

THE TRANSFORMATION PRINCIPLES

How to Create Enduring Change



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Foreword

By now it is clear that the economic system that reigned supreme for the past three decades is under strain. Liberalization, openness, and speed all had great advantages. But a series of global shocks—chief among them the 2008 financial crisis, COVID-19, and rising geopolitical tensions—has laid bare the vulnerabilities of a system based around interconnection. A new brand of populist politics has proliferated across the globe, with a deep skepticism of the neoliberal economics that dominated the world since the late twentieth century. Where once a consensus stood around free markets and free trade, a new consensus is forming around national resilience and protectionism to varying degrees. Whether this is the ideal economic system is in some ways irrelevant. Political and social pressures are converging around new sets of ideas. While the exact shape of this new consensus is still being determined, it is clearly a departure from the old one.

It is precisely with this understanding of our current moment that Hemant Taneja makes his important intervention with

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Transformation Principles. The task at hand is daunting: If the current economic system is approaching an impasse, what should replace it? And if capitalism is to survive through the rest of this century and beyond, how should it evolve?

Taneja begins by taking a step back to understand the complexity of our current order. What the world experienced under this economic system has been nothing short of extraordinary. After the collapse of the Soviet Union, American policy preferences were adopted around the world, and governments made major macroeconomic and political reforms along the lines of what came to be known as the “Washington Consensus.” As Margaret Thatcher famously quipped about her neoliberal reforms, there was simply “no alternative.” Policies were designed to unleash market forces—including deregulation, financial privatization, and low trade barriers across nations. This helped fuel the world’s first truly open economic system, enabling globalization to soar to new heights with the free flow of goods, services, and people across borders.

The world of technology flourished in this era, too, powered by global connectivity, open technology platforms, and minimal regulation. In 1989, as the world fixated on turmoil in the Soviet Union, an equally transformative shift was taking place on the other side of Europe, in Geneva: The CERN lab had developed the foundations of the modern internet. This inaugurated the era of information technology and created an entire new digital economy, one based on bits and bytes instead of atoms. Ideas spread more quickly around the world, and the global economy became even more interconnected, facilitating the rise of global value chains. Companies spread production processes across multiple countries and leveraged new technologies globally. Innovative

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startups came onto the scene, disrupting the global market with low barriers to entry.

All of this created a world that was overall more unified, more productive, and more prosperous, raising standards of living for all. Since 1990, over one billion people have been lifted out of poverty, with the share of the global population living below \$2.15 per day—today’s international poverty line—falling from 38% in 1990 to 9% in 2022. Global inflation-adjusted GDP per capita has more than doubled over that same period, jumping from \$8,211 in 1990 to \$16,677 in 2022. In many developing countries, economic growth rates have even outpaced those seen in advanced economies during their industrial revolutions. Global life expectancy increased 15 years over the past half century, and literacy rates soared more than 20%. Thanks to expanded access to education, almost 90% of the world can now read and write. Advances in medicine, sanitation, and nutrition have led to better health outcomes globally, and many diseases that were once common causes of death have now been eradicated.

Yet for all of the wealth and progress the open international system generated, these benefits have not always been felt equally. Certain sectors, such as manufacturing in heartland America, have been hollowed out from automation and offshoring. Real wages for low- and middle-income workers have stagnated in many developed countries, contributing to rising income inequality. Most fundamentally, communities have experienced rapid disruptions as local stores and associations have been replaced by online ones, leaving individuals feeling unmoored and left behind. The period of breakneck capitalism, globalization, and the information revolution have served the world well. But they have also demonstrated the need for economic shock absorbers

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to balance the volatility of market forces and anchor individuals. Moving forward, a new approach is required—one that promotes economic resilience, not solely pure growth.

Taneja grasps the significance of this inflection point and lays a path forward. He explains how, for much of the twentieth century, the prevailing model of capitalism focused predominantly on short-term profits. While the relentless pursuit of profit indeed lifted billions out of poverty and extended lifespans significantly, it also exacerbated social, political, and environmental divides. According to Taneja, the era of profit-only capitalism has run its course and is not equipped to tackle the longer horizons of today's problems, from health inequities to climate change. Instead, he proposes that a new paradigm, one he terms inclusive capitalism, should take its place. Inclusive capitalism differs from profit-only capitalism in that it recognizes the fundamental link between business and society. It promotes financial success and societal well-being at the same time.

At the heart of this book are the nine transformation principles that Taneja has developed and implemented over his many years leading the global venture capital company General Catalyst. They are intuitive yet illuminating insights, ranging from technical investment strategies to philosophical accounts of human nature. Overall, these principles are meant to serve as a road map for creating a new kind of company. They challenge the traditional venture capital mindset that prioritizes quick exits over sustainable growth, and which contrives a false dichotomy between financial and social benefits. Companies can, and should, aim for both.

