

# ICSB Annual Global Micro-, Small and Medium-Sized Enterprises Report

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June 27, 2020



ISBN 978-1-7324980-6-8

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Smartly, Social Entrepreneurship on the SDGs, is a social enterprise leading the way in communicating and localizing the SDGs within the private and public sectors. Smartly has three international awards and two international nominations as a social enterprise with professionals from various nationalities and disciplines. It has developed most of its work in Latin America. More information: [www.insmartly.com](http://www.insmartly.com)

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MSME DAY



#MSMESDAY19

#MSMESDAY19





# Dedication

This report is dedicated to MSMEs and their surrounding communities worldwide. You have demonstrated to us the true meaning of resilience in uncertainty. We know that it has not been easy, yet you showed us that 'not easy' does not equate to 'not possible.'

This report is for MSMEs worldwide. This is for the youth who have spent years studying yet fail to find work appropriate for their level. This is for women who are bound by social constraints and therefore are unable to shine their true entrepreneurial spirit. This is for everyone that has ever been stunted, ignored, or left out of important decisions because of who they are, where they come from, or what they look like. This report is for you.

Struggle is inevitable, yet MSMEs, you are our image of strength. We know that we can thrive because we watch you do it. Your kindness, determination, and performance guide us upward and onward. So all we can say is thank you, from the bottom of our hearts, we are sending you all of our appreciation.

It feels as if nothing that we do will compare to the ways that you support us. However, if there is anything we can do, know that we are here, we are waiting, we are listening, and further, we hear you.

# I. Introduction

In 2016, the International Council for Small Business (ICSB) assembled a small business panel at its 61st World Congress at the United Nations, in New York City. This event was extraordinary in its creation of a panel consisting of seven small business government ministers from six different continents representing billions of world citizens. This event was an inaugural event for ICSB and was co-chaired by the Honorable Maria Contreras-Sweet, Administrator, United States Small Business Administration (SBA) and the Honorable Dr. Young-Sup Joo, Administrator; Republic of Korea, Small and Medium Business Administration (SMBA). Throughout the day, speakers were asked to share their understanding of the obstacles and challenges that entrepreneurs and small business owners face in their respective countries.

This panel, moderated by Dr. Winslow Sargeant, requested that each panelist provide examples of the best practices from their nations in addition to the strategies to best support and promote small and medium enterprises (SMEs). The outcome of the event was the recognition that support for MSMEs must be elevated to and at higher levels.

Reading the following proclamation, Dr. Ayman El Tarabishy voiced ICSB's dream for MSMEs: "Seeing the need for broad SMEs support, ICSB calls on the United Nations to establish a dedicated Name Day for small and medium enterprises." Enthusiastically welcomed by the panelists and conference attendees, the proclamation was adopted by acclamation, and the journey to establish such a name day finally began.

In the following months, Dr. Tarabishy deployed "shuttle" diplomacy to create a template that would be a starting point for discussion with the member states in the UN General Assembly. The Permanent Mission of Argentina to the United Nations led the proposal and negotiations with all UN country members that resulted in the creation and designation of the "Micro-, Small and Medium-sized Enterprises Day". On April 6, 2017, the UN General Assembly adopted the resolution proposed for the designation of June 27 as "Micro, Small and Medium-sized Enterprises Day or MSMEs Day". On May 11, 2017, ICSB held a MSMEs Knowledge Summit in the United Nations' ECOSOC Chamber that created the basis for MSMEs Day and selected June 27th as the date of observation. This summit was co-chaired by the Honorable Linda McMahon, Administrator, United States Small Business Administration (SBA) and the Honorable Mariano Mayer, National Secretary of Entrepreneurs and SMEs, Government of Argentina.

The first ever MSMEs Day celebration was held in collaboration with the ICSB 62nd World Congress on June 27, 2017 in Buenos Aires, which was fitting as Argentina proudly sat as the lead country in the establishment processes for the Name Day.

Despite wide support throughout government, MSMEs are still in need of much political and regulatory support that enhances their narrative and supports their establishment and entrepreneurial pursuits. It





is essential that the principles and best practices for MSMEs are created in a way that is informed by the MSMEs themselves. Additionally the pursuit of entrepreneurship and the advancement of small businesses must be independent of administration and organization.

ICSB gathered governmental and academic leaders, entrepreneurs, small business owners, and advocates to convene at the United Nations on May 12, 2018 to discuss future supportive measures which are necessary for the healthy and sustainable growth of MSMEs. MSMEs are vital in the development of the world and the achievement of the 2030 UN Sustainable Development Goals (SDGs). This report is the continuation of the ICSB's MSMEs Forum and directs its objective to bring all stakeholders and partners together in one place, with one mission, and one focus: to better promote MSMEs.

Given the pandemic and economic crisis affecting the global community, this 2020 MSMEs Day stands out from those in the past. As the pre-existing conditions, which have created dis-ease within the world and for many MSMEs, have become ever more announced, we see more clearly the importance of creating action to achieve fair, just, and green economies within our national and international markets. This will simultaneously aid MSMEs to better succeed while promoting the achievement of the United Nations Sustainable Development Goals. In creating positive cycles of growth that are centered around uplifting the human person and providing vulnerable populations with opportunity, we will create a world worthy of the incredible people whom it houses.

In the following pages of this report, you will be exposed to the submitted papers made by many countries, institutions, organizations and individuals in hopes to complete a collaborative and complete record of the current status of MSMEs. This specific alliance amongst MSMEs supporters worldwide acts as part of the observation of MSMEs Day. ICSB intends to continue its publication of this report as tradition every June 27th. Each submitted report is meant to be under 2500 words and written in a colloquial tone, so as to be accessible to all. This year, ICSB spread their reach even further. Given the physical limitations throughout the world, ICSB has challenged themselves and their colleagues as they sought to connect to greater networks. This networking resulted in increased participation, which created the largest ICSB Global MSMEs Report to this day. We find it important to note that not a single country, institution or expert was paid a fee for their efforts.

This comprehensive report seeks to amplify the key findings and events of this year in history for MSMEs. We hope that you will read this report with an open mind and a clear spirit to allow this information to challenge your pre-conceived ideas about MSMEs around the world. In reading these reports, how do you feel? You can ask yourself, "given this information, what can I do next?" ICSB and MSMEs around the globe appreciate your support.

June 27, 2020 - MSMEs Day of Action.

# II. Financial inclusion for MSMEs and women's economic empowerment

Martín García Moritán  
Permanent Representative of Argentina to the United Nations  
Argentina



The importance of micro-, small, and medium-sized enterprises (MSMEs) in national economies is well known, as well as is their global impact, since, by number, they dominate the world business stage. But notwithstanding the wide acknowledgment of MSMEs' importance to national economies, they still face difficulties that need to be addressed, such as informality, low productivity, and limited access to finance. When Argentina, with the support of the International Council for Small Business (ICSB), decided in 2017 to present a resolution to the General

Assembly of the United Nations establishing June 27 as MSMEs Day, the idea behind it was to showcase the importance of these enterprises in the achievement of the 2030 Agenda for Sustainable Development and raise awareness about the difficulties these enterprises face.

In this context, it is important to highlight two main aspects that are frequently interlinked. The first one is access to finance and financial inclusion. The second one is the empowerment of women.

Since MSMEs are often the most vulnerable link in national economies, financial inclusion should be at the center of any MSMEs policy. According to the latest data of the SME Finance Forum, 1 131 million or 41 percent of formal MSMEs in developing countries have unmet financing needs. MSMEs' finance gap in developing countries is estimated to be approximately \$5 trillion, or 1.3 times the current level of MSME lending. All these numbers will be bigger if we include informal enterprises.

While bank lending is the most common source of external financing for MSMEs, other forms of funding should be considered, like public-private investment or crowdfunding. In addition, enhancing the financial literacy of MSMEs, simplifying capital market procedures, and lowering the accessibility cost structure, especially for the unbanked, is a key issue. There is no doubt that access to credit is important. However, credit is not the only success factor in running a business profitably. To survive and grow, MSMEs have complex needs that go beyond credit. That is an area in which technology and fintech can present great opportunities.

There is no doubt that access to credit is important. However, credit is not the only success factor in running a business profitably. To survive and grow, MSMEs have complex needs that go beyond credit. That is an area in which technology and fintech can present great opportunities.

Moving to the link between access to finance and the empowerment of women, it is important to highlight that women-owned businesses are relatively more underserved. The aforementioned data of the SME Finance Forum show that women-owned businesses comprise 23 percent of MSMEs and account for 32 percent of the MSME finance gap. These data only include formal MSMEs and it is well known that many of these women-owned enterprises in developing countries are informal.

One of the main barriers that women face in gaining access to financial services, including in some cases the use of a basic bank account, is the requirement of collateral. When a person requires a business or personal loan, the lender asks for collateral, such as land or a house. In many cultures, it is men who traditionally own the land or the house, a fact that results in the exclusion of women.

In that context, it is of the essence that governments and financial institutions start to work in promoting and developing a differentiated approach to focus on women entrepreneurs. In the case of governments, this will allow not only an improvement in gender equality and the empowerment of women, but also an increase in production and consumption, the creation of jobs, more fiscal revenues, as well as all the other benefits that MSMEs bring to their national economies.

For financial institutions, it will also be profitable. Different studies have shown that female customers have a higher propensity to save both as entrepreneurs and as personal customers, and deposits from female customers typically grow at a higher rate and stay with the financial institution longer. In addition, women entrepreneurs are reliable repayers of credit.

To do this, financial institutions should start to think outside the box. Customized offerings for women entrepreneurs will require a deep understanding of the market, research, and documentation of their needs for financial and support services.

There will also be a need for reworking processes for approval and delivery of loans to women entrepreneurs in order to respond to cultural factors, such as the one mentioned before that prevents women from accessing finance, and the need for swift approvals with limited paper formalities. Some of these changes may require appropriate changes in the regulatory Frameworks.

In addition to the above, training staff on how to engage with women entrepreneurs will also be needed in order to increase access to new customers and enhance their comfort in dealing with the institution.

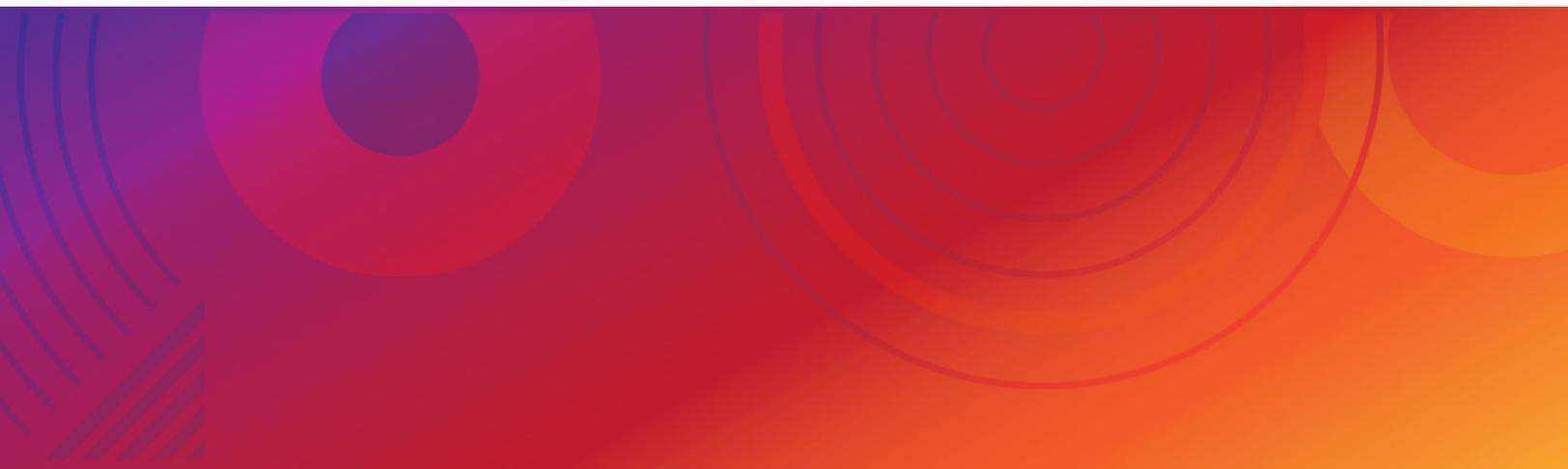
In conclusion, there are great opportunities in access to finance for MSMEs and the empowerment of women entrepreneurs. For that reason, it is essential to carry out a strong campaign of dissemination, advice, assistance, and support of MSMEs. The public sector, in coordination with the private sector, should work to give visibility to the available instruments and design others that allow the creation, growth, and development of MSMEs, especially of women-owned enterprises.

In that sense, ICSB provides an excellent global platform to discuss the trends and challenges of MSMEs, as well as the development of new frameworks to promote women entrepreneurial ecosystems that allow the achievement of a more diverse and equal business world.

#### Disclosure statement

No potential conflict of interest was reported by the author.

Note: This article is from the Journal of the International Council for Small Business (JICSB) Volume 1, 2020., <https://doi.org/10.1080/26437015.2020.1714348>.



# III. THE TOP 10 Micro, Small, and Medium Enterprises Trends for 2020

Written by: Dr. Ayman El Tarabishy, Professor,  
The George Washington University and ICSB Executive  
Director



## Micro-, Small, and Medium-sized Enterprises (MSMEs) Enter a New Decade with Guarded Optimism!

2020 and a dawn of a new decade welcome MSMEs with many exciting opportunities for growth and prosperity, yet it comes with hazards and challenges. Recognized globally for their contributions to innovation and improving economic conditions, MSMEs are the number one job creators across the world.

**Last year, ICSB reported that one of the biggest challenges inhibiting the growth of MSMEs was not technology or macro-level issues but with the entrepreneur or small business owner and the power of belief or the lack thereof.** Other trends on the 2019's covered common prevailing topics like the impact that the world's 1.8 billion youth have on the economy. The population of young people (ages 10 to 24) in the world is at an all-time high.

The other major issue projected in 2019 was that global trade wars will have a major impact on MSMEs. The gloves have come off between the two largest economies in the world, and the imposition of tariffs by each country has plunged the world economy into turmoil.

For 2020, we see major trends continuing yet with three new remarkable changes to the landscape for MSMEs. It is astonishing what a difference a year makes! Here are ICSB's 2020 Top Ten Trends for MSMEs: Please scroll down to read the Top Ten Trends!

# 10

## Number Ten Trend **THE POWER OF BELIEF**

**INSIGHT:** The number one trend of 2019 is now No. 10 for 2020. The **POWER OF BELIEF** that entrepreneurs, micro-, small and medium enterprises continues to be of vital importance in the world economy. 2020 is no difference.

The belief that a person can create something of economic and social value must be real. And for many, it is becoming a reality. Entrepreneurship is no longer simply the domain of the rich, well-connected, or gender-specific. In particular, women, youth, families, and the disabled are transforming their societies and communities through the **POWER OF BELIEF**, a belief that they can energize their economies and improve their economic situation.

**ICSB RECOMMENDATION:** Continue to strongly encourage the creation and sustainability of MSMEs, not just by starting businesses, but by creating and maintaining adaptable and vibrant economic ecosystems within various types of communities. To have a meaningful impact, all of us must engage our **POWER OF BELIEF** in individual potential and the creation and sustainability of MSMEs.

# 9

## Number Nine Trend **MSMEs NEED TO MEET THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)**

**INSIGHT:** MSMEs make up the very economic fabric of communities, reaching many sustainable development goals without even realizing it. Yet, they can be empowered to do more. MSMEs can become the measuring stick for how well we are progressing towards achieving the SDGs. MSMEs are like the extended family you find in villages, cities, and countries. In good times they celebrate; in tough times, they become resilient.

**ICSB RECOMMENDATION:** MSMEs should be educated regarding the SDGs and encouraged to make them a prominent selling point for why consumers should buy from them. Educators, policy-makers, and consultants should do their part to inform, encourage, and assist MSMEs in developing the framework for this new operating model.

Consumers need to be informed about SDGs as well, being made to realize the importance of the relationship of these and MSMEs to the economic vitality of themselves and their communities. Through initiatives like buying organic or recycling, MSMEs should allow consumers to contribute to a sustainable world.

# 8

## Number Eight Trend

# ACCESS TO FINANCE AND NEW OPTIONS MORE READILY AVAILABLE

**INSIGHT:** MSMEs and entrepreneurs will have more options than ever available to finance their companies. Many banks, realizing the importance of supporting such enterprises, have decided to launch new financial products aimed at assisting micro, small, and medium-sized enterprises. Blockchain and cryptocurrencies are also slowly evolving into viable new options. Additionally, new mediums such as peer-to-peer lending, crowd-funding, invoice-factoring, and corporate finance are expected to increase rapidly. These are great opportunities, but they come with hazards.

**ICSB RECOMMENDATION:** The rise of Fintech, which includes crowdfunding and peer-to-peer funding, allows broader availability and quicker disbursement of financial support to growing companies. Yet many MSMEs may unintentionally fly under the radar of potential investors. This is another area where additional education is necessary. Universities and the Economic Press can contribute much to inform a large audience about why and how to invest in MSMEs using these new financial tools.

# 7

## Number Seven Trend

# DIGITAL MSMEs GO GLOBAL

**INSIGHT:** The global marketplace is just a click away. The world of consumers is more accessible than ever. MSMEs should be encouraged not to limit their market base and consider widening their reach towards global customers. Even MSMEs that offer products and services that are not in high demand in their community or region can have success in a global market with a much larger potential for acquiring new customers. The world has moved from analog to digital and MSMEs must keep up and do the same. This is where they will see success and the potential for growth.

**ICSB RECOMMENDATION:** A digital mindset is needed for MSMEs, and the global online market should be seen as an opportunity. Yet, MSMEs must be aware that putting their businesses online requires adequate logistics to handle digital commerce and need to know what these are. Simplicity is the key to success in a complex digital marketplace.

# 6

## Number Six Trend

# THE R.U.D.E TEACHER ARISES

INSIGHT: Today's environment, as quoted by Professor Hooi Den Huan, Nanyang Business School, Singapore as being RUDE (Rapidly changing; Uncertain; Dynamic and Engaging), because of the ever-changing demographic, economic, technological, political/legal, and social-cultural factors.

ICSB furthers this concept by defining the R.U.D.E teacher who will be in very high demand and will have a massive following, similar to superstar athletes, singers, and movie-stars. They will become a global brand like fashion firms and movie houses and will accordingly be compensated in fame and fortune. They will not have an affiliation to any singular school or university but become a ubiquitous presence.

ICBS RECOMMENDATION: The reinvention of the educator will change them from being the bearer of information to being R.U.D.E. They will rapidly change their knowledge base to grasp new theories and their applications. In uncertain times, they will steer the education ship to a safe port of reflection and learning. They will understand that learning comes from a variety of means and will build a dynamic learning environment with courses that integrate many sources of knowledge and information. Finally, the R.U.D.E teacher will be the master of engagement. They will not teach, entertain, or educate but engage the learners in a journey of reflection, double-loop learning, and personal growth.

# 5

## Number Five Trend

# MSMEs ARE ABOUT DOING BUSINESS IN A HUMANE WAY

INSIGHT: MSMEs hold a special place in people's hearts because they are as human as we are. Currently, we see a trend in very nonhuman-centric business models that take the form of industrialization, robots, and artificial intelligence. This trend continues to grow and does not look like it is going to end any time soon, but more likely the opposite. Yet, the heart of humankind will always yearn for a human touch.

ICSB RECOMMENDATION: Technology is a necessary tool to improve business operations, but it is the human element that makes MSMEs unique and long-lasting. Businesses must not forget to inject human-ness into their practice--it is a key ingredient to their success. Humane entrepreneurship is all-encompassing, and no matter where business trends lead, it will never go out of style with employees and customers who seek humane and even warm treatment. It is never a bad course to take.

# 4

## Number Four Trend

# MSMEs AND NAVIGATING TRADE WARS

**INSIGHT:** ICSB still projects that global trade wars will be a major issue impacting MSMEs and evidence of that is already being seen. The increased imposition of tariffs by major countries has created alarming issues and concerns for world economies. MSMEs, in particular, feel the heavy consequences of these wars. A 2019 Small Business Confidence Survey reported that tariffs had harmed 37% of small businesses in the US alone, increasing their cost of doing business. The majority have had to increase prices due to this, with 47% saying that it has subsequently caused them to lose customers. The situation will only worsen if the trade wars continue.

**ICSB RECOMMENDATION:** MSMEs often believe that they can do little to influence or impact such powerful macro-political forces. Yet, there are actions they can take to minimize the disruption to their businesses. The first is to increase communication with their stakeholders, especially employees, customers, and suppliers. The second is to understand and keep abreast of the trade issues to anticipate their impact on key stakeholders. Finally, by becoming educated and understanding their supply chain and the alternative actions they and their business can take.

# 3

## Number Three Trend

# THE 4TH INDUSTRIAL REVOLUTION – THE BALANCE SHIFTS

**INSIGHT:** The advent of technology in the workplace or society, in general, is not new. The 1st industrial revolution transformed an economy based on agriculture to one that was based on machines and mechanization. The 2nd industrial revolution extended the influence of the 1st industrial revolution by reshaping the workplace with oil-powered internal combustion engines and electrical communication. The use of digital technology in the 3rd industrial revolution provided advanced computation and insights using information and communication technology.

The 4th industrial revolution represents new ways that technology will interact with the human body and how this convergence will take place across biological and physical worlds. What is not known is how the working relationship between employees and their employer will be affected.

The future of what is called “work of employment” is undergoing a paradigm shift. The use of artificial intelligence (AI) has the potential to eliminate a significant portion of the jobs that are currently done by humans. Some have estimated that by 2030, as many as 30% of the jobs currently available in 2018 will be eliminated.

ICBS RECOMMENDATION: The 4th Industrial Revolution and the future of work will need to be balanced. A one-sized solution is not possible, globally. The advent of technology will allow those with creative ideas, people who are not localized to any race, class, gender, religion, or region, to reshape the way people have engaged in work and employment. The focus of solving some of society’s most intractable challenges and problems have brought entrepreneurs and small business owners (MSMEs) in line with the goals established by the UN’s 2030 agenda for sustainability.

# 2

## Number Two Trend **THE RISE OF THE ENTREPRENEURIAL CITY**

INSIGHT: Today, entrepreneurship and innovation are urban phenomena. The rise of the entrepreneurial city is becoming a global movement aided by better telecommunications, city governments investing in the start-up community, and today’s youth’s eagerness to travel. Washington D.C., Detroit, Michigan, Salerno, Italy, Macao, Alexandria, have plans for transforming their cities into what we call an entrepreneurial city. This is just the tip of the iceberg for what is coming next year. How did this happen?

For decades, venture capital was an almost exclusively American enterprise. As late as the mid-1990s, nearly all global venture capital investments went to U.S. companies. During the second half of the 1990s and throughout the 2000s, however, venture capital slowly began to flow into locations outside the United States. The last five years, in particular, have seen a dramatic rise in startup and venture capital activity in locations in Europe, Asia, and elsewhere.

ICSB RECOMMENDATION: The current trend is for the most innovative and entrepreneurial talent to see the world as its new home--unconstrained by borders. These no longer have to come to America to launch, fund, and scale their companies. Cities from around the globe are positioning themselves as the destination and home for entrepreneurs. The reason is simple – cities realized that capital would follow the talent, and capital-backed talent produces the innovation that will define the future. Cities need to be more global with a human touch.

# 1

## Number One Trend **THE END OF THE STATUS QUO**

The status quo is no longer enough. To say it falls far short (to the tune of 60 million jobs that need to be created by 2030) is an understatement of fact, and it is failing even strong economies and (in particular) vulnerable ones alike. The wheels of change need to be set in motion immediately. To first do that, everything that was assumed for the past 50 years must be deeply analyzed, reviewed, scrutinized, and questioned to allow for new ideas to blossom.

The new decade is blowing in with a siren sound, trying to shake the status quo and wake the complacent with dramatic thoughts and concerns for the future. Smaller picture issues like disruption or co-working spaces are not enough to focus on, Human Progress and Identity in a very dynamic and exceptionally fast-moving world must also be addressed.

ICSB RECOMMENDATION: Forward momentum in these areas is being seen to some extent. Sustainability is trending, the Gulf region welcomes the world, the middle-class in Africa is on the rise, and countries are re-examining their social contracts with their citizens. But is it enough?

MSMEs do have power and can to some extent, take control of the destiny of their businesses. They have actions and options available that they can take to minimize the disruption to their businesses.

MSMEs must educate themselves to understand the supply chain, how it works, and how it affects their business in a variety of ways. It is also important for them to know and understand alternative actions that can be taken.

Many heads can be better than one.

Silence will not end the struggle, but letting their collective voices be heard can influence positive action.



*Let the new decade usher an era of empathy, human progress, and action.*



# IV. REPORT FROM THE ICSB PRESIDENT

## A new dawn for msms & startups

Ahmed Mohamed Osman, President of the International Council for Small Business (ICSB)

Things can change quickly in life. The security of one moment can quickly become impermanent before we have a chance to realize it. This is certainly the case with the crisis that has resulted from the global outbreak of the coronavirus (COVID-19). Millions of people globally have been infected, and thousands have already died from the outbreak. The general public is advised to remain socially distant from one another and to regularly wash their hands. The global economy has gone into freefall, a recession, if not a depression, now seems likely. Panic buying in the shops is common practice. No one knows what tomorrow holds.

What seemed certain only a couple of

weeks ago, no longer does. People are worried about the most basic things in life; putting food on the table, keeping a roof over their heads, being able to see friends and family members. People are fearful about losing their jobs, adverse effects on businesses, not to mention becoming sick due to the virus. They want to know that they and their loved ones will be safe. This is before we mention the looming emergency facing healthcare providers globally. It is imperative that we salute the brave and heroic acts of doctors, nurses, ambulance drivers, hospital cleaners, and many others who are putting themselves in the frontline to serve the public and the common good.

Things cannot go back to the way they were prior to the coronavirus outbreak. Change must occur. This needs to start with the nature of our economy and our society. It should not take a new deadly pandemic virus for people to be kind, humane, and compassionate towards one another. It should not take a major crisis for governments to think about protecting those in low-paid employment. It should not take a global virus for us to drastically reduce our carbon emissions internationally. Governments today need to put aside petty nationalism and work together to defeat the



coronavirus. The same energy needs to be channeled into tackling the looming climate crisis. Climate change and the destruction of our environment put everyone at risk of seeing a higher increase in global pandemic viruses in the future. The world must act to challenge climate change with the same resolve that it now has in confronting the coronavirus.

How can we imagine a new dawn for micro, small, and medium enterprises (MSMEs) globally? How can we reimagine purposeful and meaningful startups?

How will we work in the future? What can MSMEs learn from this pandemic? What is the new Normal for MSMEs?

Here are 5 key factors every MSME or startups needs to keep in mind post-COVID-19:

**1. Financial Assessment and Security:**

This is the first concern for every business, be it small or big. In the case of SMEs and MSMEs, it is important to first make a final assessment of the current financial situation of the company. One may sit down with the Chartered Accountant or Financial Advisor to understand deficits, future inflow of funds, potential expense, and liabilities, etc., and draw up a fresh three to a six-month action plan. At this point, getting reliable and accurate information about government relief packages, financial support initiatives, and support extended and getting a clear picture from investors is vital before planning and executing a financial strategy. Once this financial risk assessment and support ecosystem are in place, one can execute the plan. This may involve deciding on a potential pay cut, pull back on investments related to infrastructure or expansion, halting new recruitments, etc., which then need to be effectively communicated and put into action.

**2. Re-evaluate Business Plan:** Based on the financial assessment, risks, and revival strategy, it is important to re-evaluate the business plan from the pre-COVID times. Assessing the current situation, one needs to redefine business goals and plan a more realistic and well-rounded growth plan that can be immediately executed. At this point, it is vital to have all stakeholders – employees as well as external investors, to be involved and come to a mutually agreed set of new targets. This may be a three to six-month or an annual growth plan, depending on the company's current financial situation and may include deferring funding rounds or accelerating private equity funding or even forming new collaborations/ business partnerships, which can help achieve the renewed business goals.

**3. Create a Strong Digital Ecosystem:**

If one thing that the COVID-19 has taught businesses, it is the power of digital engagement. Even as an MSME, it helps to be present and active on digital media, through websites, blogs, and social media. Not only does it help create a positive brand recall, but also it helps generate business through channels, especially for brands that are into retail, who have benefited impressively through online sales. Apart from online sales, a consistent and positive social media presence can prove a magnet for consumer and stakeholder engagement, not only in times of social distancing and lockdown but long after that as well. Additionally, a digitally enabled internal ecosystem also needs to be in a place that can accommodate remote working or work from home scenarios, without compromising data security or productivity of employees.

**4. Adopt the Fourth Revolution for Business:**

Apart from being present and accessible on the digital platform, this is also the time to leverage the new age technology

innovations and adopt the 4th Revolution for your business. While most SMEs and MSMEs look at this as an 'out of league' investment, it is actually very simple and can be incorporated for a higher ROI in the long run. Be it automation, CRM, ERP, IoT, a well-planned strategy to scale to a technology-enabled, highly productive, next-generation business can be worked out with a 2-3-year plan. This is vital to be implemented on an urgent basis post-COVID as it will help gain an advantage above completion –which would be looking at short term growth goals and also help effectively mitigate a future business crisis.

**5. Business Can Rely on Less Physical Space and Assets:** What companies have learned is that remote working can be efficient and productive. Working from home can be an acceptable form of employment, with team meetings taking place online, and physical meetups can happen less frequently, maybe once a week. This can lead to a dramatic reduction in office space, meeting room size and space, as well as few overhead costs associated with security, utility bills, insurance as well as many others. Recently, a huge movement to online shopping during COVID-19 means the future of shopping malls and high street shopping is going to go towards more decline. The pandemic already pushed millions to work and buy from home. Many of them will likely go back to a very different office. As the public health crisis continues, however, office space will probably have to be altered in order for people to feel safe being there. That could mean a reversal of the open office trend. For years, the amount of privacy allotted to each person working in an office had been steadily decreasing as companies of all

stripes adopted the ubiquitous — if often loathed — open office plan. In effect, that meant a very cool-looking office space where you could see many of your coworkers but where there was little separation between you and your colleagues' germs. Prior to the open office, offices used to have, well, offices, or at least cubicles that divided up the larger space and gave employees a semblance of privacy. That means people will want more space. Following the last recession, companies had been trying to do more with less space. That meant packing more and more people into open office spaces, a practice known as "densification." That could mean more private spaces or personal offices for individuals, and more distance between desks. Rather than desk setups that face each other or are right next to each other, we might now be positioned to our colleague's backs with more space between us. A conference room that normally fits 10 people might now only hold chairs for five.

**6. Put a Crisis Management Strategy in Place:** Taking lessons from the recent crisis, it is vital to chalk up an effective crisis management plan that will take into consideration both immediate and long-term impact. Hence, from creating a financial back-up and reservoir of funding, to have a robust digital and technology-enabled ecosystem that can ensure minimum damage to productivity needs to be in place. While most businesses are prepared for an internal crisis like fire, theft, etc., albeit at a preliminary level with insurance policies, one also needs to have a solid bounce-back/ business revival plan in place, keeping in mind average days of work lost, impact on revenue, liabilities and outstanding, etc.

**My final thoughts and recommendations for MSMEs or startups post COVID-19 are:**

1- Have a Good Answer to “How Did You Help During the Great Pandemic?”

a. Quantify what you did for your employees, customers, community & country.

b. Identify stakeholders who will help tell your story in the months ahead.

2- Leverage the Opportunity to Build a Better Business

a. Become more disruption-resilient via cloud, mobile and telework tools

b. Harden systems against hacking, ransomware, supply chain disruptions

3- Have Credible Solutions to the New Major Challenge

a. What will grow employment, increase resilience, or save money?

b. Diversify revenue streams where possible; risk management is no longer a luxury.

4- Prepare to Engage Reformers on the Systemic Failures Exposed

a. What do 21st-century safety nets need to look like, and how do we pay for them?

b. How to enable inclusive growth that leverages & helps focus market forces?

5- Think Globally, Act Locally

a. Diversify supply chain optionality while defending trade & global engagement

b. Lead by example in supporting global institutions aimed at shared challenges

Some of above measures might be viewed as additional costs/expenses at a time of an already tight financial situation, especially for SMEs and MSMEs who are cash strapped, the measures mentioned above are vital points for survival and an effective bounce back for businesses, keeping long term growth and planning in mind. Always remember the famous quote, *“The struggle you’re in today is developing the strength you need for tomorrow. Don’t give up.”*

Ahmed Osman is the President of the International Council for Small Business (ICSB), the world’s oldest and largest nonprofit organization devoted to small businesses internationally. ICSB is the platform that distributes new knowledge and information on small business management and entrepreneurial development. ICSB is the originator of the United Nations’ Resolution to create an International Name Day dedicated to Micro, Small, and Medium-sized Enterprises on June 27 (MSMEs Day). He is also the editor of the Global MSME Report for 2019. He is also the Founder and CEO of a Project and Facility Management firm in Egypt - CHROME. He holds both a BSc. in Civil Engineering with Honors and an MSc. in Engineering and Management from The University of Birmingham, UK, and is a certified Project Management Professional from The Project Management Institute, USA. He also holds a Certificate in Innovation from Babson College, U.S.A.



# V. MSMEs GLOBAL DASHBOARD

MSMES



# 1. Micro-, Small and Medium-Sized Enterprises (MSMEs), the core of each economy

Winslow Sargeant, Ph.D, Incoming President of ICSB

MSMEs are central in enabling innovation and net-new employment in the majority of economies. This includes those enterprises listed as formal as well as informal. The designation of each has been discussed and some measures have been taken to calculate the impact of small businesses, especially for those in the informal sector. What is not in dispute is the key role that MSMEs

must play in their support to being able to achieve the United Nations (UN) Sustainable Development Goals (SDGs). With less than 10 years to go to reach 2030, the urgency to recognize and support MSMEs has never been greater.

This expectations of MSMEs have increased due the global pandemic caused by COVID-19. What became clear early on in March 2020, after the United Nations' World Health Organization (WHO) declared COVID-19 to be a global pandemic, nations around the world took unprecedented steps to restrict the spread of the new infections by restricting travel (closing borders) and closing "non-essential" businesses. The fall-out from these steps brought the global economy to a halt. WHO provided a list of recommendations for each nation to put in place steps to combat COVID-19. Some of these steps included how to wear face masks, the proper use of alcohol-based hand sanitizers, and the avoiding of crowded places. Each of these had an immediate effect on how MSMEs operated.

The lockdown policy resulted in a disruption of the global supply chain. This was seen in the shortage of face masks and chemicals that were needed to conform



the recommendations by WHO. The response by MSMEs was swift and constructive. Many small business owners used their resources to meet the local needs of hospitals and the health-care industry. Prevention was needed until a vaccine was readily available. What could MSMEs do in the interim? Those MSMEs who had access to sewing machines or produced chemical products changed their product mix to include face mask and shields, and hand sanitizers. The nimbleness of MSMEs in responding to national needs has shone the spotlight that MEMs serve as the “core” of the nation. MSMEs can no longer be pigeon-holed as businesses who are a luxury or “non-essential.” They are a clearly a necessity and their value during this time of the global pandemic have never been greater. As we acknowledge MSMEs Day 2020, let us give the rightful recognition of their importance and place throughout all societies.

Thank you, innovators, entrepreneurs, and small business owners for filling the gap when disruption became the norm. MSMEs, in addition to be labeled as small businesses, your value dictate also that you are “Core” businesses.

## 2. Healing A Hurt Generation with Humane Entrepreneurship

Ph.D. Ayman El Tarabishy, Deputy Chair of Department of Management GW School of Business, ICSB Executive Director  
United States

The first months of 2020 have brought us an incredible sense of clarity in regards to our personal, communal, and global lives. We are all individuals who, consciously and unconsciously, exist in multiple markets throughout the world. The experiences that compile from our multiplicity of existence are then used to divide us into specific categories, based on comprehensive similarities amongst different groups. Time is often used as one of these categories of similar differences in the way that it striates generations from one another. Common differences between youth, women,

minorities seem to shape the economic systems of the world. Interestingly enough, it is, however, “the trajectory of the overall employment effects [that are] driven by young workers” (Rinz 2019). The most captivating generation, given their great generational differences with their predecessors, seems to be those born between 1977 and 1998, often referred to as the Millennial Generation. Millennials are “often distinctively described by their particular fashion of existing within society” (Tapscott 1998). Their defining trends show up most clearly throughout their interactions, or lack thereof, within the workforce.

Characterized by their racial and ethnic diversity, the term “minority” no longer holds the same importance for Millennials. Additionally, Millennials tend to be quite “sensitive to issues of diversity and how their society deals with differences” (Millennials 2006; Espinoza 2012). The group also demonstrates their values for work-life balance, independence, learning rapidity, affinity towards multi-tasking, skill orientation, and technological ease (Espinoza 2012). Largely differentiating from their Gen X and baby boomer counterparts, Millennials have global distrust in their employers. They generally do not see the



value in upward mobility and often change companies after a couple of years. However, this distrust is founded in “having watched their parents downsized or right-sized by companies they had spent their lives working for, Millennials are not concerned about the stigma that may accompany changing jobs frequently” (Keller 2006). Seeming as potentially unimportant generational character traits, Millennial’s struggles and opportunities are relevant as they were “the largest generation in the U.S.’ full-time workforce, surpassing Gen X.” Yet given this COVID-19 chaos has hurt “millennials so disproportionately that they’re on the precipice of giving the top generational spot back to Gen Xers” (Van Dam 2020).

Currently, acknowledging the past and present crisis, the average millennial has now experienced the slowest economic growth in the workforce in U.S. history. This could be a reason for Millennial distrust of society and its workforce. Millennial trends are not anomalous, but rather consequences to the specific lived experiences and observed results of a population of people. Interestingly enough, Millennials have experienced quite an array of disaster and disorder throughout their short to average lives, yet coupled with being “raised by indulgent parents, they have a sense of security not shared by Gen X,” and their surprising “optimism about the future...[sees] an opportunity where others see problems” (Millennials 2006).

Having lived through “the 9/11 terrorist attacks and then spending their beginning [mature] years struggling to find work during a job recovery, only to be hit by the Great Recession and another recovery,” followed by a global pandemic and another recession, Millennials have still somehow established themselves throughout the nation (Espinoza 2012). However, this visibility often displayed as “autonomous, entitled, imaginative,

self-absorbed, defensive, abrasive, myopic, unfocused, and indifferent” has not always been backed or supported by the expected results. Moreover, the considerable changes that have affected the workforce seem “less because of Millennial character trends, and rather in response to the subsequent personas that Millennials feel with which they must engage to self-protect for future changes and uncertainty” (Espinoza 2012).

