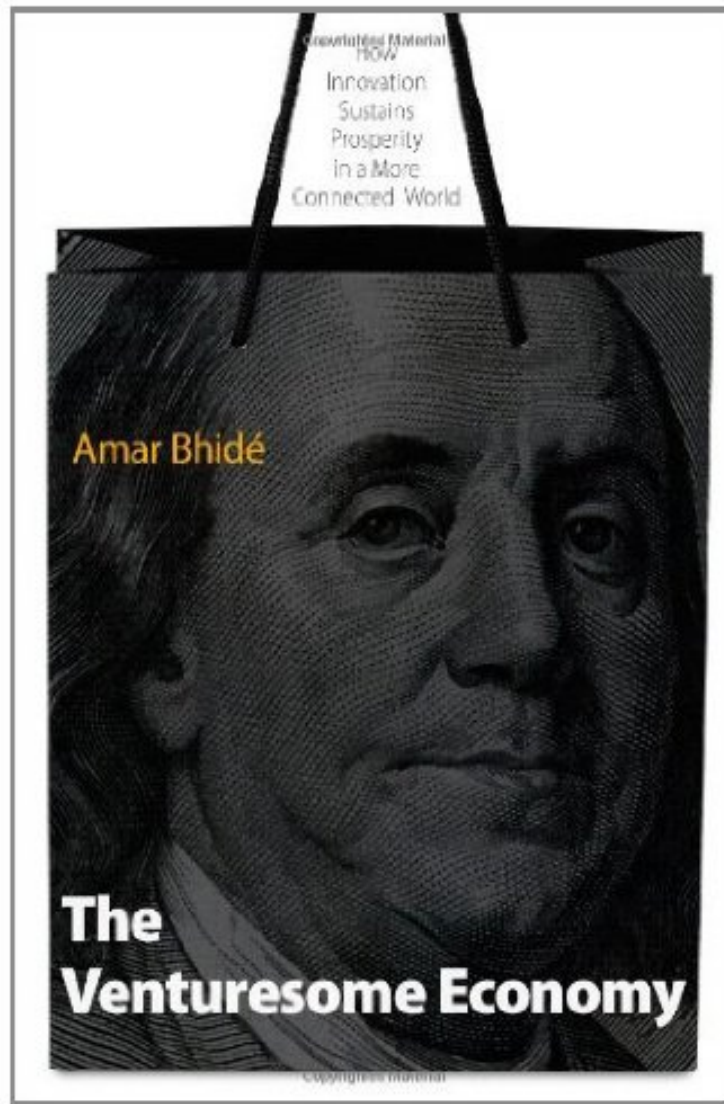


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## The Venturesome Economy: How Innovation Sustains Prosperity in a More Connected World (The Kauffman Foundation Series on Innovation and Entrepreneurship)

*Amar Bhideacute;*  
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**Amar Bhideacute; : The Venturesome Economy: How Innovation Sustains Prosperity in a More Connected World (The Kauffman Foundation Series on Innovation and Entrepreneurship)** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Venturesome Economy: How Innovation Sustains Prosperity in a More Connected World (The Kauffman Foundation Series on Innovation and Entrepreneurship):

10 of 11 people found the following review helpful. Fresh Thinking, plenty to argue with

By Hugh Claffey

I read this book as I had come across the author's views that that, in addition to innovative inputs, entrepreneurial firms require venturesome and resourceful customers who are willing to take a chance on their products and services. Too often I think innovation is viewed as the result of back room boffins planning and researching, whereas in fact the real world of trial, error and customers who are willing to adapt and suppliers who are willing to change is more real. There is a wonderful Dilbert cartoon where Dilbert proudly shows Dogbert the world's first video phone. Dilbert is ecstatic at his purchase, placing it on his desk saying 'and all we have to do now is wait for someone else to buy one and we can talk'. Dogbert ruefully notes that societies material progress relies on people like Dilbert.

