understand why this election has become of unusual importance to innovation and these two schools of thought, let's focus in on the ordinary...an ordinary statement by an ordinary person who happened to be interviewed by the world media. This person was the owner of a farm and food store in Muncie, Indiana.*

"The Democratic establishment is very, very happy with incremental change," he said. "And the rest of the public is out here like, 'We don't have time for incremental change. We don't have time for that. Why would we want to wait?'"

To entrepreneurs and agile practitioners, this statement may appear both surprising in its context and disarming in its candor. For one thing, it's as though an old-hand IT project manager was speaking, and berating the prospect of itty-bitty iterations when so much is needed now. His use of the term "incremental change" might perhaps have been influenced by a poll being conducted at that time, in which the statement "We need a revolution in this country and we don't have time for incremental change" was made, and respondents were invited to agree or disagree.** Most, incidentally (a plurality of millenials), did agree. Yet however the term came to be used, this vignette of an interview in Muncie suggests that ordinary working-age people were able to view themselves as stakeholders in "incremental change", to associate this mechanism with one candidate's party rather than another...and perhaps to reject it at the ballot box.

Of course, if the Democrats were held to be the party of incremental change, then the corollary to be made is that the Republicans were seen to offer a non-incremental alternative. And in some respects, Donald Trump can indeed be regarded as the "zero-to-one" candidate. Obviously he did not start off at "zero" in the same way that someone from Muncie might do. He had wealth and connections, and was largely able to self-fund his own campaign. But he started off at zero in the sense of being a political outsider. He didn't work his way up the political ladder incrementally, through state government and a senate position. It was from reality show to president...and incrementalism is very definitely not his style.

This is where things start to become more interesting, because Peter Thiel...almost alone among entrepreneurial, tech-sector voices...did indeed end up giving his backing to the Republican nominee. It seems that no clearer, nor more public an anointing could possibly be made of The Donald as the "zero-to-one", non-incremental candidate. Furthermore, the reciprocal linking of the Democrats with incremental change may seem reasonable, given that it was a mantle they were broadly willing to wear. No unnecessary risks were to be taken on Clinton's watch, and it would be a "safe pair of hands" at the helm. As if to cement her association with incrementalism further, Eric Ries then came out to pitch for Hillary Clinton. He qualified this personal backing by encouraging all to cast their ballot regardless of their voting intention. Even so, he made his preference for Clinton quite clear to all.

This sketches a picture of Clinton as a natural "Lean Startup" candidate, aligned to incremental thinking and moderate, validated action. In this same model Trump represents the abandonment of such process and formula in favor of an audacious leap from "zero-to-one"...a leap to an America Made Great Again through exceptionalism and, perhaps, an effective monopoly on power.

At the time of writing, Trump has not yet been sworn in, and so it is impossible to say how valid this model will prove to be, or what form any effect on innovation policy is likely to take. And of course, the supposed incrementalism of a Clinton administration will not be tested in any way at all. Yet certain political implications for innovation strategy are nevertheless beginning to emerge. Thiel has already been appointed as a member of Trump's presidential transition team where he will have a voice on policy, as has Trae Stephens, a principal at Thiel's Founders Fund. Thiel's vision is therefore quite likely to shape innovation strategy, including on matters of procurement and how the Federal Government interfaces with the startup ecosystem.

This is all in addition to Thiel's 2016 participation in the Bilderberg Group, an annual private conference of 120 to 150 people of the European and North American elite, including experts from politics, industry, and finance. What he had to say there was unclear, but it is perhaps significant that he was invited.

Of course, it has to be said that not everything in the world of innovation is driven or constrained by politics. We should remember, for example, that the Lean Startup

movement has a clear offering that millions of people can buy into. In particular, we can speak seriously and credibly about a Lean Startup "framework", whereas it's not so easy to do that with Zero-to-One. Yet how can that framework compare to a presence on the Trump Team, and an inside track at Bilderberg? If this seems like an uneven match, it's largely because these are incomparable forces.

Really then, we just need to watch this space. But if there's one thing we should take on board now and digest, it's that the prospect of a Lean Startup hegemony upon innovation thinking must be dismissed. Also, there is a clear lesson that we must learn quickly. It always was a conceit to think of innovation as a rational process that can somehow reduce leaps-of-faith. In Muncie and elsewhere, people can't afford to take leaps-of-faith at all. They can only take leaps of desperation.

*"Note to America: Don't Be So Sure You've Put Trump Behind You", by Gary Yonge, Oct 31 2016. https://www.thenation.com/article/note-to-america-dont-be-so-sure-youve-put-trump-behind-you/

**"The Millenial Strategy. Web survey of millenials in the battleground", by Greenberg Quinlan Rosner Research, Oct 2016. http://www.wvwvaf.org/wp-content/uploads/2016/10/Dcorps_WV_Millennial-Webtest_10.7.2016_EALERT.pdf