It seems necessary to note that the Great Recession truly pushed young workers, Millennials, “down the wage ladder... [demonstrating that] they never recovered, even as their older colleagues regained all the ground that they had lost” (Rinz 2019). With the recent onset of the coronavirus and another economic recession, many of the workers being negatively affected are those same young workers whose earnings have still yet to recover from the Great Recession. In fact, the Great Recession spawned “the average millennial to lose about 13% of their earnings between 2005 and 2017,” which constitute greater losses than the 9% for Gen X and 7% for baby boomers (Rinz 2019). Census Bureau economist Kevin Rinz describes this “recession exposure” as creating the conditions so that Millennials are “persistently less likely to work for high-paying employers even as their overall employment recovers more quickly than older workers” (Rinz 2019).

The Millennial generation has a difficult path ahead if they wish to catch up to the wealth experiences set by previous generations, however with additional troubles involving student loans, auto loans, and credit card debt; their journey is unlike their predecessors. Additionally, as the assets financed by these debts have not appreciated as quickly, like stocks and housing, debt recovery and wealth advancement seem distant and untouchable for many Millennials (Kent 2019). Yet

despite the hostile work environment for Millennials, they continue to wildly change the workforce. Millennials forced the shift in “the paradigm of management from focusing solely on the work by calling for an attending to the worker(s) and human relation” (Corace 2007). Charles Corace of Johnson and Johnson observed that “over the years, the human relations factor has been clocked in various Organizational Development (OD) frameworks,” however, “the emerging common component is treating people with respect and dignity” (Corace 2007). In a system in which Millennials have struggled to succeed, we might reflect on Peter Drucker’s idea of corporations as truly a human community (Drucker 1993).

Millennials demand humaneness to be incorporated into their work experience while the economic culture continues to remove any and all human-centered work from the workforce. They have challenged the system is pushing for a particular style of leadership. Despite Gen X and baby boomers’ disinterest in working with Millennials, it is of utmost importance that Millennials and managers learn to understand each other. Therefore, as this new wave of Millennials continues to establish themselves within the workforce, it seems important researchers and practitioners alike, engage with these topics.

Millennials have certainly struggled to find their footing within the workforce. Often settling for low paying jobs and seriously falling short of creating the same wealth as their predecessor generations, we need to engage with a new theory and practice of understanding that helps Millennials reach their full potential while overcoming their generational trends of short-term and

underpaid contracts. Established Leadership Preference meets their needs from leaders (Dulin 2005). Generally, Millennials have expected their managers to take on an array of roles, including working as a feedback provider, sounding board, point of comparison, feedback interpreter, dialogue partner, assignment broker, accountant, role model, counselor, cheerleader, reinforcer, and cohort.

Leadership is a necessary part of successful and sustainable businesses. It is also often recognized “as a necessary shortcut to business propensity and perpetuation in the constantly changing environment of business” (Wobodo 2019). Even though “causal research involving real-world organization data is limited, prominent leadership scholars generally agree that top-level leadership is related to organizational performance outcomes” in its ability to increase worker participation and advance the goals of entrepreneurial orientation (EO) (Kim et al. 2018). A leader’s effectiveness is said to be “dependent upon their ability to “diagnose the readiness level of the follower, show flexibility by using a variety of leadership styles, and a willingness to partner with the follower for performance. Managerial leaders and followers work together to identify the leadership style that is best for the situation” (Hersey & Blanchard, 1988). Therefore, we must consider the factors that affect these internal structures and processes, which most likely involve a company’s culture and their culture creators, also known as top-managers.

Included in most leadership theories and strategies, “effective leadership refers to the ability of a firm’s top managers to select and apply the “correct” strategic approach, or effectively implement an appropriate strategy” (Kim et al. 2018).

In building upon an Entrepreneurial Orientation, Leadership within an organization is of the utmost importance in creating workplace culture, thus determining the state of the HumEnt awarded to the enterprise. Performance is often considered to result from environmental characteristics and an organization's internal structure and systems. Effective leadership most often refers to the "ability of a firm's top managers to select and apply the "correct" strategic approach or effectively implement an appropriate strategy." In motivating employees, or "followers," to carry out activities determined by leaders, such leadership must provide "desirable rewards for effective performance or undesirable consequences for poor performance" (Hollander 1992). Termed "transactional leadership," this is typically categorized into "social exchange." (Graen and Uhl-Bien 1995) Conversely, "transformational leadership" works on the basis of inspiring individuals to "perform at exceptional levels" (Bass 1985). In this case, a leader inspires their followers by creating an ecosystem of similar values, beliefs, and goals so that followers feel a sense of ownership and commitment to their work.

Therefore, just a simple match or shift in managerial style could captivate Millennials in an entirely different way. However, this theory and practice are missing a key piece, meaning that if it was only leadership techniques and methods which determined the inclusion of Millennials within the company and national growth, the reality of our economy, and certainly of Millennials' relationship to this economy, would look quite different. Therefore we must engage more than just leadership. The theory and practice of Humane Entrepreneurship (HumEnt) put forth the idea that, in adding Human Resource Management to the Leadership and Entrepreneurship mix, we

might be able to initiate a fully human-centered approach that uplifts Millennials, and employees at large, in ways that they have not been previously. This practice moves beyond the idea of a company "doing well" for others, be it their customers or surrounding environment, as seen in social entrepreneurship and ensures that the company itself is an example of the human-based practice focused on in HumEnt.

Forcing the tactics of entrepreneurial orientation can lead us to results. However, it does not include those created or focused humanistically. Therefore adding a humane component to the entrepreneurial orientation makes the same tactics of innovation, risk-taking, and proactivity much more successful in terms of rapidity and durability. Going further than leadership and EO to involve Humane centered Human Resource Management creating a Humane Entrepreneurial Orientation (H-EO) to generate quality employment opportunities for Millennials and to create long-term wealth generation for Millennials and the national and global economies. Humane Entrepreneurship (HumEnt) is the orientation necessary to grow a nation's wealth and to create an enhanced system of job creation.

This last piece to the HumEnt puzzle is Human Resource Management (HRM). Many nations and firms, but certainly not all, recognize that "employee [and citizen] engagement is a powerful strategy for driving organizational improvement and business results" (Carmeli, Schaubroeck, and Tishler 2011). When looking at the multidimensional nature of HRM, we can see how there are management practices that "increase profitability through people, including participation and empowerment, employee ownership, training and skills development, cross-utilization and cross-

training, employment security, selective recruiting, high wages, and information sharing” (Pfeffer 1998). Understanding that high-performance HRM can also mean high-commitment HRM, humanistic management is at the centerfold of Humane Entrepreneurship, in its focus on mutual gains for the employee and employer.

Humanistic management further describes a style of management that “emphasizes the human condition and is oriented to the development of human virtue, in all its forms, to its fullest extent” (Melé 2003). Within this theory, top managers must enter into human needs to properly and fully motivate employees or citizens. These actions, then, create a culture that “considers the ethical impact of actions and motivates people around them to acquire virtues in order to build a strong community” (Melé 2003). In all societies, including business, respect for human dignity demands respect for human freedom. The notion of HumEnt seeks to uplift and expand on this respect within the workplace, specifically.

An organization of any size or stature has the opportunity to enhance their structure and strategy with empathy, equity, enablement, and empowerment. By harnessing these four domains, organizations can create very powerful synergies for their internal and external relations and activities (Kim et al. 2018). An empathetic orientation acts as the key driving factor for employee engagement

and communicative business culture, which will result in better relations between both organizational members and stakeholders (Choi 2006). As empathy can be greatly utilized to gain insights into other people’s understandings and beliefs, it can also be “considered the starting point of design thinking and is essential to understanding the needs of customers” (Ickes and Simpson 1997; Brown 2008).

In considering specific theories and greater principles that can be expanded upon when reflecting on best practices to promote both economic growth and support national well-being, humane entrepreneurship offers the nation, and in this review, Millennials specifically, a strong, human-centered foundation from which the nation, at large, and the companies and individuals that constitute it, may find prosperity in a sustainable, circular economy.

HumEnt is a new theory in entrepreneurship research best described by a successful implementation that opens the opportunity to create more of the desired result, which would then generate additional desired results or successes in a chain that becomes continuous (Kim et al. 2018). In understanding the four ‘states’ or components of HumEnt, we can more greatly dive into the ways that HumEnt can be used to judge a firm’s ability to create an ecosystem that includes and amplifies the Millennial generation.

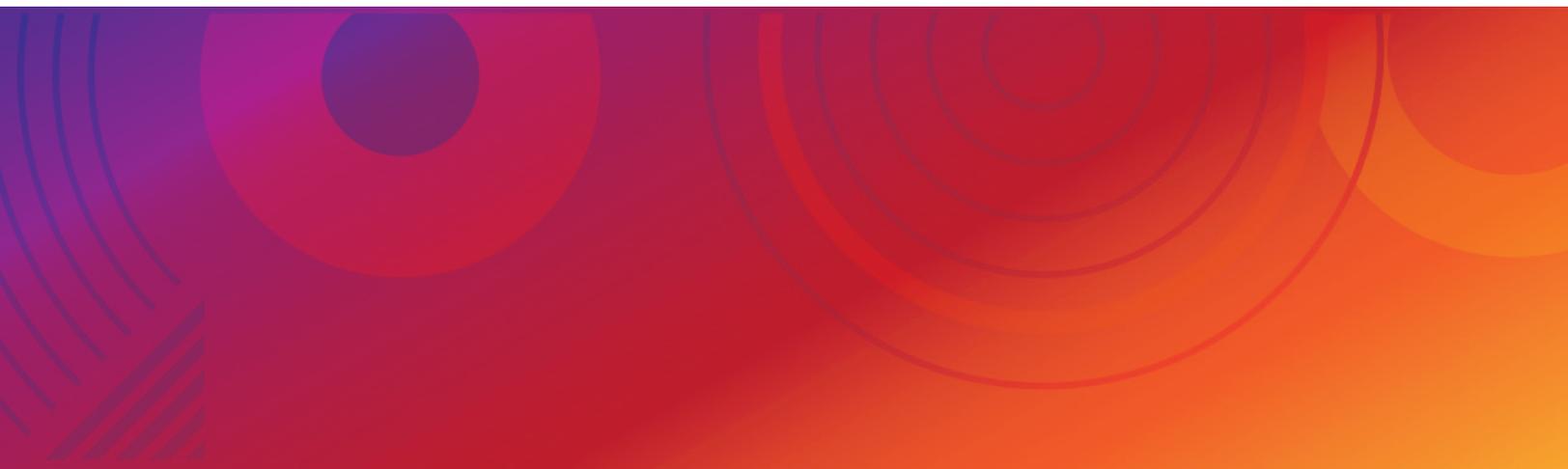
Those organizations qualifying for an IDEAL Humane Entrepreneurial state, or status, include those adhering to a people-centered entrepreneurial orientation, resulting in cyclical growth that benefits all stakeholders. MODERATE HumEnt includes a social and financial capital clash amongst their EO and H-EO practices, which ultimately leads to mixed results that inhibit continuous cyclical growth. NEGATIVE HumEnt is founded in the absence of a people-centered model from entrepreneurial orientation, then causing disadvantageous trends and broken growth cycles. Lastly, HARMFUL HumEnt portrays an organization that directly or indirectly causes active harm to some of their stakeholders, commonly their employees (Millennials) and their surrounding communities, which certainly results in a destructive cycle of growth. It is important to note that in a changing world, such as that of today, the collective conscience seems to be shifting more towards the leveraging of social capital in and for organizational success, which will greatly benefit the commencement of Millennials into the workforce (Kim et al. 2018).

In captivating this population of Millennials, which often receive a lot of visibility but not the proper opportunities nor access, we can establish a culture of HumEnt to both attract and capture Millennials. Recognizing that this population has endured great feats already throughout their lifetimes, they come ready to innovate in alternative

ways. Born out of systemic oppression, this group is proactive in searching for solutions that have yet been discovered. Millennials represent a unique generation that has completely revolutionized the way that we, as a society, interact with communication and technology. Exhibited quite well in observing the unique ways that Millennials began challenging our preconstructed systems and ideas, Tischelle George describes:

“Where most knowledge workers today use two forms of communication—written and spoken—the employees of tomorrow [(Millennials)] see endless variations and protocols. Far from being awed by current technology, kids will find the tools they need to do what they want, or they’ll remake software and hardware to get the job done. In short, who needs the IT guy? They will either ‘hack’ it or ‘huck’ it. Another advantage of growing up digital has manifested in the fact that they can do a lot of things at once. Millennials feel powerful” (George 2002; Espinoza 2012).

The necessity is to capture that power in creating quality employment opportunities, so as to create long-term wealth for the Millennial generation and the national and global economy.



# 3. Small matters. How much employment is there in self-employment and in micro and small enterprises?

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Enterprises Department at International Labour Organization (ILO)

How relevant are micro-, small and medium-sized enterprises for the future of work? What about the self-employed?

Until recently, relatively limited worldwide empirical evidence was available to answer the above questions. Many earlier studies relied on data from formally registered firms, leaving the informal economy, which in many countries is the largest contributor to employment, out of the picture. There has been growing recognition of the role, in particular, of self-employment and micro-enterprises in driving employment, yet the evidence base is still not well developed.

Drawing on a new ILO database, ILO's 2019 « Small Matters » report provides an up-to-date and realistic assessment of the contribution of self-employment and micro- and small enterprises (hereafter referred to

as “small economic units”) to employment – both in the formal and the informal economy – across the globe.

A key finding is that, globally, the self-employed and micro- and small enterprises (hereafter referred to as “small economic units”) **account for 70 per cent of total employment.**

The estimates presented in the report are based on a new ILO database that draws on national household and labour force surveys (as opposed to firm-based surveys) from 99 countries in all the world regions except for North America. Because these surveys target people rather than firms, they are able to cover self-employment and employment in all types of enterprises:

- Enterprises from all size classes: micro-enterprises (with 2 to 9 employees), small enterprises (with 10 to 49 employees) and medium-sized/large enterprises (with 50 or more employees)<sup>[1]</sup>;
- Enterprises from the informal as well as the formal sector;
- Enterprises from agriculture, industry and services (including public services).

To the best of our knowledge, this is the first time that the employment contribution of the self-employed and of micro, small and medium-sized/large enterprises has been estimated for such a large group of countries



– in particular, for low- and medium-income countries. Previous studies (e.g. ILO and GIZ, 2013) were hampered by a lack of data on the self-employed and micro-enterprises, which made it very difficult to obtain reliable estimates and to properly compare the employment shares of the various types of economic unit.

***Employment share of the self-employed and different firm size classes, by country income group (%)<sup>[2]</sup>***

Source: ILO calculations, August 2019.

The combined employment share of small economic units decreases as a country's income level rises.

***Employment share of the self-employed and different firm size classes, by region (%)***

\* EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean;

MENA = Middle East and North Africa; SA = South Asia; SSA = sub-Saharan Africa.

Source: ILO calculations, August 2019.

The combined employment share of small economic units is highest in countries in South Asia, Africa and the Middle East.

The above-mentioned new ILO database covers both the formal and informal sector, which makes it possible to estimate the employment contribution of informal enterprises as well.

**Across the 99 countries in our sample, 62 per cent of total employment is to be found in the informal sector.**

Like the employment share of small economic units, the employment share of the informal sector is negatively correlated with per capita income, ranging from less than 5 per cent in several high-income countries to more than 90 per cent in several low-income countries.

The employment contribution of the informal sector is especially high in agriculture, which is dominated by the self-employed, almost all of whom work under informal arrangements.

The present report suffers from certain limitations relating to methodology, classification of firms, the set of countries for which data are available, and the lack of sex-disaggregated data, as explained in more detail later on. Nevertheless, it offers valuable large-scale empirical evidence on the contribution that enterprises of different size classes and the self-employed make to total employment.

In summary, the new ILO database provides empirical evidence that the smallest enterprises and the self-employed, largely in the informal sector, are by far the most important drivers of employment. This finding is highly relevant to the design of programmes aimed at promoting job creation, start-ups, and the formalization of enterprises and of the workers they employ. Key aspects of the world of work, such as job creation, job quality and enterprise productivity, need to be considered from the perspective of the smallest economic units, for these represent the largest share of employment. Supporting small economic units should be a central part of economic and social development strategies worldwide, but especially in low- and middle-income countries.

Among the implications of the fact that the smallest economic units account for the largest share of employment, we may note the following:

- **ILO instruments should continue to guide programmes aimed at MSME promotion:** The Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189); the “Resolution concerning small and medium-sized enterprises and decent and productive employment creation” adopted by the International Labour Conference at its 104th Session (2015); the Social Protection Floors Recommendation, 2012 (No. 202); the “Conclusions concerning the promotion of sustainable enterprises” adopted by the International Labour Conference at its 96th Session (2007); the ILO Declaration on Fundamental Principles and Rights at Work

and its Follow-up (1998); the ILO Declaration on Social Justice for a Fair Globalization (2008); the “ILO strategy on promoting women’s entrepreneurship development” (2008); and the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) are all relevant guidance documents for the promotion of MSMEs.

- **Sense of urgency:** The ILO Centenary Declaration for the Future of Work, adopted by the International Labour Conference at its 108th Session in 2019, states: “It is imperative to act with urgency to seize the opportunities and address the challenges to shape a fair, inclusive and secure future of work with full, productive and freely chosen employment and decent work for all”. Understanding the reality faced by the self-employed and by micro- and small enterprises is key to addressing the fundamental challenges of employment creation and job quality improvement. Supporting small economic units should be a central part of economic and social development strategies worldwide, but especially in low- and middle-income countries.

- **Job quantity and job quality must be considered jointly:** Any MSME policy needs to strike the right balance between job quantity and job quality. Whilst there is solid empirical evidence that micro- and small enterprises are major drivers of job creation, it is still not well understood how differences in the size of enterprises affect the quality of the jobs they offer. Moreover, decent work deficits are more pronounced in the informal economy where the smallest firms tend to operate. Further empirical research is required on job quality in small enterprises and on how the dynamics of firm growth relate to job quality. Is it, for example, realistic to expect a large number of microenterprises to grow and achieve formality, or is there a way of identifying the few enterprises that are likely to grow and channelling support to these?

- **Promoting an enabling environment for MSMEs:** The major role played by an enabling environment in supporting the private sector as a principal source of economic growth and job creation has been repeatedly underlined by the ILO; most recently, it was spelled out in the ILO Centenary Declaration for the Future of Work (2019). In order to promote such an enabling environment, it is essential to understand better the specific challenges faced by MSMEs 24 SMALL MATTERS and also the institutional mechanisms, laws and regulations that need to be in place.

- **Effective business representation:** Employer and business membership organizations (EBMOs) serve as a critical link between enterprises and governments. Such organizations design and provide services, advice and advocacy support with a view to fostering an enabling environment for the development of sustainable enterprises, which is a cornerstone of decent job creation. EBMOs in developing countries should continue their efforts to increase the representation of micro- and small enterprises, establish a conducive business environment, facilitate access to finance and, where necessary, encourage enterprises’ transition to the formal economy. The ILO, for its part, should continue working on: (a) strengthening EBMOs’ capacity; and (b) supporting EBMOs in the design of comprehensive strategies and policies to enhance productivity growth as a key enabler of employment and decent job creation.

- **Effective worker representation:** As decent work deficits are generally more pronounced in smaller enterprises, trade unions should continue to advocate an inclusive policy framework for micro- and small enterprises and support the formalization of enterprises. The focus, in particular, should be on increasing trade union membership by conducting public awareness campaigns, using new technologies and strengthening the capacity of local trade unions. Extending

collective agreements to all workers in the relevant sector irrespective of their employment status (formal or informal) is essential to reduce decent work deficits. A more thorough examination of the best ways of organizing and representing workers in micro- and small enterprises is required.

- **Effectiveness of social dialogue:** It is necessary to explore how social dialogue at the meso and macro level can help improve working conditions and productivity in micro- and small enterprises.

- **Factors affecting productivity:** Understanding how enterprise productivity is shaped by a wider “ecosystem” is essential if the full potential of MSMEs to support business growth and the creation of decent jobs is to be unlocked. It is important to address both internal productivity factors at the enterprise level (e.g. labour, management practices and processes) and external factors at the meso and macro level (e.g. regulations, access to finance, access to digital infrastructure, availability of skilled labour).

- **Transition to formality:** Given the prevalence of informality among the self-employed and micro- and small enterprises, it is important to identify ways of fostering their development and growth, and of enabling them to create decent job opportunities. Experience has shown that the transition to formality is best achieved through an integrated and long-term approach rather than through short, piecemeal interventions (see the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)).

- **More and better data:** Continued efforts to collect more and higher-quality data (disaggregated according to several attributes) are required to enable a more

accurate determination of the extent of employment in enterprises of different size classes, which is important for governments, employers’ and workers’ organizations, donors and implementing agencies in the field of development cooperation. Sex-disaggregated data are key to understanding gender dynamics and designing policies to support female entrepreneurs and the empowerment of women.

- **Access to markets:** Providing the smallest economic units with access to markets and including them in value chains are vital not just for private sector development and formalization, but also for poverty alleviation.

- **Access to markets:** Providing the smallest economic units with access to markets and including them in value chains are vital not just for private sector development and formalization, but also for poverty alleviation.

- **Development of women’s entrepreneurship:** Policies that advance the economic empowerment of women and provide female entrepreneurs with access to markets and support services will continue to be key to achieving improved performance and productivity, and to reducing the gender gap in the labour market.

- **Environmental sustainability:** Climate and environmental change bring new opportunities and challenges for enterprises. It is essential to enhance the resilience of businesses, in particular MSMEs, so as to prevent disruption of economic activity and loss of assets, jobs and incomes. In order to seize the new business and market opportunities, governments and social partners can work together to provide targeted business information and advice on green business practices, eco-innovation and regulatory systems and on how to achieve compliance and in easily accessible formats such as user-friendly toolkits.

[1] Because of the considerable divergence in the way that different countries report employment distribution, we have been obliged, for comparability purposes, to group medium-sized and large enterprises into a single category of enterprises with 50 or more employees.

[2] As a basis for selection of the dataset for each country in the sample, data from the latest available year between 2009 and 2018 was used. This applies for all calculations and figures presented in this report.

# 4. At the end, it is really not about the money!

Andrew Macdonald, Chair, Small Business Investment Committee, European Bank for Reconstruction and Development.

## It's not just about the money .....

Across the global we continually hear financial commentators and academics highlighting the importance of SMEs and the role they play in various countries in employment, engines of economic growth, social development and how they account for large percentages of GDP and as such how the countries prospects for prosperity and the development of healthy market economies rest on them.

In addition, whilst access to finance is high on everyone's list when people talk about the challenges for SMEs, which restrict their ability to develop and flourish, we must ask if it is the only aspect holding back the development of sustainable enterprises – because if it was then surely it is a simple fix.

Economic, business environments, investment climates, and legal frameworks differ drastically around the globe, and market conditions are not stable in many countries, and as a result, a one size/ approach does not fit all. However, there are some fundamental aspects/building blocks that exist in varying forms, which can provide the foundations to promote growth and competitiveness for small businesses.

Vibrant SME sectors need to be supported by efficient advisory ecosystems, which provide easy access to advice, knowledge transfer, and skills training, alongside targeted policy interventions actions, coupled with access finance.

## ACCESS TO KNOW-HOW

Business advice programs can play a significant role in providing tools, training, and expertise to SMEs. These can be delivered via the provision of international advisory services as well as local based consultancy. However, where these elements are missing or are unaffordable programs need to be developed to train local professionals to assist them to develop into local consultants. The areas and work undertaken in this area vary considerably from basic advisory projects ranging from financial reporting and systems (to help instill financial transparency), through to more bespoke topics strategy, marketing, energy efficiency, corporate governance, and much more. Through such an approach, Advisory work has a direct impact on SME development and performance, particularly as it helps to increase turnover, assists with job creation, improves productivity, and helps SMEs to

develop and grow import-export revenues. The role of governments and donors to help to fund these is heavily underestimated.

### POLICY

An increasing number of countries have developed or are improving their regulatory frameworks and introduced targeted policies to support Fintech and promote different initiatives. Examples of which are, inclusion in the areas of Women in Business, Youth, immigrants, incubators for innovation whilst others target particular problems and issues for SMEs such as addressing payment delays (through introducing e-invoicing systems) and opening up Government procurement to SMEs through digitalization.

A strengthened ecosystem removes barriers to accessing finance, provides improved capacity for both public and private institutions to serve SMEs, and ultimately provides platform advocacy for SMEs, this leads to better policies and regulatory support, stronger institutions, and improved market effectiveness.

### ACCESS TO FINANCE

Not all finance is equal. And whilst in general private debt provided by the banking sector has risen over the past decade in more developed countries SMEs still traditionally look to private sources of capital. As bank finance still this has tended to be too short in tenor to support growth or too heavily reliant upon providing tangible security. The good news is that there is now notable expansion in the use of alternative financing instruments by SMEs such as factoring, leasing, and hire purchase. Also, to a lesser extent crowdfunding is also playing a role in some markets.

In emerging economies, the role of local banks is important but is often supported and supplemented by the IFIs who use the local bank to deliver focused programs to help address the policy objectives mentioned above. Many of these come with technical assistance for the banks so that they can develop these activities into sustainable products which they can upscale.

### **Not one size fits all.**

In more developed countries it is the Government and local Government agencies to whom the burden/responsibility falls to develop and finance much of the non-financial work. Whilst, in emerging markets there is a greater role played by Bi-lateral Donors (predominantly wealthier nations), International Financial Institutions (IFIs such as World Bank, IFC, EBRD, etc.) and institutions such as OECD and ICSB, combined with cooperation from the relevant host government. In some countries, greater emphasis is on finance, whilst in the others the transfer of skills and development of basic policy frameworks is urgently needed to allow access to finance to expand.

### **And then comes COVID!**

COVID-19 pandemic disproportionate impact on SMEs:

- *Supply side*: reduction of supply of labor due to staff sickness, closure of schools and movement restrictions; disruption of supply chains leading to shortages of intermediate goods given the more limited number of suppliers for SMEs;
- *Demand side*: a sudden drop of revenues severely affecting SMEs' ability to function (more limited cash cushion); the impact of

liquidity shortages and access to finance constraints; some sectors such as tourism and transport where SMEs are overrepresented suffering more;

- SMEs more likely to be vulnerable to “social distancing” constraints;
- Pandemic is also likely to widen gender gaps with Women-led SMEs more affected
- SMEs account not only for the vast majority of companies but also for significant value added and jobs in many Countries.

*The pandemic effect on SMEs is especially severe, particularly because of higher levels of vulnerability and lower resilience related to their size.*

Governments, Policy Makers, and Lenders have moved quickly to start supporting SMEs, in different ways, but this is just an initial response much more will be needed as the true effects flow through not only to SMEs but societies at large. There are already signs that there will be great differentiation

in countries and across continents, both in respect to the shape and depth of the effects, recovery, and priorities for the future. The great debate begins over the nature of recovery, but at the very least sustainable economies will be the priority for every Government, and as such, the ecosystem for SMEs needs particular focus.

**In conclusion, now more than ever providing the money is a great start but does resolve the issues facing SMEs if we want them to be the powerhouses of our economies.**

It is undisputed that SMEs need access to finance to grow and develop, but they also need much more. There is no silver bullet solution, rather it requires a combination of factors to be present – and these will vary from country to country and from time to time, but at least we know what the ingredients are – developing each recipe however is the challenge which requires continued and improved coordination and co-operation from a cast of characters.



# 5. Policy measures supporting informal Micro, Small and Medium Enterprises (MSMEs) in developing countries during the Covid-19 Pandemic

Department of Economic and Social Affairs (DESA)  
Division for Sustainable Development Goals (DSDG)

Micro, small and medium enterprises (MSMEs) are important economic engines globally. Representing over 50% of all enterprises around the world, they contribute to more than 70% employment and 50% of GDP growth in developing countries. With the employment, income and livelihood opportunities they provide, MSMEs possess strong potential to act as a catalyst towards the progress towards the Sustainable Development Goals (SDGs) in multiple areas, including poverty eradication, zero hunger, decent job creation and the stimulation of entrepreneurship and innovations among vulnerable groups, including women and youth. In the Political Declaration of the 2019 SDG Summit, MSMEs were endorsed by heads of states as important forces for achieving sustainable development.

But, as is well known, in many poorer countries, the majority of MSMEs are informal - those which have not registered their businesses with government authorities. MSME informality is a prominent feature of the MSME sector, especially in developing countries. They are the smallest economic units, including self-employed workers and micro enterprises, often hiring less than ten people. Despite their



small business scales, collectively, informal MSMEs provide substantial employment and livelihood opportunities. According to an ILO report, about 2 billion workers are hired by the informal economy, consisting mainly of informal MSMEs, which accounts for 90 percent of employment in low-income countries and 67 percent in middle-income countries<sup>[ii]</sup>. The informal sector also provides 75 percent of non-agricultural employment and 72 percent of overall employment in sub-Saharan Africa.<sup>[iii]</sup> Frequently, employment with informal MSMEs provides critical livelihood opportunities for women, youth,

migrants and refugees and their families. In the pre Covid-19 crisis pandemic period, informal MSMEs in developing countries faced multiple challenges, particularly, limited access to financial resources and markets of higher value. Employees in informal MSMEs, particularly in developing countries, suffer little basic social protections. Rapid urbanization in developing countries often means that informal MSMEs are located in overcrowded and often peripheral areas without adequate access to utilities, hygiene and other services.

### **Challenges of Informal MSMEs during the Covid-19 pandemic**

Most informal MSMEs in developing countries operate in the manufacturing, services and tourism sectors that are highly susceptible to challenges brought forth by the Covid-19 pandemic. These include not only loss of customers, but also interrupted supply chains and cash-flow pressures. Without being registered, informal MSMEs cannot access economic stimulus packages released by national governments. Employees of informal MSMEs are not covered by social protection programmes. Unlike formal and large enterprises, informal MSMEs rely heavily on customer foot traffic for business continuity. They have minimum capital or savings to survive the loss of customers due to the lockdown and social distancing policies that aim to prevent the Covid-19 pandemic spreading. All these could exacerbate the challenges informal MSMEs face and affect their business continuity. The closure of informal MSMEs due to the Covid-19 pandemic could inflict loss of employment and income on vulnerable groups and constrain the hard-won gains made towards achieving the SDGs in developing countries.

When the global economy re-opens, it remains unclear how the market restructuring would affect the viability of informal MSMEs, especially when they are not equipped with diversified skills and sufficient financial resources to align business models with different market structures. Effective policy measures specifically designed for the

challenges and demands of informal MSMEs would be crucial to maintain their business continuity, including the jobs and incomes provided by the informal economy.

### **Policy measures supporting informal MSMEs during the Covid-19 pandemic**

A number of fiscal stimulus measures have been launched by national governments to support economic growth during the Covid-19 pandemic. These include concessional and emergency loans, debt relief, tax breaks and exemptions as well as utility payments and subsidies. Unfortunately, informal MSMEs, as unregistered business entities, are unable to access these measures. Data deficiency of informal MSMEs in developing countries makes it more difficult to deliver policies tailored to their demands. But government authorities could provide, for example, wage subsidies and payment for utilities, workshop rentals as well as contributions to social protections to informal MSMEs and their employees. In addition, personal protection equipment (PPE) may also be provided to employees of informal MSMEs and their families to reduce health and safety risks. To ensure rapid delivery of the measures, policymakers may consider partnering with organizations working closely with informal MSMEs, including business development service providers, chambers of commerce and MSME associations.

In addition to direct payment and subsidies as the immediate response, it would be useful to consider policy measures in the medium and long terms, especially during the market restructuring after the Covid-19 pandemic. These could include training and webinars on e-commerce and online marketing skills which could help diversify products and business models of informal MSMEs in line with the market restructuring. In addition, training on the application of occupational safety and health (OSH) standards in workplaces would also be important to improve resilience of informal MSMEs to health risks during the business re-opening phase. Government authorities may also consider engaging mentors, providing continuous support that

could help informal MSME entrepreneurs conceptualize, construct and operate the models and standards during a longer period of time.

MSME formalization would expand access to business development services, financial resources, technologies and linkages with markets of higher value. It would strengthen contributions of MSMEs to sustainable development and improve their resilience to external shocks, including the Covid-19 outbreak. However, policy frameworks for business formalization in

developing countries are often fragmented and overlapping, which entail substantial transaction costs that provide no incentives for MSME entrepreneurs to register their businesses. To promote formalization and improve resilience of informal MSMEs, it would be important to optimize the policy environment and build coherent and simplified business registration mechanisms. Governments of developing countries are working to build one-stop business registration mechanisms for promoting MSME formalization.

### **Box 1: Simplification of Business Registration in Cambodia**

Since 2018, the Ministry of Industry and Handicraft of Cambodia (MIH) has started to roll out the One-Roof Service (ORS) policy for improving coherent MSME registration. The ORS policy aims to provide a one-stop service for MSME entrepreneurs to register their businesses, and to promote efficiency and transparency of the environment of doing businesses in Cambodia. Together with 18 government departments related to MSME registration, the General Department of SMEs in the Ministry would coordinate implementation of the ORS policy and promote its digitized delivery towards MSME entrepreneurs throughout the country. For that purpose, MIH endeavors to strengthen collaboration with the most essential government departments related to MSME registration. These include the General Department of Taxation (GDT), the Ministry of Commerce (MoC) and the Ministry of Labor and Vocational Training (MLVT). The manufacturing sector, of which the MIH is directly in charge, has been prioritized as the pilot for implementing the ORS policy.

### **Box 2: Simplification of Business Registration in Nigeria**

As part of the efforts to enhance the ease of doing business in Nigeria, and in an effort to facilitate operations and simplify processes for MSMEs, the Federal Government is in the process of opening one-stop shops for the registration and administration of MSMEs across the country. The one-stop-shop is aimed at bridging the information and investment gap between micro and small investors and regulatory agencies of government<sup>[iv]</sup>. It is envisaged that the initiative will make it possible for local entrepreneurs to interact with relevant regulatory agencies in one location, and will also provide opportunities for them to update their knowledge on current practices in business. It should also ensure seamless collaboration of the agencies on improving the ease of doing business in the country.

The one-stop mechanisms would help substantially reduce costs related to business formalization by providing a clear roadmap and wholesale information on procedures and requirements to complete business registration. To further promote MSME formalization, policymakers may also consider connecting the one-stop mechanism with incentives, such as tax exemptions,

provision of small grants and subsidies for purchasing equipment or training for business skill development. Moreover, coverage of the simplified registration mechanism should not only be confined to urban and economically active areas. It also needs to be expanded and reach informal MSMEs operating in poor and remote areas. Digitized delivery of registration services,

such as online portal and mobile applications, could be considered to expand the coverage. In countries with limited internet and mobile connections, government authorities may consider working with business associations and their local branches to expand coverage of the simplified registration services. Moreover, the value of informal MSMEs as enduring institutions at the time of crisis

such as the Covid-19 pandemic cannot be ignored. There have been interesting examples where micro and small enterprises came through the crisis by themselves with innovations, localized supplies and niche markets. Their experience could be useful to inform policy making processes for better supporting MSMEs at the time of crisis.

### **BOX 3: MSME innovation in Ghana for the COVID-19 crisis**

In Ghana a young entrepreneur has invented a sensor handwashing station, powered by Solar Energy. The sink has a double tap, one for liquid soap and the other for water and the cistern is made from a recycled barrel. The sink pours out soap and water upon detection and then begins to sound an alarm to get the individual ready for the outflow of water. The sink has been programmed such that as soon as the alarm goes off, water flows out for 25 seconds, enough to get hands thoroughly cleaned. The system is created with a two way channel, one to pump clean water and the other to drain soapy water, after which it flows out from a tap beneath the sink. This invention has solved the problem of having to open and close taps, thereby re-staining hands with germs.

### **Box 4: MSME resilience to the Covid-19 crisis in Sri Lanka**

#### **Improving resilience of informal MSMEs to external shocks, including the Covid-19 pandemic**

Informal MSMEs are an important segment of the MSME sector which provides a large number of employment opportunities in developing countries, especially to vulnerable groups. Improving their resilience to external shocks including the Covid-19 pandemic is highly relevant to protect jobs, income and the achievement of the SDGs in developing countries. As unregistered business entities, their inaccessibility to financial resources, market and policy support are perhaps among the prominent challenges that informal MSMEs face. Very few informal MSMEs in developing countries are able to access policy support launched by governments in the emergency response to the Covid-19 pandemic.

It is encouraging to note that governments of developing countries are launching measures to promote formalization of MSMEs, which would expand their access to resources and support. The role of informal MSMEs as a part of the MSME ecosystem must be underscored, as they provide important space for entrepreneurship growth, especially among women and youth in a low-income context. More policy measures would need to be delivered to support resilience of informal MSMEs, in addition to measures for formalization.

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<sup>[i]</sup> This paper was prepared under the project supported by the 2030 Agenda for Sustainable Development Sub-Fund of the UN Peace and Development Fund (UNPDF), of which the People's Republic of China is a major contributor

<sup>[ii]</sup> International Labour Organisation (ILO) (2018). *Women and Men in the Informal Economy: A Statistical Picture*. International Labour Organization, Geneva.

<sup>[iii]</sup> International Labour Organisation (ILO) (2016). *Transforming Jobs to End Poverty, World Employment Social Outlook (WESO)*. International Labour Organization, Geneva.

<sup>[iv]</sup> Nigeria to launch one-stop shops to spur small-scale enterprises, 5 September, 2017, <http://footprint2africa.com/topics/smes/nigeria-launch-one-stop-shops-spur-small-scale-enterprises/>

# 6. Our small companies at the heart of the European Commission's big efforts to deliver on the SDGs

Kristin Schreiber, Director for SME Policy at the European Commission's Directorate General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW), Germany.

The COVID-19 pandemic that struck Europe and the world in Spring 2020 has brought about many challenges and fears – for citizens, businesses and governments. But it has also demonstrated that we need to act as a global community in order to come out of the crisis stronger, more resilient and sustainable. This means breaking down barriers, sharing best practices and inspiring big ideas. It also means involving all elements of Europe's social and economic fabric in the recovery process – and our micro, small and medium enterprises (SMEs) are key actors here.

Small businesses have been most affected by the COVID-19 crisis: they have often been cut off from customers, clients and suppliers and deprived of precious liquidity. Many have not survived and many others are only limping through, burning up valuable rainy day reserves.

As we in the European Commission are piloting Europe's way out of this crisis, we have put SMEs at the heart of our approach. It is our main concern to ensure that our entrepreneurs and businesses get the financial support they need, that they are able to reconnect with suppliers or forge new partnerships, and have renewed access to markets in Europe and beyond.

We are also aware that we and our companies cannot simply press the 'Reset' button and return to where we were: we must ensure that they become more resilient to face future crises. This means adopting and adapting to the digital technologies that have proven so essential in the last months, having access to talent and skills, functioning



freely as part of ecosystems and value chains, within and across borders. Getting SMEs the right support means that we will not just bounce back from the crisis – we will be able to bounce forward.

