The Importance of Transformational Entrepreneurship in Socio-economic Development of South Africa
Defining Transformational Entrepreneurship

To promote enterprise and entrepreneurship through a systemic approach, bringing about a transformation in socio-economic development

(Maas, Jones, Lockyer, 2016)
# The Journey to Transformational Entrepreneurship

<table>
<thead>
<tr>
<th>Academic perspective</th>
<th>Industry perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why is there a dominant functional / instrumental approach to entrepreneurship?</td>
<td>How can we apply entrepreneurial criteria in practice?</td>
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<tr>
<td>Can entrepreneurship be defined?</td>
<td>Are there differences in the way entrepreneurship is supported in different categories of countries?</td>
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<tr>
<td>What is the role of culture in entrepreneurship?</td>
<td>Are incubators really supporting start-ups?</td>
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<tr>
<td>What is the role of mind-sets in entrepreneurship?</td>
<td>Are we focusing on the ‘right type’ of innovation?</td>
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<tr>
<td>Why don’t we see (effective) entrepreneurship policies in most countries?</td>
<td>How can we get people to think and behave more entrepreneurially?</td>
</tr>
<tr>
<td>How do we measure success and impact?</td>
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</tbody>
</table>
We have a conceptual model and focus on traditional start-ups.

We focus on TE and adapt ecosystem.

We do stuff! But we don’t have a system!

BEST & BEW & SEC - 2006

IAE - 2008

ICTE - 2015
Socio-economic value creation

Economic Impact

High Growth
Small in number, growth can be fast, but temporary.

Transformational Entrepreneurship
Growth, employment and social impact

Micro to Small Businesses
(Mice)

Social Entrepreneurship
Low economic impact, higher on social good.

Societal Impact

Max Marmer, 2012
Transformational Growth – where are we now?

- South Africa is an efficiency driven economy (GEM)
- People do not feel that they have the skills for entrepreneurship.
- People between the age of 24-34 years are the least entrepreneurially active.
- Entrepreneurship in the age group 45 -54 are the most entrepreneurially active.
- Gender parity is improving.
National Objectives

1. To promote solidarity of African States
2. To coordinate and promote solidarity amongst African States
3. To defend the sovereignty of African states – territorial integrity and independence.

- Youngest population in the world by 2050
- Effective governance is the key to economic stability
- Economic development is the best way to address poverty
- Domestic investment fuels national economic growth – inter-Africa trade will make Africa more competitive.
- Many barriers to economic integration

- **Demographics** – challenge education, employment and welfare

- **Rise of the individual** – desire for more transparency, empowerment and rewards.

- **Enabling Technologies** – AI, big data and IoT becoming part of everyday life.

- **Public Debt** – balancing investment and debt remains a challenge

- **Economic Power Shifts** – emerging economies exert more influence.

- **Climate Change** – growth demands power, but through responsible innovation.

- **Resource Stress** – Water stress, population growth, economic growth all demand more resources.

- **Urbanisation** – increases pressure on all of the above.
The rich are aging, the poor are not.
Weak economic growth will persist in the near term.
Technology is accelerating progress but causing discontinuities.
Growing global connectivity amid weak growth will increase tensions within and between societies.
Governing is getting harder.
The risk of conflict will increase due to diverging interests among major powers, an expanding terror threat, continued instability in weak states, and the spread of lethal, disruptive technologies.
Climate change, environment, and health issues will demand attention.
INCREASES IN INEQUALITY

Increases in inequality are largest in advanced economies

Legend:
- No Data
- Large Increase
- Small Increase
- Small Decrease
- Large Decrease

Source: IMF, World Bank
Global Innovation Index

2014 or latest available year

Efficient innovators
Inefficient innovators

1bn
Circle size = population

Source: Global Innovation Index, 2015
South Africa
63/129 2019 –
BUT first in SSA
### Global Entrepreneurship Index

<table>
<thead>
<tr>
<th>Entrepreneurial attitudes</th>
<th>Opportunity perceptions, start-up skills, risk acceptance, networking, cultural support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial abilities</td>
<td>Opportunity start-up, technology absorption, human capital, competition</td>
</tr>
<tr>
<td>Entrepreneurial aspirations</td>
<td>Product innovation, process innovation, high growth, internationalisation, risk capital</td>
</tr>
</tbody>
</table>
2018 Global Entrepreneurship Index

