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The Journey to Transformational Entrepreneurship

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Abstract A need exists for renewed thinking to stimulate entrepreneurship to support socio-economic growth. Within this context, “transformational entrepreneurship” refers to a holistic and heuristic orientation in terms of entrepreneurship promotion and combines the individual and other sub-systems (such as society and institutions) interacting and collaborating to create a positive framework in which opportunities can be exploited beyond the local level.

Keywords Enterprise • Entrepreneurship • Transformational entrepreneurship • Ecosystem

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1.1 Introduction

The global environment is characterised by various phenomena which the National Intelligence Council (2017) has summarised as follows: 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; 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; and climate change, environment and health issues will demand attention. Entrepreneurs and stakeholders supporting entrepreneurs find themselves in the midst of these phenomena, and it is expected that they collectively work together to stimulate sustainable socio-economic development. The role and importance of entrepreneurship creating sustainable socio-economic development are not questioned—rather, it is questioned whether the current landscape possesses the right capability, capacity, ecosystems and policies to transform or maintain progressive socio-economic landscapes.

A plethora of initiatives supporting entrepreneurship exists. However, Sautet (2013) and Maas and Jones (2015) concur that although entrepreneurship is socially productive, it struggles to address major challenges such as those identified by the National Intelligence Council (2017). Thus a new approach to the development of socio-economic development is required—a systemic process that is more heuristic and holistic in nature to accommodate both individualistic and societal needs. Without such a new approach, that is, transformational entrepreneurship, the potential for socio-economic development will remain limited and only benefit a minority of individuals, businesses and nations.

Within such a transformation there are more questions than answers. Do we base decision-making on historical data or do we dare to be more futuristic in our entrepreneurial solutions? Do we focus on the right type of innovation or are we merely “me-too” orientated where everyone is doing the same? Are we enlarging the existing “economic cake” or are we dividing it into smaller pieces, which makes sustainable socio-economic

development difficult? Do we have the right capability, capacity, ecosystems and policies to manage the current and future environment successfully?

It is the premise of this book that all existing approaches stimulating entrepreneurship should be investigated—those practices that are relevant should be continued and those outdated should be replaced by current and futuristic solutions. Built on the basis of theoretical principles associated with transformational entrepreneurship and ecosystems, practical cases are provided to illustrate the concept of transformational entrepreneurship globally. Finally, transformational entrepreneurship is not focusing on subsistence entrepreneurs or people who are regarded as lifestyle entrepreneurs. In addition, it needs to be highlighted that there is nothing wrong being a subsistence or lifestyle business owner. However, transformational entrepreneurship is focusing on stimulating socio-economic development in a dynamic manner. Schoar (2010: 58) agrees with this distinction between subsistence and transformational entrepreneurs, indicating that transformational entrepreneurs “are those who aim to create large, vibrant businesses that grow much beyond the scope of an individual’s subsistence needs and provide jobs and income for others”.

1.2 Definitions

Various definitions exist for terminologies used in this chapter. However, it is not the intention of this chapter to debate different definitions or explore why a specific definition was selected over another. The definitions below are sufficient to support the core concepts that will be discussed in this chapter:

- **Enterprise:** The Quality Assurance Agency (QAA 2018: 7) defines enterprise as: “Enterprise is defined here as the generation and application of ideas, which are set within practical situations during a project or undertaking. This is a generic concept that can be applied across all areas of education and professional life.”
- **Entrepreneurship:** The QAA (2018: 7) defines entrepreneurship as: “Entrepreneurship is defined as the application of enterprise behaviours,

- attributes and competencies into the creation of cultural, social or economic value. This can, but does not exclusively, lead to venture creation.”
- Innovation involves the utilisation of ideas in problem solving by developing processes and improving the way things are done by creating new products, services, processes and organisations (Dawson and Andriopoulos 2014).
 - The entrepreneurial ecosystem is a network of interconnected actors which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment (Mason and Brown 2013).
 - Holistic approaches recognise the interconnectedness of people and the environment and look to support continuous adaptation, transformation and coordination through a process of change and evolution (Best 2011; Wapner and Demick 2003).
 - A heuristic orientation refers to the process by which individuals make decisions in conditions of uncertainty. The value of a heuristic approach is that decisions are made. The downside is that decisions are limited and the options are circumscribed by the limits of time, knowledge and information. How decisions are made is a function of social, cultural and individual rationality (Gigerenzer 2010).
 - Socio-economic growth is a process that seeks to identify both the social and the economic requirements within a community and looks to create strategies that address those needs in ways that are practical and in the optimum interests of the community over the long term (Jaffee 1998).
 - Systemic entrepreneurship involves sub-systems interacting and collaborating to create a positive framework in which opportunities can be exploited; it should be socially productive and go beyond the local level (Sautet 2013).

