Transformational Entrepreneurship: Where Technology Meets Societal Impact

by Max Marmer | 12:45 PM April 23, 2012

The slow decline of industrial manufacturing in developed nations and recent failures of financial capitalism across the globe have sent us searching for a new model of economic growth. I see the two movements of Technology Entrepreneurship and Social Entrepreneurship beginning to converge into a promising solution. An increasing number of entrepreneurs are awakening to the possibility of combining the scalable tools and methodology of Technology Entrepreneurship with the world-centric value system of Social Entrepreneurship. Together they create a new type of entrepreneurship that could become our primary source of socioeconomic value creation. What do we call this movement? I propose we call it "Transformational Entrepreneurship."*

Over the last few decades, nearly all the economic growth and job growth in the U.S. has come from high-growth technology companies (http://www.kauffman.org/newsroom/u-s-job-growth-driven-entirely-by-startups.aspx) . That growth is driven by companies like Amazon, Google, Salesforce, and VMware (which didn't even exist 15 years ago), and companies like Facebook, Twitter, Groupon and Zynga (which didn't even exist 10 years ago). Then of course there's Apple, which brought itself back from the grave in the beginning of this decade and is now the world's most valuable public company. Collectively these companies have created almost a trillion dollars in new wealth over the last decade and a half.
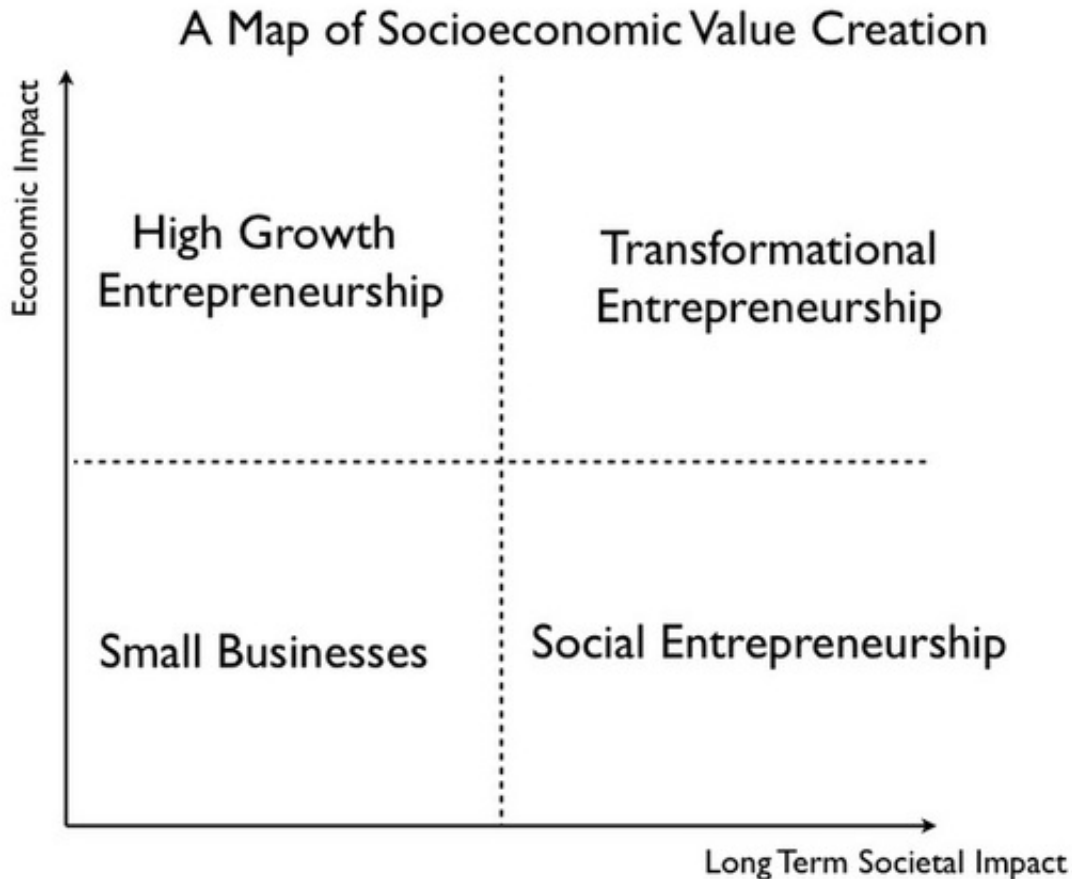
All of these companies were created by high growth technology entrepreneurs, making inner workings of entrepreneurship ecosystems like Silicon Valley the stuff of legend. Yet although Silicon Valley has mastered the art of building technology companies, it hasn't yet developed the moral compass to figure out which companies are *worth* building. There are simply too many talented entrepreneurs today building meaningless ventures (http://blogs.hbr.org/haque/2010/12/unlocking_the_mayor_badge_of_m.html) . From advertising products that get people to buy things they don't need, to social games that are designed to addict people to wasting their time, to "mobile-local-social" products that attempt to leverage the latest technological trends without giving much thought to the importance of the problem being solved. The unquenchable thirst for growth that fuels much of this wealth creation must be carefully watched; it could easily turn malignant and lead technology entrepreneurs to commit the same kind of economic atrocities as the financial sector.

