The relationship between the quality of new ideas and the success of the firms that form to advance them has remained one area of entrepreneurship studies that has gathered very little disciplined attention. Academic literature constantly confuses the role of innovation and entrepreneurship, nodding to an obvious difference but seldom pursuing the distinction in any practical way. Indeed, popular literature has successfully advanced several related memes, by their nature unexamined. For example, many writers seem convinced that the U.S. is fast losing its unique innovative capacity offering a plethora of anecdotal evidence. Putting aside the question of international comparisons, recently a respected economist, Robert Gordon, has advanced the idea that humankind is coming to the end of its centuries long innovative period. Simply, all that is needed by humans is largely in hand.

These are critical questions at the macro level. Will one nation or another become more wealthy because it is more adept at innovating and moving new inventions successfully to market applications? But, they are central considerations for entrepreneurs, proto-, or aspirational entrepreneurs, as well as existing firms that measure their fitness for the future in terms of their ability to bring fresh products and processes to market. In short, the capacity to innovate is of central importance to businesses at all stages as they contemplate and become ready for the future.

This course explores the innovative process and its relationship to firm formation. The course concentrates on two issues. The first is how the process of innovation or invention operates. Is innovation more likely to emerge from certain people? Are certain environments more likely to bring forth new ideas? Are some institutions and firms more adept at inducing new ideas? All these are preliminaries to examining what we know about how innovation actually happens. Thus, the creative process will be examined in both a human and institutional context. Students will become familiar with the work of Joseph Schumpeter, Israel Kirzner, William Baumol, Rogers Hollingsworth, Ray Kurzweill, Amar Bhide, and Robert Gordon. Particular attention will be paid to the history of Bell Laboratories.

The course’s second objective is to examine innovation in the context of firm formation. New ideas that hold commercial potential that can be converted into wealth through the mechanism of the market require the agency of entrepreneurs. The newly formed firm will be examined in terms of the innovation that defines it. The prevailing linear model of firm formation will be compared with the “non-critical critical path” model that envisions a continuous innovative process upon the initial innovation itself. This model draws on earlier work by Fitzgerald, Wankerl and Schramm, Inside Real Innovation (World Scientific, 2010). Innovation in large firms is considered as a matter of examining new firms, not only as a comparative exercise but also in light of current reality where many existing firms “buy” their innovation futures through the acquisition of young companies. The organizational theory of J.D. Thompson will be considered as will the theory of the firm of Daniel Spulber.

The objective of the course, while it is grounded in theory, is decidedly practical – students will consider and experience the innovative process itself. In addition they will come to understand the differential tasks of innovator/inventor and entrepreneur.
The course will be offered as an intensive weekend experience on a compressed five day schedule. The class dates are May 5, 12, 19 and June 2 and 9. The class will meet in two three hour sessions each day.

Students will be required to be familiar with the literature on innovation within the world of commerce. Because much of the source material is irrelevant to the insights the course will adduce, only portions of several classical articles and books will be read in advance of class. All of the materials will be available in a student packet as noted below. The class will consider at length the argument that the innovation curve, originating in the industrial revolution, is peaking and that innovation will be less important to business. The students will analyze two case studies of firms that were founded to pursue rather simple innovations that in retrospect seemed to be self-evident – they were not dependent on advanced technology and could have easily been presented earlier. The conditions that allowed the innovation to occur will be studied in class. The course will use the special case of innovation in the health care industry to show how uneven innovation can be and how transitory scientific interests, the changing experience of venture investors, and government policy shape the innovation frontier of an entire sector.

Grades will consist of class participation (40 percent) in which the students’ familiarity with the pre-assigned reading will be tested through the Socratic method. Analysis of the two cases will involve 3 page summaries with conclusions by each student and will account for 20 percent of the grade. The balance of the grade will be earned by four short (5 to 7 pages) paper/memos on the following topics (each accounting for 10 percent): biography of an innovator chosen by students; history of a new company built solely around an innovative idea -- examples to be chosen by students; analysis of why a specific company missed an unmistakable opportunity -- examples to be assigned by professor; essay agreeing with or refuting Gordon’s notion that innovation is slowing.

All reading will be presented in prepared packets provided students. All readings will sum to fewer than 400 pages including case studies. Students will receive copies of two of the professor’s book gratis: Better Capitalism and Inside Real Innovation. Readings in these books are included in the <400 page count.

Schedule (authors names indicate readings for the class.)