Based on the above definitions and discussions following this paragraph, transformational entrepreneurship is defined by the authors of this chapter as follows: *Transformational entrepreneurship is to promote enterprise and entrepreneurship through a systemic approach, bringing about transformation in socio-economic development.*

There are four areas in this definition, namely:

- It represents a broad area of activity—the enterprising area, which should be applicable to all areas of work.
- It represents a focused area—entrepreneurship, which represents the “doing” part of the definition.
- A systemic approach referring to a holistic approach.
- Transformation in socio-economic development representing an optimal balance between economic and societal development.

1.3 Transformational Entrepreneurship

There is a general consensus that entrepreneurship can and should play an important role in socio-economic development (Ács et al. 2014; COM 2012; Cooney 2012). Moreover, it is pointed out that entrepreneurial activity which focuses predominantly on the individual entrepreneur or local region will probably not have the desired positive impact on national socio-economic development hoped for (Ács et al. 2014; COM 2012; Cooney 2012). 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. This shift in thinking from individual to country-wide conceptualisations of entrepreneurship is not without its difficulties; however, the step is an important one if policy-makers are to be persuaded of the economic contribution of entrepreneurship. Ács et al. (2014) argue that society- or even country-level entrepreneurial measurements have never previously received adequate attention. In order to address global phenomena such as poverty, unemployment, and low or no growth, transformation is required in the way entrepreneurship is supported as part of a total system, that is, a system consisting of individuals, the community, public sector, private sector and natural resources.

Two important concepts can be identified from the previous paragraph, namely, systemic and transformational entrepreneurship. According to Ács et al. (2014: 477) the term “system” “constitutes of multiple components that work together to produce system performance”. Ács et al. (2014) further illustrate that it is not implicit that the sub-components of a system are in perfect harmony with each other.

There might be weaknesses in the system, which require specific attention to restore the balance of the total system. However, the world is experiencing a complex system, brought about by various factors such as the global phenomenon factors discussed previously, which provide challenges to decision-makers. In this regard, Madelin and Ringrose (2016: 18) defines a complex system where “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 ‘autopoietic’: behaving in a self-driven way and not just in ways we have yet to understand”. Within this context “systemic entrepreneurship” refers to a broader orientation in terms of entrepreneurship promotion and combines the individual and other sub-systems such as society and institutions interacting and collaborating to create a positive framework in which opportunities can be exploited.

In order to have a positive impact on socio-economic growth, systemic entrepreneurship should be socially productive (it should be legal) and go beyond the local level (Sautet 2013: 393). This approach emphasises the need for holistic thinking and, in essence, moves the concept of the entrepreneur from the individual to the context in which the individual is situated, that is, to society more generally. This approach is not arguing against the existence of locally focused entrepreneurial activities, micro enterprises or subsistence enterprises; to the contrary, they are important for cascading wealth to the broader society. However, if not enough focus is put on systemic entrepreneurial activities (activities that go beyond local levels), socio-economic growth can be under pressure to create wealth in a country. Re-thinking the way entrepreneurship is promoted is therefore called for and the focus of this drive is systemic, which can lead to transformational results. In terms of the latter, Miller and Collier (2010: 85) define transformational entrepreneurship “as the creation of an innovative virtue-based organization for the purpose of shifting resources out of an area of lower and into an area of higher purpose and greater value under conditions requiring an holistic perspective. 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.” Marmer (2012) agrees with this definition and states that a

combination between technology entrepreneurship and social entrepreneurship is desired to address the current stalemate in terms of global socio-economic growth. Within the transformational entrepreneurship domain, the focus is on researching and finding improved ways to address current and future challenges and to create a holistic and heuristic approach which can form a sound basis for socio-economic growth in the future. To bring about effective transformation, it is important to evaluate and challenge, when necessary, the heuristics upon which decisions are currently made. The danger of real-time, tried-and-tested solutions (default heuristic) is that they can be short term and policy driven. New approaches need to be devised that challenge default reactions and create new frameworks for adaptive thinking. These new ways should ultimately find their way through to policies that can guide current and future socio-economic development. Within an environment that is characterised by short-term orientations (e.g. according to the length between political elections), policies are often equally short term and out of sync with global phenomenon.