Taneja instructs leaders in the venture capital industry to fund and scale the “businesses of tomorrow” by cultivating and

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adhering to a core set of principles. We learn through his personal accounts of companies like Merck and Airbnb that guiding principles are not antithetical to financial success but often the very foundation of it. This will only become truer for companies that aim to leverage technologies like AI, blockchain, and synthetic biology. These emerging technologies have the potential to massively improve lives around the world; but without a principled approach, they can also exacerbate existing divides or create new ones. Similarly, these technologies can be immensely valuable once they are widely adopted and transform entire industries; but this will only occur if they are first aligned with societal values. Taneja's ideas could lead businesses to adopt a new and different mindset, and if that happens, they might stave off pressures to add new regulations to the roster, which always come with the danger of inefficiency, corruption, and market distortion.

With each of his transformation principles, Taneja is keenly aware that what made businesses successful in the previous era will no longer suffice. As a new economic consensus emerges, companies will need to reorient themselves accordingly. Governments are now taking a more prominent role in the private sector, making it such that businesses can no longer operate in complete isolation and expect to radically disrupt things. They will need to work in tandem with state institutions and civil society and innovate responsibly. Put simply, if companies want to achieve lasting success in this new era, they will need to focus on building for the long term and move beyond the old Silicon Valley mantra of “move fast and break things.”

The book's real lasting power comes from the fact that its lessons can be applied far beyond the business realm. We are not only living through major economic shifts but also profound

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psychological ones. Around the world, there seems to be a crisis in meaning, with people desperately searching for a cause to fill the void that religion once did. In *Transformation Principles*, we are reminded that this purpose can in fact be self-created. For Taneja, it is about building a world where business and societal interests align, where innovation serves the greater good, and where companies can achieve lasting success by doing what is right.

—Fareed Zakaria, New York, 2024

INTRODUCTION

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Capitalism has long been a system focused solely on generating profits, usually in the short term. That focus did a lot of good in the twentieth century. Businesses built global consumer economies and lifted billions of people out of poverty and into the middle class. Improved standards of living added decades to lifespans since 1900.

But in the twenty-first century, the supremacy of short-term profits coupled with an extraordinary explosion of powerful technologies are creating ever-growing divides. Wealth has accrued to the top 1% while leaving behind large swaths of people everywhere in the world. That's led to social and political divides that are polarizing societies. Advances in medicine and genomics tend to benefit the rich, opening a health divide.¹ Climate change is accelerating and is creating climate divides as many regions see water shortages, severe weather, and challenged agriculture.

That's not an indictment of capitalism. It's an indictment of *profit-only capitalism*, which has run its course and will now do more damage than good. If we're going to harness the powerful technologies we're now developing—especially artificial

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intelligence—to broadly improve our lives and give us stable, thriving societies for the long term, we need a new brand of capitalism: *inclusive capitalism*.

Inclusive capitalism focuses on returns plus impact. It understands that every company and product are part of a societal system and must contribute to the vitality of that system. It is still capitalism. I believe capitalism is the best way to bring innovation and progress to the world, and responsible innovation is the best way for us to fix the problems and divides we now live with. Yet while profit-only capitalism was a force for positive progress in the last century, inclusive capitalism must be the force for positive progress in this one. And, as I'll show, inclusive capitalism is now the best way to generate exceptional, enduring returns.

Some might think that inclusive capitalism is some radical new idea, but it is not. The concept in various forms has been with us for most of civilization. In his 2024 book *The Greatest of All Plagues*, political science professor David Lay Williams makes the case that Plato, Jesus, Thomas Hobbes, Jean-Jacques Rousseau, Adam Smith, and John Stuart Mill all saw great economic divides as a massive threat to societies (i.e., “the greatest plague”). The remedy for dangerous divides, Williams concludes, has always been a system that lets everyone more broadly benefit from economic, technological, and political successes.²

Today, inclusive capitalism requires a new mindset for company building, investment, and wealth creation. This is particularly needed in my industry of venture capital and across the startup ecosystem. We're the ones funding, starting, and scaling the companies of the future, so we need to operate by a new set of principles—*transformation principles*.

Developing, practicing, and evangelizing such principles is

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now my *raison d'être*. In this book, I detail nine principles that have profoundly influenced my company, General Catalyst. We are developing a new category of venture capital. It is a platform that allows us to activate the best founders to build category-defining companies as early as possible (this is our core, early-stage VC), activate ecosystems of innovation, partner with industry (like our health assurance partnerships), and drive sustainable and inclusive transformations of major industries. We intend to build on a movement that takes investing and company building from “financial *or* societal benefit” to “financial *and* societal benefit”—from “exit” as the only endgame to “endure” as a preferred endgame. We believe that great returns and enduring positive impact go together and feed each other. Living and working with these transformation principles isn’t just a strategy that’s good for society—it’s the best strategy for building a good business.

This flips the script on the way business has often operated. Too many business leaders—now and in the past—have assumed that they can reap the profits of disruption and then repent through philanthropy. All too often, corporate leaders have used the language of philanthropy, corporate social responsibility (CSR), and environmental, social, and governance (ESG) to mitigate or obfuscate harm otherwise caused by a company’s practices. We need to break this mindset and make sure companies build for impact plus returns from the start.

In the coming decade or two, companies that operate for impact plus returns will financially perform far better than companies that remain stuck in the traditional profit-only capitalism model. Companies and investors that dismiss inclusive capitalism will find themselves on the wrong side of history.