Looking ahead, it is clearer than ever that sustainability will be the strongest foundation for Europe's future. The EU is deeply committed to the 2015 Sustainable Development Goals (SDGs). We are implementing these goals across our policies both internally – i.e., through the Green Deal, our Circular Economy Action Plan, and our Gender Equality strategy – and externally, i.e. in our trade and development actions. We want to make the transition towards a low-carbon, climate neutral, resource-efficient and circular economy that goes hand in hand with increased security, prosperity, equality and inclusion across the world.

This is not just the responsibility of public actors and policy makers. It is about actions by everyone, including our people and our businesses. Climate change and the waste

of natural resources are issues that affect all of us. We must therefore take a collective approach, and do so across the regions of the EU.

Europe's SMEs are a leading actor in delivering on the Sustainable Development Goals. They represent 99,8% of all companies in the non-financial sector, employ around 100 million people (two out of three jobs), and account for more than half of Europe's GDP. Beyond this, SMEs play an important role in local communities across Europe, including in remote and rural areas. Quite a few of them are among the most dynamic, innovative and forward-looking businesses, already developing environmentally sustainable business practices, products and services. They play a key role in addressing the "3 Bs": Big Ideas, Best Practices, and Barriers. Let me give you some examples of companies, whose stories we have gotten to know well through their participation in European projects and schemes.

Take Timbeco, a construction company started in Estonia. By building houses from prefabricated timber frames made from Nordic pine certified by the Forest Stewardship Council, Timbeco not only saves energy costs - it also preserves the environment. Its timber captures carbon from the atmosphere, and any wood waste or sawdust produced during manufacturing is used to heat its factory.



Source: Timbeco

Bage Plastics of Austria recycles shredded fridge plastics into high-value plastic granules and compounds, which can be used in a wide variety of plastics products such as plant containers, office trays, electrical equipment, or yes, new fridges. In just six years, it has become one of the largest fridge-recycling companies in Europe, working with around 1.5 million old fridges a year sourced from across Europe.

Also let us look at [projecttogether.org](http://projecttogether.org), a social acceleration platform from Germany. The project is a sign for the young generation having understood that it is now or never that we have to implement actions to fulfil the SDGs. It aims to bridge the gap between societal and economical challenges by supporting impactful start-ups. With over 850 young founders of companies, associations and social initiatives, the project convinced the international jury of the European Enterprise Promotion Awards in 2018 and won in the category 'Responsible and Inclusive Entrepreneurship'. Today, the project works on COVID hackathons and Farm-To-Fork projects.

Timbeco, Bage and project together have one thing in common, besides helping Europe implement the SDGs: they all benefited from European support. Timbeco had partnership and innovation support from the Enterprise Europe Network; Bage was supported by the EU's COSME Loan Guarantee Facility; and Project Together made a number of invaluable contacts after winning the EEPA award. These are only three of the many companies that have benefitted from and evolved in their conquest of sustainability solutions thanks to EU support.

Since SMEs are embedded in every region, in every ecosystem and in every value chain, they help spread innovation and best (sustainable) practices throughout the World. Combined with their capacity to provide jobs, social security, and training, this helps to remove barriers to delivering the SDGs. This is why in the European Commission, we see SMEs as central to achieving sustainability and becoming the first climate neutral continent by 2050.

Nevertheless, even before the crisis started, our SMEs were already facing many barriers to their full potential. Given their limited human and financial resources, they find it challenging to comply with rules and complex administrative and legal procedures, access information, markets and finance, and to properly evaluate and mitigate environmental risks. Many small businesses struggle also more than large enterprises to get the finance they need for investments promoting sustainable practices.

Aiming to "unleash the power of Europe's

SMEs to lead the twin transition to sustainability and digitalisation”, the European Commission adopted a new SME strategy on 10 March this year. It covers all types of Europe’s 25 million SMEs, ranging from the innovative start-up to the traditional bakery, and proposes actions under the three pillars:

- Capacity building and support for the twin transition;
- Reducing the regulatory burden and improving market access to the Single Market and beyond;
- Improving access to finance.

The crisis has made the strategy more relevant than ever: it will be a key tool for post-crisis recovery of the European economy, which will reflect Europe’s commitment to the SDGs, and thus be “green” and social, and exploit the opportunities of digitalisation in the best possible way. It provides flexibility to refocus key actions and adapt them to the new reality where necessary. The Commission has already adjusted and put in place some of them, aiming to bring immediate relief during the crisis.

Access to finance has been, of course, the immediate priority for SMEs at the onset of the crisis. The Commission has responded with a number of measures, including additional public guarantees for SME financing, and the launch of ESCALAR, a first-of-a-kind risk/reward mechanism to boost the investment capacity of venture capital funds for scaling up.

Moving now to more medium and long term support, also in line with the SME strategy, the Commission will support SMEs’ financing needs, notably under the new funding programme “InvestEU”. Combating

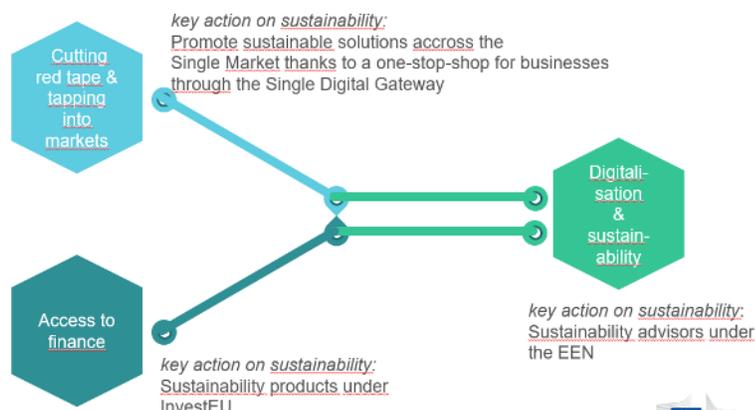
late payments is another way of ensuring liquidity, necessary for SMEs to support the achievement of the SDGs. The Commission is pushing the effectiveness of the Late Payment Directive by setting up monitoring and better enforcement tools. In view of helping SMEs quickly, the Commission will propose a set of practical measures and recommendations by the end of the year.

Furthermore, cutting red tape across the EU is a key element of the strategy and crucial not only in the context of supplies and services linked to combatting the crisis, but also in reaching the SDGs. A new SME filter will play an important role in identifying initiatives, laws and regulations that are potentially burdensome for SMEs, e.g. linked to innovation.

A key action in the area of sustainability will be the upgrading of the existing Enterprise Europe Network – the world’s largest support network for SMEs. As a major new element, the Commission will introduce dedicated Sustainability Advisors able to advise ambitious SMEs on the steps they need to take to become more sustainable – including moving towards reduced waste and greater circularity – and on how to access the finance to make necessary investments. We also take the social aspects of sustainability at heart: gender equality and decent employment will be a core part of the advisory services of the EEN.

This is just a start and European Commission will continue to develop further actions. It is our aim to continue breaking down barriers, sharing best practices and inspiring big ideas. We see our SMEs as potential world leaders on sustainability and hope that others will follow our example.

The new EU SME Strategy: promoting sustainability through SMEs



# 7. Economic and Social Crises and the Power of Data

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In 2020, a social crisis, unprecedented in our modern society for its rapid and wholesale impact, descended upon the World, inflicting its force in nearly every corner of the globe, causing widespread loss of life and threatening the economic welfare of every community. We might have rationally thought that advances in medicine, technology, and communication would make us immune to an out-of-control virus. Perhaps we should be able to control the outbreak of a disease, no matter how aggressive. But the COVID-19 pandemic has taught us that much of this control is in retrospect, when we realize how extensively we were caught off guard, how we didn't act when we should have. No longer able to anticipate and pre-empt, we can only react, taking the knowledge we have and amassing our understanding to minimize further social and economic damage. It was too early, in the spring of 2020, to think about the lessons we would take forward, but there will be lessons.

The social and economic costs of the COVID-19 pandemic have been viewed, by some, as tradeoffs. Do we accept some deaths as perhaps inevitable or, at the very least, a cost we must endure to avoid the economic consequences? Or do we avoid human loss at all costs, particularly when it is a family member, close friend, or a medical professional that risked their life to save others? Fundamentally, though, we



recognize that we cannot have a functioning economy with an unrestrained health crisis. Nonetheless, we have to fight the social battle with all our might while recognizing that the economic fallout could have devastating results for society. Recognizing that entrepreneurs and business owners are critical to the functioning of every economy, most policy makers realize that small business has to be part of this conversation.

There is no shortage of predictive models to guide our evolving understanding and actions around this pandemic. These models draw on past events and current data collection to make assumptions and draw up scenarios for us to contemplate. A number of surveys have provided timely insights on the impact of COVID on businesses among members of various associations or within communities or regions. At a worldwide

level, the Global Entrepreneurship Monitor (GEM) revised its 2020 survey to include questions related to the pandemic. This will provide internationally comparable, representative data about the impact of COVID-19 on entrepreneurs and business owners. GEM also has data reaching back to 1999 that can provide historical insights. For example, the 2008 global recession can help us understand what we are currently experiencing. At the very least, we can debate what lessons we can apply from the recession, and in what ways the current crisis differs from the financially-driven one in our past.

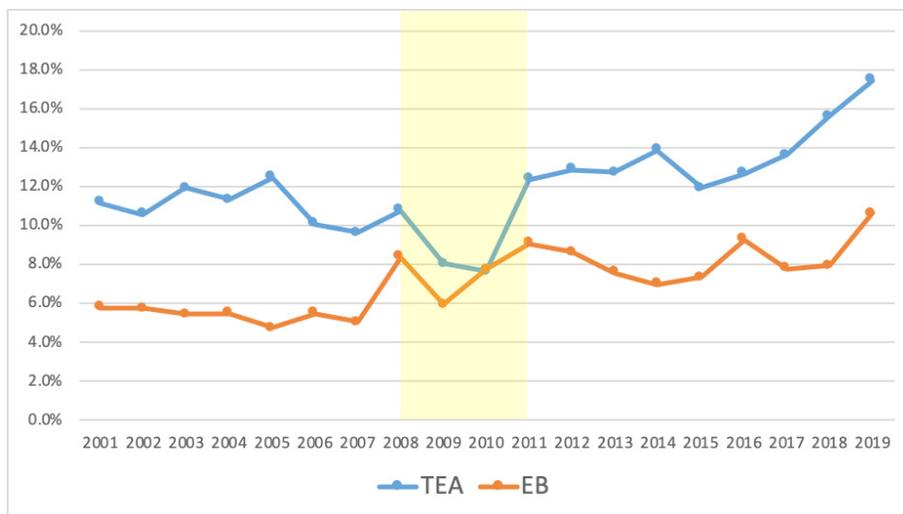
In the United States, where the 2008 recession originated, entrepreneurship experienced a decline at the end of the recession. As Figure 1 shows, Total Entrepreneurial Activity (TEA) rates were between ten and twelve percent of the U.S. population from 2001 to 2008. This rate dropped below 8% in 2009 and 2010 as markets for new goods and services

and investment capital contracted in a risk averse environment. This risk aversion can be seen in GEM's societal attitude measure of fear of failure, which increased in 2009, and then continued increasing through 2012, when nearly one-third of those seeing opportunities around them for starting a business would not do so because of the chance it might fail. The impact on entrepreneurship observed in the United States after the recession is not a special case. Very similar drops were observed in other countries around the world—e.g., China, Japan, Australia, Spain and Italy.

Established business ownership (the percentage of adults owning and managing businesses three and a half years old or older) also declined in 2009, but seemed to bounce back the next year, likely reflecting prior high TEA rates. However, this indicator started a three-year decline in 2012, three years after TEA rates first dropped. Together, these two indicators show the lasting impact of economic downturns across phases of

business ownership activity.

**Figure 1. Total Entrepreneurial Activity (TEA) and Established Business (EB) Ownership**



**Rates in the U.S. Adult Population (18-64 years). GEM 2001-2019.**

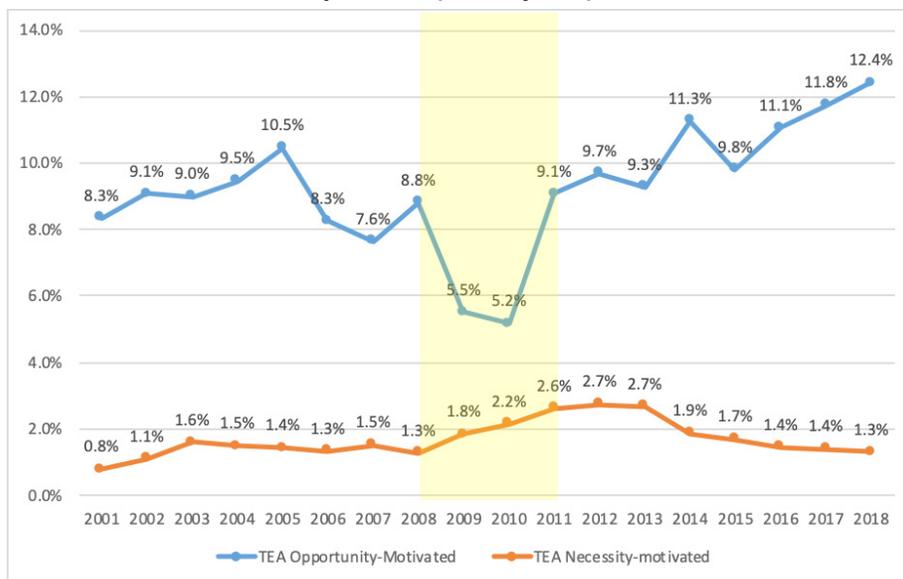
The 2008 recession's impact on entrepreneurship was not just simply a case of fewer people starting businesses.

As Figure 2 demonstrates, more people were starting out of necessity in 2009 than the prior eight years and this continued to increase through 2012. In 2010, necessity accounted for the startup motives of nearly

30% of entrepreneurs. Thus, the drop in entrepreneurship in 2009 and 2010 was entirely due to fewer opportunity-motivated entrepreneurs. People might have forgone or delayed the pursuit of opportunities, given the less-favorable context and

perhaps choosing to stay with more stable employment. On the other hand, the higher incidence of necessity entrepreneurship shows how this can help those in need of income, and with few job prospects.

**Figure 2. Opportunity-Motivated and Necessity-Motivated Total Entrepreneurial Activity Rates in the Adult U.S. Population (18-64 years). GEM 2001-2018**



Another trend just after the recession can be seen in the percentage of entrepreneurs starting in the medium or high technology sectors. Despite all the visibility and attention they receive, only a small minority of entrepreneurs are starting technology businesses—generally around 7% in the United States. However, in 2010, as TEA bottomed out, none of the entrepreneurs interviewed indicated they were starting technology businesses.

like TEA, these rates have since reached an all-time high in 2019. Additionally, necessity entrepreneurship has returned to its low levels and participation in technology sectors rebounded. In contrast, while fear of failure eventually started to taper downward in 2013, it started to edge upward since 2015, perhaps affected by opportunity costs associated with the availability of jobs as unemployment fell to historic lows.

In sum, these results indicate that the 2008 recession led to a decline in entrepreneurship rates, but particularly among opportunity-driven entrepreneurs, and also showing an impact on technology sectors. Yet what is also evident in the two figures is that all of this bounced back. In 2011, TEA rates jumped 60% from the prior year and have since increased to the highest level reported in GEM's 21-year history. Established business rates exhibited a lag effect where declines came several years after the drop in TEA. But

While predicting the economic effect of COVID-19 with any precision may seem an impossible task, it may be useful to examine data that can help us understand the potential impact, particularly the long-term impact, on entrepreneurship and small business. The nature and magnitude of the COVID recession, however, differs greatly from the 2008 recession. Although the 2008 recession had widespread and lasting effects around the world, the COVID recession is considered unmatched since the Great Depression of the 1930s.

By the end of May 2020, nearly 30 million people in the United States filed unemployment claims. A National Bureau of Economic Research (NBER) working paper, reporting on a survey of more than 10,000 people, found that 50% of respondents reported income and wealth losses. Consumer spending dropped 31%, particularly in travel and clothing.<sup>[1]</sup> The IMF, among others, suggested that the economic impact could be long-lasting, perhaps decades.<sup>[2]</sup> Not inconsequential in contributing to this effect is the uncertainty with respect to customer behavior: will people flood back to restaurants and spend as they did before the crises? Or will there be some permanence in the changes we see in society: frugal customers jarred by the impact COVID had on so many dimensions of their lives, hesitancy about venturing into venues with large crowds, continuing behaviors established during the crisis, such as online shopping, watching movies at home, or working remotely?

Any behavioral changes will surely have a long-term effect on entrepreneurship and small business. Some businesses were already struggling when the pandemic hit, others will likely see their businesses become less viable in a changed environment. Yet change brings opportunity and those able to adapt or capitalize on opportunities can thrive.

Another NBER survey, of more than 5,800 small businesses, reported that 43% of business had temporarily closed, with hospitality, retail, personal services, entertainment and the arts more negatively affected. Additionally, businesses with fewer than 20 employees were more likely to be closed or experience the highest employment reductions. Three-quarters of those responding said their businesses only had enough cash to cover expenses for two months or less.<sup>[3]</sup>

When we look around us, in our own communities, we see businesses that have been ordered closed—hair salons, pubs, hotels. On the other hand, some have been able to adapt—for example, restaurants offering takeout, health clubs offering online fitness classes, producers shifting to products or services needed during the crisis. But some businesses are thriving—such as bicycle shops for people who are getting outside to escape the boredom of house confinement, food markets and liquor stores for people who are not going out to eat or drink.

Like the 2008 recession, we will see a decline in entrepreneurship rates in many economies. A shift toward necessity motives will likely take place as those losing their jobs seek to generate their own source of income. Technology will make it easier and cheaper to get something up and running, and the expanding gig and sharing economy will enable people to fill in income gaps temporarily. The fallout will occur in the smallest businesses, those unable to sustain their operations during a shutdown that lasted longer than most expected, and that were either forced to temporarily close or that suffered from a drop in demand.

But this effect will depend on the type of business. Any recession produces a drop in discretionary spending, affecting businesses in entertainment, arts, recreation, travel and the like. The COVID recession, however, was driven by a social crisis that produced impacts beyond one's financial situation, imposing widespread effects on the health and behavior of people around the world. It can be imagined that the consequences will be more uneven and unpredictable across the business community.

Governments are stepping in to provide relief funds for businesses, such as the nearly \$700 billion the U.S. government approved for small businesses through their Paycheck

Protection Program (PPP). At the time of this writing, though, in June, it is still unknown how long the shutdown will last, how long it will take to get back to business as usual, if that is possible, and whether there might be a resurgence down the road. For some businesses, getting funds to get through this crisis temporarily may only prolong the inevitable.

For prospective entrepreneurs that are holding back their pursuit of opportunities, the question is when they will judge the environment attractive enough and sufficiently stable to launch their businesses. Interestingly, from dedicated questions inserted into the 2009 and 2010 GEM study, it was found that 22% of early-stage entrepreneurs in the United States actually *identified new opportunities* emerging from the crisis. This percentage compares rather well across the globe, which signals that, to some extent, every society hosts individuals who are keen on pursuing new ideas in challenging and changing environments. At the same time, the results showed slightly different responses, which can probably be linked to the local economic and cultural context. For example, in Italy and Spain, both heavily affected by the crisis, the rate of opportunity identification was around 15%, while it was 19% and 24% in the United Kingdom and Germany, respectively.

These opportunity - identifying entrepreneurs form a breeding ground out of which novel ideas and new businesses can emerge, even amid a financial crisis. For example, some well-known ventures were launched during 2008 and 2009, including Groupon, Uber, WhatsApp, Slack, Venmo and AirBnB, to name a few. Entrepreneurs who are able to capitalize on the changes taking place will find markets, and perhaps

other advantages such as less competition, better lease terms, lower interest rates, and qualified employees. Society will benefit from those who, for whatever reason, are bold enough to act on opportunities.

While the entire social and economic impact of COVID-19 has not been fully felt as of June 2020, many are relying on historical and real-time data to predict its impact. The response of the public and private sector cannot wait for results to unfold. Each nation, state, and municipality must take steps to best protect the health and wellbeing of its people, before the effects of COVID-19 are completely known. Past data can be most useful when examined in light of the unique characteristics of the current situation. And as data collection continues, it will be important to analyze results to advance our understanding and apply the lessons gained toward a more prepared and stable future.

The entrepreneurship sector plays a key role in helping us withstand and recover from crises. Societies around the world rely on the jobs, and the products and services, entrepreneurs create. It is apparent that entrepreneurship is, and will be, affected by COVID-19 in particular ways not seen in our history. However, we can look at past data to assess the effect on the rate and quality of entrepreneurial activity imposed by events that shock and alter our world. We know that the financial crisis of 2008 negatively impacted entrepreneurship, but entrepreneurship emerged strongly to aid in the economic rebound. While the speed and nature of the recovery from COVID-19 is far from certain, dependent at least in part on medical discoveries, human behavior, and the actions of government, we can look to entrepreneurship to be part of this revival.

[1] <https://www.nber.org/papers/w27141>

[2] <https://www.imf.org/external/pubs/ft/fandd/2020/06/pdf/fd0620.pdf>

[3] <https://www.nber.org/papers/w26989.pdf>

# 8. It is Entrepreneurship Time: Ecosystem Building: An Idea Coming of Age?

Ph.D.Norris Krueger, Expert Entrepreneurship Developer. Senior Subject Matter Expert for Entrepreneurial Ecosystems & Learning, OECD/EU, United States

**Do we grow local economies bottom-up or top-down?** At a seminal OECD workshop in 2013 in the Netherlands, leading thinkers came together and discussed this issue. One side focused on creating optimal enabling conditions wherein entrepreneurship would emerge. The other side focused not on this institutional perspective but instead on a functional approach wherein the community grew from the entrepreneurs and their champions. [Mason & Brown 2014<sup>[1]</sup>] One intriguing observation was that civic officials and large institutions (including universities) strongly favored the top-down approach. Meanwhile, the entrepreneurial community of entrepreneurs, investors, and entrepreneurial champions favored the latter, often vehemently. **Self-serving biases aside, it is clear that the more one works closely with entrepreneurs, bottom-up becomes preferred.**

To that end, major supporters of entrepreneurship turned their interest to the entrepreneur-led, bottom up model (to use Feld's fortuitous phrase). In particular, the Kauffman Foundation realized the need to explicitly work to reduce or remove the hurdles to starting, running, and growing ventures for everyone. This model of "zero barriers" is intended as a "rising tide" strategy that empowers everyone.<sup>[2]</sup>

In 2017, the Ewing Marion Kauffman Foundation\* launched an initiative called ESHIP whose intent was to develop

entrepreneurial ecosystem building<sup>[3]</sup> as an effective professional field. They asserted that "ecosystem builder" was already emerging as a reasonably distinct role set. Ecosystem builders represent the bottom-up, entrepreneur-driven role. Moreover, this role is critical, even necessary to any ecosystem's health and growth.

To that, they convened nearly 500 self-identified ecosystem builders in Kansas City as part of a 3 year sequence of summits to ultimately create initiatives and projects to advance ecosystem building as a field (more strategic, less tactical). Year 1 was the year to **design** the broad parameters of what goals we need to achieve, Year 2 was the year to **develop** these into viable opportunities, and Year 3 was the year to begin to **deliver**. Interspersed between the Summits were ongoing efforts centered on the seven major overarching goals now centering on monthly videoconferences where ESHIP seeks to build a strong community among those interested in each goal. Other support tools have also arisen. Kauffman supported an "ecosystem playbook" to guide and support ecosystem builders. Dear reader, you are enthusiastically invited to join. [<https://www.kauffman.org/ecosystem-playbook-draft-3/>].

The seven Goals were built quite consciously on the example of the Sustainable Development Goals. As we will see later, this has been fortuitous and shows how ESHIP and the SDGs are a natural fit. Under each

Goal are several key supporting initiatives – the goals and initiatives are described here: [www.bit.ly/ESHIPgoals](http://www.bit.ly/ESHIPgoals). The intent was to develop viable projects that would serve the various initiatives. Briefs for existing projects are here: [www.bit.ly/ESHIPprojects](http://www.bit.ly/ESHIPprojects). For access to ESHIP, including links to join any of the Goals, please see [www.bit.ly/ESHIPdashboard](http://www.bit.ly/ESHIPdashboard).

\* For those unfamiliar with Kauffman, it is a very large foundation funded by the bequest of successful entrepreneur Ewing Marion Kauffman. Mr. Kauffman asked that his bequest be used to advance entrepreneurship and education. The Foundation quickly became a major innovator and support of entrepreneurship programming. It has been the largest funder of entrepreneurship programming for decades. Apropos of this discussion, Mr. Kauffman was intent on supporting ethical, honorable entrepreneurship and ensuring that everyone had access to resources to pursue opportunities.

### **Ecosystems 101**

For those new to the discussion of entrepreneurial ecosystems, a few elements are worth knowing. Like its biological namesake, it does resemble an ecosystem. The metaphor is not perfect, but highly useful. Local economies are not a collection of businesses and other entities like an investment portfolio. Instead, they are deeply interconnected in a complex dynamic and adaptive system [Brett 2019, Smyre & Richardson 2016]. Not only are members of these communities connected in often-fuzzy ways, the interconnections themselves tend to be evolving as well. Simply cataloguing the participants is not enough to understand how it is operating, let alone how to help it grow.

Consider the figure below. It is all too easy to perceive a network of interconnections as the leftmost diagram, that there is either

a very central hub or there needs to be one. The “one ring to rule them all” model is understandably attractive to those who believe that communities require one large overarching “umbrella” to bring the entire community under control. The problem is that most communities, not just economic communities are actually a network of networks. The result is that the rightmost diagram, the distributed network, is a far better representation.

We also know that the key element of any networks is often not the nodes but the connections [Stephenson 2009]. Who are the connectors? The messier the network, the more we need connectors who are proactive and inclusive. Sweeney (1987) coined the felicitous term *liaison-animateur*. As the name suggests, healthy ecosystems need to breed and nurture connectors who are not just bridges to people and resources but are also energizers. We all know people whose daily *modus operandi* is to proactively connect people. (I would guess that most of those reading this fit that description.) On the other hand, we all know people who will happily connect you but it is transactional. The *liaison-animateur* is far more transformational.

Based on all this, it is not hard to see that one overarching umbrella, no matter how well-intentioned, will fall short and can even be risky. On the other hand, it is very tempting to assume that the top-down, institution-led “umbrella” is good enough. If local economies were more like an investment portfolio, it might even be true. So how might we change this dominant narrative?

One particularly evocative metaphor is the *rain forest*. Victor Hwang, late of Kauffman, and others argue persuasively that local communities are not like a well-managed farm where each crop can be tended separately. Instead, communities are far more like the chaos of a rain forest where

everything is connected to some degree (and connect in changing fashion). But where is speciation more likely? New species and new adaptations (even exadaptions) arise in rain forests [Hwang & Horowitz 2012]. One can control a farm; one can only try to manage a rain forest. Again, is it not hard to see how a top-down model cannot easily manage a rain forest?

Another way to look at this is in terms of building **entrepreneurial potential**. For any community, its entrepreneurial potential is clearly a function of their potential entrepreneurs, both quality and quantity [Krueger 2020; Krueger & Brazeal 1984; OECD 2017]. How does a community increase the quality and quantity of its entrepreneurs, both current and prospective? From a psychological view, the intent to perform a behavior (including entrepreneurial) requires the actor to perceive the action as both desirable and feasible. This requires the communities focus on the intangible infrastructure to support entrepreneurship. The enabling conditions model tends to focus exclusively tangible infrastructure, while ecosystem builder model includes the social and cognitive infrastructures. What social and cultural norms and pressures support (or hinder) entrepreneurship?

Similarly, what is your community doing to grow entrepreneurial thinking? One does not have to be a neuroscientist to realize that it is imperative to grow the entrepreneurial mindset broadly and deeply across its citizens. To do so requires very different learning experiences than most institutions are equipped to provide [Krueger 2007; Krueger & Welpé 2014] but ecosystem builders can use their networks to identify the best resources to develop and deliver deep experiential learning via expert educators already in ESHIP (e.g., ICSB's new certificate on teaching the SDGs).

### **Implications for Policy**

Two initiatives that spun out of the Kauffman-initiated efforts. First, a huge coalition of policy champions like Rise of the Rest, Center for American Entrepreneurship and Kauffman created a policy agenda called "America's New Business Plan"<sup>[4]</sup> that provides policy ideas for federal, state, and local policymakers, both conceptually sound and evidence-based ([www.StartUsUpNow.org](http://www.StartUsUpNow.org)). From there, Victor Hwang has just launched "Right to Start" ([www.RightToStart.org](http://www.RightToStart.org)). The UN, its entities, and members should find these immensely useful.

### **It Is Entrepreneurship Time. Part II: What Will We Do Together?**

#### **So how else can ESHIP help the SDGs?**

**Goal 1: Diversity and Inclusion.** A healthy entrepreneurial ecosystem engages everyone. It is difficult to envision a sustainably successful ecosystem that excludes large swaths of the citizenry. If the SDGs are to be reached, it is imperative that efforts reach all citizens. And if entrepreneurship is the key ingredient as many of these essays argue, then we need to grow a broad, rich pool of potential entrepreneurs. As Kauffman has found in their "zero barriers" efforts, it is difficult for some to see themselves as entrepreneurs. Expanding the role identity for under-represented groups is not easy but one avenue is developing data base of experts who not only reflect inclusion but also speak persuasively on key issues. The UN and its members are certainly welcome to suggest great speakers.

**Goal 2: Collaborative Culture.** Inclusion is not enough, just as in any innovation effort it is not enough to generate a rich, diverse set of ideas. How do we integrate disparate perspectives, skills, and experiences into productive action? Having shared values as tropes to organize around, not just task-specific, is often advised. For ecosystem

building, the key principles are great rallying points but there needs to be a bigger “So what?” What better “So What?” than the SDGs?

**Goal 3: Shared Vision.** Shared values also need to be translated into shared vision. While every context requires unique responses, sharing a common vision is necessary to integrate one community’s efforts with others. Again, what better set of aspirational values than those represented by the SDGs?

**Goal 4: Connected Networks.** If ecosystems are networks of networks, what will it take to develop networks of networks of networks? Building a comprehensive, user-friendly tool kit is one Goal 4 objective. However, what has worked best so far is sharing great stories that accentuate successes, in particular, Goal 4 has created a remarkable series called “Unsung Heroes” to showcase success stories. In many cases, these unsung heroes are advancing the SDGs. The UN and its members are welcome to suggest truly unsung ecosystem builders who are focused on advancing one or more SDGs.

**Goal 5: Becoming More Evidence-Based.** We get what we measure. Given that we are operating in complex dynamic interconnected systems, great metrics are easier said than done. This team is working to ensure that our ‘go to’ metrics reflect more than economic activity. Goal 5 is crowdsourcing metrics, starting with first

principles (e.g., definitions). Similarly, there is no shortage of purported “best” practices but how many really are? And how can we tell? For example, one of Goal 5’s proposals is to develop a “What Works Clearinghouse” similar to the US Department of Education’s own WWC. Various UN entities offer great expertise and unique access to data that would advance Goal 5. In particular, data collection around the SDGs would be invaluable to integrate in our efforts.

**Goal 6: Universal Support.** How do we engage as many of the critical stakeholders in our communities? Once again, the power of the SDGs as shareable values should be invaluable for identifying viable value propositions for ecosystem builders to offer stakeholders. The UN and its members and entities have a bully pulpit to share the value of the ecosystem builder model globally.

**Goal 7: Build a Sustainable Field.** How do we make all these efforts sustainable? Ecosystem builders compete for resources with other entrepreneurial support

**Storytelling:** Goal 4’s efforts ultimately became its own Goal. They developed a resources hub for ecosystem builders and their allies, [www.ecosystembuilderhub.com](http://www.ecosystembuilderhub.com) where they can share a wide variety of useful intelligence, especially great stories, not only the Unsung Heroes project. The UN and its members and entities are welcome to contribute and to subscribe.

These thoughts on how the UN’s SDGs and the ESHIP effort only touch the surface on how we can work together. Here are some more general opportunities to collaborate.

#### **How can UN members help?**

The ILO and other UN entities are already helping. Did you know that ILO has done entrepreneur/small business training since the 1970s? The UN has also contributed to online education about their SDGs. For example, Dr. Chantal Line Carpentier of the UN and others developed and delivered a



well-received certificate on teaching the SDGs via ICSB (see [www.icsb.org](http://www.icsb.org))

*Connector:* The reach of UN agencies and personnel is immense. They can help us identify great ecosystem builders and liaison-animateurs and connect them productively. In every member country, who are those driving a truly bottom-up, entrepreneur-led effort to grow their ecosystems? How do we connect them with ESHIP?

*Convenor:* In this virtual world, the UN is more able than ever to bring together the right voices (see above) to communicate. In the past, ICSB brought together top global experts from the World Bank, IFC, IMF, ILO, EU, GEN, and OECD (and from the USA, its EDA, SBA, and more)<sup>[5]</sup>. Even in DC, it's hard to convene them physically. But virtually? The sky is the limit. Former SBA economist Giuseppe Gramigna has called for such a convening around the question "how do we best help SMEs and entrepreneurs to exit this downturn effectively?"

*Communicator:* The UN's bully pulpit is one of the most-heard global voices. Share what we know to be true (and not true) in formal and informal outlets.

### **How can you, dear reader, help?**

*Celebrate. Educate. Initiate.* Celebrate what your community has (not grips about what you lack). Learn from these successes and share the lessons learned. Use all this to inspire bold action.

Identify the great *liaison-animateurs*, the great bottom-up ecosystem builders in your community. Help them, celebrate them, maybe even become one of them. Let us know at ESHIP. Talk to your community's leaders and ask them to listen to the entrepreneurs and SMEs and hear what they are actually saying. Ask your leaders to stop filtering that through the institutional players who never seem to get it right.

As a scholar, educator, and ecosystem builder, I am often asked about role conflict. How do we balance those different "hats"? Personally, I see these as synergistic. And all of it is driven by the epiphany that while entrepreneurship is always important, today it is the SMEs and entrepreneurs who will lead us out of the darkness. How can I not be energized? It is their time... and ours.

**#ItsEntrepreneurshipTime**

# 9. Entrepreneurship Ecosystems Under Stress: What Policy Response?

Salvatore Zecchini, Chair OECD Informal Steering Group on SME finance and Chair UN-ECE Team of Specialists on Innovation, Trade and PPP, Italy

The Covid-19 pandemic has inflicted an unprecedented blow to all economies, hitting particularly hard some countries, and within them some economic sectors, as well as small firms more than the rest. Stemming the spreading of the disease has been the top priority and has been pursued by confining people in their homes and shutting down most non-essential production activities. Not all the countries, regions and activities have been affected by the lockdown at the same time and with the same severity, but such a difference has not been wide enough to allow the consequences of a country's economic crisis to be offset by continuing economic expansion in another country. While the focus of policy makers has been on rescuing employment and firms, limited attention has been paid to the entrepreneurship ecosystem itself since only few isolated measures were taken to temporarily mitigate some of its shortcomings and inefficiencies. Enterprises, however, operate through a continuous interaction of the entrepreneur or manager with the external environment, which is made out of several components: other firms, suppliers, customers, financial institutions, other funding sources, regulations, knowledge centers, authorities, public services and judicial bodies. This complex system of relationships has been subject to severe stress, as its workings have



been stalled by measures aimed at limiting contagion.

Let's consider the reasons why ecosystems have not been able to adequately fulfil their functions, before addressing ways and means to bring it back to the new normal. The most important impediment has been people's confinement and firms' inability to continue their work because of forced closures, lack of customers and even workers' reluctance to run the contagion risk by working on site. As ecosystems are based on broad connectivity across all actors and with institutions, the entire fabric of interactions came to a standstill with the exception of virtual on-line contacts.

Small firms in retail, restaurant, lodgment, logistics, transport, services to the person

were particularly affected since they could not replace physical contacts with virtual ones.

Another hurdle was the breakdown of supply chains and global value chains due to both supply shortages and lack of demand. Countries and companies suddenly realized that supplies of intermediate and essential goods and services were too dependent on foreign, distant sources which could not serve orders for several reasons. A rethinking of supply chains became imperative, spurring firms to reorganize them with the aim of having suppliers closer home. As a consequence, many small firms that thrived in participating in geographically stretched value chains saw their established links fade away. For firms located in clusters, aggregation economies shrank because of fewer opportunities to connect with other firms. Networking, which is the essence of clusters, was seriously hampered. Innovation opportunities were also hindered by increasing difficulties to interact with knowledge centers, albeit new ideas and services bloomed particularly in the on-line domain. Furthermore, while small firms are facing a liquidity squeeze due to the collapse of sales, their funding has become increasingly difficult due to banks' reluctance to lend to risky borrowers and dearth of alternative financial sources. On the labor front, small firms had to cut their labor force with the risk of losing valuable skills. Some public services, such as transportation and public administration, were curtailed due to lack of demand or public office closures, both resulting from people confinement and plant closures.

The outcome of such shocks to the enterprise ecosystems can be seen in several indicators. In Europe, industrial production fell by 10.4% in March 2020 from the previous month, with a larger decrease in consumer durable goods (-23.8%), and by 11.8% compared to the 2019 corresponding month (Eurostat a

2020). In the euro area, the contraction was deeper, respectively 11.3% and 12.9%. Retail trade of non-food products sunk by 21.3%, reaching -40% in the textiles, clothing, and leather goods. In the euro area, the decrease was 11.2% compared to February and 9.2% with respect to previous year (Eurostat b 2020). External trade in goods declined by 6.2% in March, and this data refers to just the first month of the lockdown, as the latter continued in the next two months.

Sizeable contractions were also recorded in the US, where in April 2020 industrial production decreased by 15.2% from February level, and by a similar amount from April 2019 (Fred 2020). Retail trade, seasonally adjusted and excluding food services, fell by 6.3% in the first 3 months of 2020, with peaks of -51.6% in clothing stores. In the same period, exports went down almost 10%, and 11% on a yearly basis, while imports declined respectively by 8.5% and 11.9% (US Census 2020).

Against the backdrop of these developments, the impact on SMEs has been generally more severe than for the rest of firms, as most of them are over-represented in the most affected sectors (OECD 2020), as well as they lack the flexibility to absorb and recover from such shocks. This is confirmed by the evidence gathered in a number of surveys. In the US, an NBER survey of 5800 small businesses indicated that 43% of firms had to close temporarily, the level of SMEs' work force was reduced by an average of 40%, many of them have inadequate cash balances to meet normal monthly expenses, and many plan to ask for the available public financial support, although they envisage bureaucratic difficulties (NBER 2020).