If one argues that the total entrepreneurship ecosystem should transform in order to address current and future phenomenon in a constructive manner, creating and maintaining sustainable socio-economic growth, it is evident from a transformational perspective that a holistic and (adaptive) heuristic approach should be followed. Roth and DiBella (2015: 7) state that “Systemic change encompasses the enterprise, the larger set or system of organizations that depend upon each other and make improvements in ways that produce enduring rather than ephemeral value.” Mason and Brown (in OECD and the Government of the Netherlands 2013: 1) agree with the notion that an ecosystem is a network of interconnected actors “which formally and informally coalesce to connect, mediate, and govern the performance within the local entrepreneurial environment”. Within this ecosystem context (see a more detailed discussion of this ecosystem in Chap. 2), for example, universities cannot change their entrepreneurship education and support practices in isolation and need to take other sub-systems (i.e. role-players such as industry) into consideration when making changes. Therefore, entrepreneurial development cannot act in isolation—it is a networked approach of different role-players.

1.4 Encouraging Transformational Entrepreneurship

Taking into consideration the dynamic nature of the global environment and the changing nature of systems operating in this environment, the diverse nature of cultures, economic sectors and the rate of innovation, encouraging transformational entrepreneurship is by no means an easy task. In many cases old habits need to be unlearned first before new ones can be created. Turner (2018) and Rugeruzza (2017) add to this debate of promoting transformational entrepreneurship, indicating firstly that traits commonly associated with transformational entrepreneurship include factors such as having a futuristic and sometimes disruptive dream. Other factors highlighted by Turner (2018) and Rugeruzza (2017) include realising the importance of building a strong team (disruptors work best when they work together); the importance of knowledge; not being afraid to break conventional wisdom to keep their business fresh, persistent and courageous; realising that products/services can be copied but not strategic alliances (team work is essential); and defining success for their own situations that might not be the norm in similar industries.

Roth and DiBella (2015) further argue that five capabilities are required to enable transformational change, namely, enterprise awareness (e.g. knowledge of the total industry in which one operates), innovation, balancing push (e.g. actions from management side) and pull factors (e.g. new knowledge obtained by employees) of change, and seeking growth and leadership. Enterprise awareness calls for a clear perspective on who the role-players are within a specific context such as entrepreneurship education and support. Individual role-players need to think beyond their own individual systems and create sound relationships among autonomous units within the larger system. In order to affect change, people need to acquire and practice new approaches, which can be on multiple levels at the same time. Balancing change will consist of push change (managers making plans for change) and pull change (people implementing what they have learned). New knowledge is therefore essential for innovation and the total process of change. This process

should challenge the validity of accepted solutions for given problems and lead to new heuristics as guiding principles for more adaptive decision-making. Within a global fast-changing environment growth is essential for sustained success and continued improvement. Creating aspirations among people through learning and applying new knowledge is a sound basis for such growth. Transformation in socio-economic development cannot occur if everything is held stable. By creating more businesses one should also focus on growing the economic potential, otherwise the economic potential is only sub-divided into smaller pieces, which is debatable that it can improve issues such as wealth and an equal distribution of income. The OECD (2018: 5) indicated in this regard that assisting entrepreneurs to scale up “can help countries address low productivity growth and widening income gaps, since SMEs that grow have a considerable impact on competition, innovation, employment and wages”.

Roth and DiBella (2015) further indicate that sound leadership is required to implement changes on multiple levels on a continuous basis. Within an innovative society (where new knowledge creates new innovations) leaders need to hold their own and accelerate at the same time quite often just to maintain their current market share. Changes are not the prerogative of a specific area only; they often happen on multiple levels, both internally and externally to the organisation. In such an environment, leadership and entrepreneurship need to combine to stimulate innovative thinking, allowing the exploitation of new opportunities on a continuous basis. In this regard, Eyal and Kark (2004: 215) indicate that “leadership and entrepreneurship overlap to some degree, leadership involves influencing subjects’ symbolic realm in order to move them towards certain actions and determining the time and scope of these actions whereas entrepreneurship represents the operational translation of symbols and behaviours into actions”.

It can be argued that leaders need to create compelling narratives in terms of entrepreneurship development (or intrapreneurship development within larger institutions). These narratives are needed to create growth opportunities. The current dominant focus on cost-efficiency might blind leaders from being more opportunity orientated. Roth and DiBella (2015: 39) agree that “in a competitive environment success comes not from efficient systems but from those with the capacity to

grow". Linear models cannot provide optimal solutions anymore. In this regard, Philpott et al. (2011: 161) argue that "historical accepted linear models are now being surpassed by the contemporary and dominant view that innovation is most appropriately perceived as a systemic, networked phenomenon". A further dimension is added by Knickel et al. (2009), who refer to first- and second-order innovation. 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. When second-order innovation is successful, it can act as the breeding ground for first-order innovation. Innovation should be moving away from predominant linear training for innovation (what, how and when) to a more explorative approach focusing on process questions such as "why not" or/and "what if". Such innovation will go beyond incremental innovation and focus on transforming relationships and interactions between industry, competitors and people's behaviours and lifestyles.