Here are the nine transformation principles for investing,

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innovating, and company building. In the coming chapters, I'll dive deeply into each.

1. The business must have a soul.
2. Navigating ambiguity is more valuable than predicting the future.
3. Creating the future beats improving the past.
4. Those who play their own game win.
5. Serendipity must become intentional.
6. For great change, radical collaboration beats disruption.
7. Context constantly changes, but human nature stays the same.
8. The choice between positive impact and returns is false.
9. The best results come from leading with curiosity and generosity.

I also believe these principles can guide anyone who wants to transform anything, whether it's a nation, an industry, a company, a family, or themselves. As you'll see, I don't just conduct business guided by these principles—I live them, and I first learned them through life and spiritual lessons.

The times we live in are the reason we need such principles. We're at a moment when powerful technologies and historic geopolitical shifts are remaking whole industries and the world economy. Navigate this period wisely, and we'll have a chance to make the world a far better place. Do this in an unprincipled way, and we can make things much worse.

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Tomorrow's most important technology companies will impact billions of lives and livelihoods in ever more profound ways as we seek to become a true digital society and reorganize all aspects of life and business online. We are in the middle of a 30-year technology cycle that started around 2007 with the introduction of the iPhone and the explosion of cloud computing. Now the transformational technologies we're developing, most significantly artificial intelligence (AI), are improving at such a furious pace that society seems to have little time to respond to its consequences. Alongside AI, the technologies of robotics, block-chain, genomics, virtual reality, and 3D printing are all racing into our lives.

General Catalyst has been investing in AI-driven companies for years—Livongo for diabetes, Grammarly for language, Applied Intuition for automobiles. (More on all of those later.) Now we're taking this new powerful AI and applying it to transform industries. AI (with the addition of some of the other foundational technologies) can give us the means to reinvent healthcare into health assurance, giving everyone personalized ways to stay healthy, manage chronic conditions, and get treated at home so they can stay out of hospitals. AI will be used to reinvent transportation, giving us highly safe driverless electric vehicles that replace gas-powered cars and trucks, with big climate and safety benefits. (The end of drunk driving!) AI will have similar profound effects on every industry and every kind of work, at its best freeing humans from the mundane so we can focus on the creative and sublime. If implemented using sound principles, these technologies can drive incredible positive change that brings everyone along in an inclusive and equitable way.

And that's critically important. The last time we went through

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such a transformational tech cycle was from around 1890 to 1920, when electricity, the telephone, automobiles, and airplanes burst onto the scene. Life in 1890 was completely changed by 1920. Similarly, life before 2007 will seem almost unrecognizable by 2037. And so much change drives fear, as people wonder how new technology will impact them and whether it will make them irrelevant. While automation in the past has often replaced the work of human hands, this new wave threatens the work of human minds. Lawyers, accountants, writers, software coders, and those in many other professions have to wonder about their futures. If we generate too much uncertainty too quickly—if it is perceived that we are letting AI and its parallel technologies destroy without rebuilding—we will wind up with a society in turmoil.

As of this writing, the tech industry and governments all over the world are debating how or whether to manage the development of AI. One camp is taking the “let ’er rip” approach, advocating for letting the technology move fast and break things. But AI is so powerful, it threatens to break too many things too fast, which will invite heavy regulation and whip up societal backlash. In the long run, developing AI in an unguided, unprincipled way will slow it down, not speed it up. The transformation principles in this book guide us to a different approach. By working with leaders in government and industry to make sure AI has a positive impact, we have a better chance of building successful, enduring AI-driven companies. AI that benefits us all will develop faster if we take on a shared responsibility to develop it for impact plus returns.

If you doubt that’s true, look at what happened when the world applied the “let ’er rip” approach to cryptocurrencies. In the 2010s, crypto seemed to have enormous promise. Many thought

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it could be used to create a more resilient, inclusive form of banking, or a global currency immune to transfer fees or the whims of central banks. Now such dreams are stalled. Volatile cryptocurrencies have too often crashed and gutted the finances of millions of people. Bitcoin farms are sucking up more electricity than some cities and adding to global warming. The founder of crypto company FTX, Sam Bankman-Fried, wound up convicted of seven counts of defrauding his customers and was sentenced to 25 years in prison, while FTX has gone bankrupt. If AI is similarly unmoored, it risks getting similarly reined in by regulators, the courts, and the public. Which would be a loss. Blockchain is an important technology, and a more responsible approach would have accelerated its progress and the building of beneficial crypto-based companies.

We can't afford to repeat the mistakes of recent decades. While our industry ushered in one of the greatest periods of innovation and investment in human history, its legacy is that we lack inclusive prosperity while we have eroded respectful society and threatened our planet. Founders and venture capitalists have too often abdicated responsibility for the impact of the companies our investments helped create. Since the boom years of venture capital starting in the 1990s, we've tended to think our only job is to spawn companies, disrupt markets, deliver strong returns for our limited partners (aka investors), and pile up personal wealth for ourselves. We've assumed society would figure out the rest. But it hasn't, and that's a danger. As history shows, enormous divides lead to unrest and cracks in society's foundation. The worse that gets, the worse the environment becomes for business of any kind.