In Japan, 39% of surveyed firms experienced disruptions in their supply chains and 26% reported decreases in orders and sales. An Asian survey of SMEs reported that nearly half of the surveyed firms had a month or less liquidity and about 30% planned to dismiss half of their workforce.

In the euro area, the ECB Survey of SMEs' access to finance showed major concerns among enterprises about the sharp drop in turnover and profits. The rapid worsening of the economic environment is negatively impacting their financial conditions, with a consequential effect on access to external finance (ECB 2020). In several EU countries, 20 to 30% of SMEs are at serious risk of survival.

Entrepreneurial activity has particularly suffered because of the crisis. According to a global survey (Startup Genome a 2020), almost three quarters of startups have experienced a significant fall in their revenue, especially as they operate in sectors particularly affected by the Covid containment measures. A similar percentage of firms had to lay off full-time employees, depriving themselves of valuable human resources. At the same time, a small percentage of startups (12%) have seized opportunities arising from the crisis to increase their revenue by 10% or more, as they operate in industries which continued to grow even during the crisis. This is especially the case of technology startups, that were the least affected by the Covid-induced disruption. Nonetheless, venture capital funding has fallen globally by about 20% since December 2019 with a very uneven trend across countries (Startup Genome b 2020). A drop over 50% was estimated in China in the first two months of the year, while it was around 10% in the US and Europe by March 2020.

Clearly, the entrepreneurship ecosystems have not been able to support SMEs and new entrepreneurs during this crisis since they were hit in their core components and workings. SMEs reacted to the most of their possibilities but had to bear the brunt of the crisis. They cut deeply their personnel in the US, but much less in Europe where

job protection rules are extensive. Likewise, other expenses were reduced substantially by shutting down plants, shops and operations, and keeping them shut even after the lockdown was lifted. Many firms saw no point in reopening or restarting while a revival of demand was not in sight and their inventories were relatively high. Payments of due obligations were deferred, and investment postponed for lack of funding and negative demand prospects.

Some shifts in the ecosystem, however, have taken place. SMEs moved in increasing numbers to e-commerce and digitization. New software applications were developed to make the most of on-line live communications, supply chains were gradually modified to gain new sources of essential inputs, production processes underwent some reorganization, and the product mix, wherever feasible, was modified to meet new demands. Some tech SMEs applied advanced analytic models to gain a better insight into changes of consumer demand and responded swiftly by adapting their business model to the new reality. Although these positive developments are expected to gradually spread throughout SMEs, they are currently limited to a minority of firms, because only a small number of them have the human, technical and financial resources to embark in new types of investment.

It is then up to governments to fill the gaps in the entrepreneurship ecosystems by developing the infrastructure and institutional conditions for smoothing SMEs' adaptation to the post-Covid business environment. This is still the missing piece in several countries' strategy. So far, the policy response has been focused mainly on emergency measures directed to cushion the most adverse consequences over the short term and preserve the pre-crisis

enterprise system as much as possible. But both the US and Europe are now entering a new phase in which changes in the business ecosystem are needed to revive the business initiative and to make it easier for small firms to adjust their operating and funding models.

The main structural measures adopted so far relate to fostering smart working, supporting innovation, simplifying some administrative procedures, in very few countries supporting (re)training of the workforce, and helping find new or alternative markets, or regaining market access. Only 18 out of a total of 52 countries surveyed by the OECD adopted some of these measures, albeit none took them all. Some (e.g., Korea, Italy, Spain, Switzerland) provided SMEs with guarantees, insurance and subsidized financing to promote exports. Others helped SMEs to exploit digital technologies to enter new markets or to apply distant working. New subsidies for innovation by SMEs and for startups were introduced by a few European countries, notably by France (€ 4 billion startup fund). Training and skills development were promoted by few countries through funding consultancy services to SMEs (e.g., Australia, Finland and Ireland), or offering subsidies for training on the job. Firms most vulnerable to ecosystems' gaps, especially startups, in general received scant attention by policy makers with very few exceptions. With respect to financing, despite countries' generosity in offering higher and broader guarantees to SMEs' borrowings by banks, the latter were not so keen to follow, as they wish to maintain low risk levels in their assets portfolios.

To sum up, current ecosystems for enterprises have shown such fault lines as to make it doubtful whether they

can adequately serve the needs of new entrepreneurs and support SMEs' transition to new markets and business models. The main challenges facing small entrepreneurs in the months ahead concern the changing patterns of market demand, restructuring of workplace and business model, redeployment of labor to new tasks in a digitization framework, finding new financing sources and establishing a new relationship with public administration. As ecosystems do not mend by themselves, governments are called upon to help improve the business environment. The critical points requiring improvements are funding mechanisms, public assistance, digital infrastructures, innovation diffusion, security in using the new digital technologies and skills availability.

Financing tightness for small firms could be eased by broadening both the range of institutions that are allowed to invest in the small cap sector and the variety of financial instruments through which SMEs can tap financial markets. This is particularly the case in Europe, where in several countries there are limitations to the types of financial assets bank and non-bank financial institutions can hold in their portfolios. Preferential tax treatment could also be used to spur investors' interest in acquiring SME-oriented financial instruments.

Public assistance should take several forms: simplification of administrative requirements, easing the paperwork for tax compliance, mitigating the tax burden for startups and small young firms engaged in research and innovation, improving public services and the infrastructure for digital connectivity, adjusting labor laws to favor more adaptability of labor supply to the changing needs of the new digital economy, and relieving firms of some of the cost of (re)training their staff. These



improvements should generate additional external economies for all firms, but they are particularly relevant for small firms and new entrepreneurs that in their early years are more exposed to the risk of failure. An important support should also derive from subsidizing consultancy and mentoring services for young small firms in approaching new markets and new management structures. These firms are less capable to gain adequate knowledge of the potential market and to have adequate management.

Helping diffuse innovation across small firms is one of the most challenging tasks for any policy maker. This requires a vast infrastructure of experts across the country and a strong stimulus to firms to move into the digital economy, a task that can only be fulfilled by cooperating with private providers of digital services, universities and other knowledge centers and by establishing widespread channels of information and proactive approaches. The same digitization of public administration by restricting firms' interactions with public offices to the digital domain could prompt small firms to acquire the necessary skills and to restructure their organization. Skills development is actually the key to an efficient ecosystem that can support both the emergence of new entrepreneurs and the growth of existing SMEs.

Digitization is not without new risks, concerning especially security of data,

interference in connections, software bugs, algorithm biases, and digital system failures. Of course, remedies are developed by the private sector and are available in the market. But the security of the digital economy is also predicated on a set of effective rules, sanctions, and enforcement mechanisms, that together are part and parcel of a conducive ecosystem. Unfortunately, even in the most technologically advanced countries these conditions do not exist as yet, thereby leaving entrepreneurship ecosystems exposed to shortcomings contributing to firms' poor performance. Progress in this direction is urgently needed and involves a fair dose of harmonization across countries, so as to avoid unfair competition in the marketplace and serious disruptions in business operations.

In conclusion, while the unprecedented Covid-crisis has exposed the inadequacies of the current entrepreneurship ecosystem, it has also sounded the alarm bell for governments about the urgency of deploying more efforts to upgrade the ecosystem to the level required by the new digital economy. This is not a policy option, but a necessity since it represents a precondition for a smooth transition of the vast majority of SMEs to the new economy, overcoming the risk of an enterprise digital divide. Intervening on a few weak points is not enough. What is needed is an all-encompassing strategy and the determination to implement it to the very end.

# 10. UNCTAD's work on Entrepreneurship for Development

Chantal Line Carpentier, Chief of the UNCTAD New York Office

The General Assembly of the United Nations, recalling its resolutions 67/202 of 21 December 2012, 69/210 of 19 December 2014 and 71/221 of 21 December 2016, emphasized the importance of improved regulatory environments and policy initiatives that promote entrepreneurship and acknowledged UNCTAD's work in entrepreneurship for development in its resolution 73/225[1], adopted on 20 December 2018.

Recognizing the value of entrepreneurship education, skills development and the dissemination of entrepreneurial thinking across all sectors, the General Assembly encouraged UNCTAD to continue with its behavioural approach programme, **Empretec**. Moreover, the principal ministerial declaration of the Conference (Azimio) in its paragraph 17 states: "*We call upon UNCTAD to further develop its activities for promoting and facilitating investment and entrepreneurship for sustainable development*".

On the role of UNCTAD, the outcome document Maafikiano 76 (w) mandates UNCTAD to: *Develop and disseminate further its Entrepreneurship Policy Framework (EPF) and assist developing countries in building a competitive microenterprises and small and medium-sized (MSMES) enterprises sector, as well as better integrating into global value chains, including through its Empretec programme, including for the promotion of youth and women's entrepreneurship, and smallholding farmers.*



The 2030 Agenda for Sustainable Development, adopted by United Nations Member States in September 2015, also emphasizes the role of entrepreneurship in sustainable development, particularly in Goals 4 and 8, including:

- a) Goal 4 (ensure inclusive and equitable quality education and promote lifelong learning opportunities for all), target 4.4: "By 2030, sustainably increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship";
- b) Goal 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all), target 8.3: "Promote development oriented policies that support productive capacities, decent job creation, entrepreneurship, creativity and innovation

and encourage the formalization and growth of MSMEs, including through access to financial services”.

UNCTAD has been recognized as a major institutional stakeholder in all outcomes of the international conferences on financing for development from the 2002 Monterrey Consensus to the Addis Ababa Action Agenda, which supports, complements and helps to contextualize the means of implementation of the 2030 Agenda with concrete actions and policies. These mandates underpin UNCTAD’s technical assistance work.

### **Research and analysis**

UNCTAD’s assistance to Member States in promoting development-oriented policies that support entrepreneurship includes the identification, formulation, implementation and assessment of coherent policy measures on entrepreneurship and the promotion of micro-, small and medium-sized enterprises. The objective is to support Member States, at their request, to design initiatives, and identify measures and institutions that will promote entrepreneurship across six interrelated priority areas[2]: formulating national entrepreneurship strategy, optimizing the regulatory environment, enhancing entrepreneurship education and skills development, facilitating technology exchange and innovation; improving access to finance; and promoting awareness and networking.

UNCTAD responds to the necessity for all types of economies to rely on a diverse, innovative, resilient population of enterprises by continuing its technical assistance in the formulation of entrepreneurship strategies, such as in the recently launched strategies and action plans by the governments of Ethiopia and Cameroon. In both cases, UNCTAD provided support in the formulation of policy recommendations to improve their entrepreneurship ecosystems and facilitate both governments progression to the stage of middle-income countries. Specific recommendations were also

designed to target vulnerable groups, such as youth and women and contribute to the countries’ progress on sustainable economic development. Cross-cutting issues of youth, women, rural and green entrepreneurship were wholly integrated in both countries’ strategies and action plans.

UNCTAD is currently assisting the governments of Angola and Seychelles, two countries that urgently need to diversify their economies from oil and tourism, respectively.

In Angola, diversification of the economy in non-oil sectors involves attention to MSMEs so that they are able to grow and allow Angola to compete in the global economy. Enterprise development encompasses multiple factors, including the ability of enterprises to attract investment capital and to participate in mutually beneficial business linkages with multinational enterprises. In this regard, UNCTAD will help the Government to develop an approach to promote an enabling entrepreneurship environment that will guide Angola through the process of facilitation of the emergence of entrepreneurs and start-ups, as well as the growth and expansion of new competitive MSMEs. UNCTAD is assisting Angola in designing a National Entrepreneurship Strategy and action plan, building the capacity of policy makers and other stakeholders throughout the strategy design process as well as for its implementation.

Seychelles aims to become a knowledge-based and innovation-driven economy. However, the local entrepreneurship ecosystem is in its infancy and levels of innovation are low. This created the emergence of a dual economy between sectors with FDI presence more exposed to competition and modern management techniques, and those reserved for local business, largely made up of micro-enterprises. To assist Seychelles’ government, UNCTAD conducted an Investment Policy Review of Seychelles with a specific focus on Entrepreneurship based on UNCTAD’s EPF. To identify barriers to entrepreneurship the government of Seychelles and UNCTAD

organized a workshop in January 2020 with more than 60 stakeholders. It will continue to assist the government of Seychelles in developing a National Entrepreneurship Strategy as the need to diversify the countries' economic structure, has been made even clearer by the COVID-19 crisis.

In response to the substantial need and demand to transform existing body of knowledge into policy design and implementation, UNCTAD together with IOM and UNHCR developed the [Policy Guide on Entrepreneurship for Migrants and Refugees](#) providing actionable recommendations on policies and programmes to support migrant and refugee entrepreneurship in developed and developing regions. The Guide was launched during the Global Compact for Safe, Orderly and Regular Migration at the Intergovernmental Conference of Marrakesh attended by 164 countries in December 2018 and greatly appreciated by Member States. The Guide clearly showcases how MSMEs created and operated by migrants and refugees contribute to their host countries as well as countries of origin.

The Policy Guide has been presented by UNCTAD, IOM and UNHCR multiple times since 2018 in many global, regional and national level multi-stakeholder forums targeting governments, civil society, private sector and development actors resulting in the development of concrete action plans in 16 developed and developing countries across Europe, Latin America and the Caribbean, Africa and Asia and the Pacific. The National Entrepreneurship Strategy of Ethiopia, supported by UNCTAD, is the most recent national policy that explicitly incorporated specific measures to promote entrepreneurship for migrants and refugees. Based on the Guide, an [e-learning course](#) was developed in partnership with UNITAR targeting policymakers and practitioners. In its first cohort of enrolment in 2020, the course was attended by 400 participants including government policymakers from 90 countries. Scaling up these trainings can raise awareness among policymakers and practitioners and equip them to prioritize

context-specific actions. Policy dialogues at regional and global levels are then required to diffuse good practices and share lessons learned from policy design and implementation.

Globally, the COVID-19 pandemic and the ensuing lockdown and economic recession is hitting the MSME sector hard, particularly those operating in services sectors that cannot function with social distance. Migrant and refugee entrepreneurs predominantly operate informal businesses in wholesale and retail trade and food subsectors therefore highly exposed to the lockdown. The recommendations of the Policy Guide to effectively include migrants and refugees in local economies through regulatory reform, entrepreneurship training, improved access to technology and finance as well as higher awareness and networking is even more important today when the vulnerabilities of migrant and refugee entrepreneurs are aggravated due to global pandemic and the ensuing economic recession.

#### **Technical assistance**

The other pillar of UNCTAD's assistance to Member States focuses on developing entrepreneurial skills and building local productive capacities of MSMEs, through UNCTAD's Empretec and Business Linkages programmes.

Since its inception, the Empretec programme has been installed in more than 40 countries and has been assisting entrepreneurs by establishing self-sustained, local market-driven entrepreneurship development centres (Empretec national centres). In more than three decades of activity, almost 500,000 entrepreneurs have benefited from Empretec workshops and business development services available in the existing network of Empretec centres worldwide, improving their efficiency, and contribution to job creation in the host countries.

The Business Linkages programme seeks to upgrade the capacity of local suppliers and facilitate their integration into global and/or regional value chains through business links with large international or



domestic companies. The programme currently operates in nine developing countries and has created substantial and mutually beneficial results, both for small suppliers and large domestic or international enterprises. The programme is increasingly geared to contribute to the SDGs, leveraging the incentives and resources of the private sector to adopt environmental and labour standards and ensure the beneficial inclusion of the poorest segment of the population, especially in rural settings.

As evidenced by several years of implementation, UNCTAD's business linkages country programmes allow domestic MSMEs, including rural enterprises, to diversify and add value to their production, thereby participating more gainfully and effectively in international production systems. Country interventions provide support for small local suppliers, for instance, to meet the environmental, labour and production standards of transnational corporations or develop the entrepreneurial mind-set of poor rural entrepreneurs and marginalized urban producers.



UNCTAD also organized an Empretec Training Workshop in Ecuador under the auspices of a project entitled "Promoting Refugee and Migrant Entrepreneurship in East Africa, the Andean region and the Middle East" improving entrepreneurial skills of 34 entrepreneurs (15 men / 19 women) of which 26 were migrants in October 2019. The objective was to unleash the entrepreneurship potential of immigrants and to facilitate their integration with local communities leveraging the bonding nature of the Empretec methodology.

#### **The impact of COVID-19 pandemic on SMEs**

The advancing Contours of COVID-19 pandemic has caused a steep global economic pull back and a sharp adverse thrust on swaths of small businesses. Small businesses remain the backbone of the global workforce about 65% – 80%, with just about 15% operational during the pandemic. The overall impact could lead to a considerably sharper contraction in global production and financial crisis via these businesses, slowly

but negatively filtering into the SDGs. At the onset of the widespread Pandemic, many of the small businesses saw their activities close, customers dry up and employees stopped working.

The general impact of the pandemic is an estimate income loss of about \$5.52 trillion and global GDP contraction of about 3-4% as travels and hospitality activities are widely restricted. All the travel industry did was refunds. Plant closures were very common. Consequently, global trade, commerce, tourism, investment and supply chains all fell into disarray, between November 2019 and May 2020. Positive gender balances achieved in business sectors, especially in the utilities - trading, services and restaurants activities, where many women participate strongly, all grinded to a 100% halt. Small businesses in the Chemical, Food, ICT and Pharmaceutical industries on the other hand witnessed some growth but not nearly enough to offset the sharp drop of almost 90% in the industrial and utilities sectors. Those engaged in communication services, healthcare and related production of face masks, hand sanitizers, ventilators, pharmaceuticals, food retail, delivery, security services, teleworking and tele-education have managed to keep afloat and retain workers.

The destruction and disruption of the pandemic, in different countries and regions, varied in intensities though the patterns were identical across the globe. More than 50 million small businesses were compelled to close, in the US alone. In Africa, economic activities comprising more 90% of small businesses was up to 75% interrupted. In all, a well-measured cost-matrix of COVID-19: the layoffs, lingering fear-effect, dented business confidence, indebtedness and bankruptcies, loss of production and incomes, on these businesses is best assessed at the adjusted and comprehensive endpoints of the pandemic. Governments are encouraged to apply small business disruption-insurance to mitigate the impact. As a response, the Central Banks, Executives and legislatures used the power of the purse to mitigate the economic impact, leading to a global estimate of stimulus packages that

reached a total \$7.5 Trillion. About 18% of the packages, amounting to \$1.38 Trillion was allocated to small businesses around the world.

### **Etrade for women**

The eTrade for Women Network, which complements the work of the groundbreaking “eTrade for All” initiative, was launched during the fifth UNCTAD eCommerce Week in April 2019. UNCTAD is championing the eTrade for Women initiative to advance the empowerment of women through ICTs (SDG target 5.b) through the identification of seven successful female entrepreneurs operating in the digital economy field in seven developing countries regions ((China, Cote d’Ivoire, Indonesia, Iran, Mexico, North Macedonia and Rwanda). Harnessing the positive impact of digital technology, combined with the transformative power of female entrepreneurship could help accelerate wealth creation and poverty reduction in these regions. However, this potential is far from being fully exploited as women struggle to scale their businesses and get a seat at decision-making tables due to cultural gender biases, lack of representation as well as unequal access to funding, among others. Recent studies show that women are 12% less likely than men to access the internet across the globe and 33% less in LDCs and that in 2018, startups in the US with only female founders took a meagre 2.2% of the \$130 billion venture capital deployed. The proportion of venture capital going to women owned enterprises in developing countries is far worst. The goals of the eTrade for Women Network are:

- Building and nurturing a network of successful women leaders in e-commerce online
- Showcasing the experiences and achievements of women in the network
- Train, inspire and empower the next generation of female entrepreneurs and e-business leaders
- Make the voices of women leaders in e-commerce heard in policy processes at the local, regional and global levels

The seven selected female entrepreneurs

called “eTrade for Women Advocates” were announced on the margins of the 74th session of the UN General Assembly in New York.

These women support UNCTAD’s capacity building masterclasses in their respective countries. On 26-27 October 2019 the first class took place in Macedonia with 40 female entrepreneurs and provided a space for women to connect, share knowledge and inspire each other. The second master class, and the first in Africa, was organized in Cote d’Ivoire 26-28 February with 19 participants. It was the first of its kind to target women digital entrepreneurs in francophone Africa, a sub-region that could be home to 62.5% of the continent’s fastest growing economies by 2021, according to the World Bank.

### **Business facilitation**

UNCTAD estimates that administrative and procedural transaction costs, excluding customs-related costs, constitute between 3 and 6 per cent of the value of internationally traded goods. The UNCTAD Business Facilitation Programme offers a series of efficient tools of information and communications technology (ICT) and interactive methodologies to clarify and simplify procedures resulting in reduction of transaction costs and increased competitiveness.

Streamlining administrative practices is the main aspect experienced by users and includes three sequential components: eRegulations, eSimplifications and eRegistrations. The portal gives direct access to official business registration websites worldwide and assesses their user-friendliness. The tools are developed at the request of beneficiary Governments. The eRegulations system is an affordable, turnkey solution for Governments to clarify and publicize administrative procedures on the Internet, generally allowing Governments to decrease the number of steps and requirements by more than 50 per cent, without changing laws.

With rapid and measurable results, the Business Facilitation Programme concretely supports the move from an informal to





a more formal economy with increased transparency. It also empowers small entrepreneurs through the removal of unnecessary bureaucratic barriers to trade and investment. Started in 2005 the Programme has been implemented in over 40 countries with more than 70 user-centred open-source electronic government systems with direct impacts on SDGs 8 and 16 and indirectly on 1 and 17. A few recent examples: Iraq simplified the procedure for creating a company by over 60 per cent through the implementation of the eRegulations system. Previously, the procedure involved 35 physical steps and 47 documents. During the COVID19 crisis they have helped speed up custom clearance to ensure the flow of food, medicine and protective equipment.

#### Centers of excellences



UNCTAD's centers of excellence serve as network hubs for capacity-building in Africa and Asia. In 2019, UNCTAD created three new centers of excellence – with the European University Institute in Florence, Italy; the Ministry of Ocean Economy, Marine Resources, Fisheries and Shipping in Mauritius; and the Centre for the Study of the Economies of Africa in Nigeria – increasing them to five. The courses developed and provided at these centers fostered exchange of experiences, best practices and knowledge among policymakers and experts from several countries.

UNCTAD and Mauritius signed a memorandum of understanding in May 2019 to open a new center of excellence for the fisheries sector in developing countries. The center serves as a practical site for putting policy recommendations for least developed

countries (LDCs) into action, including building institutional, as well as regulatory capacities of developing countries. With the center, Mauritius's Ministry of Ocean Economy, Marine Resources, Fisheries and Shipping joins the Nha Trang University of Vietnam, home to the Asian Regional Center of Excellence for the Fisheries Sector, the Royal Tropical Institute of the Netherlands and the European University Institute in Florence, Italy as UNCTAD centers of excellence. The center brings together international experts, researchers and policymakers from least developed countries, and other African and Asian countries with strong experiences in developing their fisheries sectors to exchange best practices and insights. It also provides capacity-building and interactive and hands-on training courses, starting with [a regional training course on harnessing the potential of the fisheries and aquaculture sector for socioeconomic development in LDCs](#) that took place in May 2019. A [similar course](#) was held in Vietnam in November 2018.

LDCs are among the largest producers of fish in the world. Six of the top 16 producers of fish from inland waters are LDCs. For 14 out of the world's 47 LDCs, fish is one of their top five export products, but globally, the LDC share in total fish exports remains at just 2%. Despite the size and economic importance of fisheries in these countries, the sector remains mostly informal, dominated by small-scale and traditional fishing, with limited scope for food processing or the transformation of fish and seafood into higher-value-added products. Supporting these MSMES can help structural transformation of LDCs

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[1] United Nations General Assembly document A/RES/73/225 of 15 January 2019 titled "Resolution adopted by the General Assembly on 20 December 2018". UNCTAD, in cooperation with UN DESA, prepared a [report](#) to review the progress of the implementation of the General Assembly Resolution 71/221 "Entrepreneurship for Sustainable Development" since its adoption in December 2016. The report discusses best practices and initiatives taken to support entrepreneurship at national, regional and international levels, including on the identification, formulation, implementation and assessment of coherent policy measures on entrepreneurship and MSME promotion.

[2] As identified in [UNCTAD's Entrepreneurship Policy Framework - EPF](#), launched in 2012.

# 11. MSME policy responses to the COVID19 crisis

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## 1. Introduction

Micro, small and medium-sized enterprises (MSMEs) have been at the front line of the economic shock caused by the COVID-19 pandemic. They are overrepresented in sectors and activities most affected by the lockdown and social distancing measures, they are more vulnerable to drops in revenue and supply chain interruptions, and have fewer resources and internal capacity than larger firms to adopt new digital work practices to cope with the challenges. Surveys undertaken amidst the COVID-19 turmoil indicated that, across countries, over 50% of MSMEs feared being out of business in a few month time. Since March 2020, bankruptcies have piled up and start-up rates have collapsed in many countries.

Governments have responded rapidly and on an unprecedented scale to support MSMEs, in particular by addressing the liquidity shortage and the risk of massive bankruptcy (OECD, 2020<sup>[1]</sup>), but important challenges have emerged. First, given the cash urgency, speed in implementing support measures and reaching as many MSMEs as possible was deemed more important than ensuring support effectively targeted those that needed it most. Second, support measures provided a hibernation blanket for many MSMEs, thereby potentially putting “creative destruction” dynamics on hold. Third, the extensive use of debt finance and payment deferrals are expected to raise MSME indebtedness, with the risk of moving from a liquidity crisis to a solvency one. Fourth, within the immediate policy



response packages, there has been limited consideration for long term MSME resilience and structural transformation, such as through innovation, digital transition, and skills development. As the world economy enters the most severe recession in decades, it is essential to continue to help MSMEs weather the storm, but also think more structurally, and use the crisis measures as a way to build more resilient, innovative and agile small business sectors.

This paper illustrates the impact of the pandemic on MSMEs and the policy responses across countries. It then discusses the challenges ahead for MSME policy making and how the main dilemmas outlined above could be addressed in the next phase.

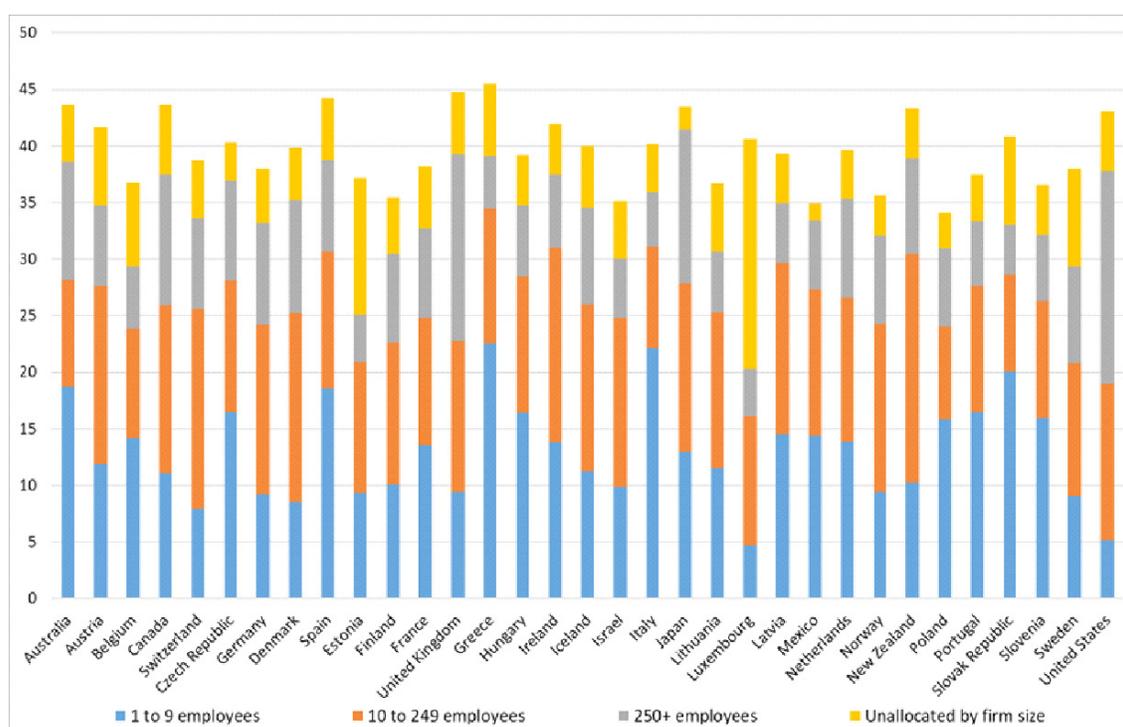
## 2. MSMEs are at the epicentre of the COVID-19 crisis

The COVID-19 pandemic has been affecting MSMEs via both supply and demand side factors. On the supply side, companies experienced labour shortages, due to health problems, movement restrictions and family care needs of workers. Lockdowns led to further and more severe drops in capacity, as supply chains got disrupted. On the demand side, many sectors requiring physical and social contact have experienced a dramatic and sudden brake on activities, affecting other businesses along supply chains.

### ***MSMEs are strongly represented in the most affected sectors***

MSMEs account for a large proportion of employment in the most affected sectors, including transport manufacturing, construction, wholesale and retail trade, air transport, accommodation and food services, real estate, professional services, and other personal services (Figure 1). Across OECD countries, in these sectors, MSMEs account for 75% of employment on average, and up to 90% in some countries (e.g. Greece, Italy), against about 50% in the business economy at large (OECD, 2020<sub>[2]</sub>).

**Figure 1. Smaller firms dominate in the sectors most affected by the COVID-19 crisis**  
Share of total employment in the most adversely affected sectors by firm size (%)



Source: OECD (2020) Strong, medium, vulnerable (OECD, 2020<sub>[2]</sub>)

### ***Many MSMEs lack the cash buffer to survive a prolonged lockdown***

MSMEs are more vulnerable to the sudden shortage of liquidities than large firms due to a lack of cash reserves. Research in the US that predates the pandemic suggests that 50% of small businesses are operating with

fewer than 15 days in buffer cash.<sup>1</sup> According to over 40 business surveys conducted worldwide over February-May 2020, more than half small businesses already suffered severe losses in revenues and one third of business owners feared to be out of business without further support within one month, and up to 50% within three months (OECD, 2020<sub>[1]</sub>).

***Few MSMEs have the digital profile to adapt to new conditions***

MSMEs lag behind in adopting digital technologies and work practices that can help mitigate the impact of lockdowns and social distancing measures. On average, MSMEs are half as likely as large firms to use e-commerce or cloud computing, and gaps in adoption and connection widen as technologies become more sophisticated (OECD, 2019<sub>[3]</sub>). The structural gap reflects the heightened challenges to adapt swiftly to the new conditions.

**3. The business climate for competition, entrepreneurship and innovation is deteriorating quickly.**

There are opportunities for innovation and entrepreneurial ventures under disrupted conditions, including a push towards digitalisation. Recent business surveys highlight a rapid uptake of teleworking and increases in online sales, although these may have mainly benefited firms that were already digitally enabled. In Canada, for instance, 30% of business owners with online operations have seen an increase in sales as compared to pre-COVID-19 levels.<sup>2</sup> In the US, over April-May 2020 the share of small businesses transitioning to teleworking increased from 12% to 20%.<sup>3</sup> Yet, for these opportunities to be seized, the right business conditions and incentives should be in place.

***Uncertainty is at its paroxysm, holding back investments and business decisions***

The COVID-19 outbreak has brought high uncertainty. It is unclear whether there will be resurging waves of contagions before a vaccine is found, or whether there will be radical shifts in people's preferences or business practices in reaction to the crisis. There is for instance a great uncertainty on the future of global value chains if firms and countries seek to gain independence in strategic areas. Reshoring may bring new opportunities to local SMEs, but trade tensions may also narrow the scope for them to access markets abroad and benefit from international knowledge spillovers, both key drivers of productivity.

Higher uncertainty reduces perspectives for investments and risk-taking, particularly for smaller businesses that struggle more in dealing with a difficult business environment and may be disproportionately affected by increased risk aversion in the financial sector.

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1 <https://institute.jpmorganchase.com/institute/research/small-business/small-business-cash-liquidity-in-25-metro-areas>

2 <http://cibc.mediaroom.com/2020-05-04-COVID-19-impact-felt-by-81-per-cent-of-Canadian-small-business-owners-CIBC-Poll>

3 <https://www.uschamber.com/report/small-business-coronavirus-impact-poll>

**Market conditions are tightening as business dynamics weaken, with rising risks of competition distortion.**

A lack of a clear horizon may also discourage future start-up and scale-up, whereas business creation and survival are already endangered. For instance, already by March 2020, new US business applications were down between 40% to 75% as compared to the previous year - a contraction even sharper than during the Great Recession (Petr Sedláček, 2020<sup>[4]</sup>). In the Netherlands, the number of start-ups dropped by 34% in April 2020 as compared to April 2019, in particular in business services and construction.<sup>4</sup>

Firm survival is also weakening. In Japan, bankruptcies increased by 15% in April 2020, as compared to the year before.<sup>5</sup> The American Bankruptcy Institute reported a 14% increase in Chapter 11 filings<sup>6</sup> in the first quarter of 2020 as compared to Q1 2019.<sup>7</sup>

The rising wave of business closures can alter competition, such as by giving greater market power to the survivors, which are also likely to be larger, and rising entry barriers. Concentration may also be favoured by mergers, including the acquisition of financially vulnerable firms. Other practices could be prejudicial to competition neutrality, such as excessive pricing at a time of unusual product shortages, or “crisis cartels” whereby competitors agree to reduce capacity in order to increase profitability and prevent market exit (OECD, 2020<sup>[5]</sup>).

#### 4. Policy responses

Governments globally have responded swiftly, and on an unprecedented scale, to support their small businesses, far beyond the scale of intervention in the aftermath of the 2008 financial crisis. Since early March 2020, the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) has mapped SME policy responses to the pandemic (OECD, 2020<sup>[1]</sup>). While the magnitude of policy intervention differs across countries, the scale and sequencing of the policy measures reflect the most urgent priorities:

- Addressing health risks, through information for MSMEs on how to adapt;
- Preserving employment and income levels, such as through working time shortening, temporary lay-offs and sick leave, wage and income support, some specifically focused on SMEs and the self-employed;
- Tackling severe liquidity shortages, by deferring payments of tax, social security, debt, rent and utility; providing grants and subsidies to bridge the drop in revenues; easing access to credit, through direct loans and loan guarantees; and shortening time of payment in public procurement;

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4 <https://www.kvk.nl/over-kvk/media-en-pers/nieuws-en-persberichten/april-34-minder-starters-13-minder-stoppers-en-36-meer-faillissementen/>

5 <https://english.kyodonews.net/news/2020/05/8361cbd2068e-coronavirus-linked-bankruptcies-rise-sharply-in-japan.html>; <https://www.nytimes.com/reuters/2020/05/13/world/asia/13reuters-health-coronavirus-japan-bankruptcy.html>

6 *This Chapter of the U.S. Bankruptcy Code provides for reorganization of a debtor’s business affairs, debts, and assets, enabling time for the company to stay afloat.*

7 <https://www.abi.org/newsroom/press-releases/commercial-chapter-11-bankruptcies-increase-14-percent-in-the-first-quarter>

- Preventing bankruptcies of viable businesses by adapting their insolvency regimes.
- Structural policies are being put in place in a few countries to help MSMEs adopt new working methods and digital technologies and to find new markets and sales channels to continue operations.

It is too early to assess the effectiveness of these policies, including on business survival. What is however likely is that without such policy responses, bankruptcies could have risen to unprecedented levels with massive destruction of jobs and viable businesses, and long lasting consequences on productive and innovation capacities.

### **5. What is next for MSME policies? Key challenges**

Economic prospects are increasingly gloomy. In June 2020, the OECD projected a 6% drop in global GDP, and a 7.6% fall in case of a second pandemic wave by end 2020, with a double digit decline in some of the most hit countries (OECD, 2020<sub>[6]</sub>). Against this backdrop, to help MSMEs now and pave the way for a sustainable recovery, governments must deal with at least four challenges.

#### ***Moving across the board from short-term liquidity support to targeted action for recovery***

Although there appears to be room for further fiscal expansion (OECD, 2020<sub>[6]</sub>), it seems difficult to maintain the breadth of current support in the long term without compromising the sustainability of public debt. It is crucial for governments to progressively adopt a more focussed strategy for recovery. Timing and pace is critical. Withdrawing support measures too early may provoke massive failure of firms and leave competition even weaker, but prolonged support could result in market distortions and reduce incentives to adapt and innovate.

Extraordinary policies are needed to walk the tightrope towards recovery and ensure societies and economies emerge more resilient from the crisis (OECD, 2020<sub>[6]</sub>). While safety nets that allow people and firms to adjust will continue to be important, policies should aim to strengthen the capacity of healthy MSMEs to rebound. Structural support measures, together with “smart conditionality” to link liquidity support to SME investment in structural improvements such as digitalisation and training, should be a core part of the strategy towards phasing out emergency measures and moving towards recovery.

#### ***Resuming business dynamism and levelling the playing field***

Governments should ensure that firm entry and exit gradually resume to support an inclusive recovery, i.e. without further penalising those that were the most affected by the crisis, such as youth, women and migrants. In setting their start-up policies, governments will need to address a dilemma, since the crisis may lead to a surge in ‘necessity entrepreneurship’. While in the short term this may contribute to limit unemployment, over the longer term there is a risk that new jobs will be created in low productive and low wage activities. On the other hand, the opportunity can be taken to use start-up policies to favour innovative and higher productivity start-ups.

There is an opportunity to improve insolvency regimes, by facilitating the closure of unproductive businesses and the restructuring of viable ones, and giving honest entrepreneurs a second chance. All this requires revised criteria to assess which SMEs should get support throughout the recovery phase, since traditional criteria based on balance sheet data or recent credit history may not work with such a large shock. Leveraging Fintech developments and





digital tools for more effective credit risk assessment could help overcome the limitations of traditional approaches.

Furthermore, competition authorities and policies will have a key role to play in guaranteeing competition neutrality and levelling the playing field in product markets in order to ensure an optimal reallocation of resources, well-functioning markets, and *in fine* lower prices for end consumers, a driving factor of demand recovery.

### ***Avoiding an MSME debt trap***

Since many of the instruments implemented by governments involve increased business debt, there are heightened risks of a solvency crisis in the future. Avoiding over-indebtedness is important to avoid the pre-mature closure of viable MSMEs, as well as limit systemic effects on the financial sector.

In this regard, it is important to consider conditions for debt restructuring or forgiveness, and leverage a variety of financing instruments to support MSME recovery. Over the last decade, MSMEs have turned increasingly to non-debt financing instruments, also facilitated by a stronger regulatory framework for financial innovation (OECD, 2020<sup>[7]</sup>). Governments have leveraged these tools to a very limited degree in their responses to the COVID-19 crisis, but more attention needs to be placed on strengthening MSMEs' capital structure, including through equity support and mezzanine-finance instruments.