Amar Bhideacute;'s an Indian-born, professor of Business at Columbia elegantly begins his discussion of innovation as follows "Just as a devout Hindu might begin a journey with a prayer to the Lord Ganesh, it is obligatory to start a discussion on modern innovation by invoking Joseph Schumpeter" Having nodded towards the master, he then proceeds to deconstruct, if not actually slaughter, the sacred cow that is the Schumpeterian model of innovation. This for me is a major strength of the book, it has become fashionable to take creative destruction - the utter replacement of one technology by another, as the basis for the cycles of prosperity and innovation. Yet the reality is somewhat different - in the 1930's typewriters were predicted to eliminate the need to write by hand, yet in 1990 sixteen billion pencils were sold; and in most markets, a large majority of people will possess both a landline and a mobile phone, despite the potential of the mobile to replace the landline. While I believe that creative destruction as a model remains important for companies investing in new product research - as in Christensen's 'innovators dilemma' and Foster's 'attacker's advantage', however Bhideacute;'s view that markets remain both more sophisticated and complex than one simple model, is both instructive and refreshing. Bhideacute;'s core argument is that the US consumer is assertive, adventurous and capable - in short, venturesome - in relation to new products. In what other market would such a significant group of customers exist who would be so open to products such as the iPod, who are willing to pay prices which will justify significant investment and who are open to being 'experimented upon' (ref. Friedrich Hayek). Bhideacute; reviews the work of a sample of US - based venture capital firms and the ventures they invest in, to draw conclusions about the exceptionalism of the US customer. In a variation of the 'coming to America' theme, Bhideacute; documents how 'making it' in the US first is hugely important for success, even for firms whose founders originate elsewhere. Indeed the US customer is blind to the national origins of product, the company or the individuals involved in providing the product/service. I had three major concerns with this thesis - firstly the sample set, as Bhideacute; acknowledges (indeed he has a major sideswipe at econometric analysis), was not scientifically representative, and perhaps cannot be, but therefore runs the risk of being anecdotal. More importantly the VCs were US-based, I would have felt more comfortable with comparisons between success rates in US versus other VCs (the Israeli VC industry is well developed) and with other developmental paradigms - what about emerging companies in BRIC countries (for example)? Most importantly of all, the US is exceptional in terms of GDP per capita and technological prowess, so it may be easy to fall into the trap of stating that because it is rich, it is exceptional. An alternative may be that because it has been exceptional - no invasions in the 20th Century, opposed by an economic system which imploded - it is now rich. I think it would have been useful to examine markets in technology areas where the US is not the leader (eg. Korea for broadband Access, Europe for mobile phone penetration) to see whether venturesome consumers exist, or whether other parameters are important. I find it difficult to believe that US consumers are so significantly different to other consumers, in their uptake of new products, that this justifies a permanent exceptionalism. Nonetheless the arguments made are thought provoking and useful. Bhideacute; remains optimistic about the potential for American industry and competitive enterprise within the global economy, and frequently disparages and disproves proponents of exclusion and economic and/or technological nationalism. Such optimism is refreshing (it should be noted the book was written before the Credit Crunch morphed into the Crisis of Capitalism), and forward looking, nonetheless it remains to be seen if (and it's a huge, world-transforming if) Chinese and Indian GDP per capita approaches US figures, will US firms and society still maintain their competitive edge. This is not to argue for economic nationalism, just to put a dampening comment that it is unlikely that 6% of the world's population will remain so much a determinant of technological innovation and economic prosperity in a future where another 40% is coming to economic self-determination. One last point, I was puzzled by the inclusion of chapters on immigration into the US. In so far as I understood it, I think the point being made was that the US society was a welcoming meritocracy, which formed a mutually beneficial relationship with all, suitably qualified and motivated, comers. I did not think this a good fit with the general thrust of the argument, though its possible that my reading the book was tilted towards what it had to say about innovation, and that I was not sufficiently connected to the prosperity-generating side of Bhideacute;'s argument.

