

Sir Douglas Hague, Knowledge Angel

'What was I?'



"Although I was continuously on the board of one start-up or another from the early 70s to the late 90s, in all that time I'd never really wondered what I was. I just thought – non-executive director of a start-up company. Then I had lunch with a man called Roger Ashby, who runs a company called Venture Technologies, and he said: 'No, I know what you are. You're a *knowledge angel*. There are people with money – business angels, but they act as individuals, not venture capital companies. And there are individuals who have knowledge, but who don't have much capital. And you are one of those.' I hadn't thought of it in those terms. But he's absolutely right.'

Sir Douglas defines a knowledge angel as one who offers entrepreneurs enthusiastic support, expertise in some useful areas of specialist knowledge – in his case, applied and managerial economics, finance and systems thinking; as well as less specialised understanding of business, including the role of directors; and access to a wide range of personal contacts, garnered over a long career.

This last he considers the most significant of all his own knowledge angel roles. "I think the most important thing you can offer is that you know a lot of people. If you're in a business school, you get to know a lot of people. If you're dealing with businesses, you get to know a lot more people. If you're on the Price Commission, you get to know more people still – civil servants and business people. If you've worked with Mrs Thatcher you get to know a lot of people because they want to meet you. Then I was on the council of the Institute of Directors, and a member of the Athenaeum Club. So if an entrepreneur asked me for an introduction, I could almost always give him one."

Nor is it a matter of merely facilitating introductions. One of the skills essential in a knowledge angel is matching the person to the situation, and finding the best match between adviser and advised. While any observation of his life suggests an unusually sound ability to judge individuals, Sir Douglas himself only admits, 'Yes, I suppose if you're an academic you do spend your life trying to spot not only knowledge, but potential in people.'

But how did Sir Douglas embark on this career, which mixed experience in small start-up companies with that in government bodies and universities, and so pre-eminently qualified him for helping entrepreneurs?

London, Sheffield and Manchester Business School

"I started with a very old-fashioned degree called a Bachelor of Commerce, from Birmingham University. It was an incredibly embryonic kind of MBA, I suppose. It covered all kinds of things, but you could skew it in whatever direction you liked. I did all the economic options and got very excited by economic theory.'

At the end of this degree, through an outside examiner from University College London, came the first step in what Sir Douglas says some have perceived as the 'random walk' of his career. He was offered a job at University College himself, accepted it, and worked there for ten years, researching into applied economics and writing an early book - on man-made fibres. Then, just after he was made Reader at UCL, in 1957, the job of professor of Applied Economics at Sheffield became available.

Unable to resist the challenge of becoming a professor by age thirty (and the much more comfortable salary that went with it) Sir Douglas applied for the job. "The advertisement mentioned that I'd have to run a middle management programme but I thought, when I got there, I could persuade them they didn't really want that, and I could just cover applied economics." But when indeed he got the job he found he couldn't persuade Sheffield to drop the management course, "So

I ran it, and got interested in it. Then Manchester decided to poach me, with the intention of building up a management school."

The move to Manchester led to what he considers the most exciting period of his working life. "As they appointed me, the Head of Economics there said to me, 'If you come here, and we play our cards right, in twenty years time, we'll have a major business school.' Actually, because of the way things worked out – Lord Franks decided there should be two national business schools set up in 1965, one in London and one in Manchester - we had our business school, promised together with ample government and business funding, after I'd been there six months!"

To set up a large new institution such as this one was a rare opportunity, and Sir Douglas has called the core inter-disciplinary group there 'academic entrepreneurs par excellence.' He says he learned enormously from his colleagues and they all developed their entrepreneurial instincts. The programmes they designed for the new business school were innovative, being rooted as deeply as possible in real-life business situations.

"We decided we would be much more realistic and flexible than most business schools. We avoided specialised courses on marketing, finance, etc. We thought that really three or four concepts enabled you to classify or codify business experience. One was that in taking business decisions you needed information, so we had a course called Information for Management, run by an inter-disciplinary group of academics from economics, statistics, IT, sociology. Then, having got that information, you had to analyse it, and make sense of it. We called that Analysis for Business Decisions, and again we had cross-disciplinary group design and run that. Thirdly, there was analysis of the Business Environment."

"Finally, we thought, businessmen have to decide how to *do* things – which we called Strategies and Techniques for Change - and we ought to do this in a real-world context. So, in designing the second year of this MBA, we decided we needed a lot of real-life case studies, where you started off with fairly simple issues, and they then got broader and broader. So we ended up with cases that did start mainly in the School, and then we moved into asking senior people from the civil service, local government and international businesses to set us live issues to report to them on. The reports were assessed one day by the sponsors, and the next by us."