The existence of entrepreneurs, leaders, innovation and an entrepreneurial ecosystem is by no means a guarantee that socio-economic development will be positively stimulated. These focus areas can create a positive environment for transformational entrepreneurship to flourish, but can equally be a major stumbling block when policies are not supportive of such an environment or when policy-makers simply rely on the past to predict the future. It can be argued that an overly reliance on the provision of grants and subsidies may influence the creation of entrepreneurial mind-sets negatively, that is, it creates a dependency culture. Policies influencing the entrepreneurial ecosystem should be investigated and tweaked, or in some cases radically changed, to support the entrepreneurial ecosystem. Therefore, a careful analysis of the total ecosystem is required which can guide finding optimal solutions for the current and future challenges facing socio-economic growth.

1.5 Applying Transformational Entrepreneurship

The question that remains to be addressed is how to go about implementing transformational entrepreneurship? Transformational entrepreneurship focuses more on the future than the present or the past—without neglecting the present. Various methods can be used to achieve a more structured approach implementing transformational entrepreneurship and one such way is by utilising the conceptual model of Marmer (2012) (see Fig. 1.1). In Fig. 1.1, it is clear that transformational entrepreneurship addresses socio-economic development—see vertical and horizontal axes.

An illustration of how the International Centre for Transformational Entrepreneurship (ICTE) at Coventry University addresses the promotion of transformational entrepreneurship based on the Marmer (2012) model might assist in understanding transformational entrepreneurship better. The following applies to ICTE:

- Entrepreneurship education: Curriculum is adapted to address transformational entrepreneurial criteria such as personal development as an entrepreneur, applying second-order innovation and understanding the business/industry in which students operate. Curriculum is adapted on a continuous basis to stay in a floating equilibrium with environmental changes.

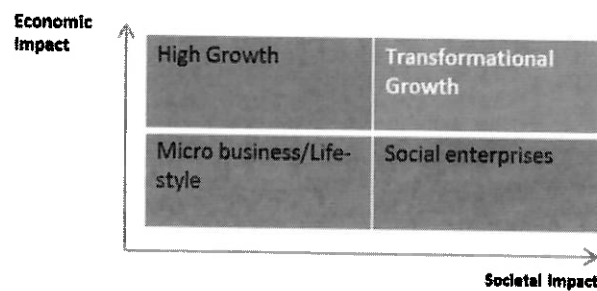


Fig. 1.1 Transformational entrepreneurship (Source: Adapted from Marmer 2012)

- Research: Doctorate and project research focuses on critical topics within specific environments such as the role of crowdfunding, development of entrepreneurial ecosystems within specific regions and improving the transformational role of social businesses.
- Continuous improvement: Continuous improvements are discussed annually on think tanks, where the focus is on future solutions. These think tanks (can also be labelled as open entrepreneurial laboratories) are held around the world and are currently growing in support from leading entrepreneurial thinkers around the world.
- Business model: ICTE's business model was changed from a predominant product/service orientation to a platform model, that is, platforms (e.g. think tanks) are organised around the world which also act as the basis to accelerate the understanding and support for transformational entrepreneurship.

Above is only one way that the implementation of transformational principles is addressed. Each institution should develop their own contextualised way of implementing transformational entrepreneurship. From experience, the easiest manner is to develop a very simplistic system as point of departure and improve that continuously over time as capacity and capability in the institutions grow over time.

1.6 Conclusion

The global and even local changes make it difficult to treat entrepreneurs as a homogeneous group of actors that are uniformly affected by economic conditions or policy interventions. Dedicated support for specific groups or institutions need to be developed. This support should focus on innovative thinking on how enterprise and entrepreneurship can support socio-economic growth in the local, regional, national and international environment. Current challenges within the environment indicate that novel approaches are required to address these challenges and find sustainable solutions.

In the rest of the chapters cases are presented on how such transformational entrepreneurial practices are adapted in different parts of the world.

An essential part of potential solutions is the part innovation is playing. Therefore, Chap. 2 will focus on innovation expanding the understanding of transformational entrepreneurship.

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