

Adegboyega Paul Salawu

Professor David Archer

MGMT 227

May 12, 2021

### The Importance of Having a CEO With an Innovative Mindset

As time goes on and new generations are created and introduced into the world, much less the business world, the traditional way of doing things are continuously fading away. Most businesses that have been around for years have had to switch up their mode of operations in order to be able to survive this evolution. Corporations are forced to look towards the future in a movement towards change or be left in the past. The main reason why these older and generally more traditional organizations are changing their modes of operation is due to the introduction of newer and more modern organizations in their respective industry. Most of the owners of these more “modern” organizations are vibrant and innovative CEO’s whose ideas are influenced by looking towards the future. Thanks to the continuous advances that have already been made technologically, consumers have been and will continue to be benefitting greatly from businesses newfound concentration on innovation. Even though some of these customers have strong loyalty ties with certain brands or businesses, as the times change the market will also be changing too. Even though an organization may have loyal customers, the customers could begin to form fresher relationships with brands who are delivering products and or services that are more contemporaneous which they desire. It seems like all the top

organizations across all industries share one commonality—their willingness to embrace innovation.

When thinking of the most well-known and innovative leaders who have paved the way of the future of entrepreneurship and business leadership, a few of which come to mind are Steve Jobs, Sheryl Sandberg, Jeff Bezos, and Bill Gates. These people are game changers because they have already played such a huge role in changing the dynamic and standard of business. One of the most fast-rising, innovating, and inspiring leaders, who does not get nearly enough credit for his futuristic mindset, is Elon Musk. His entrepreneurial mindset started forming around the age of twelve, when he sold a simple game called “Blaster” to a computer magazine for five hundred dollars in 1983 (Weinberger, 2016). Another place where Musk’s innovative mindset is prevalent was when he was an undergraduate student at the University of Pennsylvania and majored in physics and economics. While at the University of Pennsylvania, he rented out a 10-bedroom frat house and converted it into a nightclub. After receiving his bachelor’s degree, Musk attended Stanford University for his graduate studies. Two days in to starting graduate school, he decided to drop out in order to start up a company, that provided city travel guides to major newspapers, which was called Zip2. Musk and his brother Kimbal successfully started and ran Zip2 until it was bought out by a company called Compaq for 341 million dollars. The sale of this company was one of his first ever massive rewards while the foundations of his entrepreneurial career were being laid. A few years later, Musk co-founded PayPal and in the end, he received \$165 million after it was purchased by eBay in 2002 due to being one of its biggest shareholders (Weinberger, 2016).

One of the most admirable things about Elon Musk is his forward-thinking mindset. He is always thinking about what his next move is going to be, even in the early 2000s when he was working on huge projects. According to Business Insider, some of Musk's big plans involves sending mice or plants to Mars, therefore, he founded a company known as Space Exploration Technologies—better known as Space X—using one hundred million dollars from the money he received from the sale of PayPal. With this company, his primary focus was on making space travel cheaper and more accessible to the “common man.” While some people probably find Musk's desire to populate Mars more affordably a little odd, that just makes it an even better example of his forward-thinking. But while Mars was one of his goals, he was still doing many other things that are more realistic for the near future here on Earth. In 2004, he invested seventy million dollars into Tesla, an electric car company co-founded by Martin Eberhard. Musk got very involved with Tesla very quickly and helped make their first all-electric vehicle called the Roadster—which was launched in 2006 while Musk served as a chairman for Tesla. Since then, Musk now serves as the CEO of Tesla (Weinberger, 2016). Elon Musk's many successful businesses are a prime example of why it is important for people—especially leaders or CEOs—to have an innovative mindset.