At the same time, we're seeing the confluence of three innovation megatrends that are building on each other and reshaping

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society, adding to the urgency to embrace inclusive capitalism and enduring positive change.

The first is the ongoing digital transformation I described: the 30-year cycle of innovation that is reorganizing all of society online.

That, in turn, is leading to the second megatrend: workforce transformation with AI. Every CEO in every boardroom in every industry is discussing what to do with AI. It will have a profound effect on the livelihoods of billions of workers. What's at stake is the very nature of work and of human purpose.

It's not just companies that will have to manage massive workforce transformation—this will effect whole nations and realign economic relationships. Look, for instance, at customer service contact centers. Over the past 30 years, US companies have sent hundreds of thousands of contact center jobs abroad, relying on less-expensive employees in places like India, the Philippines, and Jamaica. AI systems are already becoming good enough to interact with customers by voice in a way that seems nearly human—and sometimes better, because AI can learn every response to every common question. It never forgets and never has to click around on a keyboard to find an answer. A major contact center might have 100,000 employees. AI could make most of those jobs unnecessary, retaining a relatively small base of experts to handle problems AI can't. I call this "AI onshoring"—bringing the contact center back to the home country with software. The leaders of nations that will lose these jobs will need a strategy to manage this shift or risk great societal disruption. The flip side is that AI also brings the promise of, for instance, upskilling millions of people with inexpensive, high-quality AI tutors, giving them a chance to get better-paying, more rewarding jobs. How this all

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plays out and how well or poorly the transition is managed will have weighty consequences around the world.

Finally, there's the third megatrend: We're seeing a geopolitical transformation of critical industries. Countries are rethinking their most essential industries and services and investing for greater resilience in key sectors such as defense, intelligence, infrastructure, supply chain, and energy.

Look at it this way—if you are the leader of a country today, you have to be thinking: *Do we really want to rely on the United States for the vaccine for the next pandemic? Or are we going to build your own capability?* Similar dynamics are driving a global rethink about energy independence, defense, all the critical industries. We also see a re-globalization of manufacturing. In the recent decades, businesses everywhere moved manufacturing to China and other places where there is labor arbitrage, taking advantage of cost efficiencies. Now companies are moving to disengage from suppliers in some of those countries and re-engage with a friendlier ecosystem. The United States, Europe, and India are coalescing into one ecosystem while another is forming around China plus its affiliates. So, how do companies create new, resilient supply chains without interrupting their operations?

These will be some of the biggest innovations our industry can work on, and they require a mindset of collaboration between the tech ecosystem, incumbents, and policymakers, as well as a better understanding of how things will play out over longer time horizons.³

If the innovation ecosystem is going to play a responsible role in these megatrends, we need a new playbook for how we operate.

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Adhering to transformation principles doesn't mean the old and tested tools of business are invalid. Over the past 50 years, when investors and founders have built companies, they've typically looked at businesses through financial, strategic, and operational lenses. All are still essential. But we must add a societal impact lens, asking: Is this company poised to make an important, enduring impact and, therefore, generate compounding returns over the long haul?

By the way, today's most talented people want to work for returns-plus-impact companies. That trend will further compound the competitive advantage of such companies and improve their chances of enduring and generating outsize returns. Fake impact won't cut it—talented people see through it. They will increasingly look for companies that bake real impact into their business models. Consumers, too, want to buy from impact companies. In B2B settings, businesses also want to work with impact companies.

Operating by a set of deeply held principles is not a new, radical, or anti-capitalist idea. Some of the greats in business have leaned on a set of principles and flourished because of it.

In 1963, IBM's CEO Thomas Watson Jr. published an influential book titled *A Business and Its Beliefs*. The company at the time was 50 years old and a year away from introducing the System/360 computer, which would set in motion the greatest run of growth, at the time, in US corporate history. In three sentences in his book, Watson laid out the case for operating by principles—or, to use his term, beliefs:

I firmly believe that any organization, in order to survive and achieve success, must have a sound set of beliefs on which it premises all its policies and actions. Next, I believe that the

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most important single factor in corporate success is faithful adherence to those beliefs. And finally, I believe that if an organization is to meet the challenges of a changing world, it must be prepared to change everything about itself except those beliefs.⁴

IBM faltered in the 1990s and lost its position as a tech industry superstar, and many have argued that this was because the company drifted away from its beliefs.

In a more personal way, I've been exposed to the power of the principles that have long guided the pharmaceutical giant Merck. Ken Frazier joined General Catalyst as chairman of Health Assurance Initiatives after he retired as CEO of Merck. For more than 130 years, Merck has made decisions about its business based on its revered *ethos*—another term for a set of principles.

As Ken has told me, the Merck ethos starts with a commitment to science excellence. While many big pharma companies have essentially become marketers of drugs that are licensed from smaller research-focused drug developers, Merck has maintained a \$12 billion to \$14 billion (and sometimes more) research and development budget and strives to have the best pharma lab in the world. Equally important is the company's principle of "patients first."