Chart Title

United States | United Kingdom | Germany | South Africa | Malaysia | India | Ghana

- Institutional
- Individual

Ranked 46 out of 85
United Kingdom

Global Rank: 4 of 137

Strongest area: Technology Absorption

Weakest area: Startup Skills

Overall GEI score: 78%

Individual score:
entrepreneurial qualities of
the people in the ecosystem

Institutional score:
quality of the institutions
that support entrepreneurship

Scores
0% 70% 100%

Component scores
1. Opportunity Perception 65%
2. Startup Skills 57%
3. Risk Acceptance 88%
4. Networking 62%
5. Cultural Support 93%
6. Opportunity Startup 93%
7. Technology Absorption 100%
8. Human Capital 74%
9. Competition 85%
10. Product Innovation 92%
11. Process Innovation 70%
12. High Growth 85%
13. Internationalization 32%
14. Risk Capital 32%
Regional results: Sub-Saharan Africa

GEI ranks within the Sub-Saharan Africa region

Regional ranks and scores

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>GEI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Botswana</td>
<td>35%</td>
</tr>
<tr>
<td>2</td>
<td>South Africa</td>
<td>33%</td>
</tr>
<tr>
<td>3</td>
<td>Namibia</td>
<td>31%</td>
</tr>
<tr>
<td>4</td>
<td>Gabon</td>
<td>25%</td>
</tr>
<tr>
<td>5</td>
<td>Swaziland</td>
<td>24%</td>
</tr>
<tr>
<td>6</td>
<td>Rwanda</td>
<td>21%</td>
</tr>
<tr>
<td>7</td>
<td>Ghana</td>
<td>21%</td>
</tr>
<tr>
<td>8</td>
<td>Nigeria</td>
<td>20%</td>
</tr>
<tr>
<td>9</td>
<td>Zambia</td>
<td>20%</td>
</tr>
<tr>
<td>10</td>
<td>Senegal</td>
<td>19%</td>
</tr>
<tr>
<td>11</td>
<td>Côte d'Ivoire</td>
<td>19%</td>
</tr>
<tr>
<td>12</td>
<td>Kenya</td>
<td>18%</td>
</tr>
<tr>
<td>13</td>
<td>Ethiopia</td>
<td>18%</td>
</tr>
<tr>
<td>14</td>
<td>Tanzania</td>
<td>16%</td>
</tr>
<tr>
<td>15</td>
<td>Gambia, The</td>
<td>16%</td>
</tr>
<tr>
<td>16</td>
<td>Mali</td>
<td>16%</td>
</tr>
<tr>
<td>17</td>
<td>Liberia</td>
<td>16%</td>
</tr>
<tr>
<td>18</td>
<td>Cameroon</td>
<td>15%</td>
</tr>
<tr>
<td>19</td>
<td>Angola</td>
<td>14%</td>
</tr>
<tr>
<td>20</td>
<td>Mozambique</td>
<td>14%</td>
</tr>
<tr>
<td>21</td>
<td>Madagascar</td>
<td>14%</td>
</tr>
<tr>
<td>22</td>
<td>Benin</td>
<td>13%</td>
</tr>
<tr>
<td>23</td>
<td>Burkina Faso</td>
<td>13%</td>
</tr>
<tr>
<td>24</td>
<td>Guinea</td>
<td>13%</td>
</tr>
<tr>
<td>25</td>
<td>Uganda</td>
<td>13%</td>
</tr>
<tr>
<td>26</td>
<td>Sierra Leone</td>
<td>12%</td>
</tr>
<tr>
<td>27</td>
<td>Malawi</td>
<td>12%</td>
</tr>
<tr>
<td>28</td>
<td>Burundi</td>
<td>12%</td>
</tr>
<tr>
<td>29</td>
<td>Mauritania</td>
<td>11%</td>
</tr>
<tr>
<td>30</td>
<td>Chad</td>
<td>9%</td>
</tr>
</tbody>
</table>