### ***Towards structural policies in support of MSME recovery and resilience***



Governments should increasingly focus on more structural policies that lay the foundations for sustainable growth. This ranges from immediate measures to support teleworking and the use of online sales channels on a long term basis, to wider innovation, digitalisation, and training policies that could bolster MSME recovery and improve their resilience. Such policies should not only focus on frontrunners, but also help accelerate the transformation of the ample “missing middle” of traditional MSMEs that struggle to seize the full benefits of the digital transition.

Measures that respond to the emergency can accelerate ongoing transformations, such as digital uptake, but also steer small businesses towards more sustainable practices and models. While not all these small businesses will turn digital or green through the crisis, we can expect some learning and long lasting effects to scale up on.

## **6. Conclusion**

It is still too early to assess the effectiveness of the policies put in place. It is expected that over the next few months a large number of firms will go out of business, unemployment will rise, and inequalities will widen further. All this can undermine trust in governments and the capacity of societies to respond collectively to other pressing challenges such as climate change or ageing.



The way governments and businesses respond to these unprecedented challenges can have transformative effects. A more resilient MSME population will be crucial for inclusive recovery and growth. Many entrepreneurs and established MSMEs will need to adapt swiftly, introduce new technologies, improve organisational processes, upskill workforce, embrace new business models, and potentially move to new markets and rebuild networks and supply chain linkages. Through targeted support for innovation, digital and green transition, and skills development, fair competition policies, access to alternative financing instruments, inclusive start-up policies and easier exit and corporate restructuring, governments can help MSMEs emerge stronger from the COVID-19 storm.

# 12. Resilience, Digitalization, and CSR three pillars to develop a robust post-COVID MSMEs

Dr. Guillaume Bigot, Dean Ipag Business School  
and Dr. Rony Germon, Associate professor Ipag Business School



The world has just experienced a significant health crisis, which has an impact on each of us. Covid-19 is causing a global health emergency and an unprecedented global economic slowdown. All aspects of our economy are impacted: Trade, investment, growth, and employment are damaged. This crisis will affect the achievement of the UN Sustainable Development Goals as well as the everyday life of almost every human being on earth.

COVID-19 impacts different types of the business sector and company size. Retail, Hospitality, Restaurant, and personal services are, by far, the most affected. During this global crisis, the MSMEs are the first victim. The smaller the company, the harder the hit, with companies with fewer than 20 employees most affected.

One may say that the very optimistic and picturesque description of a new economy AC (after corona) is far from the truth. If there is such a thing like a day after the economy it should look like the day before the economy but in the worst. Why? Because the global companies are strong enough to withstand the shocks. The very controversial Gafas will even get out of the pandemic stronger than they entered the health crisis.

On the other hand, because a small business with fewer than 20 employees typically lacks cash flow and capital. Those companies were the first to reduce hours for employees or lay off employees. Those businesses were also the first to stop hiring subcontractors. In France, all economic experts assess a loss of 60 billion euros per month of confinement, an 18% drop in household consumption.

“This crisis is out of all proportion from everything we have known,” said a study by OFCE, Sciences-Po’s economics research center. The shock caused by the coronavirus epidemic would cost France around 8 points of GDP over the year. The containment over ten weeks in France to fight the outbreak will result in 120 billions euros lost for the activity, according to a study published by the OFCE. Households could lose 11 billion euros of disposable income.

Furthermore, because of an increase of endebtmnts, the dependency of the MSMEs towards the financial sector has been severely increased by the crisis.

I wish to highlight three points that I believe are important to allow MSMEs to go through this global crisis and be more durable for the future.

#### **First, Develop resilience**

We have a link between the country’s economic rebound capacity and the financial health of small and medium-sized enterprises. COVID-19 questions businesses on their resilience capacities. In a post-COVID-19 context, it is essential to build a policy that can build resilient infrastructure which promotes inclusive and sustainable industrialization and fosters innovation.

The key to companies’ long-term survival and prosperity lies in their resilience, this ability to absorb a shock and then rebound. MSMEs will have to find new ways to operate.

McKinsey’s research on the 2008 financial crisis revealed that a small group of companies from each sector had outperformed their peers. Like the others, their earnings had dropped compared to the industry average, but they had recovered much faster than their competitors. In 2009, the profits of these resilient companies increased by 10%, while the non-resilient companies decreased by almost 15%. The characteristics of those who came out of it? More substantial balance sheets before the

crisis and efficiency in reducing operating costs, in particular.

Companies will have to rethink their business model and the functioning of their supply chains, while they find themselves in a vulnerable position because they cannot have the parts they need. Decisions made during the crisis may well lead to an explosion of innovation and productivity to more resilient industries.

But there is no such thing as resilience within the EU as it is today for MSMEs. In China, in the US and in the vast majority of economies, the strategic sectors are not only massively financed by the public sector and protected until the strategic products are ready to cope with global competition but the MSMEs are not exposed to global competition of foreign firms unless this exposition is compatible with the national interest. Maintaining a market like EU wide open to global competition is obviously a very good deal for the multinational domestic firms but this kind of trade exposition can deprive small competitors (today’s MSMEs will never become tomorrow’s multinational unless there are protected) to grow and expose EU or European nations to dangerous strategic dependency of food, health supply and military products.

#### **Second, raise new venture that includes digital at the genesis of their business model**

Radical transformations have always been brought about by crises, is the moment which helps new trend to emerge. The MSMEs have to take advantage of this situation to reshape their future. It is a safe bet that health should become a vital sector in the months or even years to come. Equipment, for example, for hospitals, should be significantly increased, and new working methods should emerge. It is expected that many companies will, for instance, seek solutions to more efficient telework to alleviate any new crises that may

again paralyze them. Other trends should appear, and we hope among them, solidarity between companies or an increased interest in environmental or societal causes. Crises are a significant opportunity to bring about change, and it generates new needs. Remote hardware and software should soon see an upturn already because many people have had to get started and then because the deficiencies will have to be filled.

The Covid-19 pandemic has increased digital projects and more widely accelerated the digital transformation of organizations. The impact of Covid-19 will be long-lasting, including better acceptance by remote work organizations. Organizations will take more agile approaches from recruiting and integrating employees into internal communication and team collaboration. Companies, which have learned to operate remotely, thus establish practices which could then make it possible to progress in the employment of people with disabilities and atypical profiles.

Their customers, professional or general public, will continue to consume online, to access content and services remotely. Organizations need to focus on digital activities and longer-term resilience. It is now up to businesses to learn from these past three months and to identify opportunities, including going further in terms of innovation.

The digitalization of the economy has enabled the development of a multitude of new services and uses. Entrepreneurship is one of the activities that have fully benefited from this new deal. FinTech, LegalTech, ComptaTech, AssurTech ... today offer a range of digital tools to cover the chain of entrepreneurial needs: from creation to management. However, in a period of isolation, this technological approach makes perfect sense since face-to-face coaching becomes more complicated.

With each of the three crises of the past 30 years, the pace of automation has passed

a plateau, according to the American think tank Brookings Institution. At the end of 2017, the McKinsey Global Institute estimated that 60% of jobs could see more than 30% of their critical tasks automated. A global tribute to the employment of 400 to 800 million jobs by 2030, he estimated. "It becomes possible to imagine a business world - from the factory to individual consumer - in which human contact is minimized," explain the authors, adding "but not eliminated."

Within the framework of Covid-19, companies were able to benefit from emergency aid released by the State: deferral of contributions and social security contributions, deferral of rent, exceptional bonus, partial unemployment, etc.

### **Third, include corporate social responsibility at the heart of their strategy.**

CSR: a sustainable performance lever for post-COVID-19. In a world deeply bruised and changed by the pandemic, it will then be necessary to identify the required conditions to function optimally, without falling back into the errors and mistakes of the more or less recent past.

CSR entails the establishment of specific processes and accounting, financial, tax, human resources, but also marketing, commercial techniques... and involves, among other things, choosing suppliers, subcontractors, and partners ethically too.

To do this, companies will have to question their relationships with their stakeholders.

To think about the next world, they will have to take better account of the societal dynamics of our economic model, as well as integrate the environmental, social, and governance dimensions in their management.

When fully integrated into the company's overall strategy, CSR is a tool to make its operations more agile and improve its performance.

At the same time, the pandemic has



revealed that rapid adaptation of production systems, as well as support and assistance systems, are possible.

Corporate social and environmental responsibility should no longer be confined to reporting and only to compliance exercises. Confronted with the current dramatic facts, it has demonstrated its profound relevance: by putting at the center of its action the societal utility of companies and organizations, by promoting a forward-looking approach, by supporting local models of the circular economy.

### **Concluding remarks**

The 19-COVID is an accelerator for the digitalization of MSMEs. In France, on average teleworking, is concerned with 5-10% of the workforce before the pandemic. After two months at 100%, we will probably fall back to around a third, the level that some consultants considered optimal in services, but which reluctance prevented them from reaching. The investment made by TP-PME in production and collaboration software will have the immediate effect of accelerating their digital transformation, with very profound consequences. It will also increase as we mentioned the dependence of the whole economy to a relatively small amount of US firms (the gaffas) placed in an oligopolistic situation. The reflection on a digital Sherman act inside the US or on a global tax on digital services must be put on the table.

First, we will unlock hidden productivity gains by reducing turnover and opening the way to e-commerce, robotization, and Industry 4.0.

At the same time, the generalization of telework should lead to a real challenge to the hierarchy and middle management. Why get a steering committee or board of directors physically every month once they get into the habit of a shorter meeting each week? It may even be necessary to rethink the methods of remuneration. Rather than being based on time spent at work, the principle of “shift work” at the heart of the labor code, we can pay by the result, piece by piece. At the same time, it is fairer, because we spend the most efficient people better and less equal. Not to mention that there will be less need for offices, which will have an impact on the structure of cities and real estate prices.

# 13. Rising to the Challenge: Entrepreneurship Ecosystems and SDG Success

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In considering the United Nations Sustainable Development Goals (SDGs) and the National Academy of Engineering's (NAE) Grand Challenges there are no shortages of big challenges to solve. Additionally, MSMEs are also presently operating within the context of a global health pandemic which has taken nearly 400,000 lives, a number which continues to increase daily and is projected to do so for some time. While for a select few SMEs the pandemic has created opportunity, most have been negatively impacted and continue to operate under especially high levels of uncertainty (cf., Kraus et al., 2020). Arguably, the next five years will be among the most telling in the history of SMEs, years which at least in the U.S. are analogous to the five years following the 2007-2008 global financial crisis. How business is done will continue to change and evolve, something we are already seeing begin to happen with ecommerce sales surging (Taylor, 2020; Davis, 2020), higher education drastically pivoting their content delivery model (Liguori and Winkler, 2020), governments fearing the negative impacts of lost tax revenue (Jeffrey, 2020), and SMEs fearing their ability to survive in what is being called 'the new normal' (Endale, 2020). Again, there are no shortages of problems or challenges to consider, but there are also reasons to be optimistic.



Ten years ago Rwandan President Kagame (2010) said, “*entrepreneurship is the most sure way of development.*” This view represents the confidence many world leaders, policy makers, and researchers have in entrepreneurship as a strategy for addressing the United Nations SDGs and the NAE Grand Challenges. Moreover, the academic literature supports President Kagame’s statement: entrepreneurial activity can help reduce unemployment (Robson et al., 2009), enhance quality of life (Zahra et al., 2008), empower people out of poverty (Santos et al., 2019), lower dependency on natural resources (Sine and Lee, 2009), and increase GDP (Cumming et



al., 2014). Moreover, we know communities, SMEs, and individuals are both familiar with operating under conditions of uncertainty and capable of rebounding and/or pivoting to find opportunities following disasters (Gur et al., 2020).



Building and cultivating vibrant entrepreneurship ecosystems has become an assumed goal of most government bodies, at all levels of government, and in most all geographies. Isenberg (2010) offers six specific domains of an entrepreneurship ecosystem: policy, finance, culture, support, human capital, and markets. Policy refers both to extent to which there is legal infrastructure governing behavior (e.g., intellectual property protections) and whether that infrastructure is favorable to entrepreneurial activity (e.g., legal precedents favoring venturing, reasonableness of taxes, tariffs, and zoning rules). Finance revolves primarily around availability of capital (venture capital, bank lending, angel investor activity, government loan initiatives, etc.). Culture relates to things such as how society views failure, if society considers entrepreneurship a noble career path, and if entrepreneurial activity is valued (cf., Audretsch, 2007; Hechavarria and Ingram, 2018; Liguori et al., 2019). Prior research by the Organisation for Economic Co-operation and Development (OECD) shows culture is a critical success factor for entrepreneurial ecosystems (Boutillier et al., 2016).

Support captures elements such as ease of transportation, availability of high-capacity internet connections, access to subject-matter experts (e.g., lawyers and accountants), and the prevalence of entrepreneurial support organizations (Small Business Development Centers, community makerspaces, etc.). Human capital is also a critical element of a vibrant

entrepreneurship ecosystem (Bendickson et al., 2017) and primarily relates to access to talent. Perhaps in some more developed nations this is becoming less of a challenge as virtual work is more prevalent and technology-enabled communications platforms are more prevalent, but access to human capital remains critical almost everywhere and the lack thereof is a known limiting factor for many SMEs in emerging markets (NewsGhana, 2016). Last, markets include availability of dispersed networks, early adopters, distribution systems, etc. Entrepreneurs in South Korea, for example, have long relied on their network connections in the U.S. and Europe to help both in product development and resource acquisition (Kitching et al., 2009).

Each domain can meaningfully impact if or how entrepreneurs choose to engage in entrepreneurial actions. That noted, the domains are all interconnected and, in many ways, interdependent, and so focusing on excelling in only one given domain at the expense of the others is likely more of a strategy for failure than success. Thus, it is important to conceptually think about an entrepreneurship ecosystem as a living organism and in its totality. While some developing nations have struggled to cultivate strong entrepreneurship ecosystems, several have been quite successful, including Rwanda and the Philippines (World Bank, 2013). In Rwanda for example, since they have begun focusing on stimulating entrepreneurship, their per capita GDP has more than quadrupled and they now score a 93.2/100 for ease of starting a business, 95/100 for access to credit, and 93.7/100 for ease of registering property. This puts Rwanda 35<sup>th</sup> out of the 190 economies assessed in Doing Business (2020), a barometer developed by The World Bank.

Taiwan is another example of the positive impact that favorable entrepreneurship

ecosystems can have on local economies. Isenberg (2010) shares the story of how government leaders curbed Taiwan’s brain drain challenge, noting that in the 1960’s the majority of engineers would leave Taiwan for the U.S. and not return. To try and retain and reclaim their lost top talent, Taiwanese leaders focused on building infrastructure to support technologists and then recruiting top talent with the promise of resources and opportunity; essentially facilitating a boomerang effect to counteract brain drain. Today Taiwan has a blossoming information technology components industry and attracts some of the best engineers.

To cultivate successful entrepreneurship ecosystems, we posit five best practices: (1) collect, use, and leverage data, (2) harness the power of entrepreneurship education (3) facilitate coordination and collaboration among entrepreneurship support organizations (ESOs), (4) focus on long-term goals, and (5) incorporate tenants of effective altruism into decision making.

*#1. Collect, Use, and Leverage Data.* Entrepreneurship ecosystems are often assessed in one of two ways: (1) by popular

press outlets seeking headlines who employ poor sampling methodology and arbitrary measures, or (2) in pure economic terms. Yet, neither of these approaches yield robust or rigorous results. A better approach is to use validated perceptual measures balanced against economic indicators. Measures like those employed in Doing Business manage this balance at the national level, but there has been a significant lack of robustness with what is commonly used at the regional and local levels. To help address this disconnect Liguori et al. (2019) put forward a robust, validated perceptual measure structured around the six domains mentioned earlier. Table 1 provides a full listing of the measure. Respondents are asked to score each item on a 1-5 Likert scale with 1 = strongly disagree and 5 = strongly agree. Using a measure such as this enables policy makers and researchers alike to understand how individual domains of a given entrepreneurship ecosystem are perceived by entrepreneurs and the community at large. This added understanding allows targeted interventions to be deployed to address deficiencies or exploit strengths, resulting in better and more favorable outcomes.

Table 1: A Multi-dimensional Measure for Assessing Entrepreneurial Ecosystems

<b><i>FinanceW</i></b>
There are local individual investors in my community who are willing to financially support entrepreneurial venturing.
Bankers in my community work hard to help entrepreneurs obtain financing.
Financing for entrepreneurship is available in my local community.
Information on what funding programs are available for entrepreneurs is easily accessible.
My community has a sufficient number of banks who are willing to lend to entrepreneurs.



  
**Supports**

My community has the infrastructure necessary to start and run most businesses (e.g., telecommunication, transportation, energy).

My community has many entrepreneur-friendly organizations such as Rotary Clubs or Chambers of Commerce.

Professional services (e.g., lawyers and accountants) for entrepreneurs are readily available in my community.

I believe the resources in my community are well designed to support business growth.

Local organizations, such as incubators and Small Business Development Centers, are active in supporting local entrepreneurs

**Culture**

The social values and culture of the community emphasize creativity and innovativeness.

The social values and culture of the community encourage entrepreneurial risk-taking.

The social values and culture of the community emphasize self-sufficiency, autonomy, and personal initiative.

  
**Human Capital**

Local educational institutions offer specialized courses in entrepreneurship.

There are entrepreneurial training programs, such as entrepreneurship bootcamps, available in my local community.

There are ample local institutions of higher education (universities, community colleges, trade schools) within my community.

**Markets**

The diversity in my community provides a great test market for many other locations.

My community networks could help me distribute new products across a variety of new markets.

My community's multinational diversity helps keep me connected to the global economy.

**Policy**

The local government actively seeks to create and promote entrepreneurship-friendly legislation.

The local government has programs in place to help new entrepreneurs, such as seed funding programs or entrepreneurship training programs.

Local community leaders regularly advocate for entrepreneurs.

*#2. Harness the Power of Entrepreneurship Education.* No generation prior has ever experienced the power and impact of entrepreneurship and engineering education as this generation is poised to. Globally the reach and scale of engineering and entrepreneurship education has snowballed, with both fields experiencing drastic growth (Morris and Liguori, 2016; Yoder, 2016). Similarly, the quality of engineering and entrepreneurship education has improved drastically in the past decade. The result is the year 2020 boasting more and better educated engineers, and more and better educated entrepreneurs, than any other time in history, offering and training unprecedentedly high levels of human capital.

*#3. Facilitate Coordination and Collaboration Among ESOs.* Developed and developing nations alike are familiar with the impact that ESOs have on their economic success. This said, too often by necessity ESOs are margin rather than mission focused resulting in them competing for resources rather than coordinating efforts and collaborating. In the U.S. individual cities might have as many as 50 or 80 ESOs serving their markets, so coordination and collaboration are a key determinant of community level success. White and colleagues (2016) talk about the risk of impediments and loss of momentum that can result from a non-unified effort. Similarly, Hoover (2020) addresses the added benefits that can be achieved when ESOs work in cooperation rather than competition, highlighting the impact coordination and collaboration are beginning to have.

*#4. Focus on Long-Term Goals.* Feld (2012) discusses the role of time and the need for actors looking to drive ecosystem development efforts to adopt long-term time horizons. In considering the six aforementioned domains, many of those

will not quickly pivot; it takes time to build infrastructure, indoctrinate culture, develop human capital, and build markets. Grit, or passion and perseverance for long-term goals (Duckworth, 2016), needs to be cultivated in policy makers. While there may be some benefits to small wins along the way, focusing on those often comes at the expense of a more robust long-term strategy. A better approach is to plan and adopt a long-term strategy, and let the short-term successes happen organically along the journey.

*#5. Incorporate Tenants of Effective Altruism into Decision Making.* Effective altruism is starting to gain more mainstream attention, in part because it is likely one of the most pragmatic approaches to getting us 80% of the way to addressing many of the United Nations SDGs. Effective altruism can be defined simplistically as doing the most good for the most people (MacAskill, 2015), and in essence provides a framework for decision making that enables policy makers to understand the net impact that different initiatives and interventions can have. Effective altruism need not be applied in the purest sense; rather, it serves as a good starting framework for comparing programs and initiatives in terms of impact and scalability.

## **Conclusion**

Value creation is the essence of entrepreneurship and the SDGs and Grand Challenges are nothing more than opportunity statements in search of value creators. Thus, by developing the entrepreneurship ecosystems of cities, regions, and countries around the world we are amplifying the power of entrepreneurship as a mechanism for development.



# 14. Blockchain for SME Finance

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## Abstract

For many countries around the world, small and medium enterprises (SMEs) are the backbones of their economy, more than half of the overall world population is working for SMEs. Historically, research studies on SME lending had emphasised that SMEs are less transparent and have information advantage in comparison to external lenders as many businesses are owner-managed and privately owned. Distributed Ledger Technology (DLT), also known as Blockchain, opens new opportunities to SMEs as it could be used as a network system for assessing the creditworthiness of SMEs. Hence, Blockchain could potentially bridge the information/data gap between lenders and SMEs. For over 2.3 million of SMEs in Australia, this could mean receiving access to finance within minutes.

## Introduction

Based on the original work of Jensen and Meckling (1976), one of the assumptions of Agency Theory is that insider management generally possesses better information than credit providers. Agency problems in the form of information asymmetry, moral hazard and adverse selection are likely to arise in contractual agreements between smaller enterprises and external providers of capital (Chittenden, Hall, & Hutchinson, 1996) and have been on the agenda for decades (Abor & Biekpe, 2007; Lopez-Gracia & Sogorb-Mira, 2008; Myers & Majluf, 1984). Diamond (1984) introduced the Financial

Intermediation Theory, which was based on minimising cost for monitoring information between borrowers and lenders. An intermediary (financial institution) is delegated the task of costly monitoring of the loan contracts between borrowing firms and financial institutions. Financial Intermediation Theory also demonstrated that asymmetric information played a vital role in debt contract negotiations between the bank and the firm (Hernandez-Canovas & Martinez-Solano, 2010).

Access to external finance is influenced by variables in both the enterprise's internal and external environment (Cassar & Holmes, 2003; Tucker, 2006). Various aspects influence credit terms and conditions extended by banks to SMEs. Some aspects relate to the business characteristics, and other aspects are related to the bank, and still, others have their foundation in government policy (OECD, 2006; Reserve Bank of Australia, 2012). External economic conditions are not directly under SMEs' owner-managers' control. However, SMEs' internal characteristics can be directly managed. As a result, it is possible to see which business characteristics do affect access to external debt finance. According to Kotey (1999, p. 15), "there is a little research on the relationship between debt finance and factors internal to the firm". Previous research studies over the years have emphasised the importance of analysing enterprise characteristics and their impact on access to external financing (Degryse,

Goeij, & Kappert, 2012; Fatoki & Asah, 2011; Okura, 2008; Slavec & Prodan, 2009).

The initial mention of Blockchain can be traced back to 1991 by Stuart Haber and W. Scott Stornetta, but the widespread Blockchain adoption was linked to Bitcoin by Satoshi Nakamoto (Nakamoto, 2008; William Cong & He, 2018). Blockchain can be defined as “a chain of blocks, each containing a unique set of transactions that each contain a cryptographic fingerprint called a hash” (Berryhill, Bourgerly, & Hanson, 2018, p. 15). The introduction of the blockchain data management system can potentially lead to the introduction of a single digital record for a variety of purposes, such as customs clearance, creation of smart contracts, peer-to-peer lending outside the banking system, reduction in the level of paperwork, removal of high fees associated with getting access to data and advice (e.g. excessive brokerage and bank fees), online identity verification for 100% online businesses (Berryhill et al., 2018; CSIRO, 2019; William Cong & He, 2018). For SMEs, it could mean being in charge of their proprietary data, which comes from verified sources and could be supplied to external lenders to maximise their chances and speed of accessing debt financing. At the time of writing this paper, COVID-19 is rapidly developing across the world, which has already emphasised the necessity of having reliable digital solutions for conducting business operations.

### **Blockchain as a solution to information asymmetry**

Smaller enterprises find it more costly to resolve information asymmetry with lenders and financiers in comparison to larger enterprises (Cassar & Holmes, 2003). As a consequence, smaller enterprises are either offered less capital or have to pay significantly higher costs in comparison to larger enterprises, which discourages the use of outside financing. Over the years in the traditional banking sector, SMEs have

been receiving easier access to external funding at a lower cost by forming a long-term relationship with financial institutions (Gambini & Zazzaro, 2013). This would allow financing institutions to collect proprietary information about borrowers.

It is well established in the academic literature that SMEs are less transparent, as many of them are privately held and owner-managed and thus, experience constraints with receiving external financing (Bruns & Fletcher, 2008). This was supported by Fatoki and Asah (2011, p. 171) as “information obtained from financial statements acts as an indicator of a borrower’s prospects and ability to service a loan”. It was also acknowledged by Demirguc-Kunt, Love and Maksimovic (2006) that the limited liability status of a business could avoid adverse selection problems and improve its access to external debt finance. In Australia, incorporated firms are legally required to prepare annual financial statements, whereas sole proprietorships and partnerships usually are not (Shailer, 1999). As such, Storey (1994) noted that incorporated SMEs were associated with a higher probability of securing a bank loan than unincorporated ones. According to the latest report published by the Australian Small Business and Family Enterprise Ombudsman (2019, pp. 42-43), “the greatest barrier to innovation faced by micro and small business is access to funds (23.3%)” as the small business lending by banks decreased in 2019.

Data gaps/shortage in the Australian regime have prevented fintechs/alternative lenders to further increase share in the small business lending market (Earnst & Young, 2018). Fintechs are now given new opportunities in Australia’s regulatory environment with the open banking regime, also known as consumer data right (CDR) - this was announced by the Australian Competition and Consumer Commission (2019). This means customers (e.g. SME

owner-managers) will have control over sharing their information/data and also provide consent to use their data for specific purposes (e.g. various types of loan applications). Initially, customers were given control over data that related to their credit and debit cards, transaction and deposit accounts. The mortgage data is available from 1 February 2020. Personal loans, business loans, consumer loans and overdrafts will be available by 1 July 2020. The time frames, as mentioned earlier, apply to major banks only, and all non-major banks will require a participation a year after.

Forbes has recently published their second annual “Blockchain 50<sup>[1]</sup>” report by Del Castillo and Schifrin (2020) which summarises businesses adopting the Blockchain technology to streamline business operations, improve transparency and reduce operating costs. Most of the blockchain-related projects listed in the Blockchain50 report concentrate on tracking, sharing, updating, and verifying data. It is evident that online e-commerce platforms (e.g. Ant Financial and Amazon) are tapping into the vast SME sector by offering quick loans based on their proprietary blockchain data to assess the accounts receivables and accounts payable histories. Blockchain is being adopted quite rapidly around the world by large enterprises with the majority of them (30 out of 50) located in the United

States. However, there is only one Australian proprietary project named “Concord” with the plan to replace the Australian Securities Exchange (ASX) 25-year old system.

It is essential to emphasise the Australian government’s role in participating in Big Data and Blockchain projects that could reduce information opaqueness associated with SMEs and contribute to the faster, easier access to finance for this crucial sector. According to the recent report published by the OECD (2018), the application and usage of Blockchains are rapidly developing in the public sector. Creation of a single digital record for SMEs could track each SME’s digital footprints and overcome information opaqueness in the lending process.

A previous research study by Wang, Lin and Luo (2019) has proposed the adoption of blockchain’ embedded credit model’ in the credit system, which could keep track of debt repayments and debt defaults. However, limited information was provided on other types of data required by creditors and most importantly, government policies on privacy rights and information sharing and security of the blockchain network.

According to the latest report published by CSIRO (2019), the Australian government has been involved since 2016 in high profile blockchain projects which are presented in the table below.

**Table 1: High profile use cases of Blockchain in Australia<sup>[2]</sup>**

Date	Partners	Purpose
Since 2016	Australian Securities Exchange in collaboration with Digital Assets are working to replace Clearing House Electronic Subregister System.	This Blockchain solution would establish a solid foundation for clearing provisions, enabling settlement and other post-trade services.

January 2017	Commonwealth Bank of Australia (CBA)	Supplied a crypto-bond for the Queensland Treasury Corporation (QTC)- a world's first.
July 2018	Australian government signs a 1 billion 5-year agreement with IBM	Cross-brand solutions Cloud capabilities and hardware Government's plan for digital transformation
August 2018	Herbert Smith Freehills, Data61, IBM and King & Wood Mallesons launched the Australian National Blockchain – a technology platform	A blockchain platform that securely manages legal agreements by having digital contracts, exchanging data and authenticating/confirming legal contract status. This is a publicly accessible blockchain solution aimed at enhancing the legal compliance process.
August 2018	The World Bank chooses CBA to arrange Blockchain-based "bond-i" through collaboration with the Treasury Corporation of Victoria, QBE and Northern Trust.	The crypto-bond Blockchain will be run simultaneously in Sydney and Washington so that bonds can be created, allocated, transferred and managed.
March 2018	The Royal Melbourne Institute of Technology launched Australia's first short university course on blockchain strategy	The program is designed to help students to understand blockchain technology and its potential impact on society, application across industries, value propositions, and strategic frameworks for blockchain applications.
October 2018	CBA and CSIRO's Data61 announced the development of a world-first application trial for smart money	Smart money would be programmable, personalised, and integrated with Australia's New Payments Platform. The app prototype has been trialled through the National Disability Insurance Scheme.
2018-2019	Liberal National Government has reallocated \$700 000 for investigating benefits of the Blockchain-augmented government services by Digital Transformation Agency	Research into Blockchain's current maturity. Government readiness for adoption Aim at identifying problems the technology could solve. Determining how Blockchain could support government services.

However, none of these projects emphasises, specifically the SME sector and most importantly, the finance and credit needs of SMEs. The OECD report (2018, p. 28) published the statement from the UK Government Office for Science:

*One of the greatest potential benefits of DLT is its ability to remove barriers and friction in the market and enable the creation of new information marketplaces...This would allow ministers to achieve policy outcomes centred on assisting [small and medium-sized enterprises] achieve economic growth through the effective use of technological innovation.*

A proposed Blockchain network for SMEs is simply a blank canvas to which records/information can be added. The model will follow a hybrid approach, "...where both Blockchain technology and a data storage solution are both pursued, which provide the ability to link Blockchain transactions with data held off the chain and stored elsewhere." (Berryhill et al., 2018, p. 30). The creation of SME Blockchain Network will require the Australian government to review all current policies and make decisions on strategies for building Blockchain network and analysing all the Blockchain protocols/algorithms, security, privacy rights and final applications in the SME sector.

Refer to the model presented below where each block named as Business Digital Footprint Account will have a set of validated and immutable records/transactions which appear in chronological order and cannot be tampered with, the details/information can be easily accessible by the participants in the Blockchain network.

### Figure 1: SME Blockchain Network

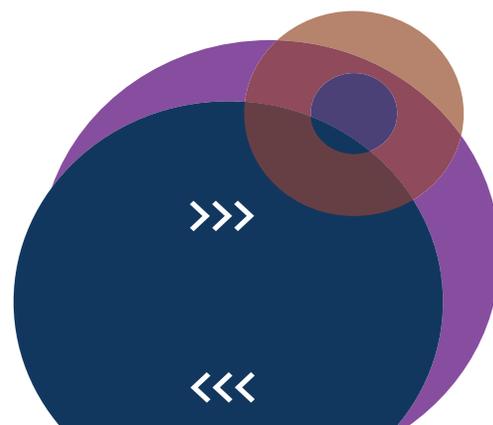
All the blocks (Business Digital Footprint Accounts) are linked in linear and sequential order and hence, resemble the chain concept. For over 2.3 million of SMEs in Australia, this could mean receiving access to finance within minutes.

### Conclusions and Directions for Further Research

A recommendation for the Australian government to further explore the possibility of creating decentralised permissioned Blockchain Network System for SMEs in partnership with significant participants (e.g. financial institutions, taxation office, land and real estate registries, credit bureaus, alternative lenders among others) with the data/information used for assessing SMEs' creditworthiness. Creation of the SME Blockchain Network allows for the appropriate records to be stored in each SMEs Business Digital Footprint (BDF) Account, which is verified by algorithms on the Blockchain Network. Future research directions should concentrate on creating new SME credit models in light of having SME Blockchain Network with vast information processing capabilities. From the public sector's side, a re-examination of privacy and information sharing policies on the SME Blockchain Network is required. Also, analysis of the architecture and Blockchain building costs and technical requirements have to be assessed.

<sup>[1]</sup> Enterprises generating no less than \$USD 1 billion in annual revenue or have a value at or over \$USD 1 billion

<sup>[2]</sup> Blockchain 2030: A Look at the Future of Blockchain in Australia, p.63



# 15. From entrepreneur's serendipity to accidental sagacity: How to transform an unforeseeable crisis into strategic regeneration

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## 1. Introduction

*Serendipity* is defined as making a discovery by accident while being initially looking for something else. This noun was first coined in 1754 by British author Horace Walpole after his reading of *The Three Princes of Serendip*. This Persian fairy tale recounts the important findings of three princes due both to chance (clues apparently unrelated to their mission) and to their sagacity (finding of a paramount reality) that all lead to unsought rewards such as realms, wealth, gifts, etc.

While the concept of serendipity has initially been introduced to account for major scientific advances associated with forms of "lucky chance", (Bourcier & van Anel, 2011), it can apply beyond the scientific arena in order to understand how some original developments have emerged from unexpected events. This approach is insightful in as much as it takes into account the idea of chance while integrating it into an innovation-gear and action logic based on the concepts of accidental sagacity and intuitive flash. The present article hence aims at offering a perspective on the concept of serendipity in relation with

entrepreneurship (Drew, 2009), whereby discovery is not solely the outcome of the encountering of chance and genius, but rather a transformation process based on the encountering of a change of paradigm (the accident) and the inner individual characteristics of the entrepreneur (Gaglio and Katz, 2001). Eventually, various paths for thought are suggested, with the purpose of redefining some entrepreneurial attitudes grounded on the concept of entrepreneurial serendipity, which may ease the solving process of strategic issues when facing hardly predictable, major, sudden crises such as that of Covid 19.

## 2. Theoretical background

### 2.1 The role of serendipity in scientific discovery

In their book entitled *De la sérendipité dans la science, la technique, l'art et le droit. Leçons de l'inattendu*, Danièle Bourcier et Pek van Anel (2013) describe serendipity as a combination of both chance and perspicacity, in so far as chance only occurs to those who already have some ability to perceive and seize it. Authors also emphasize



the positive aspects of uncertainty and the impossibility to predict everything. The notion of serendipity hence combines chance, that is, the circumstances, with a bright and astute spirit. It relies on the ability to exhibit an “intuitive flash” based on a new, unexpected event, and that is rooted in the empirical setting in which it occurs.

The concept of serendipity aims at accounting for both unexpected, counter to forecast and essential historical discoveries, for instance those with major social significance that can put into question the dominant tenet of the era as far as knowledge is concerned. One example that can illustrate the concept of serendipity is that of the nuclear fission by Otto Hahn and Fritz Strassmann (Roberts, 1989). The discovery of unsought outcomes can be in contradiction to current knowledge. However, far from acting as a brake to knowledge development, these unexpected discoveries can raise researchers’ curiosity. They foster them to use their imagination by seeking significance in what they observe aside from already tested models. This can in turn lead researchers to generate new hypotheses, build new theories or widen existing ones’ scope. Serendipity was first associated with pure science as it was at the very centre of numerous, as important as disparate inventions such as radioactivity, penicillin or Velcro, among others. Yet non-scientific examples are numerous. One can cite the creation of Cognac due to the forgetting of an unsold stock because of on-going war or the creation of a new economic model: Facebook, that had initially been intended to help building a student directory. Serendipity is thus a state of mind that consists in finding a singular, pioneering outcome not sought for and taking advantage of it by reorienting one’s original objectives, in order to renew a knowledge field. As a reminder, the use of the word serendipity in social sciences is widely attributed to sociologist Robert K.

Merton (1949), who defined it as the ability to generate unexpected, aberrant and crucial outcomes, which make this type of discoveries both surprising and interesting.

## **2.2 Accidental sagacity and intuitive flash**

While serendipity is associated with chance, it cannot be reduced to this sole dimension. Should the event, the accident linked to chance, constitute a decisive crystallisation point, converting this chance into a discovery necessitates a transformation process initiated by a person, a researcher, an entrepreneur, a leader, whose unique characteristics and path lead do this achievement. This mix of chance and transformation can be better understood through the concepts of “accidental sagacity” and “intuitive flash” (Merton et Barber, 2004).

*Accidental sagacity* consists in the ability to shift from the logic of resistance, be it active or passive, or even resilience (openness and acceptance) to a proactive attitude, whereby the “accident” is not a constraint nor an obstacle or a threat anymore. It becomes an input that serves a strategy of action and that is to be integrated as a driving force. *Accidental sagacity* thus goes beyond resilience. It aims at organising the available resources differently in order to articulate “what used to be”: fundamentals, beliefs, values, attitudes and behaviours, with “what is’’: the new situation after the accident, in an ordered and coherent manner. *Accidental sagacity* is thus all in one: it is a posture that refuses both gain-oriented, primary opportunism and disjunctive thought that would oppose strategy, intentionality, to environment constraints, opportunities and threats. It is, on the opposite, a posture of integration and reconciliation of all the internal and external forces, either positive or negative, intelligible or irrational, active and reactive (harmonisation of forces) within a dynamic whole that serves a mission, a vision that raises the individual and his or her creative project. It is within

this new mental and psychological set of mind towards understanding and thinking the world (*accidental sagacity*) that an “intuitive flash” can emerge.

The *intuitive flash* is what is to create a both destructive and federative movement, whereby the novelty, the emergent, combines with the inherent identity and qualities of the individual. When the unexpected, the aberrant finds an intimate and personal resonance with the individual self, either a researcher, an entrepreneur, a manager or a leader, it produces both scientific, economic, social or societal value and sense in the form of a proximity with the individual’s deep values and his or her personal quest. From then on, this both original and consistent movement, that is in line with what the individual really is, can transform a disruptive, potentially threatening or even destructive event, for instance scientific results incoherent with the up-to-now known/accepted corpus, economic, health, social crisis/military conflict, into a creative opportunity that may allow the individual to change the rules of the game to his or her advantage, be the game either scientific, institutional or economic. The *intuitive flash* is hence the achievement of a movement centred around the development of new abilities, with new perspectives, a new vision, and new paths, new orientations offered to the actor, be he or she an entrepreneur, a researcher or a leader.

