Dom Price, the head of R&D and resident work futurist for software company Atlassian, tells some good stories about what can go wrong when big business tries its hand at start-up thinking.

There's one about the time Blockbuster's chief executive had an idea for a video-streaming service but the board knocked him back because it would destroy the DVD late-fee revenue stream. Or another about Blockbuster turning down the chance to buy a young Netflix.

According to Price, Blockbuster isn't alone – many established companies find it hard to make the entrepreneurial leap they need to survive and prosper.

"Dysfunction is the gap between what you know and what you apply," he says. "We know a shitload about agility, [but] we walk back into the office and do the same thing we did last week because it's comfortable."

The question is, can big business learn from Blockbuster? Can it think in an entrepreneurial way, act like a start-up and recognise disruption early enough?

Rob Marcolina (pictured left), Qantas' group executive for strategy, innovation and technology, says there is no choice.

"The speed of disruption has never been greater. Thirty, 40 years ago it was about building the best mousetrap and building barriers of entry that were quite difficult to get over. That is less the case now."

Marcolina is not expecting disruption of the "beam me up Scotty" variety for Qantas, but he says the business understands the value of its brand and loyalty programs and how they could be affected by disruptive start-ups.

Entrepreneurial thinking explains Telstra's attempt to restructure to cope with the NBN disruption; why fintechs and established banks alike have been spurred on by the New Payments Platform (NPP), the Reserve Bank

HOW TO THINK LIKE AN ENTREPRENEUR

As disruption accelerates, it is increasingly important for established businesses to think like a start-up.

STORY BEVERLEY HEAD **PHOTOS** DOMINIC LORRIMER, PAUL HARRIS system enabling instant payments between financial institutions; and why Woolworths has created digital arm WooliesX as its retail experiment. These organisations are trying to bridge the gap between what they know and what they do.

Tim Kastelle (below right), associate professor of innovation management and MBA director at the University of Queensland, says: "The most successful companies have to explore for growth. The challenge is that the mindset and the methods for optimisation are quite different to the methods for innovation."

Corporate processes can stifle start-up thinking. Faith Forster, founder of KPMG UpStarts, says start-up teams she has worked with have been asked by corporate managers to "model the potential revenues before we had even come up with the ideas".

"The way a start-up approaches a problem is fundamentally different to the way a corporate would approach a problem. Because [start-ups] have constrained resources, they have to solve a very real customer problem or they won't have a business.

"What that results in is a far more dynamic, creative and resourceful way of responding to a problem or new business opportunity, which inherently reduces the risk. If corporates can replicate that, they have utopia because they also have the resources and access to customers that a start-up does not."

LEAN APPROACH

Kastelle says businesses that adopt lean start-up methods, use design thinking (which seeks to understand the user) and iterative development (which allows for "repeating" software development activities), and work through specific customer problems while building a business model to support that, double their chance of success.

"The average start-up success rate is in the range 8 to 10 per cent," he says. "The ones that follow lean principles are closer to 15 to 20 per cent. The same goes for new product launches in existing corporates. The success rate is 18 per cent but companies that are effective at getting closer to customer needs can get success rates up around 40 to 45 per cent."

Marcolina adds: "The lifeblood of a start-up is around the customer – that real maniacal focus around customer first.

"[It's] embracing design thinking, starting from the perspective of what the customer wants, ethnographic research and co-designing with the customer. The customer feedback loop is so important as a start-up to ensure that what you are designing is something that the customer is going to want and embrace. The whole 'build it and they will come' just doesn't work … when the time to disruption is so narrow."

DELICATE BALANCE

Marcolina encourages Qantas start-up teams to work out what the customer needs, develop a minimum viable product, test, learn and iterate. Mindful of the risk that these teams may be smothered by corporates, Jetstar, Qantas Money and Qantas Assure began life in separate premises – in the case of Jetstar in a separate city. But he warns it is a delicate balance: "You can kill them with love or kill them with bureaucracy."

Kastelle says the incumbent business model can be an anchor on innovation. Start-ups can build whatever business model they want; enterprise has a legacy business model and process. Enterprise needs to innovate services, products, process, culture and business models. "We've known for a long time that new ideas need new business models to succeed."

He warns, however: "The biggest problem for large organisations is that when you go through a process like this, you end up uncovering opportunities that, from the corporate perspective, seem too small.