11 of 11 people found the following review helpful. Thoroughly researched, eloquently argued and highly persuasive

By Dr. Vivek

The book is a thoroughly researched, eloquently argued and highly persuasive piece. It's central thesis is that technological innovation is a complex, multiplayer game in which America still leads the world by a long way. American scientific, technological and economic pre-eminence are thus not going away anytime soon. The book goes on to argue that "neo-protectionist" fears are unwarranted, and shows how they will probably undermine America's economic might in the long run. The book comes with impeccable credentials. It is authored by

Amar Bhidé, the Lawrence D. Glaubinger Professor of Business at Columbia University. Prof Bhidé is also a co-researcher of Edmund Phelps, 2006 Nobel Laureate in Economics who is an authority on, among other things, the relationship between investment in education and research on the one hand, and economic growth on the other. And Prof Bhidé could hardly have chosen a better time to weigh in, as anti-offshoring rhetoric can be expected to rise over the next few months. It must be noted that the primary purport of the book is not to support outsourcing or offshoring, and I am sure nothing could be farther from the author's mind than to be painted as a torchbearer for the outsourcing brigade. Nonetheless, the arguments presented therein can be read as making a substantial case for a more liberal approach toward outsourcing. The author marshals an astonishing array of evidence in supporting his thesis, stitching together data and information from diverse disciplines. He presents data to show that protectionist fears in the 1980s that the US would soon be overtaken by Germany and Japan, which focused on rigorous planning of their scientific manpower, proved baseless as the US prospered while the ostensible aggressors largely floundered. He says things are no different this time, with China and India. The book's arguments can broadly be summed up as follows: \* Wealth arises not so much from creating new technological breakthroughs as from the capacity to benefit from those breakthroughs. \* This 'capacity to benefit' is a higher order capacity that includes elements such as the ability to create products based on those technological breakthroughs, the ability to market those products well, the ability to take risk and freedom from over-regulation. In particular, "venturesome consumption" - the propensity of consumers to embrace products based on new technologies - is vital. \* The US has most parts of this diverse puzzle - particularly venturesome consumption - and is hence best positioned to benefit from new technologies. This is true even of new technological innovations produced abroad. As an example, the author avers, the exceptional ability of US companies to use IT has been a strong reason why US productivity has outpaced that in Europe in Japan. \* Hence allowing technological breakthroughs to happen abroad certainly does not hurt, and possibly benefits, the US. The author offers the example of the iPod, much of whose technology originated in Europe and Asia, but which wouldn't have achieved the success it has without venturesome US consumers - who have in turn reaped huge benefits by so consuming the device. \* This higher-order capacity is deeply rooted in various economic, social, cultural and psychological structures and is hence highly sticky, which makes it difficult for the US to lose it - and for other countries to acquire it. The author also introduces the notion of "nondestructive creation" (innovation that creates new products and services without displacing existing ones) in addition to the familiar Schumpeterian creative destruction. Such nondestructive creation creates new jobs without eliminating existing ones. At least in the nontradable services sector, these new jobs will have to stay in the US and cannot migrate to low cost locations. Thus, Prof. Bhidé assures us, there is unlikely to be a giant sucking sound anytime soon. One potential objection that occurs to me, that protectionists may raise: relying too strongly on the 'nontradable services' argument may amount to standing on shifting sands at best. Several services thought to be nontradable have turned out to be tradable after all. IT services themselves were thought to be nontradable for long, until Indian IT service companies showed they could cross borders. Even advertising, which is highly culture- and context- specific - has been offshored (Lenovo has headquartered all its marketing activities outside China in Bangalore). The book also perhaps bypasses one major theme on the subject of 'how innovation sustains prosperity in a connected world' (and this is also my favorite argument in favor of why developed economies including the US should not be chary of allowing high-end work - and high-paying jobs - to flow abroad): a lot of the prosperity that so 'leaks away' from developed economies comes right back in the form of demand for products and services. As an example, Indian IT outsourcing companies are perhaps the largest airline customers in the world, as tens of thousands of workers travel each year between India and the countries where clients are located. These airlines such as United and Lufthansa are mostly headquartered in developed countries. Similarly, the same India-based outsourcers lap up the laptops, PCs, servers and networking equipment made by Dell, Sun and Cisco. They are huge buyers of software produced by Microsoft, IBM, Oracle and SAP. These companies (and their employees) can safely be assumed to have an insatiable appetite for the latest cellular phones and so forth from the likes of Apple, Nokia and RIM. These companies also employ legions of workers at or close to client locations - workers who pay taxes and pump money into local economies. Many of these companies are listed on US and European stock exchanges, allowing people there to participate in their wealth creation. Thus, prosperity 'leaking' abroad contributes to prosperity in the developed economies - not in some nebulous, long-term sense but in a way that is direct and almost immediate. These are but minor quibbles - the book cuts a wide swathe in making its elaborate argument convincing. Along the way, the author explores the question of why companies buy IT. The notorious 'Productivity paradox', which held that IT has not contributed to productivity gains in business - is firmly laid to rest. He avers that IT has brought new ways of doing business, and also delivered significant benefits to the customers of those businesses that used IT, which are ignored by conventional productivity statistics. Another interesting topic examined is that of why people acquire education (particularly higher education), and how universities perceive the economic value they impart to their graduates.