Regional component averages

<table>
<thead>
<tr>
<th>Component</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity Perception</td>
<td>34%</td>
</tr>
<tr>
<td>Startup Skills</td>
<td>11%</td>
</tr>
<tr>
<td>Risk Acceptance</td>
<td>17%</td>
</tr>
<tr>
<td>Networking</td>
<td>24%</td>
</tr>
<tr>
<td>Cultural Support</td>
<td>21%</td>
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<td>Opportunity Startup</td>
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<td>Process Innovation</td>
<td>15%</td>
</tr>
<tr>
<td>High Growth</td>
<td>11%</td>
</tr>
<tr>
<td>Internationalization</td>
<td>8%</td>
</tr>
<tr>
<td>Risk Capital</td>
<td>11%</td>
</tr>
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</table>
A complex system

- No one can have a complete map of the actors and forces at play.
- The system's behaviour is not simply the sum of the behaviour of those parts.
- Feedback loops surprise us and change the behaviour of the system.
- The system is behaving in a self-driven way.

(Madelin and Ringrose, 2016)
ICTE’s Position #1

- It is questionable whether the right capability, capacity, eco-systems and policies exist to transform countries from struggling to progressive socio-economic landscapes.

- A holistic orientation is needed – i.e. recognising the interconnectedness of people and the environment and looks to support continuous adaptation, transformation and coordination through process of change and evolution (Best, 2011; Wapner and Demick, 2003).

- A heuristic orientation refers here to the process by which individuals make decisions in conditions of uncertainty.
ICTE’s Position #2

- Entrepreneurship is socially productive but struggles to address major challenges such as unemployment and income inequality.
- A balance should be struck between a focus on individual entrepreneurial activities and society-wide changes which may have a more positive impact on socio-economic growth.
- “Transformational Entrepreneurship transcends economic terms and emphasizes the centrality and value of people, their vocations, and the many levels of relationality involved in entrepreneurship, in addition to the technical aspects of the business”. Miller and Collier (2010: 85)
ICTE’s Position #3

- Linear models cannot provide optimal solutions anymore.
- Innovation is most appropriately perceived as a systemic, networked phenomenon.
- First-order innovation focuses on limited changes and second-order innovation on system changes which necessitates that existing assumptions, beliefs and values can only be challenged through second-order innovation.
Category 1 - Between an employee and an employer

Intrapreneur
Contract Dependent
Hybrid

Category 2 - Entrepreneurship in marginalised groups

Self-employed
Women
Immigrants
Grey or Olderpreneurs

Category 3 - Underpinned by values

Family
Social
Lifestyle
Societal

Category 4 - Darker side of entrepreneurship

Shadow economy
Criminals

Source: Adapted from Cieślik, J. (2017) Entrepreneurship in Emerging Economies, p.43
Relationship Among Ecosystem Attributes

Policies
Universities
Infrastructure
Open markets
Support services

Networks
Worker talent
Mentors and role models
Investment capital
Supportive Culture
Histories of Entrepreneurship

Material attributes
Social attributes
Cultural attributes

A Map of Socioeconomic Value Creation

Economic Impact

Exploitative Entrepreneurship

High Growth Entrepreneurship

Transformational Entrepreneurship

Harmful Small Businesses

Contributory Small Businesses

Social Entrepreneurship

Harmful Non Profits

Ineffective Non Profits

Transformational Non Profits

Long Term Societal Impact
THINK OUTSIDE THE BOX
Criteria of Transformational Entrepreneurship

• Value creation and not just venture creation
• Meaningful - addressing real needs
• Ethically accepted
• Focusing on the common good
• Contextualised – not bought off the shelf
• Sustainable: environmental and economically businesses
Encouraging transformational entrepreneurship

- **Ideas**: unpacking real needs into ideas
- **Capability**: continuous learning; empowering people
- **Capacity**: improve networking among people
- **Ecosystems**: entrepreneurial/innovation ecosystems
- **Innovation**: ethically sound innovation; open innovation
- **Business models**: innovative and sustainable business models
- **Research**: explore deeper and question more
- **Medium to longer term policies**: not according to time between elections
The Future?

- Book 2018
- Platforms:
  - AITE
  - SEAITE
  - LAITE

Transformational Entrepreneurship Open Laboratory
Expectations for Think Tanks

- We need to debate about the future.
  - What should we not be doing anymore?
  - What should we be doing in future?
  - What don’t we know at this stage?

- Joint projects for the next year
  - SEAITE II – Thailand October 2019; SEAITE III – Philippines 2020
  - AITE I – Ghana October 2019

- Summarised paper

- Declaration