"You are a $6 billion-a-year company and your tiger team comes back with opportunity in a customer segment that's small but fired up. It's done the prototype and is ready to roll – you can ship $100,000 in 18 months. If you are a start-up, that is awesome, your VC is happy. If you are a $6 billion company, that's a rounding error. Rethinking the way you evaluate opportunities is the hardest part in all of this."

That's a lesson Blockbuster learnt the hard way.

NEED TO MANAGE

Anthony Wiseman, head of innovation at EnergyAustralia, says start-up thinking needs to be carefully managed. He describes EnergyAustralia's core business as "an industrialised engine that operates at scale and requires a governance framework that ensures it is robust with a high level of quality control".

It's an area for incremental improvement. EnergyAustralia's NextGen business, launched in 2015 to develop, test and deliver new products, isn't about "extend and defend", he says. "We are looking for step change in adjacent or new businesses – to have a more start-up-like mentality and different governance framework around how we manage projects, do our funding and get the best results.

"Start-ups look at the world in ways that allow them to unleash their true creative potential. They always stay curious and challenge conventional wisdom, gain new insights and discover a better way. The focus is on 'possibilities' and the future state with a disregard for the status quo because they have nothing to lose. The biggest difference in start-up thinking is their ability to conquer fear, so they are not afraid of taking calculated risks.

"Our industry – energy – is changing rapidly. Change is coming, and we'll need courage to take risks. Risk-taking is a skill, one you can develop through experience and thought."

NextGen was established to seek out global innovations then bring disruptive business models and technologies back to Australia for commercialisation.

"We work with a number of start-ups that have the potential to be disruptive, such as WePower, because they represent a great opportunity," Wiseman says. "Through these types of collaborations, our business is more adaptable and sustainable, and prepared to get ahead of change.

"Some activities are co-located with existing operations, others have dedicated space in or outside our offices. For example, we co-develop with a number of groups using both of those arrangements and also work with Startupbootcamp at a dedicated office for our Energy Accelerator in Melbourne.

"For our employees, we do not offer incentive structures in the same way as start-ups. We create a great environment where they can achieve lots, with a level of security you don't get being part of a start-up.

"The future is always in the hands of those who know how to pre-empt it. Regardless of whether a company or its parent are listed or private, if they ignore innovation then they will be like Blockbuster or Kodak eventually."

BARRIERS TO INNOVATION IN LARGE COMPANIES

Internal politics, cited by

52%

Business silos

47%

Budget allocation

35%

SOURCE: CIO EDGE

SECRET START-UP SAUCE

Real deal
Make sure you're solving a real problem. Seek customer feedback – will they buy it?

Keep it small
Big budgets and big teams are a recipe for over-engineering. Try the 5x approach – five teams of five people with five ideas and $5000 for five weeks.

Mix it up
Build a team of people who have relationships in the business and people new to the environment.

SOURCE: FAITH FORSTER AND TIM KASTELLE

KATHERINE MCCONNELL

For the founder of Brighte, going it alone meant she could move quickly.

Katherine McConnell left a 14-year career at Macquarie Bank with an innovative idea that could not be brought to life in the bank.

McConnell is founder and chief executive of Brighte, a start-up that offers unregulated point-of-sale finance for people investing in solar energy and batteries.

"The level of risk I was able to take on was higher than the bank was able to take," she says. "And I genuinely felt that the opportunity would get taken by someone else. I had to move fast.

"At Macquarie there were lots of levels to get through with compliance and risk management."

Going it alone meant she had to have skin in the game, which "gave me such personal drive", she says.

"There was a speed and urgency because the money was going to run out."

McConnell isn't sure that corporate innovation hubs can replicate that sense of purpose or urgency, but she does see value in collaborations between corporates and start-ups.

"I think they are doing the best they can, but they have to be careful of shareholder value."

DANIELLE OWEN-WHITFORD

The founder of Pioneera discovered an appetite for risk outside large corporates.

For more than 20 years, Danielle Owen-Whitford worked with large enterprises, latterly on large-scale transformation programs and most recently with insurer IAG. Today she is the founder and chief executive of Pioneera, a member of BlueChilli's SheStarts accelerator program for women-led start-ups, and is building an artificial intelligence platform to predict and prevent workplace stress.

"I was executive general manager of transformation," Owen-Whitford says. "I felt that the solution that would be most effective would come from outside the system.

"An organisation has its objectives, its KPIs. You've got a job to do and it's very, very difficult to do break-out things."

While she says there has been more innovation appetite in the past two years, she adds: "People in large corporates don't have very high risk appetites. They are there to help corporates meet expectations, which usually means tweaking the status quo.