6 of 6 people found the following review helpful. A Convincing Discussion By Jonathan Weiner I found Bhidé's new book excellent on a number of levels. He makes quite convincing overall cases for his leading theses: first, that 'venturesome' actors throughout the US economy --including especially businesses as customers willing to try out new technologies offered them-- have been the key to the US distinctive productivity

performance and second, the related and surprising proposition that fundamental research --so long as it gets done somewhere--has not been and won't be the driver of relative growth performance for the US in the future. Bhidé does a good job with the supporting lines of his inquiry. He provides a first-rate description of the whys and hows of venture capital-supported enterprises. He also carries the argument that many, even large-scale investments in new processes and techniques in the services sector and elsewhere that have turned out to be fundamentally important to productivity advances were done, not with a fine economic calculus of costs and benefits, but rather in an entrepreneurial, venturesome spirit in the face of 'Knightian,' unquantifiable uncertainty. I found the book rich with nuanced and illuminating business examples taken from his research for the book. Nice to have a bold set of propositions built from a real-world, fact-based approach.

Many warn that the next stage of globalization--the offshoring of research and development to China and India--threatens the foundations of Western prosperity. But in *The Venturesome Economy*, acclaimed business and economics scholar Amar Bhidé; shows how wrong the doomsayers are. Using extensive field studies on venture-capital-backed businesses to examine how technology really advances in modern economies, Bhidé; explains why know-how developed abroad enhances--not diminishes--prosperity at home, and why trying to maintain the U.S. lead by subsidizing more research or training more scientists will do more harm than good. When breakthrough ideas have no borders, a nation's capacity to exploit cutting-edge research regardless of where it originates is crucial: "venturesome consumption"--the willingness and ability of businesses and consumers to effectively use products and technologies derived from scientific research--is far more important than having a share of such research. In fact, a venturesome economy benefits from an increase in research produced abroad: the success of Apple's iPod, for instance, owes much to technologies developed in Asia and Europe. Many players--entrepreneurs, managers, financiers, salespersons, consumers, and not just a few brilliant scientists and engineers--have kept the United States at the forefront of the innovation game. As long as their venturesome spirit remains alive and well, advances abroad need not be feared. Read *The Venturesome Economy* and learn why--and see how we can keep it that way.