The emergence of "Social Entrepreneurship" attempts to fill this moral void by refocusing energy and resources on important social problems. While Social Entrepreneurship is promising, its impact has been limited to date as its solutions are rarely devised with scalability and true economic sustainability in mind. Furthermore, while the Social Entrepreneurship community is full of well-intentioned people, many of their solutions fail to take into account the complexities of the problems they are attempting to solve, which can lead to doing more harm than good (http://hbr.org/2011/04/vision-statement-when-failure-looks-like-success/ar/1) . This backfiring is far too common because the community's propensity to descend into self-congratulation starves the founders of the critical feedback required for them to find the holes in their vision. The standards must be set higher than good intentions.

To successfully make the transition to the new socioeconomic era of the information age, we need to learn to focus the enormous power and efficiency of capitalism on the world's most important problems. To do so will require figuring out how to unite the scalable tools of Technology Entrepreneurship with the moral ethos of Social Entrepreneurship. This is the essence of what we at the Startup Genome are calling Transformational Entrepreneurship.

Transformational Entrepreneurs earn their name by creating innovative solutions to the world's biggest problems

that are scalable, sustainable and systematic. To ground this idea, we created a matrix that positions Transformational Entrepreneurship, Technology Entrepreneurship and Social Entrepreneurship on the landscape of socioeconomic value creation.
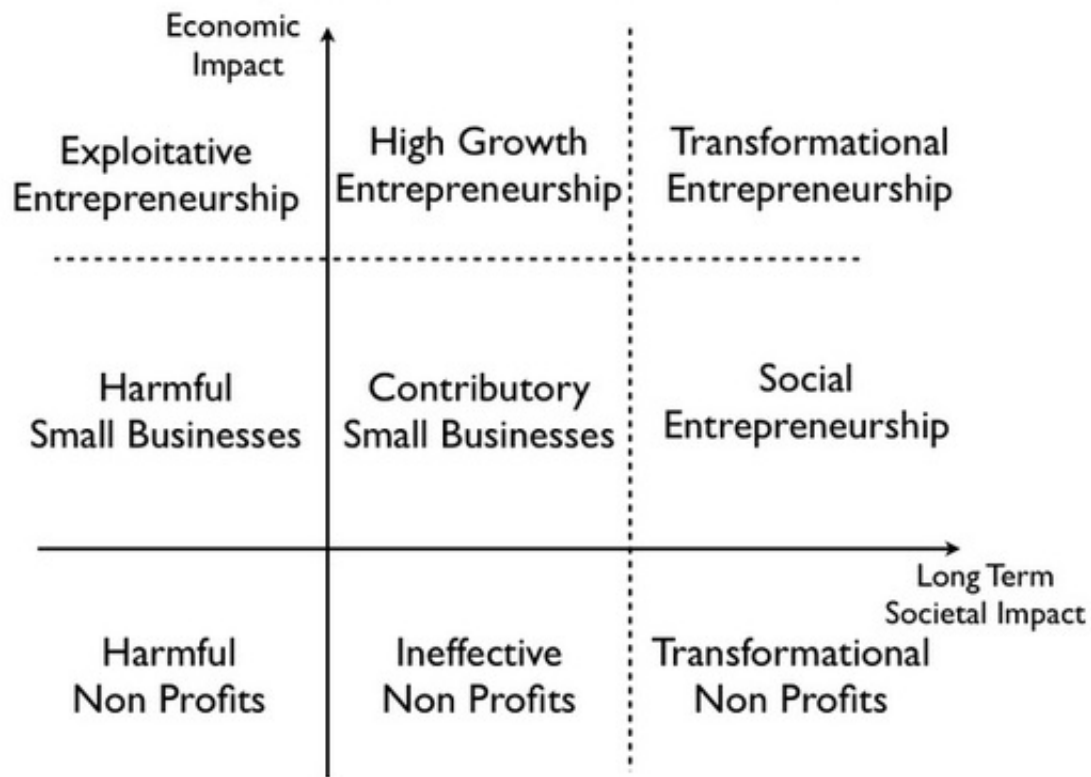
A Map of Socioeconomic Value Creation

(http://blogs.hbr.org/cs/flatmm/HBR-map-of-socioeconomic-value-creation.jpg)

The Y axis is a relatively straightforward measure of revenue, profit, market cap and ROI. The organizations that have the greatest impact have scalable business models that produce products and services millions of people are willing to pay for.