"You need to find people and organisations willing to take the risk and then scale that. Then you run into a lot of people and processes, risk, procurement, legal. It can take a year to get a pilot off the ground."

MANDEEP SODHI

An online marketplace for home loans came to life after leaving Westpac.

HashChing is an online marketplace for home loans that has settled $1.1 billion worth of mortgages through the platform since it launched in 2015.

It's not how chief executive and founder Mandeep Sodhi first envisioned things. He had recognised the need for a different approach to home lending when he was at Westpac, and talked to the bank about his ideas.

"The whole idea was shut down immediately," he says. So he left the bank and set up HashChing himself.

Sodhi believes the challenges big businesses face when trying to innovate can be tackled. "I would have a clear innovation strategy and tap into intrapreneurs," he says, steered by clear boundaries about the areas of innovation that the enterprise wanted to pursue.

"And you need a space where different business units can collaborate," he says, because at present "all big organisations have massive business units that operate in silos".

Sodhi also stresses the need for enterprise finance teams to come to terms with the sort of funding models needed by entrepreneurial business units.

"This is not about 'if I give you $1 million I need a [return on investment] in two years'."

JAMES BRICKWOOD, LOUISE KENNERLEY, PETER BRAG

STICK TO A LEAN REGIME

The lessons Amy Bunszel took away from the early days of Linius Technologies have helped her work with and lead large teams at global software company Autodesk.

LOUIS DOUVIS

I was in my early 30s when I co-founded Linius Technologies, a Massachusetts-based computer-aided design (CAD) software start-up, in 1996. I joined the California-based design software company Autodesk when it acquired Linius in 2003.

At its peak, Linius had 30 employees. Autodesk has about 8500 employees worldwide and a market capitalisation of about $US30 billion ($42.5 billion).

Customers include Silver Oak Cellars, which used advanced technologies to become the world's most sustainable winery; Framestore, which completed visual effects for the award-winning sci-fi film *Blade Runner 2049*; and Lightning Motorcycles, which manufactures electric motorcycles.

The lessons I took away from the early days at Linius helped me work with, and lead, large teams at Autodesk.

I focus on outcomes and try not to be prescriptive about how they are achieved. For example, once we agree on a product strategy, it is up to the product leaders to figure out how to achieve that strategy. Typically, there are multiple ways to get there and experiments they can run before making big investments.

TAKING RISKS

My advice is to spend the company's money as if it is your own, regardless of how well funded you are. Even in a large company, employees need to use good judgment around expenses and align to business needs.

I believe in taking risks and trying new things. This is necessary at a start-up, where you are in constant learning mode, but larger companies also need to keep that spirit alive.

Autodesk drives innovation and learning in numerous ways. For example, we engage with our customers to co-create prototypes, run experiments and get them to provide feedback on software.

As we build confidence in an idea, we go more public with the experimental programs. We have made big investments in generative design (which mimics nature's evolutionary approach to design), with customers including General Motors, Under Armour and Airbus.

I find that established companies often take on too many initiatives or projects because they are able to pursue many things at once. When Autodesk started delivering new cloud capabilities eight years ago, we allowed many teams to experiment, but that resulted in multiple services delivering similar outcomes. So we began to choose the best services and migrated users off the rest.

Many large companies take a "see what happens" approach to new, speculative projects, whereas start-ups tend to prioritise ruthlessly and make sure they know the measures of success before they even begin. Rather than sticking to early ideas that might not be working, start-ups continue to adjust their plans based on what they learn.

Autodesk is much bigger than Linius, but we are always careful about which initiatives or projects we invest time and money in. We evaluate the need first, build a plan around that need, then start executing.

LIMITING RESOURCES

Larger companies would be well served to act more like a start-up when they begin projects by limiting resources – provide additional resources only when the interim goals are being met.

For example, we wanted to test a new iOS app for construction customers. We gave one team three months to prove there was value in its approach by getting 10 reference customers. They couldn't do that, because one of their assumptions about the customer data was wrong.

We cancelled the project and archived the results for another team. It's always hard to cancel projects but this was easier as we had clear goals from the beginning.

Start-ups need to be careful about hiring staff as one new hire who doesn't mesh well with the company culture can affect everyone. This can be less acute at a larger company, but is still an issue.

If you employ someone who is not a good fit for your business, you should re-evaluate that person in that role. At Autodesk, we have frank conversations with the team member concerned and endeavour to find a better fit for them somewhere else in the company.

Amy Bunszel is senior vice-president, design and creation products, at Autodesk.