Winner of the 2009 Silver Medal Book Award in International Business/Globalization, Jenkins Group, Inc., Axiom Business Winner of the 2008 PROSE Award in Business, Finance, and Management, Association of American Publishers One of Economist's Best Books for 2008 One of BusinessWeek's Best Innovation and Design Books for 2008" Bhidé; makes a detailed argument that contradicts the prevailing view of expert panels and authors who contend that the nation's prosperity is threatened by the technological rise of China and India, and that America's capacity for innovation is eroding. . . . Mr. Bhidé; derides the conventional view in science and technology circles as 'techno-nationalism,' needlessly alarmist and based on a widely held misunderstanding of how technological innovation yields economic growth. In his view, many analysts put too much emphasis on the production of new technological ideas. Instead, he observes, the real economic payoff lies in innovations in how technologies are used."--Steve Lohr, *New York Times* "Offers a perspective on American innovation and prosperity that is remarkably optimistic, given the temper of the times. Among his data-driven findings: American consumers have long shown an 'exceptional willingness' to buy, for instance, technology products before their utility is clear. Such 'venturesome consumers' help spur companies and entrepreneurs to take the risks that lead to innovation."--Rob Walker, *New York Times* "The *Venturesome Economy* is a refreshing riposte to the doomsayers of recession and the bleak prognostications of the technonationalists. It is a compelling book and will have a wide audience; many will be interested in the numerous case studies, particularly of IT and biotech firms. The emphasis on relationships, connections and networks resonates well with modern literature on social capital and economic psychology."--Michelle Baddeley, *Times Higher Education* "Bhidé; points out that without our free-spending, possibly foolhardy yet certainly optimistic habits of consumption, Americans would not have moved the market to devise such culture-altering goods as personal computers, the iPod and, in an earlier and much tougher economic period, even mass-produced shoes."--Guy Trebay, *New York Times* "In *The Venturesome Economy*, Bhidé; provides a thorough discussion of the relationship between venture-backed business and globalization. Asserting the global influence of the United States, he explores the complex synthesis of innovation in an increasingly open international market. He also emphasizes the importance of embracing the ever-changing market and not fearing the false alarms and paranoia that strike an unpredictable economy."--Ming-Wei Wang, *Nature* "Arguments for protectionism are based on fears that are wholly at odds with the evidence. The experience of recent years does not support the idea that millions of jobs will be outsourced to cheap foreign locations. . . . [Amar Bhidé; argues] it is in the application of innovations to meet the needs of consumers that most economic value is created, so what matters is not so much where the innovation happens but where the 'venturesome consumers' are to be found. America's consumers show no signs of becoming less venturesome, and its government remains committed to the idea that the customer is king."--Matthew Bishop, *The Economist* "Meticulously researched, clearly written and based on interviews with chief executive officers, the book offers a ground-breaking and counter-intuitive view of innovation and globalization."--Diana Furchtgott-Roth, *New York Post* "Innovation everywhere is a boon to America. That's the argument from