*“I never came upon any of my discoveries through the process of rational thinking.” — Albert Einstein*

### **3. Strategic regeneration through entrepreneur’s accidental sagacity**

#### **3.1 Initial conditions**

In order for this movement to be a success, it is important to combine the new elements (event, accident, crisis) with the individual’s

personal quest (mission) and identity. It is, indeed, the combination of these two antagonist forces, namely emergence and immanence, that allows for the birth of a new movement that is full of sense and useful from an economic, social or societal standpoint. Such a drive generally occurs when the individual at stake is facing a difficult situation *vis-à-vis* the established system, for instance the institutions, the market or the society. In the example of the Persian fairy tale, the father banishes his three sons from the kingdom, following a logic of marginalisation and of calling into question the rational-legal legitimacy, or even of the traditional legitimacy as introduced by Max Weber. Accordingly, the individual who is to bear the *intuitive flash* finds himself or herself in an institutional or intellectual instability that challenges his or her social recognition, or even his or her economic, social or organisational survival. Indeed, whatever the individual’s smartness, analysis and reflection ability or even courage, apprehending accidental, emergent, aberrant or unexpected events is a very difficult task if one believes to have the guarantee or has the illusion or the hope to act in a stable, certain context. The way actors or organisations shape the world does not allow them to even consider other modelling. They are trapped within their vision, with no possibility whatsoever to take other realities into account. As a result, they have difficulties in being reactive enough to new orientations.

Intuitive flash hence does not refer to an original, immutable state that would be peculiar to genius. It is rather the inopportune and at first destabilizing encounter between the destruction of what used to be, leading to reconsidering one’s way of viewing and thinking, and the individual’s very identity, which combined, can generate exceptional, original, even capital outcomes as of Merton’s analysis. Should an entrepreneur be or view himself or herself in a stable



and certain situation, the *intuitive flash* connection cannot operate in so far as he or she will naturally orient towards embedded routines (Gaglio and Katz, 2001). He or she needs to feel endangered and to have his or her certainties shaken. As well, he or she needs to have aptitudes such as skills, courage, determination and energy. Moreover, a strong inner quest that would be both deep-rooted and meaningful shall guide, even unconsciously, the individual. Besides, the examples that can be provided cover a wide variety of, yet singular profiles: researchers, scientists, company directors, politicians, servicemen or servicewomen, leaders, entrepreneurs or also famous cooks or artists.

### **3.2 The role of the accident in developing entrepreneur's accidental sagacity**



The external pressure from the environment, which focuses on norms and performance objectives, may confine strategic reflexion to the solving of issues under constraints, which in turn keeps organisations locked in and limits their creativity. The latter retreated into their vision with no possibility to even consider other realities. This can be designated as prisons for the psyche that create ways of thinking and acting that, once set for good, become traps that lock in individuals and organisations in the worlds built by society (Morgan, 1986). Such a situation prevents any form of innovation or regeneration of the established system. In order for examples of entrepreneurial serendipity to occur, that is to say in order to obtain incongruous facts or an innovative value proposal, several conditions are required. Only then can disorder lead to *intuitive flash*. First, there is a need for an accident, a crisis or at least an unforeseen event that has the potential for changing the paradigm, the established routine that, by essence, favours experience, rationality, deductive logic and technical mastering (Cunha et al., 2010). The issue here is in

no case to hope for such events, neither to provoke them, but rather to understand their underlying mechanisms and the subsequent effects on the actors' strategies. A second requirement is that of the observation skills of the entrepreneur, his or her ability to analyse and understand what is going on, with both distance and discernment, hence some resiliency, as well as the ability to connect what is observed with elements of his or her own personal identity such as vision, ambition, mission or aspirations. Paradoxically, overreacting or adapting too quickly may affect the momentum sought-after. The best move would be to serenely and factually analyse the new situation, the change of paradigm, and to analyse it from a personal, inner prospective, what we are and what we want to be, rather than from an objective, external one. Adaptation is meant to be a smart and objective answer to a given constraint. Accidental sagacity of entrepreneurs is rather a personal, inner response to a change of settings (Smith et al., 2010) that involves individuals' beliefs and values. This is the condition under which new actions can operate in a collective and motivating move that drains other potential actors and in which personal envy, resonance with what people are or want to be, enthusiastic experiment as well as nature tests and errors guide action that, in turn, becomes prominent facing the very idea of an outcome. The movement as such becomes a fundamental and existential justification for individuals, who, with their energy, can transform the accident into a strategic opportunity. Figure 1 is a proposal for a synthetic vision of the serendipity process.

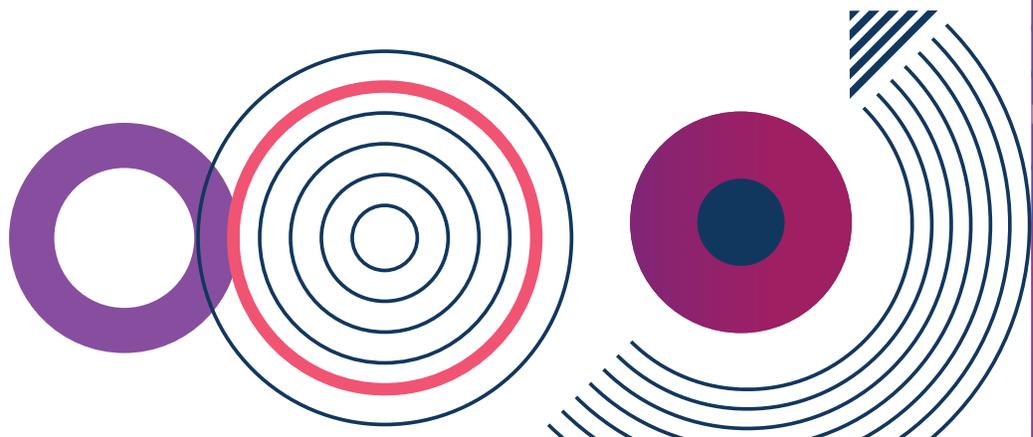
Figure 1. Entrepreneur's serendipity process  
It appears then that the context of a major societal or health accident, such as a pandemic, may constitute a change that favours entrepreneurial serendipity. When new information is provided everyday, information no one had ever heard about, the movement, the intuitive flash may turn

as legitimate and effective as a planned action based on serious hypotheses yet linked to an out-dated paradigm. The concept of entrepreneurial serendipity is all the more accurate in these days of Covid 19 health crisis, especially when looking at its consequences from both the economic and the social perspective. Companies are

sometimes forced to thoroughly review their business model in a renewed, unstable and uncertain environment. Appendix 1 accounts for several recent and striking cases of small and medium-sized businesses that have been able to regenerate their strategy model via some form of entrepreneurial serendipity.

#### 4. Conclusion

In this article, we suggest that the concept of serendipity applied to entrepreneurship may constitute a rich and original reading grid in order to understand how the upcoming of an unforeseen, sudden and potentially devastating event may turn into a strategic regeneration driver. Far from a logic of adaptation or resilience, the concept of serendipity implies the internalisation of the entrepreneur's identity as well as the total taking into account the new situation without any concession. Only then is it possible to find peculiar dynamics in line with both what comes from the outside: expected data, emergence, and what comes from the inside: personal and cultural background, immanence. As a consequence, even if the occurrence of an *accident* may constitute a legitimate source of anxiety, it seems necessary to start resonating, to be in congruence with the event, so that the disorder associated with it may induce *intuitive flashes* and contribute to transform existing strategic models. The concept of entrepreneurial serendipity hence requires from entrepreneurs that they keep their distance from over-rationalist models, and that they free themselves from existing mental schemes by relying on interpretation, experimentation, initiative and the right to make mistakes.



# 16. Covid-19 Pandemic: Digital Innovation and Survival of Micro-, Small and Medium-Enterprises in Nigeria

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## Introduction

The first case of Coronavirus Disease 2019, otherwise known as COVID-19, was recorded in Nigeria on 27 February, 2020. By 28 March, 2020, the country had reported 97 confirmed cases of the disease. The Federal Government of Nigeria, on 29 March, 2020, declared movement restriction in Lagos and Ogun States, as well as the Federal Capital Territory, Abuja, starting from 30 March, 2020, for an initial period of fourteen days. The lockdown policy was for all offices and businesses to be closed and the people stay at home, except for businesses and people on essential services. Consequently, the State Governments announced various measures to contain the pandemic including partial lockdown (7pm – 7am), social distancing, regular washing of hands and the use of nose masks. However, on 27 April, 2020, the Federal Government of Nigeria announced a phased and gradual easing of the lockdown measures in Lagos and Ogun states and Abuja, effective from 4 May, 2020. As at 22 May, 2020, the reported cases of the COVID-19 in Nigeria were: total confirmed cases (7,261); discharged (2,007); and deaths (211).

Notwithstanding the health implication of the government directive on closure of businesses and offices, and the maintenance of other stringent rules relating to COVID-19, the economic impact of the lockdown policy

was biting hard on the people. There has been an astronomical rise in the prices of food items and other necessities of life. The food supply chain was disrupted in the process forcing the traditional eating places (restaurants, bars, markets, hotels) to be closed. Thus, there was the dilemma arising from the fact that in protecting the health status of the people, Micro, Small and Medium- Enterprises (MSMEs), who were the main firms in the food industry were denied the opportunity of satisfying the food requirements of their customers, who were forced to remain at homes, as a result of the lockdown. Thus, there was the concern of whether the Sustainable Development Goals (SDGs), especially Goal number 2, that provides for all countries to end hunger by 2030, would be achieved.

It is a truism that the COVID-19 and the lockdown policy of the government have disrupted the food supply chain in the country. Food supply chain refers to the processes that describe the movement of food from farmers to the consumers. The processes include production, processing, distribution, consumption and disposal. The basic questions that readily come to the minds are: How has the lockdown affected the supply and demand for necessities? What happens to the food supply chain? Do the MSMEs have the capacity to cope with

the consequences of the pandemic? Are there alternative strategies that the MSMEs can adopt to prevent business failure after the crisis? The disruption to the food supply chain caused by the lockdown policy will definitely lead to some of the businesses being forced to close due to low patronage. The supply chain may also be disrupted by people's speculative panic buying of food items in bulk to prepare for total lockdown which may not allow people to leave their homes.

Similarly, MSMEs face the challenges of adopting digital innovation as well ensuring the safety of lives from the distribution of food and other essential needs of the people. The lockdown has the tendency to contribute to the liquidation of the businesses, since most of the MSMEs are not adaptable to digital innovation. There is also the risk of contamination in the method of handling the food, when some of the rules of hygiene are violated. Where compromise is adopted at the expense of profitability this can spell doom for the nation. As Zhong, Xu and Wang (2017) noted, coordination in the food supply chain from production to consumption is significant to ensure the safety and quality of various foods. Marmiroli, *et al.* (2011) advised that detection methods should be used for assessing conformity to specifications and labelling, and in traceability. Another risk element of the lockdown policy in the country arises from the situation where a large number of people are hidden on the floor of trailers loaded with cattle and other food items from one location to another. This has the tendency of compounding the health and security challenges of the country.

This paper examines the adoption of digital innovation and other survival strategies by MSMEs in Nigeria to remain relevant and ensure that the people who are forced to remain at home, as a result of the lockdown policy, occasioned by the COVID-19

pandemic, have access to food and other essential supplies.

### **Micro-, Small and Medium- Enterprises and the Sustainable Development Goals**

In Nigeria, MSMEs are generally defined as businesses with employees less than 300 and/or turnover of less than ₦100 million per annum. The blueprint to achieve a better and more sustainable future for all by 2030 was adopted in 2015, by the United Nations General Assembly as the Sustainable Development Goals (SDGs). The 17 SDGs, with 169 targets, aimed at addressing the global issues concerning peace, prosperity, people, planet and partnerships (5Ps). Although all the goals are important and interconnected, the case of hunger is paramount. Carpentier (2019) emphasized the role of entrepreneurship in improving the quality of life for ordinary people in the context of the 2030 Agenda for sustainable development. This submission by Carpentier (2019) is in line with the SDG 2, which proposes to end hunger by 2030. For instance, SDG target 2.1 aims to end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round. This target, therefore places the MSMEs at the center of the SDG 2, as a result of their critical roles in economic development and the fact that they make up a sizable number of the country's food producers.

However, the current challenge of COVID-19 pandemic has brought into fore the need for the country to adopt new strategies to mitigate possible recession that may follow at the end of the crisis. This is in view of the country's unstable economic performance over the years. Nigeria ranks poorly among the developing countries, when the basic indicators of analyzing the incidence of poverty and hunger were applied (Obamuyi and Fapetu, 2016). For instance, the Human Development Index (HDI) and the Global Competitiveness Index (GCI) placed Nigeria



in the 158<sup>th</sup> and 116<sup>th</sup> positions in 2019 out of 189 and 140 participating countries respectively. Similarly, in the 2019 Global Hunger Index, the country ranks 93<sup>rd</sup> out of 117 participating countries, with a score of 27.9, indicating that Nigeria suffers from a level of hunger that is serious. The implication is that inclusive growth has not been achieved in the country. Thus, the majority of the people live below the poverty line in the midst of abundant natural resources. As Adebusi, *et al.* (2015) and Obamuyi (2018) noted, there was the existence of *resource curse* and *Dutch disease* in the country. The foregoing implied that for the SDG 2 to be achieved, the country must re-position itself for the task of ensuring food production for the over 200 million Nigerians.

Consequently, achieving the SDGs through the MSMEs, means that the ecosystem players (firms, research institutions, development partners and government) must look through the mirror to determine the real contributions of the MSMEs to economic growth. Baumol (1990), while explaining the role of entrepreneurship to macro-economic prosperity, differentiated between productive, unproductive and destructive entrepreneurial activities. As Lattacher (2018) elaborated further, “productive entrepreneurship directly or indirectly increases the net output of the economy, while unproductive entrepreneurship takes place, if wealth is transferred from one group to another without creating new wealth.” Although there was no consensus as to what constituted destructive entrepreneurial activities, Desai, *et al.* (2013), cited in Lattacher (2018), described destructive entrepreneurship as “activity that is harmful to economic potential not only at present but also destroys inputs for the creation of future wealth.” Therefore, Baumol (1990)

succinctly posited that, it is only productive entrepreneurial activities that contribute to economic growth.

### **Government Financial Programmes for MSMEs in Nigeria During the COVID-19 Pandemic**

As a response to the challenges of the current COVID-19 pandemic, the Central Bank of Nigeria (CBN), as an agent of the Federal Government of Nigeria, announced a number of measures to support the MSMEs, and protect the food supply chain. For instance, the CBN announced a combined stimulus package of about ₦3.5 trillion to support households, manufacturers and healthcare providers, whose activities have been significantly disrupted by COVID-19 (Emefiele, 2020). Specifically, the CBN, among others, created ₦50 billion Target Credit Facility (TCF) for the households and MSMEs, ₦100 billion intervention in healthcare loans to pharmaceutical companies and ₦1 trillion in loans to boost local manufacturing and production across the critical sectors of the economy. Under the TCF, the loan limit for a firm is ₦25 million at 5 percent interest rate. Eligibility to the loan is based on the activity, cashflows and industry/segment of the beneficiary for a term not more than 3 years, with a moratorium of one-year. Generally, the government focuses on businesses in the hospitality industry, airline service, health care, manufacturing/value addition and trading.

Consequently, the Presidential Taskforce on COVID-19 Response, and its counterparts at the State level, have mobilized and deployed huge amounts of money to support households and MSMEs, in order to reinvigorate the economy. For instance, the governments (Federal and States), corporate organisations and high net-worth individuals have spent billions of naira to purchase food items from the farmers for distribution to the less privileged members of the society to assuage the hunger. The essence of the palliative programme of the government

was to ease the food accessibility to the poor and boost the motivation of the farmers to intensify efforts in food production.

### **Digital Innovation and other Survival Strategies of MSMEs**

The reality of COVID-19 and the lockdown policy has been that many of the MSMEs in Nigeria have now scaled up their orientations towards businesses in order to overcome the challenge of declining patronage from the customers, who cannot leave their homes to get access to food and needed supplies, apart from the fact that their income have dropped in recent time. Therefore, most MSMEs became creative and adopted innovative strategies, that were hitherto regarded as the exclusive reserve of the large companies. The MSMEs have realized the importance of adopting digital innovation and other entrepreneurial survival strategies (entrepreneurial networks, collaboration, open source innovation, social capital, and embeddedness, among others) to retain their customers and ensure their continued survival.

The MSMEs have shifted attention to digital innovations by selling their products online to enhance accessibility. Before COVID-19, the traditional eaten places (restaurants, bars, etc. ) were used to face-to-face selling at shops and other commercial centres. However, the need to bring their food and other needed supplies to customers have made the culture of online adverts inevitable. The online sales involve tripartite agreements between the seller (vendor), the risk-taker (courier agent) and the buyer (customer). The risk-takers are required to register with sellers (vendors) of their choice, and are entitled to commission. The sellers (vendors) advertise online, indicating the items available with the prices, their business locations and telephone numbers. Once a call is received from any buyer (customer) for home delivery of an item and the terms of sale agreed, the seller (vendor) calls the risk-taker (courier) who is kitted with Personal Protective Equipment (PPE)

to deliver the items to the buyer (customer), who, if satisfied, pays on delivery. It is important to stress that the online method has now been seen as a win-win situation for all the parties in the transactions; the buyer buys what he wants; the seller sells what he has; and the risk-taker (courier) also makes his gain. Moreover, the digital innovation has also enabled MSMEs to attend digital training through webinar to update critical business information online and host virtual meetings and events to upscale their knowledge on managing their businesses during this period of dynamic business environment.

Consequently, in order for businesses to overcome the social distancing policy of the government, the traditional eating places resorted to allowing customers to imbibe the culture of take-away: a practice of packing food items for customers to be eaten at homes or offices, without the opportunity of sit-in at the restaurants. This strategy, although not completely novel, has the advantage of enhancing the innovative practice of those other companies that may want to go into the production of such items for packaging foods and other needed supplies. The tendency would be that more jobs would be created directly by the MSMEs for packaging of the food, while indirectly creating jobs for those that will be employed in the packaging industry. It has been observed that the efforts expended on packaging of different items nowadays in the county is incomparable to what happened in the past.

Under the current COVID-19 pandemic, the need for MSMEs to improve on their business relationships and networks with suppliers, customers and competitors is sacrosanct. Abbas, *et al.* (2019) defined entrepreneurial networks as a multifaceted network of firms, working together to achieve their business objectives which make them to become more dynamic, innovative and competitive. The entrepreneurship network enables business owners to share experience

and develop innovative strategy of doing businesses in most efficient ways. This implies that MSMEs must be transparent to their suppliers, customers and competitors, which would serve as motivation for a strong network among the customers and the firms for guidance and consultation.

Accordingly, Franco (2003) emphasized the importance of collaboration and innovation – new technologies, new skills and new systems – as an important change process that would sustain business development in increasing dynamic markets. Therefore, for MSMEs to strengthen their capacity to survive and accomplish monumental performance in the post COVID-19 pandemic, they must develop a good collaborative strategy among themselves, as well as with large companies. In Nigeria, collaboration is more pronounced in the financial sector than in the other sectors of the economy. It is important to say that collaboration among MSMEs will reduce the risk of unhealthy rivalry which may lead to the extinction of those not on sound footing.

There is the need for MSMEs to shift from the traditional closed innovation to an open innovation strategy. As Hutter (2013) argued, “small and micro firms should be actively supported by an intermediary – e.g. an agency, public institution ..., in adopting open innovation practices, like detecting potential external partners and sources for innovation, creating a company’s network or establishing and managing Web 2.0 based initiatives.” With the globalized economy, MSMEs must engage in open innovation such as crowd sourcing, digital payment and training to maintain high levels of satisfaction for their customers and enhance their business performance in order to remain relevant in the knowledge economy.

Similarly, MSMEs should imbibe the culture of social capital in its success story. Jalali,

*et al.* (2013) defined social capital as the amount of repeated relationships and ties with others and the mutual trust that people and businesses have. Thus, the success or failure of firms, most times, depends on the level of relationship that is established among the stakeholders in the economy. For instance, a tested and trusted company for transparency and quality of product would enlist responsible patronage and behaviour from customers.

Subsequently, for MSMEs to grow their businesses, and internationalise their markets, they must earn national trust and be embedded in perfect relationships and networks in all spheres of business engagements. Consistent with academic literature, Ratajczak-Mrozek (2012) emphasized the need for domestic embeddedness in the internationalization of MSMEs. According to the author, “domestic personal and inter-organizational (domestic embedded) relationships constitute a certain bridgehead facilitating foreign opportunity recognition and are an indirect link to the foreign market, allowing companies to overcome liability of outside ship.” Therefore, the current-economic crisis will serve as a litmus test for companies to establish good relationships and networks which are prerequisites for successful international business collaboration and innovation.

The implication of the foregone, is that the COVID-19 would challenge the culture, custom and value of doing business in Nigeria. Thus, MSMEs have to improve on their personal entrepreneurship competency (PEC) and understand the key roles of technology and innovation in business development.

Therefore, the future business outlook in Nigeria for many MSMEs will glow after overcoming the challenges presented by COVID-19. The online business which was

once scaring to the MSMEs, based on past orientations and attitudes to business, would be accepted as simple and profitable. The way of doing business would change drastically in terms of packaging and marketing. Many MSMEs would consolidate on the present packaging arrangements where almost all items (garri, corn, plantain, etc.) were attractively and hygienically packaged with extra care to appease the taste of the customers.

### **Concluding Remarks**

The crisis emanating from the effect of COVID-19 pandemic has the tendency to liquidate many businesses in Nigeria, especially MSMEs. The crisis will impact on the culture, custom and value of doing business in the country. The MSMEs can face this challenge with an entrepreneurial mindset of creativity, innovation and parsimony. Effectuation theory (Saravathy, 2001) of entrepreneurship is a very good theoretical lens to help the MSMEs develop an entrepreneurial mindset. Effectuation theory posits that entrepreneurs assess their identity, their knowledge and their social networks in order to achieve their aspirations. Every person is bestowed with unique idiosyncratic qualities called bird in hand. With the right entrepreneurial mindset, any individual can overcome the challenges of the environment and create his own world.

Digital innovation, especially digital payments and training, which has been a herculean task for the MSMEs in the past, would be generally accepted as a way of doing business in the country. As Hool (2018) observed, holistic entrepreneurship education would be needed to both develop the mindsets and skillsets of the entrepreneurs for them to continue to stay relevant in today's environment that is RUDE (Rapidly changing; Uncertain; Dynamic and Engaging). Government, more than before, has to make the business environment

more conducive and ease the method of doing business to reduce the cost of running business in the country. The Central Bank of Nigeria needs to increase access of MSMEs to financial services. The billions of naira support regularly announced by the CBN for MSMEs must translate from mere announcement to reality to be accessed by the firms. For successful post COVID-19 entrepreneurship, policy makers must equip the youths and adults with the 21<sup>st</sup> century critical skills for self-employment. It is also important for the MSMEs to build good relationships with their customers by maintaining a data bank of their contacts, for bulk short messages during festivities to motivate and encourage them for continued patronage.

**Appreciation:** I thank the International Council of Small Business (ICSB) and Professor Ayman Eltarabishy for the opportunity to participate in the Special Certificate Programme: Teaching the United Nations Sustainable Development Goals (SDGs) that led to the development of the ideas in this article. I am also grateful to the anonymous reviewers for their comments on the earlier versions of the paper.

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# 17. The New Beginning: The Seeds That Determine a Harvest

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Established in 2014, Tatweer Misr is a leading Egyptian real estate development shareholding company. It operates on a vertically-integrated business model with various development fields, including residential units, retail, office buildings, hospitality, education and entrepreneurship institutions, as well as entertainment and leisure facilities. For Tatweer Misr to become what it is today, the founding team and entire family had to think entrepreneurially; establishing a strategy that persistently engages small and new businesses across the supply chain as partners. This ensured the constant progression of the company's competitive advantage. It is engraved in our DNA and our beliefs that our close proximity to the Egyptian SME (small and medium enterprises) and startup scene is essential in order to continuously supply the market with innovative products and services, with SMEs being the backbone of the Egyptian economy, and Arab region as a whole. This close relationship does not just enhance our market position, rather, it creates room for partnerships resulting in their growth and helps the Egyptian economy flourish as a whole. For entrepreneurship to reach its full capacity in Egypt, there are several SDGs (Sustainable Development Goals) that require attention from the public and private sectors; as one of the leading real estate developers we have taken steady strides to address a number of these goals.



## Reshaping the Real Estate Industry in Egypt

At Tatweer Misr, we placed emphasis on the importance of creating mixed-use livable communities providing all the needed facilities for residents. In 2014, we launched our first mega project, Il Monte Galala, our award-winning flagship project, located on the Galala Mountains of Ain Al Sokhna overlooking the Red Sea. With a resilient drive towards success, innovation and growth, Fouka Bay was launched the following year, in 2015. Located on the Egyptian North Coast of the Mediterranean Sea, Fouka Bay is a second home project that features unique and innovative concepts in planning and design ensuring that every home is a waterfront. Later in 2018, Tatweer Misr launched Bloomfields

in Mostakbal City, this mixed-use residential project is designed to be Egypt's first college town, spanning over an area of 415 acres of residential, commercial, and mixed-use facilities, including 90 acres allocated for educational facilities. The same year marked our first step towards establishing the college town with the purpose of providing first class education focusing on innovation, entrepreneurship education, and SME development. Through the college town, Tatweer Misr is making an ideal statement to younger Egyptian generations that entrepreneurship is not a taught skill, but rather a mindset. The college town will feature the first Entrepreneurship & Innovation Hub in Egypt, the Middle East, and North Africa, established in cooperation with the Global Entrepreneurship Network (GEN), and Egypt's e first branch campus of an American University in partnership with New Jersey Institute of Technology (NJIT), in addition to four K-12 schools.

An important aspect of mixed-use developments is their ability to bring many people with diversified needs into a single community, reducing unnecessary commute between cities/developments. With our projects being located either outside of the capital, or on its outskirts, it was important that we integrate a set of facilities that include, but not limited to: residential, retail, administrative, educational, hospitality as well as entertainment and leisure. The emergence of large-scale mixed-use development such as IL Monte Galala and Bloomfields is a step further towards achieving the SDG of creating "Sustainable Cities and Communities".

We ensured the application and adherence to several different SDGs throughout our construction and design processes, all of which will enable us to construct world-class projects on national sands. Most importantly was to establish an adequate infrastructure which will enable us to provide an innovative real estate product to our clients. In 2019, we partnered with

the renowned Schneider Electric – Egypt, which will enable us to utilize Schneider's state-of-the-art EcoStruxure™ platform in managing critical infrastructures such as: Electricity, HVAC, Water, Gas, Data networks, Data Centers, Data Center Infrastructure Management Software (DCIM), Traffic and Security, and Command Operation/Control Center. To make maximum use of this platform, we also partnered with Orange Egypt to ensure a smooth connection for everything from sensors to services, this comprehensive solution integrates key systems facilitating the connection to a variety of other services inside and outside the residential and commercial units, allowing community managers and residents to control security, water, and electricity systems through the platform as well as mobile applications, while ensuring 30% less operational and maintenance costs and up to 50 % more efficiency.

With a reported increase of ADSL internet consumption of 99% in the period of March till May, and an increase of 35% consumption of mobile internet (NTRA, Communication Services Consumption Rates in the Arab Republic of Egypt, Cairo, 25 May, 2020), consumer needs changed making smart cities a need over luxury. However, to apply all aspects of smart cities, it is crucial to have a strong infrastructure to enable so. Accordingly, through the aforementioned partnerships, we worked collectively towards the SDG of "Industry, Innovation and Infrastructure". With a drive towards achieving sustainability, we need not only develop the real estate scene, but rather, individuals and generations of the future.

In an attempt to uplift the Egyptian economy providing "Quality Education" is crucial. Consequently, Tatweer Misr added education as an integral part of its strategy. This has entailed sponsoring and organizing a diverse array of initiatives which aim to identify innovative youth, acknowledge their innovations, train them to reach full

potential, and help them come to being. In 2016, Tatweer Misr launched the first round of its Innovation Competition which aims to support young entrepreneurs by partnering with them, training them according to international standards, and providing them consultancies on development areas. To maximize the benefit of the innovation competition for the 2020 edition, Tatweer Misr partnered with GEN and VIVE Capital, a Washington D.C based Venture Capital and Accelerator to ensure these entrepreneurs receive global exposure and mentorship. Moreover, Tatweer Misr has invested in other endeavors that directly or indirectly supported innovative youth, including sponsoring the Global Entrepreneurial Week (GEW) in Egypt since 2016 and for the next three years.

#### Responsible Behavior towards Nature

Our life-time jobs taught us that as humans, we have massive impact on the environment, affecting different species, and their habitats and our slightest errors may lead to natural disasters. Without carefully studying the land on which we construct, our activity may create unsustainability rather than sustainability. As two of our projects are located in areas where nature plays a big role, it was our duty to design and construct, in a responsible manner, that takes into consideration “Life on Land” and “Life Below Water” in order to reduce or eliminate any negative impact our business activity may have on natural habitats.

At IL Monte Galala we ensured the preservation of the mountains’ ecosystem while carving the project into it rather than demolishing it. Accordingly, we worked closely with an Environmental Consultant to carefully study the environment and took these studies into consideration during the design and construction phases of the project. With so many details to consider, IL Monte Galala has become an award-winning

project for its design. Secondly, as Fouka Bay extends over a 1 km-long shoreline, an in-depth study of marine life was essential. Therefore, we teamed up with renowned marine experts to deliver an advisory report on construction practices that will not impact the nature of the coastline.

Access to clean water continues to be a challenge in several developing countries which has placed “Clean water and sanitation” among the top SDGs that countries should focus on. At Tatweer Misr, each of our projects are equipped with water desalination plants to provide residents with high quality water from a sustainable source. Also, to ensure resources are used wisely and abiding by the SDG of “Responsible consumption and production” all projects also feature sewage treatment plants using biological and tertiary technologies to generate high quality irrigation water for public areas.

#### A Humane Footprint

As a human-centric business, we choose putting people at the heart of our business. This allowed us to innovate, create and accomplish more than we plan. This is only possible by granting the company’s internal team a fair share of voice and opportunity. At Tatweer Misr we ensure that all members have equal access to opportunities through the implementation of a “Gender Equality” policy that enforces the presence of women in leading positions. Through our gender equality policy, we also impose non-discriminatory behavior towards promotions, wages and treatment. As unemployment rates reach their highest since Q1 2019 to date, recording a solid 9.2% according to the Ministry of Finance, Central Bank of Egypt, and national reserves hitting a rock bottom of \$37.03 Bn, the lowest since the beginning of 2020 (a decrease of 22.6% in comparison to January 2020), it was clear

that such economic turmoil had impact on the most vulnerable: daily income earners. At Tatweer Misr we worked with several entities to ensure they face “Zero Hunger” throughout their lockdown. Consequently, we joined forces with Al Orman Foundation to supply families of Kafr Abdel Khalek Village in Al Minya governorate with basic food necessities for two months and throughout the holy month of Ramadan. Moreover, to support communities in which we operate, we supplied daily income earners in Wadi El Natrun and Marsa Matrouh with food commodities, sterilizing materials, and monetary amounts.

Donations were not restricted to the company’s support, but also our internal family worked hand-in-hand to donate to the Misr El Kheir Foundation; together, they were able to fund 250 families throughout Ramadan by supplying food commodities and monetary amounts needed.

With partnerships playing an integral role in our strategy, several “partnerships have been deployed to achieve the goals.” With a national call for lockdown, we immediately launched our campaign “Benbny Hayah”, which translates to “Building Life”. It kicked off a protocol with Al Orman Foundation to revamp houses of Kafr Abdel Khalek village in Al Minya Governorate, supplying them with electricity and clean water. By doing so we encouraged these families to remain at home and abide by safety measures imposed by the WHO in the fight of Covid-19.

In Egypt, fighting a pandemic was not on the radar for the health care system nor the economy that was taking steady strides for improvement. With an already fragile public health care system that needs reform, an educational system that has an above-average student-per-class ratio and lack of social distancing among individuals, raising awareness among the public on safety measures was challenging. As the virus struck the country at a later stage

leaving a time gap between our peak and that of other countries, we watched health care systems of developed countries fall. This resulted in greater panic on one hand, and more support from the private sector to the Egyptian health care system on the other. Thus, we continued implementing our partnership-based strategy that has proven successful. Tatweer Misr, through partnership with the UNICEF, American Chamber of Commerce in Egypt (AmCham), Ahl Masr Foundation and a number of NGOs, supplied governmental isolation hospitals with ventilators, necessary medical equipment, and Personal Protective Equipment (PPEs) to support the Egyptian Ministry of Health to combat the pandemic.

In support of SMEs who struggled during this period, at Tatweer Misr we stepped in by matching SMEs with other entities. As an example, we knew earlier on that Al Kasr Al Ainy Hospital (one of the large Egyptian hospitals receiving Covid-19 patients) was facing operational difficulties, and we immediately matched them with the local SME who took responsibility to provide meals for all patients, their families and the medical team throughout the holy month of Ramadan with some support from Tatweer Misr. While supporting external parties, it was necessary that during this period of panic and fear, we assure our own internal family.

Some local and international companies alike have taken decisions to cut salaries, lay off workers, and terminate partnerships that impose financial burdens. At Tatweer Misr, we acknowledged our role towards our people and partners and worked towards the enhancement of yet another SDG, “Decent Work and Economic Growth”. A crisis committee of young, vibrant and fresh minds came together to closely study the slightest details of our operations ensuring that all members of our family, including employees, workers, and partners

maintain their jobs. Tatweer Misr made decisions to keep construction works in progress at 50-70 % capacity in accordance with the nature of each project, paying partners in full, keeping preset salaries and promotion plans intact to ensure workforce motivation and keep the business cycle flowing to prevent further economic downfalls. This all through implementing rigorous safety and precautionary measures at all premises and sites which includes: on-ground medical convoys and stationed ambulances for emergencies, ongoing sanitization and disinfection at all sites, work from home policies and systems for office-based employees, and several other procedures to ensure productivity while maintaining social distancing at all times.

As many struggled to maintain “Good Health and Wellbeing” as a result of a disruption in their daily routines, workouts and diets, it was our role to step in and encourage the adoption of an in-home healthy lifestyle. Being a human-driven organization, it was necessary to motivate people at their homes and by helping them implement innovative and engaging indoor workout schemes. Tatweer Misr partnered up with the Tri-Factory for the series of STAY SAFE Marathon allowing people to participate in 40-100KM walks/runs at their own pace from their homes gathering over 1,200 runners across the globe.

For those who prefer a more interactive exercise routine Tatweer Misr launched the Stay at home program, creating weekly live workout sessions with top trainer Hassan Gabrand International Yoga influencer Amina Taha, which reached over 1000 participants per session over two months. Moreover, we teamed up with the Nutritionist, Rana Arafa, to provide social media followers with a daily dose of health tips ranging from detox recipes to meditation techniques and

the needed vitamins to boost immunity, all delivered in short one-minute videos. Furthermore, Tatweer Misr walked the extra mile by partnering with more social media influencers to invite people to be engaged in all the latter activities.

We find it the role of responsible corporate citizens to shoulder the government’s efforts during the difficult times the entire world is witnessing. The efforts should not be restricted to supporting external communities (those with no direct impact on the company) rather, keeping business operations flowing in an attempt to save the economy. As a responsible developer revolutionizing the real estate scene in Egypt, we made a decision to keep operations going even if it meant a heavier burden on our financial statements. This decision is driven from our commitment to clients who trust our name, to our partners who are all SMEs that are facing difficulties in light of the current circumstances and to the Egyptian economy that will only be able to revive if we, and many others, continue a proper work flow. With help of our team that worked over the years, we were able to support 12 SGDs namely: sustainable cities and communities, industry, innovation and infrastructure, quality education, life on land, life below water, clean water and sanitation, responsible consumption and production, gender equality, zero hunger, partnerships to achieve goals, decent work and economic growth and good health and wellbeing.

In the end, I would like to recite a famous saying by Vince Lombardi, “The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand.”

# 18. State Entrepreneurship versus Private Entrepreneurship: New lessons for SME policy as a result of the Covid-19 pandemic

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The Covid-19 pandemic has taught us within weeks to rewrite parts of our knowledge about economic patterns, social interaction, and global relationships. Topics of state deficits, climate change, and labour shortage were shifted away from the daily agenda while the world has been experiencing an unknown threat to the health of its society. In particular the role of the government in our economic system has changed within days from a protector of a free market economy to a central planning unit of a state economy. With the objective being to protect the health of its citizens, the state switched off business activities of many branches and services which required social interaction. Only businesses which were regarded as vital for human existence were allowed to operate with additional restrictions. The European Union is estimating a decline in the gross-national product by more than 7% due to the lockdown of the economy. In order to compensate, the European Union and its member states are granting thousands of billion euros from direct subsidiaries, loans and further economic recovery programs in order to revitalize their economy. Missing turnover is replaced by taxpayers' money.



For most liberalised economies in the world, this sudden change of the rules within the economy is a challenge to its constitutions and politics.

**But what happens to entrepreneurship, growth and wealth during the period of state entrepreneurship?**

The motor of market economies is competition-based innovation, productivity, and free trade. One of the core functions

of a market economy is to balance supply and demand by the price-mechanism, as taught by Adam Smith. The self-esteem of entrepreneurs is one of the core drivers for innovation and economic development. The incorporated market-selection process within the price mechanism forces the need to adapt to a market standard. This selection process has been replaced by the governmental solvency program entitling companies to receive financial resources. The performance and strategic fit of a company was not a criterion. According to European council, the criteria used were that the company must have made profits for the last three years and also not be materially insolvent. Measures which can clearly be determined, however, are far away from entrepreneurial market performance and awarding risks. The focus was placed on survival, not on growth.

**But what can we learn from the exercise from switching liberal economies towards state-controlled economies and restart economies back to market conditions?**

The economies in Europe, like other major industrial economies in the world, were operating without an airbag. Only countries with sufficient ratings are able to receive financial aid in the way of loans and subsidies, in order to maintain employment and consumption for a quick restart. These were the lessons from the financial crisis in 2007. Current forecast confirms that once the markets can operate, economic activities and growth will compensate for the losses in 2020. Moreover, the German State, for example, is able to obtain the money with a negative interest rate; therefore, there is a chance that by the end of the day, the state can make profit by providing loans. In a way, this is highly entrepreneurial for a state. On the other hand, it is a chance for Europe to strengthen its position as a community. As

the European Community in itself is able to give the background to all member-economies, most of the economies will be able to provide the financial assistance needed. The main lesson in this new process was that there is a need to deal with uncertainty as well as fear for one's own existence and to maintain trust. On the one hand there is a strong expectation that a government has to protect the economy and to compensate for losses but on the other hand not to interfere in personal decision making. Although assistance was highly appreciated, the liberalisation of state interference within the business models was also highly appreciated.

