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Creating a Real Entrepreneur

By Esther Dyson

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Last month I was in Kiev, speaking at a conference focused on entrepreneurs. I wanted to give a talk that would be of general interest but also concrete. So I started with one of my favorite parables.

It is a familiar folk tale. A confident man shows up in a village with what he claims is a magic stone. Put the stone into a pot of water over a fire, he says. Then just add a few ingredients — maybe some vegetables, some ham bones from yesterday, a few spices — and you will soon have a delicious, life-giving soup with magical healing properties.

Of course, this man is a trickster. The point of the story is that his magic stone is just a plain old rock. To modern eyes, however, he is an entrepreneur. His "magic" stone is perhaps the germ of an idea, a product concept or a marketing innovation.

The entrepreneur takes the stone and adds ingredients (commodities or software), attracts people, gets them to work together and perhaps tosses in a pinch of branding. The result is value where before there were only unexploited resources.

But that is only the beginning of the story. In the long run, the entrepreneur's job is not to cook soup but to create a restaurant — or, better yet, a chain of restaurants — so that the magic soup can be made reliably, day after day, by a team that can work on its own without the impresario's direction.

Over time, the company will continue to evolve, improving the soup. It could also add other items to the menu and opening up restaurants in new markets.

Of course, all of that is a much harder undertaking. In theory, the stone and its magic are typically the idea that entrepreneurs, investors and the media make so much fuss about.

In fact, the stone's true importance is usually as something that the entrepreneur can use to generate enough enthusiasm to raise money and get people to work together to build the company. It may be an application, a product or perhaps a special recipe for French fries.

But in the end, it is worth little if the business around it does not operate reliably — producing the soup every day or delivering the application without bugs and with well-timed upgrades.

Nowadays, many startup companies — particularly Internet startups — are raising serious amounts of capital for their stones alone. Some are getting so far as to create a single batch of soup and then promptly selling themselves to Google or Facebook or some other large firm. To be sure, they may be making themselves and their investors rich, but these "entrepreneurs" are not building real companies.

It may be that this is a fine process: Entrepreneurs are learning by doing. They are trying to build companies and discovering how hard it is, and then they join larger companies that know how to build real value around stones.

But it strikes me as a bit wasteful. These "entrepreneurs" often waste years and millions of dollars before giving up and selling out. Competition requires redundancy — three or four firms competing to accomplish the same task or deliver the same product, outdoing one another and ultimately advancing the market.

But are 30 or 40 new social networks, at least that many video-sharing platforms and hundreds of daily-deal sites really necessary?

The real spur to job and value creation is not turning hundreds of college grads (or dropouts) into entrepreneurs, but hiring thousands — and hundreds of thousands — of people into growing companies that can organize and motivate them and make the best use of their talents.

We can argue about the value of education, but large companies are good at offering practical business skills — turning college graduates into project managers, marketers, human-resources specialists and the like. These jobs may not generate revenues directly, but they are part of the structure that enables people to run companies effectively and benefit from economies of scale.

In sum, we need to start glorifying something other than either the stone — the idea — or the entrepreneur. We need to celebrate people who actually build companies, and all the people they organize to do it with them.

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