[Bhideacute;] who sees hidden value in America's unique ability to integrate and consume big new ideas, no matter where they're spawned."--Kirk Shinkle, U.S. News World Report "A rigorously researched and original analysis that challenges much received wisdom about the process of innovation, particularly in the US. . . . In his analysis of innovation, Bhideacute; distinguishes between cutting-edge scientific discoveries and ideas--what he calls 'high-level' know-how--and the kind of know-how needed to turn these ideas into innovative products and services to meet the needs of specific markets ('mid- and ground-level innovation'). He says not enough attention has been paid to this mid- and ground-level activity, in particular to the commercial and organisational effort needed to turn scientific breakthroughs into useful products, or to how well America does it."--Fergal Byrne, Financial Times "A counterintuitive view of technology and globalisation that will delight those who believe that American innovation is insulated from economic ups and downs."--The Economist (Best Books of 2008)"Brilliant."--Reihan Salam, Forbes.com "Bhideacute;'s book is a welcome addition to the debate over how we sustain economic prosperity in a global, interconnected world."--R.B. Emmett, Choice "[Bhideacute;] provides a provocative, counterintuitive case as to why the U.S. should support the training of foreign workers and research activities by foreign companies. Why? American companies can benefit, he says--pointing out, for example, that many of the acclaimed features on the iPod were actually developed abroad."--Business Week (Best Innovation Design Books of 2008)"Annihilatingly good since it is so much at odds with the current, brows-knitted, anxious attitude toward the economic future. . . . Bhide is the undiscovered Malcolm Gladwell."--Amity Shlaes, Politico "Bhideacute; busts some common misconceptions of innovation: Fewer PhDs do not necessarily mean less innovation. Subsequent applications, rather than an initial invention, spur prosperity and radical social change. Increased proportions of college graduates in a society may not necessarily herald economic benefits. And enthusiastic immigrants--not just high-level researchers--can increase employment opportunities and wages for domestic science and engineering workers. . . . The message threaded throughout this book--anyone can innovate--is inspiring and needed during a time of economic downturn."--Susan Froetschel, YaleGlobal Online "[Bhideacute;'s] core message is that you need innovative consumers. This, rather than the cutting-edge stuff in the university labs or the research departments of the multinationals, is what gives America its edge."--Hamish McRae, The Independent "With a felicitous writing style, Bhideacute; addresses the antiforeign bias . . . and explains why innovation can sustain prosperity in the U.S., regardless of whether it emanates from within our borders or from Europe, Asia, or anywhere else. Read the chapter on 'Alarmist Arguments', in which he politely, but devastatingly, refutes the 'techno-nationalists'--many of them distinguished economists--who'd have us believe American prosperity depends on maintaining a lead 'on all fronts' in technical research."--Gene Epstein, Barron's Magazine "Is the world really flat? That's the question posed by Amar Bhideacute; in his new book, The Venturesome Economy. Disputing Thomas Friedman, author of The World is Flat, Bhideacute; concludes that: (1) it isn't, and (2) arguments by Friedman and others--whom he labels as 'technonationalists'--fail to recognize how innovation that matters really occurs and aren't always helpful to long-term global or even U.S. development. . . . Bhideacute; concludes that the edge in economic development from the 'innovation game' comes from the kind of entrepreneurial behavior that adapts and combines high-level ideas and know-how, adjusts them to the needs of particular markets, and actually sells them to willing buyers."--James Heskett, Working Knowledge "This is a fine book, a book for thinking with, providing rich detail and a carefully constructed argument about a big idea."--Jock Given, Prometheus From the Back Cover "If I were asked to recommend to the next president just one book on the trajectory of the U.S. economy in the next several years, it would unhesitatingly be Amar Bhideacute;'s The Venturesome Economy. The book is an utterly original interpretation of the nature of the complex process of innovation. Among other things, it makes a mockery of the simplistic, alarmist writings that have become so popular in these troublesome economic times. As a student myself of the lovely, kinky history of real innovation, I almost found myself audibly cheering as I raced through this seminal text."--Thomas J. Peters, coauthor of In Search of Excellence: Lessons from America's Best-Run Companies "Amar Bhideacute; provides a fresh and reassuring perspective on America's technological position in an increasingly global economy. Anyone interested in our economic future and especially our technology policies should read this book."--Lawrence Summers, Harvard University "The strides made by China and India, notably their unexpected technological advances, have made America anxious, prompting calls to double federal spending on basic research. In The Venturesome Economy, Amar Bhideacute; draws on his unmatched knowledge of the mechanisms of innovation to show the benefits to us of Asia's advances and the errors in the techno-fetishism that grips Washington officialdom. This book deepens radically our understanding of how the global economy functions."--Edmund Phelps, 2006 Nobel Laureate in Economics "In The Venturesome Economy, Amar Bhideacute; takes on the increasingly noisy chorus of critics worried about the effects of globalization on the national economy. He demonstrates that the application and commercialization of technology is far more important than whether the underlying science originated at home or abroad. The winners will be those countries and businesses that have the insight and energy to apply innovations effectively. This is an optimistic and important message."--Donald J. Gogel, president and CEO of Clayton, Dubilier Rice "A book full of solid if unconventional deductions, all based on extensive observations. Amar Bhideacute; is an author who knows whereof he speaks and to whom one should listen."--William J. Baumol, author of The Free-Market Innovation Machine About the AuthorAmar Bhide is the Thomas Schmidheiny Professor at the

Fletcher School of Law and Diplomacy, Tufts University, editor of "Capitalism and Society", member of the Council on Foreign Relations, and the author of "The Origin and Evolution of New Businesses". A former McKinsey Company consultant, Bhidé was educated at the Indian Institute of Technology and Harvard Business School, where he graduated as a Baker Scholar and later served as an associate professor.