**But what does this all mean to entrepreneurship and future entrepreneurship?**

The first and main lesson all European Countries have learned is the importance of micro, small and medium sized businesses, as well as sole practitioners. MSMEs are not a statistical figure, they are the real backbone of the economy. The pandemic has shown, for example, that in Germany the tourism industry, employs more people and contributes more to the GDP than the automotive industry. The heart of an economy is not e.g. the aviation industry or the big players in the engineering industry. In particular during the first attempts to restart the economy, if a small company is not able to supply minor parts, whole industries were not able to operate. According to the European Trade Union Institute (ETUR) more than 27% of all employees applied for short-time worker's allowances. 95% of all applications were from MSMEs in order to safeguard jobs and their ability to return quickly to production. This is the idea of the original German system which has been proven as an engine to boost up the economy. This system allows companies to return very quickly to full production

capacity and give their contribution for a social security system. The whole exercise has purely been a lesson for society and policy makers for the importance of MSME entrepreneurs and we need further research in order to define instruments on how to safeguard MSMEs without interfering market forces.

In order to safeguard the current importance, and in the end the stability of an economy, future SME-policy needs should concentrate on the following issues:

After the pandemic there is a danger of a big merger and acquisition wave where bigger companies, foreign investors or institutions start to buy MSMEs. This trend can threaten the position of key players and there is now a need to protect those companies, but on the other there is the need to embrace opportunities for corporations.

During the last weeks, the globalisation trend and policies have been discussed as a result of the close-down of economies which has been accompanied with the closure of national borders. Industrial or innovation-driven-economies need international trade for their goods and services due to the high specialisation trend in most economies. In order to maintain globalisation, international institutions need to preserve trust. In the future, MSMEs policy by international institutions should concentrate more on economic justice between the countries in order to safeguard MSMEs chances in international markets. Policies need to support a more sustainable economic policy without corruption and national interest in order to reduce dependencies of vital goods, like in medicine. The theories of Ricardo are still valid and international trade is the key to secure the future of MSMEs.

The pandemic has already been an accelerator for digitalisation in Europe. Within weeks a whole economy started to work digitally in many different ways. This experiment showed that external pressure has pushed digitalisation, which has become a distinctive factor for future competitiveness. The Covid-19 pandemic is showing that this is not a long-term goal and the recovery of the economy is highly dependent upon investments in digitalisation. Policy needs to foster investments into digital infrastructure. Moreover, it should also promote the framework for digital innovation and knowledge transfer via colleges or universities as well as incubator centres. The possibility to create space in order to share knowledge has sped up the process, as well as reduced legal and fiscal barriers. Repayment of public loans through direct payments and taxes should be directly invested into the digitalisation of the economy, education, and health systems. Public debts should be reduced in a long-term perspective, based on the profits of digitalisation. Furthermore, digital companies operating multi-nationally need to pay taxes in every operating country.

The pandemic and lock down of the economy give the countries of the world the chance to introduce environmental issues for the restarting phase. The reports showed clearly that the earth started to breathe and recover. Also, future MSME policies should now encourage investment in environmental technology and maintenance of sustainable standards. As MSMEs are known to be more agile, they will be able to take better these new business opportunities and to respond to a changing consumer behaviour after the pandemic. Environmentally friendly business chances will arise within a global perspective. But it will require regional initiatives to take advantage of these chances where MSMEs are generally the main player. There is a need for MSME policy

to encourage stronger investment into these chances with financial instruments and knowledge transfer. As a side effect, the pandemic can also redirect the global urbanisation trend as people may like to work more at home and use the advantage of rural areas.

The Covid-19 pandemic taught us the importance of social responsibility and to give common goals a priority. This revitalized change of social values supports the development of social and human entrepreneurship. These types of entrepreneurship will become key drivers for future entrepreneurial activities in order to reflect the needs of society and for a stronger liberalisation of public goods. The forthcoming generation is known for its desire of social justice and sustainability. MSME policy should support this development by setting up the infrastructure as well as legal framework. For the future there is a need to promote entrepreneurship in many different forms in order to reflect the needs of the society for stability, health and sustainability. The understanding of entrepreneurship needs to be widened in such a way to different social groups, corporations between social entrepreneurs.

State entrepreneurship can only be a temporary solution, as future prosperity belongs to entrepreneurs in the classical sense, those who identify business chances offered by the market or by innovation. It is the task of creators and makers, even the people experiencing change. The main challenge for MSME policy is now to give the market and entrepreneurial risk back to the entrepreneurs. There is no long-term

perspective for a society to individualize profits and socialize losses. In the end, the engine for success is in improvements in economic productivity and promotion of innovations.

In past weeks, hope has been established for a new entrepreneurial world with new business opportunities and innovations. Thereby the German miracle has often been quoted. But this miracle happens only in combination with a clear political vision for the future and entrepreneurs taking advantage of the upcoming chances. Entrepreneurs are the drivers for economic wealth and growth. The vision must be based on the components of sustainability, digitalisation and open markets. The role of the state will be to direct the economy and the society towards this vision as well as to allow the realisation to happen. While releasing companies out of state protection, governments need to continue to work on their institutional framework to support the entrepreneurial world after the COVID-19 pandemic. This means first and foremost promoting economic freedom, which is the framework for competition on the grounds of ideas and open markets. Issues which are not new, however, have been underlined by the pandemic. Governments may be able to turn economies on and off, but at the end of the day it will be entrepreneurship which provides employment and social welfare.

# 19. Entrepreneurship in the Sharing Economy: Lessons from the COVID19 Pandemic

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## Abstract

This contribution investigates, using very recent secondary data, the role and activities of online platforms and micro-entrepreneurs involved in the Sharing Economy, during, and after the COVID19 pandemic.

## Introduction

The Sharing Economy represents a multi-market ecosystem that provides opportunities for individuals and organizations to make money from underused assets, by reintroducing these assets in the commercial circuit and sharing them for use with strangers (PwC, 2015).

Sharing initiatives can have various geographical scopes, which require different business models. The global sharing markets are usually serviced by a composite system including online platforms to which there are associated a series of formal or informal micro-entrepreneurs – that represent the owners of the underused assets.

Among the best examples of the composite entrepreneurial system is the business model of Airbnb, in which the Airbnb platform connects clients and hosts, facilitating the transaction and ensuring payment security; however, these are also many local or regional sharing initiatives which are built through the coordination of local community members, and which do not necessarily involve a global or a profit-

oriented perspective. A good example of a local sharing initiative is Le Bal Infernal, a used book café functioning in Ghent, which gives the possibility to clients either to take a displayed book in exchange for another one or to buy it (Parenti, 2018).

Using the networked system of the modern economy, and the available digital tools, many individuals or organizations can engage in micro-entrepreneurship activities that take advantage of unused assets, either to live and express a personal hobby and/or to obtain a revenue from these activities (Franssen et al., 2018). The sharing economy also provides opportunities for expanding entrepreneurial activities, as is the case with Airbnb hosts that decided to invest and expand their accommodation offer by acquiring new property.

## The socio-economic role(s) of Sharing Economy markets and activities

The Sharing Economy has the potential to simultaneously fulfill several socio-economic roles:

- reduce poverty by providing opportunities to unemployed or poor people to obtain revenue by exploiting their unused assets;
- flexibly balance the offer-demand levels in various markets, by offering extra capacity in seasonal or peak periods, while reducing the sharing initiatives in periods of low demand;



- provide opportunities for social encounters and interactions with peoples from different backgrounds and cultures, creating positive social and cultural experiences for the actors involved in the sharing activities; and

- create positive environmental effects by reducing negative externalities, such as pollution or overconsumption.

However, various researchers have outlined that sharing initiative does not always have positive effects. For, example, like geographical location matters for Airbnb guests, the hosts controlling central properties obtain larger and more regular revenues than those who have less-central accommodation. Similarly, the environmental effects of sharing activities do not always have clear positive externalities, as increased availability of accommodation at lower prices than the hotel offers can increase the number of tourists creating undesirable phenomena associated with mass tourism.

### **The impact of the pandemic on the Sharing Economy and on entrepreneurs**

The COVID19 pandemics and the lockdown instituted by many world countries have had a catastrophic effect on many Sharing Economy activities and ventures. The interdiction to travel, the closure of hotels, bars and restaurants, and the social distancing rules imposed by governments have prevented most of the classical sharing activities to continue. Some analysts do not consider these problems as short-term, predicting that thirty percent of sharing economy revenue could disappear over the next one to two years, with a portion of it unlikely to return (Conger & Griffith, 2020).

Many micro-entrepreneurs associated with global online platforms experienced a sharp drop in revenues (Jones, 2020; O'Sullivan, 2020), and the platforms themselves had to reduce their personnel: Airbnb laid off approximately 25% of its staff – 1900

employees, while Uber cut 3700 people from its recruiting and customer service organizations (Conger and Griffith, 2020). On the contrary, Instacart has announced its intention to hire 300000 additional workers to answer the increased demand for home delivery, which also provides delivery services for the restaurant industry (Whitney, 2020). Travel interdictions forced many Airbnb guests to cancel their reservations, which were treated by Airbnb as extenuating circumstances for reservations booked on or before March 14, 2020, and with check-ins through July 15, 2020. This policy allows eligible hosts and guests to cancel without charge or penalties (Airbnb, 2020a). Airbnb also created a \$250 million fund, to compensate hosts for up to 25% of their lost income, with an additional \$10 million bailout fund for super-hosts (O'Sullivan, 2020).

In some respects, the pandemic has corrected some of the excesses blamed on sharing economy activities. The rapid expansion of some Airbnb hosts who invested and acquired urban accommodation that was consequently offered mainly for short-term rental has imbalanced the estate market of many cities, fostering difficulties for long-term tenants confronted with higher rents and penury of rental accommodation. However, the specific measures determined by the COVID19 pandemics have forced many Airbnb hosts to consider selling their surplus accommodation (Yurieff, 2020), and/or switching their offer towards more long-term rental (O'Sullivan, 2020).

If some sharing activities were blocked by the lockdown, the demand has soared for other services: Uber experienced an increased demand for food delivery (Conger and Griffith, 2020), while some restaurants forced to close their regular service have started to cook and deliver food for health workers, or even to other people experiencing

difficulties during the pandemics, such as the handicapped or the elderly (Greve, 2020). On the other hand, some Airbnb hosts have provided solutions to the problems experienced by some people during the pandemics, especially considering that most hotels have been closed: some hosts provided accommodation to people that were blocked by the lockdown far away from their homes, to even people who wanted to self-isolate from their families. In addition, hosts voluntarily welcomed COVID-relief workers, offering a 25-30% discount. Finally, some hosts decided to stop all transactions until the situation would get clarified and general standards of sanitization would be implemented by Airbnb or local authorities (Jones, 2020). To increase confidence in its listings, Airbnb announced in April 2020 a set of new cleaning standards for rentals; guests can also opt for a 72- or 24-hour vacancy period before they enter the reserved accommodation (Conger and Griffith, 2020).

Press releases provide information regarding the help provided by sharing economy actors to essential workers: in coordination with their network of hosts, Airbnb has implemented a global program providing free accommodation for 100000 healthcare professionals, relief workers, and first responders around the world (Airbnb, 2020), Uber has offered 10 million free rides and food deliveries for healthcare workers, elderly people or others in need, while Lyft has partnered with ShopRite Super Markets in Philadelphia and New Jersey, United States, to give seniors free ride credits to visit the store during designated senior hours. Lyft is also providing rides to caregivers who need to get supplies for elderly people (Bary, 2020).

Some sharing organizations have also offered their expertise and experience, posting on their website suggestions regarding practical possibilities to share during the pandemics

(Shareable, 2020). One of the first principles outlined is the importance of safety, as sharing activities may also provide harm if hygiene and social distancing rules are not respected. Secondly, people are encouraged to provide help by 'sharing' their presence and their capabilities with family, friends, neighbors, and vulnerable members of the local community. It is also important to provide assistance to health or rescue workers, who are active during the lockdown – by protective medical gear, medical equipment, and meals. Any local initiative can be organized and coordinated digitally, by creating mutual aid networks. A perfect example is Mask Match, a peer-to-peer organization founded in the United States, which connects the people or institutions who have extra masks to healthcare workers and hospitals who need them (Bosilkowski, 2020). Upon receiving a request, the online platform verifies the health institution asking for masks and sends an email to available donors with the necessary information to ship the masks without leaving their home. In other sharing initiatives, thousands of 3D printer owners across the United States and Canada have offered their services to produce protective and medical equipment for rescue workers, health personnel, and hospitals (Thompson, 2020). In other cases, people just share their presence virtually to maintain and reinforce social contacts, by participating in online happy hours, book clubs, or religious services (Shareable, 2020).

Finally, taking into account the difficult living conditions of the people confined in their homes or apartments, many festivals, libraries, museums, theatres, operas, and various platforms have offered their content online for free (Jankov, 2020).

### **Insights into a post-pandemic world: The role of sharing initiatives**

The partial collapse of modern societies



determined by the COVID19 pandemics provides many challenges and opportunities. During the lockdown and confinement, people developed and expressed several different visions of the future, which remain to be developed and actuated.

The major challenge of micro-entrepreneurs during the lockdown period is one of survival, but also to reflect and prepare for the challenge of taking advantage of the opportunities provided by the post-lockdown period. A probable scenario, determined largely by behavioral routine and institutional inertia, is to consider the lockdown period as an undesirable but temporary stop of the extant socio-economic system. From this perspective, life will continue as before, as soon as the pandemics will pass, as a temporary natural phenomenon. Another scenario defines the COVID19 pandemics as a sign that the actual socio-economic system is wrong, and the lockdown represents a necessary period of reflection and understanding. In this vision, the end of the pandemics should represent the start of a new way of life, based on radical corrections of the actual socio-economic system, in order to address the range of problems already identified, but often neglected (Whitney, 2020): social inequality, climate change, environmental destruction, etc.

In both scenarios, the Sharing Economy will have an important role to play. However, if in the first alternative, the sharing initiatives continue to fuel the consumerist style of life, which ultimately increase the extant socio-economic problems and prepare other subsequent crises; in the second scenario, the accent is put mostly on reducing the pressure of human consumption on the natural environment, by implementing better the principles of circular economy (Raes, 2020; Whitney, 2020).

From a practical perspective, digital technology will continue to play a central role in facilitating and coordinating sharing activities, although some of the extant business models may change. Following the collapse of the short-term rental market, many Airbnb hosts feel betrayed by the company, which is not taking all the necessary steps to save their business. However, even if Airbnb emphasized its community commitment, it is not contractually obliged to cover the losses of the associated micro-entrepreneurs, who, in principle are independent parties participating in a highly flexible system. The system that functioned so well during market growth, it is now starting to openly expose its fault lines. To reduce future insecurity and dependence on the Airbnb platform, many hosts may decide to be listed on multiple platforms, or even to create an associative platform, structured as



a cooperative organization – such as Fairbnb. coop. In addition to its pursuit of public utility over profit, this associative model attempts to reduce the negative impact of tourism and short-stay rentals through a “one host/ one house” policy. This policy represents a radically different orientation in comparison with Airbnb, as according to corporate data, almost a quarter of London Airbnb hosts have five or more properties, eleven hosts having more than 100 properties listed on the site (Muldoon, 2020). Other platforms experience other problems, such as the controversial relationship between Uber and its drivers (Whitney, 2020).

Considering a narrow vision of pandemics’ effects, the sharing initiatives will be significantly influenced by hygiene and sanitary standards, which will reinforce the responsibility of both the product owner and product users. On the other hand, the social interaction and coordination methods used to achieve sharing activities can be applied to better organize the social cooperation during future pandemic events (Schwartz & Yen, 2017), by facilitating the link between individuals, local communities and state authorities, and improving the outsourcing and deployment of various material or information flows.

### **Concluding remarks**

This study has briefly considered the role of the sharing economy micro-entrepreneurs during the COVID19 pandemics, and the future evolution of the sharing models. Despite its shortcomings, sharing initiative represents a positive way to better exploit underused assets and skills, by concomitantly enforcing social interaction and solidarity, and reducing exponential production, and therefore creating a more sustainable society. The temporary halt of socio-economic activities determined by lockdown and confinement measures may represent a period of personal reflection and questioning, that can provide the basis of a more equitable system, in which entrepreneurial activities are combined with social values and respect for the environment.



# 20. Igniting Impact: How EO challenges entrepreneurs to support the SDGs

Ryan Villanueva,  
President of the Boston chapter of EO, United States – East.

*On 25–26 June 2019, EO presented a two-day International Entrepreneurial Summit at the United Nations focused on inspiring, educating and connecting business leaders to promote sustainable business practices. More than 180 entrepreneurs and business leaders convened to determine concrete actions entrepreneurs can take to help transform our world.*

A year ago, the Entrepreneurs Organization (EO) organized the interactive International Entrepreneurial Summit (IES), focused on supporting the UN Sustainable Development Goals (SDGs)—17 goals and 169 targets to eradicate poverty, reverse inequality and halt climate change by 2030.

By hosting the IES, EO created momentum among leading entrepreneurs from around the world and incited connections with key stakeholders from the broader UN SDGs ecosystem—forming a network of connections that will empower business leaders to contribute in solving pressing global challenges.

“The level of engagement, passion and commitment demonstrated by attendees was beyond expectations. The insights and commitment to channel entrepreneurial passion, heart, courage, tenacity and

creativity into making a significant impact in the world was extremely evident!” said Brian Brault, former EO Global Chair, who was a key organizer for the event. “There was a genuine desire to support and drive EO, at the global and chapter level, to create permanent positions and infrastructure to support these efforts.”

The engaging line-up of speakers for the International Entrepreneurial Summit included H.E. Dr. Michal Mlynar, Ambassador and Permanent Representative of the Permanent Mission of Slovakia to the UN; Dr. Derrek Kayongo, Global Soap Project; Andrew Wilson, ICC; Shamina Singh, Mastercard; Joshua Williams, Ashoka; Rosemarie “Bubu” Andres, EO Global Chair; and Warren Rustand, Dean of the EO Leadership Academy.

During the summit, more than 180 entrepreneurs and business leaders participated in panel discussions to formulate concrete actions that business leaders can implement to tackle issues surrounding the following four SDGs:

- SDG 4 – Quality Education
- SDG 5 – Gender Equality
- SDG 6 – Clean Water and Sanitation
- SDG 8 – Decent Work and Economic Growth

The IES concluded with an incredible speech by Warren Rustand, who challenged EO to rise up to meet the global challenges posed by the SDGs. [You can watch the speech on YouTube here.](#)

“The event ended with a lengthy standing ovation. From there, everyone signed an Outcomes Declaration and committed to adopting and advancing the action items that were created during the Summit,” Brault explained. “At the end of the summit, multiple people shared that the event changed their life and changed the way they look at EO and its ability to make a significant impact in the world.”

These were the specific Outcomes that EO adopted:

**In support of Sustainable Development Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.**

1. Create an EO Children’s Education programme that includes:
  - Developing an educational programme for children of EO members to engage them in social impact and teach SDGs, and,
  - Partnering with Model United Nations organizations for programming, and ultimately hosting a global gamified competition among EO kids
2. Create an Impact Track with a deliverable of increasing participation of EO-member companies with the United Nations Global Compact (UNGC), with a goal of the Chapter Impact Chair achieving a minimum 20% UNGC engagement among chapter members within 12 months.
3. Create an EO-SDG education programme that includes:
  - A curated SDG channel on EO’s Virtual Learning Platform, with regular content

updates, to be done by the Learning Committee, developed shortly after this UN event, and,

– An online SDG learning platform with SDG best practices from EO members (including business cases and how-to’s), as well as rolled out to EO members, EO Accelerator program participants, corporations, and schools, with CPE credit

4. Create a Social Impact Day that includes creating and celebrating social impact on one day globally by encouraging chapters to host a Social Impact Learning Event, which would include education on ROI to businesses, key executive involvement, member spotlights and community action.

**In support of Sustainable Development Goal 5: Achieve gender equality and empower all women and girls.**

1. Support more women in leadership, including:
  - On the Path of Leadership at the EO chapter, regional and global levels,
  - In local and national community and civic leadership,
  - In local and global businesses, and,
  - Placing women on boards of private and public companies
2. Create a gender equality certification programme for companies and EO chapters that features pillars such as:
  - Equality in recruitment and selection during promotions,
  - Clear parental leave policies,
  - Safe environments for women,
  - Equal compensation, and,
  - Equal opportunity to board positions
3. Place more women front-and-center in EO external relations, including leveraging partnerships and speaker agencies to place more EO women speaking to the outside world.



**In support of Sustainable Development Goal 6: Ensure availability and sustainable management of water and sanitation for all.**

1. EO to commit and hold regions, chapters and member companies accountable to using no single-use plastic.
2. Create an Impact Chair who will be an ambassador for sustainability at the regional level and create awareness within each chapter, to be voted in and supported with a regional budget.
3. Develop metrics for greater and more global-oriented impact outside EO members, using their influence and ability to scale.
4. EO to create and support a competition for chapters and member companies to fund a sustainable water supply for 5,000 people in water-stressed areas of the world.

**In support of Sustainable Development Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.**

1. Create both a Global Social Impact Chair and local chapter-level Social Impact Chair.
2. Chapters to adopt entrepreneur nurture programmes at multiple levels to include GSEA Angels (EO member investors in Global Student Entrepreneur Award participants—both winners and non-winners), EO Cares Startup Engagement, and Young Entrepreneurship Academy.
3. Chapters to use B-Corp B-Lab Assessment to aggregate data and measure EO Impact.

Over the past year, EO Members and Chapters worked towards the Outcomes adopted at the International Entrepreneurial Summit. Here are a few highlights:

- 35 EO chapters, from Los Angeles and the Netherlands to Sao Paulo and Brisbane, participated in the creation of an External Engagement and Impact Chair role. Chairs participated in quarterly video conference calls, sharing current practices around engaging their members in social impact and building partnerships with local community organizations.
- EO members leveraged existing platforms, including Slack, Facebook, WhatsApp, and others, to create an “EO Impact” online platform for members to learn about the SDGs and how to make an impact. Over 1,200 members have participated in the platform.
- EO’s Ambassador to the United Nations, Steve Distant, produced the film, [Igniting Impact](#), highlighting how entrepreneurs are supporting the SDGs. Steve visited EO Chapters, universities, and film festivals across the United States to screen the film alongside one of the film’s subjects, Cory Wrisborne, who shared his story as a gang leader supporting SDG 16: Peace, Justice, & Strong Institutions by working with rival gangs to create a craft brewery.
- EO New Jersey Member Sejal Lakhani and EO Boston Member Ryan Villanueva pioneered a Children’s Education programme that taught children about social impact and the SDGs, in partnership with the [Model United Nations Institute](#). Over 20 children participated in the programme, which culminated in a pitch competition -- to

their parents! -- around their ideas for how to support SDG 6: Clean Water & Sanitation. EO New Jersey President Darlene Panzitta organized Good Deeds Day, challenging its members to take action and make an impact.

- EO UAE Member Vinod Gauba worked with Steve Distanto to develop EO's relationship with the UN Global Compact (UNGC), and make it possible for EO Chapters and Member-owned companies to become members of the UNGC. Vinod, Steve, and other Members have also promoted the SDG Action Manager, an online assessment tool developed by UNGC and the B-Lab.

These are just a few of the many actions that EO Members have taken since the IES last year.

And when the covid pandemic emerged, it seemed, for a moment, that our efforts around impact may fall to the wayside. EO DC Member Marsha Ralls was planning to organize EO's next IES in June 2020. The pandemic disrupted EO's ability to organize in-person events.

But, working with other Members, Marsha pivoted into virtual events. She organized a "Purpose-Driven Entrepreneurship" virtual learning series that featured Angus Rennie from the UN Office of Partnerships, Michael Hershman, Co-Founder of Transparency International, and various EO Members sharing their lifelong journeys in social impact.

In the coming year, Members are more committed than ever to making an impact. Led by Sustainability Chair Nikhil Hirdaramani, EO is implementing an

organization-wide sustainability strategy. In the coming year, EO Members will participate in Sustainability Workshops and make progress towards implementing sustainability in their businesses.

In the middle of this pandemic, business owners may ask, why should I care about the Sustainable Development Goals when I'm worried about the sustainability of my own business? How can I talk about social impact when everyone is social distancing?

As an organization, our answer has been that impact matters more than ever.

Since the beginning of the crisis, our Members have banded together, supporting one another, sharing experiences and resources to help our businesses and our families get through this challenging time -- that's impact.

Our Members have been resilient, identifying emerging opportunities, pivoting their businesses, and finding new possibilities to meet the needs of customers in sustainable ways -- that's impact.

And we remember the Outcomes we committed to a year ago. Although the world is in crisis now, we cannot lose sight of the vision set by the Sustainable Development Goals, to achieve peace, protect the planet, and create a more prosperous world by 2030.

EO is more committed than ever to making an impact.

# 21. Corporate Entrepreneurship and Financial Performance of Manufacturing Firms in Developing Country, An Empirical Study

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## Abstract

Applying the entrepreneurship orientation-performance relationship model, the paper explores the effect of corporate entrepreneurship (CE) dimensions on the financial performance of manufacturing firms in Kenya, a Developing country. Specifically, the study sought to establish the effect of innovativeness on the financial performance of the manufacturing firms; determine the effect of risk taking on the financial performance of the manufacturing firms, and find out the effect of proactiveness on the financial performance of the manufacturing firms. To achieve this, a sample of 200 firms is used to provide data. Ex post facto design, which investigates possible cause and effect relationships between variables, is used. Regression analysis among the variables is conducted to statistically test the hypotheses. The findings of the innovativeness and risk-taking on the financial performance of manufacturing firms are strong and significant, whereas those of proactiveness are negative and insignificant. The paper concludes that innovativeness and risk-taking dimensions are strong and significant, as opposed to those of proactiveness against financial performance that is moderately strong. On the basis of these findings, the paper recommends that proponents of CE

should understand the roles of corporate entrepreneurship dimensions and their effects on the financial performance of manufacturing.

**Keywords:** Corporate Entrepreneurship Dimensions, Financial Performance, Manufacturing Firms, Kenya

## 1. BACKGROUND AND RATIONALE

International changes in the business environment and philosophy of management in recent years have led to an increasing number of large firms demanding corporate entrepreneurship (CE) dimensions within firms (Christensen, 2004). George & Marino (2011); Covin & Lumpkin (2011) allude that these dimensions include innovativeness, risk-taking, and proactiveness to characterize and test entrepreneurship.

These dimensions can be aggregated together in order to assess the overall level of a firm's EO. However, recent studies posit that these dimensions may offer unique contributions to a firm's overall level of CE (Hisrich & Kearney, 2012; and Marino et al., 2002). On the basis of these assertions, the purpose of the study was to explore the effect of CE dimensions on

the financial performance of manufacturing firms in Kenya.

The study was divided into three research objectives and hypotheses. Specifically, the study sought; 1) To establish the effect of innovativeness on the financial performance of the manufacturing firms; 2) To determine the effect of risk-taking on the financial performance of the manufacturing firms; 3) To find out the effect of proactiveness on the financial performance of the manufacturing firms.

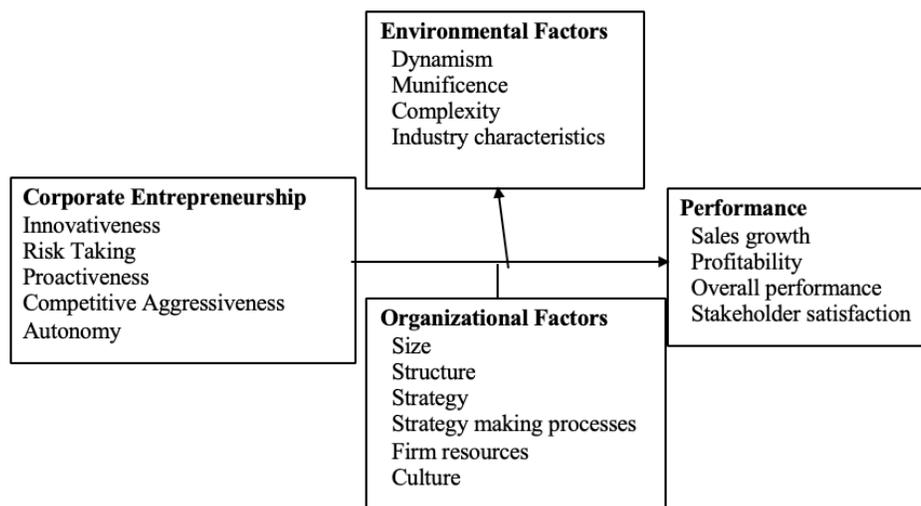
The paper commences by exploring the primary tenets of the model of EO-performance relationship, and financial performance and CE. Secondly, the methodology of the study has been discussed in the third section. The findings of the study have been given in the fourth section. Finally, conclusions and recommendations are presented in the fifth section.

## 2. MODEL; AND FINANCIAL PERFORMANCE AND CORPORATE ENTREPRENEURSHIP

### 2.1 Model

There are many theoretical and empirical studies, which examine CE- performance relationships among firms. This study adopted the conceptual model of EO-performance relationship by Lumpkin and Dess (1996) (see Figure 1). Accordingly, the model gives an alternative model for CE that indicates the EO- performance relationship that involves five CE dimensions (innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy) moderated by environmental factors (dynamism, munificence, complexity, and industry characteristics) and organizational factors (size, structure, strategy, strategy making processes, firm resources, and culture) affect the performance of the firms (sales growth, profitability, overall performance, and stakeholder satisfaction).

**Figure 1: Conceptual Model of the EO-Performance Relationship**



Source: Lumpkin, G.T. and Dess, G.G. (1996) Clarifying the Entrepreneurial Orientation constructs and linking it to performance. *Academy of Management Review*. 21(1): 135-172.

### 2.2 Financial Performance of Firms and Corporate Entrepreneurship

CE has become an important area to overcome external adaptation problems firms face in their search for sustained

competitive advantage in the global competition (Dess et al., 2003; Antoncic & Hisrich, 2004; Drucker 1985). The literature on CE has been grown mostly by theoretical studies that occasionally create a true

picture of the performance of firms and what determines it (Aktan & Bulut, 2008).

Pro- CE scholars have identified a link between CE dimensions and a firm's performance, especially with reference to financial performance. Zahra & Garvis (2000) found a positive correlation between CE and a firm's financial performance, as measured by the firm's profits and sales revenue growth. In addition, (Stopford & Baden-Fuller, 1994) discovered that when firms use innovative products to target new market segments, it resulted in increased profitability for these firms. Lumpkin & Dess (1996) supports this statement by asserting that entrepreneurial activities increase a firm's performance by increasing its commitment to innovation.

Many studies conducted have shown entrepreneurial behavior brought about by CE dimensions in large firms are common to their success (Lumpkin & Dess, 1996). Firms such as Microsoft, Coca Cola, and Sonny have been able to sustain high levels of performance by behaving entrepreneurially (Morris, Kuratko & Covin, 2013; Trott, 2010; Hisrich, Peters & Shepherd, 2009). In emerging markets, particularly Africa, researches carried out by (Nyanjom, 2007; Coates, 2007; Gantsho, 2006) have discovered, through various parametric test analysis, a positive relationship between CE and the performance of the firms. Consequently, the dimensions of CE will be debated along the firm's financial performance within the following section.

### **2.2.1 Innovativeness**

Innovation is generally defined not only as conceptualization of new commodities (or a greatly improved commodities), but also as the successful bringing of new commodities to the market (Cakar & Erturk, 2010; Schumpeter, 1934). Consequently, the firm's innovation capability is the ability to mobilize the knowledge, possessed by its employees (Kogut & Zander, 1996), and combine it to create new knowledge, resulting in product

and/ or process innovation.

Innovation capability is one of the most important dynamics that enables firms to achieve a high level of competitiveness both in the national and international market. Therefore, how to promote and sustain an improved innovation capability should be the key focus area of the top managers of firms (Cakar & Erturk, 2010). Drucker (1985) argues that innovation is the heart of entrepreneurship. An organizational wide entrepreneurial spirit to cope with and benefit from rapidly changing market-place conditions would be possible only if sustainable innovative undertakings are established. When these organizational initiatives are supported and coordinated within the firm, the outcomes will be gained as sustainable competitive advantage through innovation in the form of new products, services or combination of these (Hornsby, Kuratko & Zahra, 2002; Brentani, 2001; Quinn, 1985). On this basis, the following hypothesis is put forward:

*H1: Innovativeness will significantly have a positive relationship with financial performance of the firm*

### **2.2.2 Risk Taking**

Risk taking has always been associated with entrepreneurial behavior in the firm (Kreiser et al, 2010). Early definitions of entrepreneurship centered on the willingness of entrepreneurs to engage in calculated business-related risks (Brockhaus, 1980). Previous research suggests that entrepreneurs tend to categorize business situations as possessing less risk than non-entrepreneurs (Busenitz, 1999).

Conservative and risk aversion attitude of firms will cause a decrease in market share and even a loss of competitive position (Kanter, 2006; Barringer & Bluedorn, 1999). On the other hand, globalization of the competition has been forcing firms to take new positions to stay competitive (Porter, 1980). Successful firms either identify new markets or introduce new

services or products to the existing markets or combinations of two by taking risks to fulfil the market opportunities. Therefore, to be outperformed and stay competitive is directly related to firm's intensity to take calculated risks. The research overall suggests entrepreneurs are calculated risk takers leading to the hypothesis:

*H2: Risk taking will significantly have a positive relationship with financial performance of the firm*

### 2.2.3 Proactiveness

Previous studies conducted on proactiveness have centered on firms' pursuits of favorable business opportunities (Lumpkin & Dess, 2001; Knight, 1997; Stevenson & Jarillo, 1990). Knight (1997) argues that the emphasis of proactiveness is on the pursuit of environmental opportunities and the achievement of a firm's objectives by means necessary.

The main challenges of new borderless competitive milieu are the shortened product life cycles and sensitive demand for new products. To deal and survive within this new economic environment, firms try

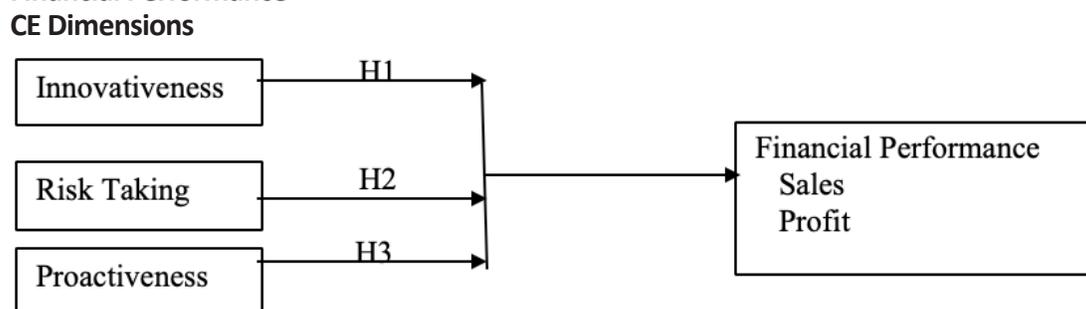
to make the first move to gain competitive advantage (Barringer & Bluedorn, 1999; Khandwalla, 1987; Miller, 1983). Particularly, in emerging and transition economies, being the leader is more beneficial than wait and identify strategies, following the competitors' cause to fight for some pie in less market share against the first mover (Olson, Slatter & Hult, 2005; Narver, Slater & MacLachlan, 2004).

Instead of dealing in saturated markets, being fast and the first by finding out the new demand introducing new products or services frequently helps firms to take new positions on the way of sustaining competitive advantage (Aktan & Bulut, 2008). Given these viewpoints, it will be postulated that:

*H3: Proactiveness will significantly have a positive relationship with financial performance of the firm.*

This study adopted the three CE dimensions-innovativeness, risk taking and proactiveness and two financial performance constructs-profit and sales that generated a conceptual framework depicted below.

**Figure 2: Hypothesized Conceptual Framework of Interaction of CE Dimensions and Financial Performance**



### 3. METHODOLOGY

To enable the attainment of the study objectives and hypotheses, a target population of 525 manufacturing firms in Nairobi County in Kenya (KAM, 2010), from which a sample of 200 manufacturing firms was selected using simple random sampling technique. Survey and ex post facto research

designs were applied, that involved use of both qualitative and quantitative methods of data collection of large manufacturing firms; and investigating the possible cause and effect relationships involving variables. In specific terms, this implied that data for 200 top managers of manufacturing firms

were gathered using questionnaires and direct observation which allowed data to be quantified to show the relationship among variables.

Field data collected embraced biographic features; financial performance; CE dimensions (innovativeness, risk taking and proactiveness). To test financial performance effects of CE dimensions the scales of CE dimensions and financial performance constructs were adopted from the theories of CE. The applied regression analysis to analyze data (Greene (2011).

#### 4. FINDINGS

A total number of 186 respondents, representing 93% of the sample of managers of manufacturing firms located in Nairobi County in Kenya participated in the study. The findings of the biographic features of the manufacturing firms discovered that among thirteen subsectors surveyed, the majority of the manufacturing firms were from the food and beverages sub sector. Many of the manufacturing firms had operated for more than 10 years. Majority of the firms traded their commodities in regional markets. Most of the top managers researched were males. Considering the age of managers, many of them were aged between 41 to 50 years. Lastly, many of the managers who participated in the survey had a degree level of education. The findings of the financial

performance of manufacturing firms identified that the sales of many firms had increased.

On the effect of three CE dimensions (innovativeness, risk taking and proactiveness) on financial performance depicted in Table 1; the effect of innovativeness dimension on financial performance results revealed that that innovativeness affects the financial performance of the manufacturing firms in Kenya. First, the relationship between innovativeness and financial performance of firms was significant which led to the acceptance of the null hypothesis, there is a significant relationship between innovativeness and financial performance of the firms. The main findings of the effect of risk taking on financial performance of manufacturing firms in Kenya revealed that the risk-taking dimension affected the financial performance of the manufacturing firms in Nairobi County. Second, the relationship between risk taking and financial performance of firms was significant which led to the support of the null hypothesis, there is a significant relationship between risk taking and financial performance of the firms. The main findings of the effect of proactiveness on financial performance of manufacturing firms denoted that proactiveness dimension affected financial performance of manufacturing firms in

Table 1: Regression Model of CE Dimensions and Financial Performance

Variable	B	SE	$\beta$	t- Test	p- Value	PCC	
<b>VIF</b>							
Constant	0.933	0.251		3.716	0.000		
Innovativeness	0.201	0.053	0.185**	3.827	0.000	0.275	1.186
Risk taking	0.125	0.032	0.222**	3.952	0.000	0.283	1.604
<u>Proactiveness</u>	-0.034	0.048	-0.036	-0.715	0.476	-0.053	1.286
Observation (N)	185						
R square	0.2754		0.649***		0.000		
Adj. R square			0.637***		0.000		
F- Value (6, 179)			55.143***		0.000		

Note: Statistical significance \*  $p < .05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

Kenya. Lastly, the relationship between proactiveness and financial performance of manufacturing firms was significant, enabling the acceptance of the null hypothesis, there is a significant relationship between proactiveness and financial performance of the firms.