George W. Merck, president of the company from 1925 to 1950, was famously quoted in the August 18, 1952, issue of *Time* magazine saying, "Medicine is for the people, not for the profits." Merck believes in doing what's right for the patients who use its drugs, even if it causes short-term financial pain for the company. In the early 2000s, that led to Merck pulling the best-selling drug Vioxx from the market when a long-term study the

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company conducted showed Vioxx can increase the risk of heart problems. The decision cost Merck billions in revenue and lawsuit settlements. But as Ken says, it was the right thing to do for Merck's long-term success. The ethos also embeds in Merck the idea that the company exists for societal good—a principle that guided its decision to give away its river blindness drug to help populations that could never have afforded to pay for it. How has all this played out for the company and its shareholders? Merck's stock in February 1983 was about two dollars. In April 2024, it passed \$127—with a valuation of \$324 billion.

Of course, history is full of many unprincipled companies that generated great returns over long periods of time. These include oil companies, tobacco companies, soft drink companies, and, yes, some modern tech companies. But times have changed. Consumer and investor attitudes have changed. Companies that do harm to the planet, society, or individuals will have a harder time generating good returns. They'll bleed talent. They'll find themselves hauled in front of courts and Congress. (Companies that operate seemingly devoid of principles can spectacularly crash and burn. Think Enron, WorldCom, or AIG.)

Why are a set of principles so effective for a business? When they permeate throughout a company, from its leaders to its foot soldiers, they become a kind of invisible hand guiding every decision. Not unlike the beliefs and moral codes of a religion, sound principles embed a filter that guides behavior. Technology will always rapidly change. The world we operate in will change. As IBM's Tom Watson Jr. would put it, the way to navigate all of that change is to stay true to your principles and be willing to let go of everything else.

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Importantly, a set of principles also sets a person or organization free to approach decisions with a *beginner's mind*.

A lot of people seek to become experts in something, and society needs them. These are the people who spend their lives deeply understanding and working on, for instance, quantum physics, or skyscraper engineering, or heart surgery.

But there can be a downside to expertise. It can become a lens that is something like a telescope: powerful but narrow. Your beliefs are shaped by what you know, and so maybe you “know” that something can’t be done, so you don’t try to do it—or “know” that there is an established best way to do things and so don’t challenge it.

While we need experts, we also need others who don’t have the bias of an expert—who look at something with a beginner’s mind and think, *Well, maybe that impossible thing can be done, or maybe there is a better way to do things*. It’s an anti-pattern way of looking at the world. In the VC industry, we discuss pattern recognition a lot, but in reality, it’s the outliers that drive the greatest returns. Exponential success isn’t conventional—instead, it arises out of a product or business that seems, at first, weird and mind-bending. A beginner’s mind doesn’t pollute a weird or mind-bending idea with thoughts of the conventional. A beginner’s mind forces humility: You don’t know what’s possible, so why not explore and find out?

The big breakthroughs—the companies that show us a new way to live or work—typically come from people who have a beginner’s mind. There’s a reason Airbnb was not started by a hotel

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veteran, why Uber wasn't started by a taxi company, why Warby Parker wasn't started by a major eyeglass maker.

Principles are like scaffolding for a beginner's mind. They are based on the physics of enduring businesses. In practice, principles become rules for seeing every opportunity in a fresh way. For investors, instead of starting with questions about financials and total addressable market, a beginner's mind wants to start with a narrative, asking: *Why did you start this company?* It wants to know what future this founder sees that the rest of us don't. It wants to know if the leadership team can learn and adapt, because if they are trying something that hasn't been done, they will run into dead ends, zigzags, and discoveries they never expected.

At General Catalyst, we've been remaking ourselves into an institution that is guided by our transformation principles. We believe that tomorrow's most financially successful, compounding businesses will be those that operate in the best interests of society. The best-performing investment organization is defined by having the best-performing investments, and those are the ones that compound for a long time—and businesses only get to compound for a long time if they operate in the interest of society.

My journey to discover and define nine transformation principles started with a mindset of spirituality, and that led to our work to transform our company, venture capital, and healthcare.

I can trace my spiritual mindset back to my childhood in India, attending a tiny tin-roofed school in Delhi where we learned Hinduism and read Vedic philosophy alongside studies in math, science, and history. In other words, at my school spirituality was

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not separate from “real-world” subjects; it was a lens—a filter—through which to understand those subjects in relation to societal well-being and a sense of self-mastery. The goal was always to use one’s powers to do good in the world.

Even if you weren’t brought up in the Hindu religion, you probably know that Hindus believe in the eternal nature of the soul—in other words, reincarnation. One’s life on Earth is but a chapter in a soul’s journey; your soul has had a long path before you were born into this body, and you will have a long path after this body is gone. So Hinduism encourages thought processes in the context of the long term—doing things in this life in the context of many lives. Each lifetime is but a chapter in the enduring journey of your soul. There is no fear of loss because you are just moving to new reincarnations. I have failed so many times in my three professional decades, but Hindu beliefs have allowed me to be calm and absorb the highs and lows. I try to instill that kind of sensibility in founders I work with to help them face so much uncertainty and risk.

Enduring businesses have a soul with multiple lives through generations of leaders. Look at American Express, for instance. By having a soul guided by core values, it could morph with the times, starting as a freight forwarding company in 1850 (hence the company name), leveraging that into traveler’s checks to help its customers keep their money safe while in foreign countries, and then moving on to the travel business, credit cards, and financial services. A company’s long-term success depends more on its core beliefs than on the products it sells at any given moment.