After looking at the example of Elon Musk as an innovator, it is important to also note the importance of embracing innovation and its effect on an organization. According to an article by Will Purcell from North Eastern University, “At the core, innovation is about doing something differently from everyone else operating in your space. If your organization is using innovation on its products, for example, then the goal is to develop or update the products until there is nothing else on the market like it” (Purcell, 2019). Having an innovative mindset will not

only save the organization money, time, and other relevant resources but also retain valuable customers. As time goes on, the human population is continuously increasing, and therefore creating even more opportunities for there to be a larger number of competitors in the market, also known as making the market more saturated. An innovative mindset also helps a brand differentiate itself from all of the many competitors, no matter how new or old.

Another reason why it is vital for companies to embrace innovation and futuristic thinking is to be able to stay relevant, by keeping up with the advancement of society so they may not be seen as antiquated. According to Purcell, technology continually proves the need for change and advancement due to the following reasons, ninety percent of the world's data has been created in the past few years, almost six hundred websites are made every minute, and in 2020 there were already at least eight billion devices connected to the internet. Purcell later states that, "executives today believe 40 percent of Fortune 500 companies will be wiped out in the coming decade due to this level of digital disruption." This idea is due to the fact that a lot of older companies have become complacent and overall more passive in their decision making instead of looking toward the future. According to Purcell, "a start-up often innovates in order to break into an industry, established organizations need to innovate in order to fend off competition and remain relevant in this changing environment" (Purcell, 2019). The ability to remain as an active and top competitor in the market means taking risks in order to distinguish your brand as well as making better products than your competitors. While staying relevant is a complex and complicated process it ultimately depends on the ability to survive changing periods, being able to predict where the market is headed, and what is going to be the next big product or service.

When looking toward the future and beginning to try and make small changes it can be important to bring in some new perspectives to see how the diversity of a group could change their approach as well. While some organizations are able to completely change their leadership and business strategies, not all organizations are capable of this level of change, so they are left to one choice—to compromise. There are some companies which have extremely traditional business tactics which have worked well in the past and they are not able to completely shift their viewpoint all at once, so this is a gradual change that must occur. While companies are challenged to look towards the future, they must also remember that a good percentage of their customer base is also the older generation who notoriously hate change and modernization. If they completely change to adhere to the modern generations, the older generations customer base will be lost. So, there must be a way for organizations to be able to look towards the future while also not completely abandoning their more traditional and conservative ways. How are these companies able to embrace their traditional ideas while also moving towards the future and innovation? First, they need to find a leverage point among both generations and try to base their products to appeal to both set of customers. For example, in the aviation industry, the low-cost airlines are dominating the domestic sector. Due to this change, the traditional airlines were almost driven out of business until they eventually succumbed to make some changes, like starting up their own low-cost brands in order to be able to compete in the domestic sector of the market. By setting up these low-cost brands did not eliminate their traditional operations, instead they simultaneously operate both ways. Therefore, the move towards innovation does not mean that all traditional companies have to

completely alter their standing, but they could add onto their existing business in a way that begins to incorporate the innovative mindset.

While traditional companies have to make the hard decisions on how to adapt, newer companies must start from the ground up to decide what policies they want to incorporate. For the newer companies, creating a tradition and sticking to that tradition is arguably the most vital step of the process. Once again, Elon Musk is a prime example of this idea which is most seen through his work ethic and visions for the future. According to Boogaard, the fact that Elon Musk has been involved in an aerospace company that focuses on producing rockets and other spacecraft and is now one of the main leaders in the electric car market is just another one of his “out-of-the-box ideas” (Boogaard, 2020). Clearly Musk is not playing it “safe” because he has been involved in some really game changing and more unique companies, but seeing how successful he has been because of these risks shows how important being an innovator is. One of the biggest reasons newer companies must decide on their viewpoints and goals early on is due to what will make their company distinguished from others. A quote from Elon Musk says, “Other advice I would give is to not blindly follow trends. Question and challenge the status quo. Make sure you understand the fundamental principles of what you’re trying to do before you get into the details, otherwise you could be building on faulty ground.” Musk is challenging new leaders to find a way to make a more unique and risqué product rather than something that follows the trends, since oftentimes with so many variations of the same product it is much harder to make great rewards. But clearly Musk does not have a bandwagon mindset, and it is prevalent that no matter how extreme his goals are he finds a way to make them a reality. In an article by Business Insider, Musk’s former and current employees at Tesla

revealed that he is a very demanding and rigorous leader towards achieving his goals. According to his coworkers, Musk is very intelligent, and is always thinking ten times ahead.