The X axis is admittedly more subjective. Where a business falls along the spectrum of long-term societal impact depends on what it is doing to solve one of the world's biggest problems. (A number of organizations, including The Copenhagen Consensus (http://www.copenhagenconsensus.com/CCC%20Home%20Page.aspx) , Singularity University (http://singularityu.org/grand-challenges/) , The Millennium Project (http://www.unmillenniumproject.org/goals/index.htm) , the UN (http://www.un.org/en/globalissues/) and the World Economic Forum (http://www.weforum.org/issues) have begun to evaluate which problems deserve this status.)

This graph can be further divided into six categories, using these same two axes. We extended both axes of the graph into negative territory to describe organizations that cannot sustainably support themselves like nonprofits and charities, and organizations that actually have harmful social impacts, like fast food chains and fossil fuel companies, each which create significant health and environmental externalities. Nonprofits that create a transformational societal impact like Wikipedia often go deeper into the negative direction of economic impact the bigger they get, because it takes more donation dollars to support their growth. There are scalable revenue generating models that some non profits can access, but for the most part they have yet to be explored and developed.

A Map of Socioeconomic Value Creation

(http://blogs.hbr.org/cs/flatmm/HBR-map-of-socioeconomic-value-creation-detailed.jpg)

The opportunity to reinvent society is within our power, but the future doesn't invent itself. We encourage everyone to look within themselves and around their environment and seek out opportunities for transformational change. Ask the entrepreneurs you know how the company they are starting is transformational. Ask students and job seekers what transformational problem they want to solve. Ask everyone else what transformational ideas, projects and companies they are excited about. Get people talking, reading, writing, researching and creating in the spirit of transformation — because it is our best hope for reviving socioeconomic progress.

The use of Transformational Entrepreneurship in this essay is not related to the initiative by the same at Wisconsin Business school or other initiatives that use similar conjugations.

Another version of this post appears at the Startup Genome (http://blog.startupcompass.co/transformational-entrepreneurship-where-techn-11064) .