Spirituality—aided, as I’ve found, by meditation—is integral to understanding the larger global system that we’re all building and are responsible for. It encourages thinking intentionally and

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being mindful of consequences. It helps manage the tension between immediate demands and the future good. It provides fuel for endurance. People who work and think this way are the ones who, more often than not, build great, lasting companies.

Stephen Covey famously described one of his seven habits of highly effective people as: “Begin with the end in mind.” I believe that spiritual leaders understand that there is no end. Better to begin as if there is no end. To paraphrase the Bhagavad Gita: *Focus on the journey, not the fruits of your labor.*

To be such an enduring leader, you need to understand yourself, understand your place in the universe, develop and apply skills that allow you to make a difference, and harmonize your work with the interests of society and the universe. For me, getting to that point has taken a lifetime of probing, failing, discovering, and learning.

When I was in ninth grade in India, my father got a job in the United States, and a year later my family moved to Brookline, Massachusetts. The day we got there, my father was laid off, leaving us in financial difficulty. We lived in a basement apartment, and I slept next to the boiler. To help the family, I worked 20 to 30 hours a week at a CVS while going to high school. And I was a happy kid. The school was a wonder to me. In India, students have no choice of courses. In the United States, I was allowed to follow my curiosity and learn what I wanted to learn. I sped through schoolwork, studying in between CVS shifts. I went from a kid in India studying, taking naps, and playing cricket to a kid with

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a jammed schedule of school, work, and assimilating into a new culture in America.

After high school, I got accepted into the Massachusetts Institute of Technology (MIT). Freshman year, I got a D on my first exam in organic chemistry. Quite a wake-up call. There were many students at MIT who were smarter than me and were doing everything they could to get straight A's. Soon, I started seeing that as odd. Most of us had come to MIT to have outlier success, but so many students got caught in the conventional pattern of driving toward a degree and getting straight A's. I decided then to be *different* from them. I followed my curiosity and took every course that looked interesting to me instead of managing my academic credentials. I became like a greedy algorithm, programmed to always do the most interesting thing I could be doing at any given time. This led to an interesting situation: I got close to getting degrees in a whole lot of majors but not enough yet to graduate with a single degree. I decided to suffer during my last couple of years and complete as many degrees as I could—and ended up with five different ones. I find it embarrassing that people talk about my five degrees from MIT . . . but it's also interesting that nobody cares what grades I got. All in all, playing my own game has paid off and led me to this principle: *Those who play their own game win.*

Early in my career, a classmate, Ken Zolot, and I created a class in MIT's engineering school called Founder's Journey. The technologists at MIT at the time were not being taught how to be entrepreneurs—how to connect tech disciplines to business disciplines. I believed more people should be exposed to the opportunity to start companies. That course was taken by the eventual

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founders of Stripe, Segment, and other successful startups. I met the Stripe and Segment founders while teaching the course and decided to fund their startups. The course is still being taught today.

In 1999, I started my first company, Isovia, with a group of MIT friends. As is often said, there's a lot to be learned from failure, and as a first-time entrepreneur, I failed. We started the company for the wrong reasons. It was the height of the dot-com bubble of the late 1990s. We were watching a lot of successful companies get created and wanted to do the same. We had no emotional connection to the product we were building—we started a company for the sake of having a startup. That was our first mistake. Our company didn't have a soul.

Second mistake with Isovia: It was during the prehistoric era of smartphones, and we developed software to make it easy to build applications for those smartphones. But we were trying to replicate, on phones, applications that were already on the web. We never thought to reimagine apps that would take advantage of the phone and mobility. Our business didn't work because we were replicating the past instead of imagining a new future. Isovia's failure led me to understand another principle: *Creating the future beats improving the past*. The future would eventually arrive in 2007 in the form of Apple's iPhone, but by the time it came out, my company had long disappeared into an acquisition.

After we sold that company, I got invited to be an entrepreneur in residence at General Catalyst, which was then just a year old and based in Boston, founded by Joel Cutler and David Fialkow. It wasn't long before they invited me to join GC full-time as an investor, and I felt honored that they let me invest in their companies. The first investment I made was in a company called

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Site Advisor, founded by my friend Chris Dixon, now a VC at Andreessen Horowitz.

The idea was to create “safe search.” It was difficult in the internet’s early years to know if you were going to land on a credible website or on a site that was going to riddle your computer with pop-up ads or spyware. People will do bad things anywhere they can. In real life, if you were to walk into a bad neighborhood, you’d quickly understand you might not be safe. But there were no such clues on the internet. Site Advisor would let you know if a site was safe before you clicked. Through this work, I came to understand the principle: *Context constantly changes, but human nature stays the same*. This principle about human nature is at the heart of one of my previous books, *Intended Consequences: How to Build Market-Leading Companies with Responsible Innovation*, and my establishment of Responsible Innovation Labs. In order for companies to endure and make a positive impact, they must be mindful of human nature—the good and the bad—and avoid harmful unintended consequences.