Due to Musk's futuristic mindset, he makes his visions clear by building his companies' traditions surrounding "improving humans' life," an important concept when thinking about innovation. Back in 2006, Musk came up with the idea of SolarCity—a subsidiary of Tesla Inc.—which develops and sells solar panels and solar roof tiles. As most people today know, Tesla is a company that produces fully electric cars. What both of Musk's companies have in common is the use of renewable energy; therefore, eliminating the concentrated combustion rates for energy. Elon Musk identified the problem, and then offered a solution. Global warming is an ongoing and intensifying problem that the planet is facing due to the release of carbon dioxide—CO<sub>2</sub>—in the atmosphere. One of the most common ways in which CO<sub>2</sub> is produced is through driving. Before the invention of electric vehicles, most vehicles operate on the combustion of gasoline which while being operated, those harmful gasses are released into Earth's atmosphere. While this process is not only harmful to the planet's health, but also to humans and animals also, because it contaminates the air that we breathe. With the introduction of Tesla's and other electric vehicles, this could immensely decrease the amount of carbon dioxide being released into the atmosphere which could lower the rate of natural disasters, make the air cleaner, and regulate the temperature of the earth.

While the introduction of Tesla has received mixed reactions from customers and competitors, one cannot deny the fact that they changed the automobile industry. As explained earlier, the introduction of newer and more innovative companies in an industry often disrupts that industry. Before Tesla's introduction, auto-makers generally produced gasoline only cars or

hybrid cars—cars that operate on gasoline and electricity—but no one dared to produce fully electric cars. The leaders in the auto industry comfortably produced gasoline cars for years and their customers remained loyal to their brand because they were the only options available. As seen in an article written by Nathan Furr and Jeff Dyer about Tesla's approach to innovation in Harvard Business Review, "Disagreements aside, there is no question that the company has shifted the auto industry toward electric vehicles and achieved consistently growing revenues (passing \$20 billion in 2019)" (Furr & Dyer, 2020). Tesla has undeniably transformed the auto industry just by being different and having a distinguished product. Due to Elon Musk's innovative and demanding mindset, "at the start of 2020, Tesla was the highest performing automaker in terms of total return, sales growth and long-term shareholder value" (Furr & Dyer, 2020). People are tired of the same old, same old, clearly they are always striving for the next "it" thing and it seems like in the auto industry that is the Tesla.

Nevertheless, it has not always been a smooth ride for Elon Musk along his journey to success. According to the Business Insider, in 2008, Musk personally saved Tesla from bankruptcy by investing forty million dollars in Tesla and he even loaned the company another forty million dollars. While the company was facing this crisis, Elon Musk was appointed as the CEO of the company. Even though Musk had multiple business opportunities between SpaceX, Tesla, and SolarCity, he nearly went broke. In an article by Business Insider, Musk describes 2008 as "the worst year of my life." Tesla was consistently losing money, and SpaceX was having trouble launching its Falcon 1 rocket. And by 2009, Musk was "living off personal loans just to survive" (Weinberger, 2018). During this time period, Musk and his companies were recording losses continuously, which was very discouraging to Musk, but he had to push



through. The Harvard Business Review classified Tesla as one of the few companies that attracted major scorns from the public especially when they launched their product Cybertruck. The expectation for this product was to diversify the electric car market, but critics saw it as evidence that Elon Musk was out of touch and doomed to fail.