So what about the connection between business schools and start-ups and spin-offs? Sir Douglas is well aware that some Oxford entrepreneurs are convinced that they learn enough, and learn quickly, from the first few years of experience in trying to set up their own businesses, but nonetheless considers business schools to be of more use to entrepreneurs than perhaps anyone else. "If a business school is designed properly, students have to look at *everything*." He quotes another Manchester professor, Stafford Beer, who said: 'The thing you have to remember is that businesses don't have economic problems, they don't have financial problems, they don't have human relations problems, they don't have marketing problems they just have *problems*.' Sir Douglas insists you have to handle them as a mixture – a system - and a good business school should enable you to do that. "And that is the task of the entrepreneur, much more than the specialist big company manager"

Outward from universities.

Concurrently with his Manchester role, Sir Douglas was still in close touch with national life. Even in the early 50s he had jointly written what became a standard textbook on economics - *Stonier and Hague, A Textbook of Economic Theory*. ("It can't have been too unsuccessful", he says. "It kept me in motor cars for over twenty years. And they were quite good cars....")

One of its students who used the book at Cambridge was the budding MP, Michael Spicer. "Michael asked me to help the Conservative party, who had in 1964 lost two elections in a row. They thought one reason was that they had too few links with academics. Michael said they wanted people who would write speeches for members of the shadow cabinet, give them personal tutorials and help them analyse current events, on a fairly rigorous academic basis...." Sir Douglas says, "I ended up deciding I would like to work with Margaret Thatcher and Sir Keith Joseph."

His association with Mrs Thatcher began in 1967, first as part-time personal adviser, and then after the 1979 election, as adviser to the Prime Minister's Policy Unit at 10 Downing Street. He was also a member of the Price Commission, despite being "philosophically in disagreement with it, but I was thought to be a useful sceptic there," and later Chairman of the Economic and Social Research Council. Along the way, non-executive directorships at the North-Western Gas Board and the Laird Group added to his experience.

Start-ups and spin-offs.

In 1981, Sir Douglas was persuaded to leave Manchester for the new Templeton College, Oxford, where he would establish the Strategic Leadership Course. By then he had already been a non-executive director of one start-up company, Michael Spicer's Economic Models – an early forecasting business - and he soon became an unpaid director of another. This was Oxford Economic Forecasting, started by John Walker, who persuaded Templeton to provide him with a base. (See elsewhere on this site.) Other start-up and spin-off associations followed – Metapraxis, CRT, WIRE.

"I have been incredibly fortunate," he says, "to be offered a series of jobs in universities and business which I thoroughly enjoyed – jobs both big and small. All of these start-up companies approached me from out of the blue"

Working with the founders of these companies, people like John Walker, Karl Chapman and Rowan Douglas, confirmed and expanded Sir Douglas's ideas about entrepreneurship, and the parameters of his own role.

"I used to claim my commercial attitude to business was in my bones", he says, and quotes a former student of his. 'A good economist knows in his bones what is going right or wrong in an organisation.'

"But," he goes on, heretically, " My feeling is that you don't always put money (even knowledge angels sometimes invest moderate amounts) in a company because of its detailed business plan, but more because of a hunch that the main idea will work. Once it is established you do have to be ready to ask the sort of questions in a board meeting that you're only able to ask because you really understand how the finances of a company work...but you also want them to work! In the early years of a company, all that matters is cash flow. But that means that people like some accountants and bankers will not understand fully how well the company is doing, because they will look at it in conventional accounting terms."

He also sees an important financial distinction between the start-ups he has been connected with, "when someone has a bright idea and decides they will pursue it him/herself" and a spin-off, which "tries to commercialise the results coming out of research done in a largish organisation, especially a university. It's much cheaper, in terms of raising capital, to set up a start-up than a spin-off. Very few spin-offs can survive without external capital, especially if they have to do further research or to build substantial plants."

He much sympathises with one typically entrepreneurial characteristic, which is the fact that the original business idea rarely survives unchanged. "Rowan Douglas - elsewhere on the site- is one example, and Powderject is another."

He calls this exploratory phrase, before a new business is finally on course, 'wriggling about'. "Some people would say 'wriggling' happens because you haven't really got yourself organised at the beginning, to which I say, you never really know how things are going to work out. Sometimes, maybe even often, the only way to find out is to start doing what you plan, see if you can get away with it and learn from that. Entrepreneurship takes courage, intelligence and originality."

If the apparently 'random walk' of Sir Douglas's career also shows evidence of these three characteristics, there is another on which he insists. 'Luck,' he says. 'I was lucky. Lucky to be offered the London University job when I had hardly finished my Birmingham degree. Lucky to have been invited to Manchester just when the Business School's time had come. Lucky that Michael

Spicer had read my book and wanted me not only for advising the Conservative Party but for his own first business!

"And one other thing," he says, about his present role. "Being a knowledge angel is fun! Even if the financial gain is poor you've been entertained. But then, most entrepreneurs also have fun!"

Sir Douglas has written on knowledge businesses and their links with higher education in two books, *Beyond Universities* (1991) and, with Kate Oakley in 2000, *Spin-Offs and Start-Ups in UK Universities*.

Christine Holmes, September 2004.