I spent my first years at General Catalyst learning to spot trends and invest in companies, and then I’d hope that I had picked the right ones. It’s how most VCs operate today. But I found investing this way unrewarding and unsustainable. Latching on to trends made me a follower. I was trying to invest in what others were investing in. That wasn’t playing my own game, or creating a future, or backing someone whose soul was devoted to a mission. I wasn’t working with a beginner’s mind, taking on things others thought couldn’t be done.

So I started to apply my emerging transformation principles. I began investing in energy technology to try to have an effect on climate change, at a time when climate tech was barely a thing.

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But sectors like energy (or healthcare or finance) are enormous and complex, and they are careful about change. Energy executives don't want new technology bringing down the electric grid. So my investments had disappointing impacts, but the disappointments taught me another of the principles in this book: *For great change, radical collaboration beats disruption*. The way to change a massive, complex industry is not to "disrupt" the old way. Better to work with the incumbent companies and policymakers as a partner, helping them create change throughout the ecosystem.

By 2011, I'd moved into a leadership position at General Catalyst. We realized that to be a significant player in tech, we had to be in Silicon Valley. So I moved my family there, including my parents, and General Catalyst opened an office in Palo Alto. By then I had learned to invest based on some of the principles in this book, evaluating opportunities with a beginner's mind. That proved key when making an investment in Stripe, which would have an enormous impact on General Catalyst and my career.

Many other investors who knew a lot about online payments passed on Stripe, wondering why the world needed another company in what seemed like a commoditized space. But by looking with a beginner's mind, I wasn't swayed by conventional wisdom, and so it struck me when Stripe's founders, Patrick and John Collison, said they wanted to develop a platform that would be the foundation for e-commerce companies built by entrepreneurs not even born yet. As of this writing, Stripe is one of the most valuable tech companies started in the past 15 years. General Catalyst has participated in almost every fundraising round of Stripe's existence, and in aggregate Stripe is the biggest investment in the history of our company.

In 2014, I traveled back to Boston to meet with Joel and

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David. I'd gained confidence as an investor, and my experiences in the Bay Area had convinced me that venture capital and the way innovation would get built was changing. I saw an opportunity for General Catalyst to change with it and build something more impactful. GC had started out as entrepreneurs helping entrepreneurs. I felt we needed to grow into a more intentional, well-run business, with a structure and plan for the future. But it was their firm, so I asked them if they'd let me drive that shift for GC. The alternative would be that I'd transition out of GC and go out on my own. To my positive surprise, they didn't even blink. They told me to go for it.

So we all thought about the culture we should create to build an enduring entity. And we took inspiration from well-run companies we admired, like Stripe and others in our portfolio. And we needed a more ambitious goal than just investing in companies. We came to believe our goal would be to transform whole industries.

Around the same time, everything I experienced at General Catalyst seemed to be confirming that venture capital—and capitalism itself—had to go through a shift from focusing on maximizing short-term returns to maximizing enduring positive change. It became obvious that important technologies like AI and blockchain were going to be used to reinvent every industry. I wrote the book *Unscaled* to describe how new inventions were going to dismantle the scaled-up industries of the twentieth century and create a new unscaled economy in the twenty-first.

I also understood that I had a lot of lucky breaks that took me from a tiny school in India to the contributions I'm able to make today. How many others don't get those breaks—and so don't have the wherewithal to build a company or create a breakthrough?

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That kind of thinking led to my belief in inclusive capitalism. If vastly more people have access to a good education, stable living conditions, decent healthcare, and loans or funding, we will get many more companies that create value and jobs and improve our lives. This idea is supported by Vedic philosophy, which focuses on inputs rather than outputs. If society delivers on the inputs (better opportunity for more people), we will get positive outputs (more great, enduring companies that benefit society).

Because of all the tech and societal trends described in this introduction, this is the time to invest in tech companies that deliver powerful, positive change over the long term. Our company is convinced that the best path to great returns and profound outcomes will come from making our investment decisions through the filter of our transformation principles.

My company and I have been on a journey to codify and operate by these transformation principles. My personal success is the result of implicitly or explicitly following these principles, and my deep conviction is that we are on a path to building a category-defining investment company that alters the nature of capitalism. When I look at our biggest drivers of returns—by companies such as Stripe, Livongo, and Samsara—their leaders deeply care about and follow the transformation principles. And following them has served General Catalyst well: Over the past 20 years, the company's assets under management (AUM) have grown from \$257 million to \$33.2 billion AUM as of late 2024. We started as a regional Boston VC and now operate nine offices globally, including in Silicon Valley, New York, London, Berlin, and Mumbai.

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We're deep into the process of building a company that marries an engine of innovation (operating on a venture capital time frame) to an engine of transformation (operating on indefinite time frames). The concept is to take the risks of investing in startups, but instead of looking to get our money out by exiting those that succeed, we will invest in making sure those companies endure and have a meaningful and responsible impact. We can then reinvest those enduring returns into more innovation, creating a flywheel effect of constantly turning the serendipity of innovation into the intentionality of endurance.