One of the major aspects of innovation is overcoming failures. Edward Hess, a professor of Business Administration at Darden Graduate School of Business, in an article on Forbes describes the importance of failure to companies as “a necessary part of the innovation process because from failure comes learning, iteration, adaptation, and the building of new conceptual and physical models through an iterative learning process. Almost all innovations are the result of prior learning from failures” (Hess, 2012). Even though Elon Musk sets the bar high at his company by demanding that everyone in his organization have out-of-the-box ideas, he gives room for failure. It is noted that he has said, “Failure is an option here” and “If things are not failing, you are not innovating enough” (Latour, 2020). This just goes to show that Musk understands that things will not be perfect every time, but that does not mean it cannot be perfect someday. Part of the core reasons why Elon Musk’s companies are high in innovation is because Musk strongly emphasizes his beliefs on psychological safety. Employees should be able to work freely without the fear of failing. They need to feel like they can fail without fear of repercussions or reprimands. A good and innovative CEO needs to understand and accept the fact that not everything will be amazing on the first try, so it will push employees to work even harder and do what they can to make things succeed—within reason.

Moreover, while failure is a core factor during innovation, leaders such as Elon Musk has proved that having an innovative mindset is vital for any company that wants to survive in

today's business world. After the storm at Tesla cleared off, success has been recorded in the company. According to Business Insider, "Tesla has been having a good year: It's set to join the S&P 500 in December, which has caused its stock to soar. Now, the company's market value is nearing \$500 billion" (Weinberger, 2016). While at Space X, at the end of 2015, they were able to make 24 launches on assignments like resupplying the International Space Station, setting lots of records along the way. The success story is not just limited to Tesla and Space X, instead to the CEO also. As of January 2021, Musk is ranked by Forbes as the richest person in the world with a net worth of \$187 billion.

Overall, companies and their leaders must look towards the future in order to stay relevant and better predict the future of the market, that is what gives corporations their cutting edge. Since the market is full of many competitors, it is hard to differentiate one's products in order to stand out, but that is a challenge that all businesses and CEOs must combat with. The solution to this problem is to think innovatively, like Elon Musk has, and he has been very successful in his many businesses. Musk is just one of many innovative leaders which are shaping the future of business and our society.

## Bibliography

- Boogaard, K. (2020). What is the Elon Musk leadership style (and should you use it)? Retrieved from [www.fingerprintforsuccess.com](http://www.fingerprintforsuccess.com) website:  
<https://www.fingerprintforsuccess.com/blog/elon-musk-leadership-style>
- Furr, N., & Dyer, J. (2020, February 12). Lessons from Tesla's Approach to Innovation. Retrieved from Harvard Business Review website: <https://hbr.org/2020/02/lessons-from-teslas-approach-to-innovation>
- Hess, E. (2012, June 20). Creating An Innovation Culture: Accepting Failure is Necessary. Retrieved May 12, 2021, from Forbes website:  
<https://www.forbes.com/sites/darden/2012/06/20/creating-an-innovation-culture-accepting-failure-is-necessary/?sh=1d5531a5754e>
- Latour, A. (2020, December 13). Elon Musk's recipe for corporate innovation. *Wall Street Journal*. Retrieved from <https://www.wsj.com/articles/elon-musks-recipe-for-corporate-innovation-11607824294>
- May 2014, T. G. 30. (2014, May 30). Elon Musk's Vision: 5 Innovative Ideas That Could Change the World. Retrieved from [livescience.com](http://livescience.com) website:  
<https://www.livescience.com/45992-elon-musk-innovations.html>
- Purcell, W. (2019, October 31). The Importance of Innovation in Business. Retrieved from Northeastern University Graduate Programs website:  
<https://www.northeastern.edu/graduate/blog/importance-of-innovation/>
- Weinberger, M. (2018, June 28). Elon Musk turns 47 today — here's the incredible story of how he went from getting bullied in school to the most interesting man in tech. Retrieved from Business Insider website: <https://www.businessinsider.com/the-rise-of-elon-musk-2016-7>