We're transforming ourselves into a new category of business, following our own principles of playing our own game, creating a new future, and focusing on returns plus impact. By the time you read this, we will barely be recognizable as a venture capital entity. We'll be a global investment and transformation company that invests in emerging innovations, starts our own businesses, builds companies over the long term, and engages with policymakers and other stakeholders through entities we've created, including the GC Institute and Health Assurance Foundation.

All of this allows General Catalyst to attack some of the world's hardest problems, including healthcare, climate change, responsible AI, and next-generation national defense. Our healthcare effort is the furthest along, and it maps to our principles. The effort began as an accident. But such accidents (or luck) are why we have the principle: *Serendipity must become intentional*. In 2005, while still in Boston, I got a call from Partners Healthcare asking if we could help them figure out what to do with their electronic medical records, or EMRs. My first question was, "What's an EMR?" I had to hire a physician to help me read and understand them.

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That's how I began to learn about what was broken in health-care and how unhelpful technology had been to the industry. That in turn led me to cofound Humedica, which I mentioned earlier did not succeed because it did not adequately collaborate with the existing system. I learned our collaboration principle the hard way.

But the serendipity of getting that call to work on a healthcare problem turned into the intentionality of wanting our company to play a role in transforming healthcare. General Catalyst started Livongo and learned more from that experience. We started Commure so that new healthcare technologies could have a single platform to build on. We started our partnerships with health systems so we could collaborate with incumbents. We wrote the book *UnHealthcare* to map out a future we were determined to create. We took the outrageous step—for a VC company—of buying a health system in Ohio. The result is that now, instead of just funding health tech companies and hoping for the best, we've nurtured an entire movement among health systems and tech companies to reinvent the way we take care of our bodies and minds, ultimately making healthcare more affordable, equitable, and proactive. We continue to invest in startups that are taking the risk of building new technology that can help transform traditional “sick care” into “health assurance.” To help the sector test, adopt, and use these technologies to transform care, we work with our coalition of hospital systems. Tech companies can work with and learn from the best incumbent healthcare systems and vice versa.

General Catalyst's healthcare push has taught us how we can approach transformation in other sectors, such as climate and defense. Of course, our company exists to generate returns, and we have done well in that regard. I can't emphasize enough that we

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are capitalists. By generating high returns, we prove our point about transformation principles and get permission—and more capital—to keep investing that way. Our approach and our success have brought us amazing talent. As our flywheel turns, we have ever more capital to invest in big problems—and more brain-power to make sure our portfolio companies thrive.

I want our transformation principles to influence venture capital investors and every kind of investor so they, too, contribute to powerful positive change and steer us away from unintended consequences and toward inclusive capitalism. I want founders to build principle-led companies that thrive for a century, solve great problems, and adroitly navigate changing times.

About the Authors



Hemant Taneja is the CEO and managing director at General Catalyst, the world's foremost investment and transformation company, supporting global resilience through applied AI. He laid out his applied AI thesis in his 2018 book *Unscaled* (with Kevin Maney), which explored how the economy will be shaped by entrepreneurs who use applied AI to drive mass personalization.

Hemant invested early in market leaders such as Stripe, Samsara, Snap, Gitlab, Grammarly, Gusto, Applied Intuition, Anduril, Ro, and Canva.

He's now working to transform healthcare. His 2020 book, *UnHealthcare* (with Stephen Klasko and Kevin Maney), outlined General Catalyst's thesis for how healthcare needs to transform from a "sick care" system into a health assurance system that is proactive, accessible, and affordable. Hemant serves as the founder and chairman of the Health Assurance Transformation Company

and helped found health assurance companies Commure, Transcarent, Hippocratic AI, and Livongo.

Hemant has focused his philanthropic time on programs and policies that accelerate transformation of industries where he is actively investing. He helped cofound Responsible Innovation Labs, Advanced Energy United, and Health Assurance Foundation. He helped build Khan Lab School, an innovative K–12 school that his three children attended, and serves as trustee of Northeastern University and on the Stanford School of Medicine Board of Fellows. Hemant and his wife signed the Giving Pledge in 2024.

Hemant is a graduate of the Massachusetts Institute of Technology, where he earned five degrees.



Kevin Maney is a bestselling author, award-winning columnist, and founding partner at Category Design Advisors (CDA). This is his fourth book in collaboration with Hemant Taneja.

His critically acclaimed book, *Play Bigger: How Pirates, Dreamers and Innovators Create and Dominate Markets*, introduced business to the methodology called “category design.” As a founding partner of CDA, Maney has helped leadership teams at hundreds of companies all over the world focus their strategic thinking through category design.

In 2024, Maney published his first novel, *Red Bottom Line*. Set in Moscow in 1991, it’s based on his reporting as a journalist covering the breakup of the Soviet Union. His biography, *The*

Maverick and His Machine: Thomas Watson Sr., became the de facto history of IBM.

Maney has been a contributor to *Newsweek*, *Fortune*, *The Atlantic*, *Fast Company*, CNN, and ABC News, among other media outlets. He was a contributing editor at *Conde Nast Portfolio* from 2007 to 2009. For 22 years, he was a columnist, editor, and reporter at *USA Today*.

He's appeared on television and radio, including *CBS Sunday Morning* and NPR, and lectured at conferences and universities, including New York University, UNC in Chapel Hill, and his alma mater, Rutgers.