Where: *B*- Unstandardized Beta coefficient; SE- Standard Error;  $\beta$ - Standardized Beta coefficient; *p*- Value Significance level, PCC- Partial Correlation Coefficient; VIF- Variance Inflation Factor; and Adj. *R* square- Adjusted *R* square

## 5. CONCLUSION AND RECOMMENDATIONS

In conclusion, the research discovered that there was a statistically significant relationship between three dimensions of CE (innovativeness, risk taking, and proactiveness). The strong and significance of the CE dimensions (innovativeness and risk taking) can be explained by the following reasons; in innovativeness, the manufacturing firms are creative in coming up with new types of products through investing in appropriate technology which in turn increases their sales.

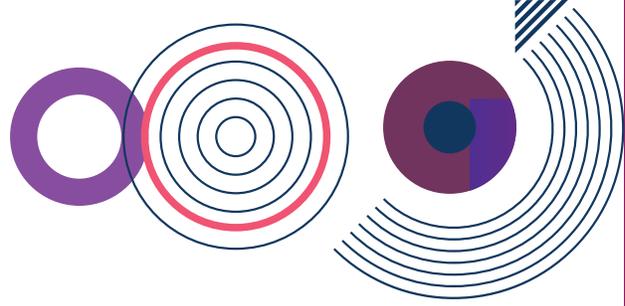
Risk taking in the firm involves the manufacturing firms supporting a great deal of tolerance for risk through bold and aggressive posture in investing in expensive and risky activities that enable increase in sales. The moderately strong relationship of proactiveness dimension on financial performance of manufacturing firms in Kenya was attributed to a fairly weak strategy by firms in being competitive in the market by introducing new products from new technology. On the biographic data, the sub sector of firms, market of firms, age of managers and academic qualifications of managers were the geographic features, which dominated much among the manufacturing firms in Kenya. These findings support the pro- CE prescription of considering the biographic features as

factors that affect financial performance of the manufacturing firms.

The study recommended the following; firstly, researches of CE dimensions- performance should emphasize on testing theories empirically and also give conclusive empirical evidence. This study empirically tested the CE dimensions- performance theory by exploring the effect of CE dimensions (innovativeness, risk taking and proactiveness) on the financial performance of manufacturing firms in Kenya. Despite positive and significant relationship between all CE dimensions (innovativeness, risk taking and proactiveness) and financial performance constructs, the strong relationship of innovativeness and risk-taking dimensions on financial performance as opposed to moderately strong relationship of proactiveness dimension against financial performance, should be explored.

Lastly, Kenya as a developing country, many of her manufacturing firms are entrepreneurial. Adopting CE to provide more vitality in the economy is not something that firms can simply decide to do. It necessitates considerable time and investment, and there must be continual reinforcement. Because of CE dimensions represents an attitudinal and behavioral orientation that should pervade all aspects of an organization. Consequently, to be sustainable, the entrepreneurial spirit should be integrated into the mission, objectives, strategies, structure, processes, and values of the firm for an impressive performance.





# 22. New Normal: The Challenges the Micro, Small and Medium Entrepreneurs Have to Face Amid the Aftermaths of the COVID-19 Pandemic

Mr. Stanley Au, Chairman of Macao SME Association and The Delta Asia, Macao.

## **The Implications of the COVID-19 Pandemic**

At the moment, the world is in chaos. The COVID-19 disease has already created a catastrophe of over 6 million confirmed cases and over 365 thousand deaths globally at the end of May, 2020 and the numbers are still rising rapidly every day. Therefore, it does not need too much imagination to envisage the unprecedented damage done to the world economy and the entire human race. Because of the closing of country borders, the lockdown of states and the shutdown of cities and schools, these disruptions have caused the breakdown of the global supply chains, the distortion of logistics movements, and the cancellation of orders to the factories from the buyers. Furthermore, these consequences have produced hundreds of millions of unemployed people in the workforce worldwide and thus hurting drastically domestic consumption and retail trade. As a result, the world economy has fallen into

recession, and possibly into depression if the hazard of this pandemic lasts longer than anticipated. According to UNCTAD forecast, an estimated quarter-on-quarter decline of 27% is expected in the second quarter, while the IMF suggested that global GDP is to contract by 3 percent for the year as well.

## **New Normal**

Under such circumstances, the whole world has been blown off course. In order to protect citizens from virus infection and contagion, most governments mandatorily ordered their citizens to wear masks in public places and adhere to social distancing, and if possible to work from homes instead of offices. Thus, people have learned to use Zoom for communications and conferences, to use online learning instead of letting their children go to schools and be exposed to infection. Because of this abrupt adoption

in new lifestyles, it has also brought an unbearable impact on the ways people are doing their businesses. Businessmen have to reach their customers through the dual channels of “online” and “offline” shopping and thus internet platforms and apps are being quickly created. Home deliveries have become very popular and part of our daily life as well. In the same logic, business travels are being cut drastically because people are now used to connecting via Zoom instead of face to face meetings in order to save time, travelling risks and expenses. As an aftermath, airline schedules will be reduced considerably, and airfares rising substantially and having a side effect of discouraging ordinary people from travelling for pleasure. Meanwhile, employers have to adjust to the new model of allowing all or part of their staff to work from home. As a matter of fact, individual companies have already empowered some of their employees to work permanently at home.

#### **How to Survive this COVID-19 Pandemic**

Besides adapting themselves to the new normal, MSMEs (micro, small and medium entrepreneurs) have to learn to find new niches in marketplaces through innovation and digitalisation in order to survive in this economic turmoil and forgoing some past stale services and business practices. Needless to say, some of the biggest challenges confronting the MSMEs in the retail business today are the drastic drop in the number of visiting customers, the restrictions through social distancing, the shortage of usual staff members to cater to the customers due to quarantine at home and thus a consequential reduction in revenues. In order to overcome these unexpected sudden changes in the business environment, the MSMEs have to find ways to suit the customers’ needs, for instance, by letting their customers access them

through online platforms, mobile phone apps and home delivery services. For those factory owners who are encountered with problems of order cancellations and shortage of workers, they have to consider such options as cutting costs and increasing productivities by introducing robots and AI automations into their factories. As a matter of fact, many of their newly descended hurdles can easily be overcome by seeking the help of online business models such as the Zoom conference technology, big data and digitalisation. Of course, they should not forget their duty to retrain their staff and workers to cope with the newly flushed in unorthodox business conditions. There are, in fact, numerous ways to counter the myriad new challenges they are facing every day. They should keep in mind the motto: Our fate is in our own hands. And, it depends entirely on how determined we are to fight this uphill battle through innovative ideas and technological breakthroughs.

#### **The Implementation of U.N. Sustainable Development Goals 17 as a Means to Preserve a Better World after this Devastating COVID-19 Pandemic**

The prevailing COVID-19 epidemic has developed rapidly into a pandemic that has devastated mankind and upset drastically our normal lifestyle. As a result of the lockdown of cities and the horrible number of infected patients, the loss of many beloved members in the families, as well as the social distancing, the world’s routine orders have been disrupted and people have become self-centred, emotional and usually pessimistic in their futures. Therefore, there is an urgent need that we have to establish a set of new social orders to help maintain the normal social life of mankind, especially for the benefit of our next generation. With foresight, it is indeed timely that through the auspicious of the United Nations in September 2015 Heads of State and

Government agreed to set the world on a path towards sustained development through the adoption of the “2030 Agenda for Sustained Development.”

These 17 Sustainable Development Goals can be briefly summarised as follows:

1. End of poverty
2. End hunger and secure food security
3. Ensure healthy life and promote well being
4. Ensure inclusive and equitable education
5. Achieve gender equality
6. Sustainable management of water and sanitation for all
7. Provide reliable energy for all
8. Promote sustainable economic growth and employment and decent work for all
9. Build resilient infrastructure and promote industrialisation and innovation

10. Reduce inequality within and among countries

11. Make cities and human settlements safe, resilient and sustainable

12. Ensure sustainable production and consumption patterns

13. Combat climate changes and its impacts

14. Conserve and sustainably use ocean and maritime resources

15. Conserve and protect ecosystems

16. Promote peace, provide access to justice, and build effective, accountable institutions at all levels

17. Implement, strengthen, and revitalize the global partnership for sustainable development.

We, MSMEs, should consider that it is our responsibility to promote the said UN SDG 17 for the benefit of our well-being and for

our next generation so that they may enjoy a better world. We should reckon it as our duty to contribute to society. By helping all walks of life to understand the implication of these 17 goals and to practice those in our daily life should definitely preserve a well maintained and sustainable ecosystem for this and the next generation.

#### **The Role of the Macao SME Association**

The Macao SME Association is also a think tank as our functions. Hence, to cope with this COVID-19 epidemic, we have been liaising and working closely with the Macau Government and advising it on the relevant stimulus policies to lessen the pain of the MSMEs as inflicted on them by the epidemic. We have organized a number of webinars to educate the MSMEs on how to survive the adversities brought about by this pandemic. Through our affiliated institution, the Delta Asia SME Academy, we have committed to work together with ICSB to provide classes to the government officials, the MSMEs, and the college students for the sake of letting them understand and subscribe to the U.N. SDG 17 principles. We hope, through our unreserved efforts, Macao can accomplish the 17 sustainable development goals of the United Nations by the year 2030. Let us all work fervently towards these noble goals.

# 23. The Rise of Creativity and Sustainable Business MSME's pushed by COVID-19

Diah Yusuf, Founder Indonesia Prima, Indonesia.

The outbreak of the COVID-19 pandemic had a huge impact on the Indonesian economy. Not only traveling, the public also limits consumption, which in turn affects the sale and purchase transactions on the market. Various elements affected, restaurant, market, shopping center, online transportation, and so MSME's.

The MSMEs sector has an important role in the national economy. Micro, Small and Medium Enterprises have been able to prove their existence in the economy in Indonesia, contributing close to 58% of GDP and employing more than 97% of workers.

Unlike when the storm of the monetary crisis hit Indonesia in 1998, MSMEs were able to survive compared to large companies,

because the majority of them are less dependent on large capital or external loans in foreign currency, but now because of pandemic, more than 70% MSME's affected and declined their revenue.

This situation is the same as globally where MSME's should survive and defend against this situation and look for many ways to change and grow again.

ICSB Indonesia has also conducted a simple survey of more than 160 respondents (multi-response) in some regions of Indonesia to understand the challenges faced by businesses micro, small and medium enterprises (MSMEs) during this crisis. Survey results shows various problems on every aspect of a business faced by SMEs:

- Marketing aspects
  - Declining customer demand (78.2%)
  - Difficulty selling online (17%)
- Operational aspects
  - An increase in raw material prices (51.8%)
  - Difficulty in getting raw materials (32.9%)
- Aspects of human resources
  - Decreased work motivation (53.3%)
  - Decreased productivity (29.7%)
- Financial aspect
  - Cash shortages (58.2%)
  - Debt or credit due (38.8%)

What Is an Entrepreneur?

An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards.



The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures.

Entrepreneurs play a key role in any economy, using the skills and initiative necessary to anticipate needs and bring good new ideas to market. Entrepreneurs are also the one who deal with uncertainty, challenges and obstacles and are responsible for the creation of new things in the search of profit. MSME's also as entrepreneurs, who can actually help clear up uncertainty. But they can not do this by themselves, the ecosystem for nurturing their mindset and skill set should be available to support them.

This time MSME's should adapting with change, change of situation which is not the same before pandemic, change of customer behaviour, availability of raw material, and economic condition. We call it adaptation with New Normal, Stay-At-Home Economics. They also should facing new-competitor, big corporation which is also affected, now also targeting the same customer as of MSME's. Many workers also laid-off from the company and they switch to be new MSME's.

Understanding the condition and situation is what MSME's do now. Reviewing their business health, check the condition and make a strategic action plan to get back to the business.

### **Become More Creative and Omni**

It is not arguable that many negative impacts are affected by this pandemic, but there are positive sides from this crisis, MSME's pushed to be more creative, discovering new opportunities even when deciding to pivot the business, using digital technology and implementing new ways in limitless productivity.

When people now spend their money differently on essential needs rather than wants, they also spend their time more on social media and looking for opportunities to add their income as side business. MSME's should use this insight to rearrange their business models and win the market.

MSMEs which is engaged in the food sector is one of the most productive business sectors in the midst of the coronavirus pandemic.

The production of herbal products, the sale of vegetables and good things for health is increasing.

Before crisis they open their stall or restaurant for dine in, but now they prepare their product to become frozen food to easily consume and distribute, which is this new business model for them. Then they promote through social media and using e-commerce to gain the market.

Many businesses which are primarily affected with Covid-19 like travel industries pivoting into food sectors either they produce by themselves or OEM or as reseller to the principal. A reseller is a company or individual (merchant) that purchases goods or services with the intention of selling them rather than consuming or using them.

They pushed to be more creative and become Omni. Creativity is the act of turning new and imaginative ideas into reality. Creativity is characterised by the ability to perceive the world in new ways, to find hidden patterns, to make connections between seemingly unrelated phenomena, and to generate solutions.

Omnichannel refers to the multichannel sales approach that provides the customer with an integrated shopping experience. The customer can be shopping online from a desktop or mobile device, via phone, or in a brick-and-mortar store, and the experience will be seamless.

Before a crisis, they know about how to digitize their business and they realize if using technology this will be more efficient and effective. But they just stop to know it, not apply that to their business. Now like they have no other choice to implement digitalization into their business not only as a marketing channel, but also for production, management controlling and communication with suppliers and customers.

For example, because of social distancing, they cannot work in the office or workshop as usual, they work From Home, they should re-arrange their Standard Operating Procedures and Key Performance Indicator for the employee. Meeting and reporting using an online platform which is new for them.

This turning should not be easy but this is what they should do to continue business. The one which can not adapt to the situation will collapse and stop the business.

Understanding new market behaviour in the middle of a crisis is another challenge for them to make successful marketing communication.

#### **Thinking others**

Indonesia is the Most Generous Country in the World according to The 2018 World Giving Index by British organization Charities Aid Foundation (CAF) has placed Indonesia on top of the list.

Three behaviors are used to measure a country's generosity: donating money, helping a stranger and volunteering in the past month when the survey was conducted. Indonesians' participation in volunteering stands as the highest in the world at 53 percent, while its people's participation in donating money and helping a stranger are at 78 and 46 percent, respectively. The country's overall score is 59 percent.

This reflected that MSME's in Indonesia during the crisis not only think about their business, but they also think for others. They make a program to buy 1, donate 1, it means when we are buying 1 of the product, they will donate the same product and give it to the driver who delivers the product. Many MSMEs do this and this movement is also done by the customer. When the customer buys the product, this is not really for them but they buy for the driver. So by buying the product it means the people can help 2 parties, the MSME's and the driver. This really amazing support one to another.

In this point, they also supporting SDG's point no. 2 – Zero Hunger

The 17 Sustainable Development Goals (SDGs) define global sustainable development priorities and aspirations for 2030 and seek to mobilize global efforts

around a common set of goals and targets. The SDGs call for worldwide action among governments, business and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet.

Focusing in goals number 2–Zero Hunger and how the key business themes addressed by this SDG and pushed by COVID-19, MSME's more understand about the importance of :

- Healthy and affordable food
- Food labeling, safety and prices
- Sustainable sourcing
- Genetic diversity of farmed and domesticated animals
- Labor practices in the supply chain

But maybe they do not realize what they do is part of the goal.

So this will be the perfect time to strengthen this point of sustainability and focus to support this goal. Because MSME's already learn and prepare during this pandemic that a healthy, affordable, sourcing and domesticated supply chain can survive and even grow the business.

Government and other stakeholder entrepreneurship ecosystems should support and take seriously regarding this and make suitable policy to facilitate implementation.

As entrepreneurs we can not stop change and challenges, we don't know after this pandemic COVID-19 what will happen next in the future. The persistence, the mindset, a way of thinking that enables us to overcome challenges, be decisive, and accept responsibility for the outcomes. And it will constantly need to improve the skills, learn from mistakes, and take continuous action on the ideas, it's about being committed to your vision regardless of the challenges and obstacles along the way.

For all entrepreneurs all over the globe, Happy International SMEs Day and don't let the fear decide your future!

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# 24. SDG legislation to strengthen the entrepreneurial ecosystem

Prof. Analia Pastran, Executive Director of Smartly, Social Enterprise on the SDGs and Evangelina Colli, Director of Localizing the SDGs in Public Policies of Smartly, New York & Buenos Aires.



In the context of Climate Change, pandemic COVID-19 affects human life in the terrestrial ecosystem and impacts all communities, specially large cities or urban concentrations, with greater intensity and which is estimated to leave millions of poorer people. We ask ourselves what are the essential agreements and actions that must be emphasized to avoid inequality, injustice and environmental insecurity. In this sense, the role of the State becomes a preponderant role. In this framework, in particular, the Green New Deal, the Sustainable Development Goals (SDGs) and the New Urban Agenda for the entrepreneurial ecosystem are vital, as is the rethinking of the type of city we need to defeat COVID-19.

- **The City we want: integrated - accessible - resilient**
- **The Humanity we need: responsible - conscious - active**
- **The opportunity to undertake that we deserve: local - institutional - sustainable**

In terms of the role of the State that is needed at this moment, there is a special emphasis on the relevance of boosting the economy in a conscious and responsible way regarding the impact on the environment. In this sense, the Green New Deal calls on governments to reduce the carbon footprint, generate well-paying jobs, ensure a pollution-free air, renewable energy, access to water and food as basic human rights, as well as ending all forms of degradation. The Green New Deal

is inspired by the New Deal developed by President Franklin Delano Roosevelt to help the United States overcome the Great Depression after his election in 1932. It was an economic stimulus plan. In the 21st century, it is proposed to reorient another great economic stimulus but in those sectors that are responsible for the preservation of the environment because **the Great Depression of this century is the Depression of the Environment**. Both the Chancellor of Germany, Angela Merkel, and the Secretary General of the United Nations, Antonio Guterres, addressed this issue during Mother's Earth Day.

The 2030 Agenda is the new social contract and the 17 SDGs are the guide to action to achieve integrated and resilient sustainable development, and to solve economic needs, social reconfigurations and technological transformations in the ways of working, consuming and connecting with others. The New Urban Agenda is inspired by the SDGs to achieve more inclusive, safer and more resilient cities and guides us to promote the right to the city with a development that is people-centered. In other words, it calls us to achieve urban **life** planning before urban planning, with its five main pillars:

- urban policies
- urban legislation and regulations
- urban planning and design
- local economy and municipal finances
- local implementation

**Localizing the SDGs in public policies and urban legislation constitutes a local challenge in the global opportunity to optimize resources and to focus efforts to promote sustainable and local development in which the population has the option of living, studying and producing on its place of birth. Local Development is crucial to avoid forced migration and it requires a political and institutional strategy.**

To achieve all this and get the city we need, **it is required to have a transparent parliament that ensures the lobbying and advocacy of the citizens** and that embraces a common but differentiated responsibility approach in the agenda.

Smartly proposes to think Parliaments: "As a management system in the framework of the 2030 Agenda and a producer of parliamentary identity on the SDGs... and to reflect on how access to the global agenda can be linked to the emergence of new relationships and sustainable legislative productions as a new conformation of governance and relationship with local and global actors" (Colli, 2018, pp. 18- 19).

In this sense, it is urgent to:

- Protect rich soils and restore the degraded ones
- Reserve soiling for food production
- Access to technology to guarantee production and access to food in cities

### **Parliaments & SDGs**

Smartly promotes an innovative initiative: the Local Parliament Network on the SDGs, which has two international mentions, The Napolitan Victory Awards in the Political Innovation of the Year Category (2018 and 2019).

**The Local Parliament Network on the SDGs is inspired by SDGs 16 and 17 and aims at Local Parliaments incorporating the SDGs when they are legislating for their community. It empowers local legislators to work on a global agenda. One of the greatest innovations of the Network is to bring an International Agenda to the local legislative level of the cities, where usually a Global Agenda hardly reaches. International Agendas generally reach**

National Parliaments or important state legislatures because of their relevance in terms of demography and location, and it takes many years for those agendas to actually reach the local legislative level. That is the greatest contribution that Smartly makes by promoting an initiative such as the Local Parliament Network on the SDGs, a proposal that arises from the private sector but that articulates to the public sector and shows the relevance of the private-public synergy that is needed to ensure a good standard of living for all.

Parliamentary management is a field of action and thought of urban life in particular, since parliaments are in cities, but we must work towards the integration of the rural areas to the city, understanding them as interconnected.

The current COVID-19 pandemic shows that we do not save ourselves in an individual way, we need to think of ourselves as part of an entrepreneurial-public-academic ecosystem, in which the synergy of the linkages enables the development of our communities. Innovation is related to solving the challenges of cities and promoting effective and collaborative alliances between parliamentarians, civil society organizations and academic experts.

**It is vital also to focus on Gender Equality (SDG 5). This means to discuss strengthening the economies of the planet; empowering a majority understood as a “minority”, to speak of empowerment of women is to talk about strengthening the public life of States and institutional quality of the Parliaments.** It is to make visible the leadership of women so that they can occupy the places of management and decision that have been denied many times and for so long.

**Local Parliamentary Legislation to strengthen the achievement of SDG 2 #ZeroHunger #AccessToFood #Beekeeping**

**In order to achieve SDG 2 and guarantee access to food in the context of a pandemic, we highlight the role of male and female beekeepers as part of a fundamental link for food production. In that sense, we propose specific legislation that allows strengthening the sector.**

It should be noted that the entrepreneurial beekeeping ecosystem has allowed the development of an agro-industry related to the activity and proliferation of by-products and derivatives, such as carpentry, the production and recovery of wax, pollen, jelly and mead, and their derived uses in cosmetics, medicinal candies and culinary products, among others.

Given the projections of increase of world population and high poverty rates for the post pandemic period, we propose local parliamentary actions on the SDGs to promote and strength beekeeping since the production of healthy and accessible food for the population must be guaranteed together with the protection of the environment. **This is why beekeeping has a strategic importance in world food security and is positioned as one of the actions with which nature contributes to humanity and positively impacts the SDGs**, especially SDG 1 End Poverty, SDG 2 Zero Hunger, SDG 3 Good Health and Well-being, SDG 8 Decent Work and Economic Growth, 10 Reduced Inequalities, SDG 12 Responsible Consumption and Production and 13 Climate Action.

#### **Beekeeping Legislation SDG2: success case**

A recent local legislation in Argentina on Beekeeping was coordinated by Smartly, through the Local Parliament Network on the SDGs together with the Secretary of Production and the Local Legislative Council of Macia -National City of Beekeeping- and the National University of Rosario. The city of Macia is a landmark in the beekeeping

production of the Argentine Republic and gathers representatives of the entire productive chain of the region through the National Beekeeping Festival and the Beekeeping Expo of Mercosur. Beekeeping is key for achieving SDG 2 and ending hunger. The Food and Agriculture Organization (FAO) indicates that beekeeping can help alleviate poverty, protect biodiversity and ensure food security, which in turn will help to achieve the goal #ZeroHunger. In the same sense, it estimates that in 70% of agricultural products the bee intervenes as a pollinator, generating a 24% increase in production with its work and its social, environmental and productive contribution.

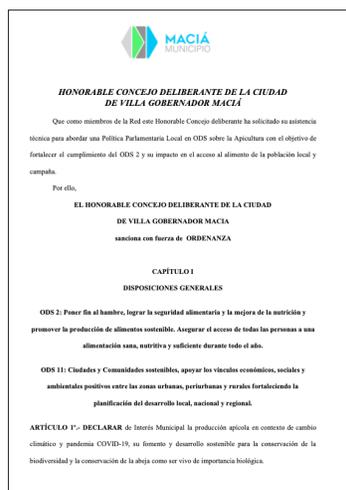
It should be noted that Argentine beekeeping is the most important and developed in the entire Southern Hemisphere and one of the largest worldwide, representing 25% of honey production in the entire American continent and 6% of world production (Council Federal Investments, 2011). The country concentrates more than 3 million hives, which produce 70,000 tons of honey per year, and 95% of the production is exported to the world (Minagri, 2017). Currently the sector is made up of around 30,000 beekeepers and involves more than 100,000 jobs, generating foreign exchange income in the country of more than 180 million dollars per year (Ministry of Agro-industry of Argentina, 2020).

Macia is a city designated the National Capital of Honey and located in Entre Rios, Argentina. Since 1996 it has organized the Expo Macia, National Honey Festival and Beekeeping Expo of Mercosur. Beekeeping has established itself as an efficient production system in that city, currently bringing together a total of 120 beekeepers. With a number close to 420 apiaries and more than 13,000 installed hives, the result is an annual production estimated at 390,000 Kg. of honey, of which 90% is exported and the remaining 10% is split at origin and sold locally (Secretary of Production of Macia, 2020).

The proposed local legislation protects beekeeping production, its promotion and development in a sustainable way for the preservation of biodiversity and the conservation of the bee as a fundamental living being for food production.

Also, the local normative generates a registry, observatory and round table with all the sectors involved in order to conserve bee species and the biological service of pollination. It promotes training and awareness campaigns for citizens about the social responsible use of land, with gender equality and protection of the ecosystem.

Here are some excerpts from the SDG 2 local normative and its contribution to the SDGs and the New Urban Agenda:



**From Smartly, we promote local legislation in SDGs highlighting the preservation of the food ecosystem and its biodiversity to achieve the SDG2 #ZeroHunger and manage #AccessToFood as well as the value of pollination made by bees, as an ecosystem service for production of healthy, nutritious and diverse food, and the importance of the inclusion of women in the sector (SDG 5).**

We promote beekeeping to:

- Raise awareness in the population (urban awareness) about the dependency we have on bees and their social function in food production.
- Join efforts to preserve their habitat.
- Preserve local land for the beekeeping ecosystem.
- Think of the city and the rural areas as interconnected.

#### **Last conclusions:**

The most important crisis throughout history has allowed humanity to rethink the journey and redirect its organizational scheme. It is even truer at these times in which new technologies and globalization present us with an unprecedented crisis, but at the same time, in which we have the tools to manage in a different way and be more supportive by sharing knowledge as perhaps it has never happened before.

The path for achieving greater social equality in the world undoubtedly stems from global solidarity, resilience and less greed. Common but differentiated responsibility that allows inclusion and social integration. Philosophical and moral concepts are raised again in times of significant global uncertainty.

What we proposed in this article is the relevance of embracing guidelines that put the person at the center of the scene and focus on economic development while preserving the environment. And within that framework, the relevance of creating local legislation on the SDGs according to the new contexts and challenges that allow to institutionalize processes and public policies for the common good.

**From Smartly we propose concrete actions in localizing and communicating the SDGs, because although we celebrate that many organizations and institutions are inviting to follow the SDGs, we see with concern that it continues to be something that is communicated as a dogma but that has not yet been translated into actions within organizations, and even more often than not, are not carried out in a mainstreamed and integrated way. That is why, as a social enterprise on the SDGs, we seek to showcase good practices in partnership with the public and private sector, academy and civil society. Concrete actions in SDGs that allow us to transform our world leaving no one behind.**

#### **Themes and keywords:**

- Ecosystem to be an entrepreneur in the context of COVID-19 and Climate Change.
- The role of the State: Green New Deal.
- Rethinking business for more inclusive and resilient cities: New Urban Agenda and Sustainable Development Goals (SDGs).
- Legislate to protect and promote the entrepreneurial ecosystem with inclusive, participatory and representative levels of decision.

# 25. Disadvantage Entrepreneurs: From the Shadow to the light

Dr.Adnane Maalaoui, Co-Director IPAG Entrepreneurship & Family Business Center  
France.

Entrepreneurship is above all, a state of mind, a way of doing, a possibility to unleash your own creativity. It allows us to get out of our usual framework and explore new manners of creating economic, social and human values. Starting your own business has never been more topical, considering the evolution of needs, technologies and minds. Barriers to entry have never been so low and supporters have implemented an ecosystem increasingly promising and attractive. Everybody's dream may come true, the dream to be our own boss, to create our own job but also to give a job to others. This dream is accessible to people from all sides, ages, beliefs and origins. Disabled people, LGBT, prisoners, homeless, veterans, refugees and migrants, seniors, women find their ways in this framework: migrants and refugees who have to practice a new language, cope with a new culture and above all, to subsidize; seniors who strive to not succumb to idleness, loss of social references and seek after economic relief; young mothers who look for relaunching their careers after maternity leave or give a new meaning or impulse to their professional



lives. Homeless and prisoners who experience social reintegration difficulties find in entrepreneurship a way to respond to their financial needs. LGBT can explore their creativity and avoid the discrimination. Disabled people and prisoners who look for a way to create their own jobs, reach self-determination and access emancipation and in a certain way prove their capability to take responsibility. To these disadvantaged people, entrepreneurship appears a solution to create their own jobs and establish their own social and professional networks.



### Barriers against disadvantaged entrepreneurship

We should nevertheless avoid any idyllic view on necessity entrepreneurship. C. Tessier Dargent (2015) highlighted the extrinsic factors of necessity entrepreneurship: unemployment, precarious job, insufficient incomes (minimum social benefits, pension, etc.), obligation to take over a business (e.g. family company), forced subcontracting, etc. The intrinsic factors she brought out consist in belonging to one or several of the following categories: woman, migrant, ethnic minority, single parent, disabled people, youth, senior, people banned from holding a bank account, people without diploma. Indeed, these disadvantaged populations meet a lot of barriers.

When starting a business, women face multiple obstacles, including access to finance, information, training, useful and sometimes necessary networks, while meeting the challenge to reconcile family and professional life. Due to their statutes, migrant entrepreneurs need to fulfil an extra load of administrative obligations as compared to national entrepreneurs. Precarious situation and cultural gap

combine to make it particularly difficult for them to gain investors' trust. Former inmates face to the two-fold psychological challenge to gain investors' trust and self confidence. In "addition", in many cases, they have to rebuild social links and reset their administrative statute (bank account, driving licence, etc.). Senior entrepreneurs face the prejudice to be not enough agile, flexible and aware of some current industrial trends and technologies while their younger counterparts have to overcome stereotypes making them impatient thoughtless people lacking of both experience and networks. Studies have shown the primary motivation of LGBT people is to avoid LGBTphobia (Seidman, 2002) at work place or to break the glass ceiling. According to Galloway (2011), the gay business is above all, a will or a need to escape from the "hetero normativity" ruling the working work.

Contrary to what one may think, housing does end homelessness by itself, but work. However somehow, the homeless persons face obstacles that are even worse than former inmates, since in most cases, they do not have close relations supporting them, have lost almost all time referential,

and do not even have an address to start. Yet, the experience of people like Becky Blanton or initiatives like the Spanish Homeless Entrepreneur organisation show that entrepreneurship does constitute a path to social reinsertion and independence for homeless persons. After their service, many veterans face difficulties to reinsert into society. From this perspective, veteran entrepreneurship displays more than encouraging figures. According to the American Small Business Administration (SBA), one veteran out of 10 owns their firms which employ in total 5.8 million jobs in the USA. They have also found that veteran-owned firms “have one of the largest marginal effects on self-employment and veterans are 45% more likely to be self-employed” (Small Business Administration, 2018). Promoting entrepreneurship by disadvantaged people is thus a moral obligation as well as an economic necessity.

#### **Economic and social role played by disadvantaged entrepreneurship**

According to the European Commission's data, women constitute 34.4% of the EU self-employed and 30% of start-up entrepreneurs (EU commission, 2020). These figures are close to global data which show that approximately 1/3 of the entrepreneurs in the world are female entrepreneurs (BBA, MANTRA, 2020). Altogether, they show large margins of progress, knowing that women count for 52% of the total European population (49.6% of the world population), making it especially useful and necessary to promote female creativity and entrepreneurial potential, which is so far an underexploited source of economic growth and jobs that should be further developed.

Migrants and refugees represent also an important pool of potential entrepreneurs. Amazingly, the averaged percentage of migrant entrepreneurs across OECD countries is almost similar to natives' one (12.6% versus 12.0%), although the figures may considerably vary from a country to

another and over time. Amazingly, despite the difficulties linked to their statutes, migrants are more inclined to start a new business in most OECD countries than their national counterparts (OECD, 2011) even though the survival rate of their businesses is lower than that native-born entrepreneurs' ones (OECD, 2011). “The contribution of migrant entrepreneurs to employment creation in OECD countries has been increasing steadily during the period 1998-2008” (OECD, 2011). On average, SMES owned by migrants create between 1.4 and 2.1 additional jobs, which is slightly less than native entrepreneurs (1.8-2.8) (OECD, 2010). In France, migrant entrepreneurs count for 7.3% of total entrepreneurs, 36% of them having experienced entrepreneurship at their homeland. The 2011 OECD report explains that “migrant entrepreneurs' contributions to the host-country economy are not limited to job creation, but expand to include innovation and trade” and this is also the case for refugees entrepreneurs (Maalaoui *et al.*, 2019).

Entrepreneurship allows former inmates to start their own business and “overcome the stigma of their criminal charge and create a path to economic opportunity” (Brian Hamilton foundation). According to B. Hamilton, chairman and co-founder of Sageworks, there are at least three reasons making former inmates potential great entrepreneurs (Bran Hamilton, 2016): i) contrary to “normal” people, former inmates do not fear failures, the idea of “having nothing to lose” prevents them from the anguish of the consequences of a failure and makes them immediately focussed on the research of customers, which significantly increases the likelihood of success for a would-be entrepreneur; ii) Risk is consubstantial to entrepreneurship and former inmates are generally familiar with risk since in a majority of cases, the doings that brought them in prison involved risks that many other people

would not take; iii) The stakes are high: ex-offenders have considerably less chance than other people to find a job, so they are more motivated to start a business and be successful than people who did not experience incarceration. Moreover, unlike traditional employment, entrepreneurship does not discriminate against those with criminal records for there is no application process for becoming an entrepreneur.

A study performed in the United Kingdom shows that 59% of prisoners would like to take an entrepreneurship course in prison, while 79% of prisoners are interested in starting a business as compared to around 40% of the British population (Centre for Entrepreneurs, 2016). In France, seniors above 50 constitute 38% of the entrepreneurs ([entreprise.gouv.fr](http://entreprise.gouv.fr)). 22 million seniors have already created their own business and this figure is expected to grow up to 30 million in 2030 ([dynamique-mag.com](http://dynamique-mag.com)). A study performed by the MetLife foundation shows that 34 million US baby boomers want to start their own businesses (Isele, 2013). This result is completed by a research undertaken by the Kauffman Foundation and the Global Entrepreneurship Monitor (GEM) showing that seniors constitute the most entrepreneurial age group (Amoros & Bosma, 2013; *In Search of a Second Act: The Challenges*, 2014a, 2014b). According to the United States' Census Department, there are proportionally twice of disabled people starting their own business as people without disabilities. Around 50% disabled people work on a job they have created, a figure to be compared with the 10% of non-disabled people running their own business. There are proportionally twice of people with disabilities creating their own jobs as there are non-disabled people (Disabled World, 2009).

### **Promoting disadvantaged entrepreneurship with concrete supports**

Interestingly, C. Fressier Dargent (2015) also listed a number of “weak” internal factors that are modifiable, that is one can remedy: lack of positive motivation to start a business, risk aversion, strong external locus of control, lack of entrepreneurial culture and model, and low self-esteem (Maalaoui, 2019; Maalaoui *et al.*, 2020). These “weaknesses” can be remedied or mitigated by training on soft skills. In parallel, disadvantaged would-be entrepreneurs may have to be trained in hard skills such as business model building, business plan drafting, marketing, accounting, information and communication technologies, etc. as well. However, the training needs to be tailored to the audience's needs. Former inmates who start a small business do not need to receive an academic training on all the basic aspects of strategy. Instead, they should receive tips to identify the tiny market segment they would go to, specific support to draft their business plan to convince banks to fund their business, and basic accounting and management control principles to plan and monitor their business. Seniors holding strong management skills and experience may need more training on ICT solutions than management. Studies made by women entrepreneurship and young entrepreneurship show that soft skills are among the skills they wish the most to be trained on: these include assertiveness, personal branding, networking, team building, team working, etc. For each disadvantaged person, the more the training is tailored both in terms of content and format, the more it will be beneficial to the audience, thus the success of their venture. In addition to training, disadvantaged entrepreneurs and would-be entrepreneurs need specific support tools. An example of this is the WEGate platform, a European one-stop shop for female confirmed or would-be entrepreneurs of all origins, ages, positions

and experiences. Launched in September 2016, *“it provides information and links on access to training, mentoring, advice and business networking opportunities”* , (Wegate, 2020).

Regarding the initiatives to promote entrepreneurship by former inmates, the Texas Prison Entrepreneurship Program (<https://www.pep.org/>) is especially worth to be mentioned, having served over 1 300 prisoners since its creation in 2004, *“with a remarkable reoffending rate of below 7% compared to the national US average of almost 50%. Its graduates have set up over 200 businesses, including six that generate over one million US dollars in annual revenue”* (Texas Prison Entrepreneurship Program). The model is based on: i) rigorous selection based on expressions of interest, written applications and in-person interviews; ii) In-prison education addressing hard as well as values and soft skills; iii) Business plan competition where students pitch their business ideas; iv) genuine graduation with a Certificate of Entrepreneurship without any mention of prison; v) transition period in which graduates are materially – housing, transportation, etc. – , and socially – social and professional networks, social events, etc. – aided; vi) Weekly eSchool for released participants who in addition can access the programme’s network of financial institutions and individual investors; vii) Incubators providing graduates with almost all material and counselling support from Internet access to low-cost counselling and services (Texas Prison Entrepreneurship Program).

In Europe, the European Erasmus+-funded project EPEP (<https://www.erasmus-epep.eu/>) is designed to provide prisoners and former inmates with the necessary and sufficient skills to start and run their business. Gathering seven organisations from France, Italy and Belgium, the project

will in addition display interviews of successful former inmate entrepreneurs to both encourage the students and help them learn best practices. A striking example of what one can do to promote migrant and refugee entrepreneurship is provided by the Swedish Association of Ethnic Entrepreneurs better known under their acronym IFS. To help migrants overcome language difficulties, cultural differences, and limited knowledge of the regulations governing entrepreneurship in Sweden, IFS offers free advisory service and support to migrant would-be entrepreneurs. The Swedish Agency for Economic and Regional Growth has found that 22% of immigrant owned businesses totally or partially target the international market for their goods and services, as compared to 15% by Swedish-born counterparts. Immigrant entrepreneurs also tend to be more ambitious, with 86% hoping to expand their business, compared to 76% of natives. Also, *“65% of foreign-born small business owners aspire to hire more employees as part of their expansion, compared to just 48% of Swedish-born owners”* (Cities of Migration, 2014).

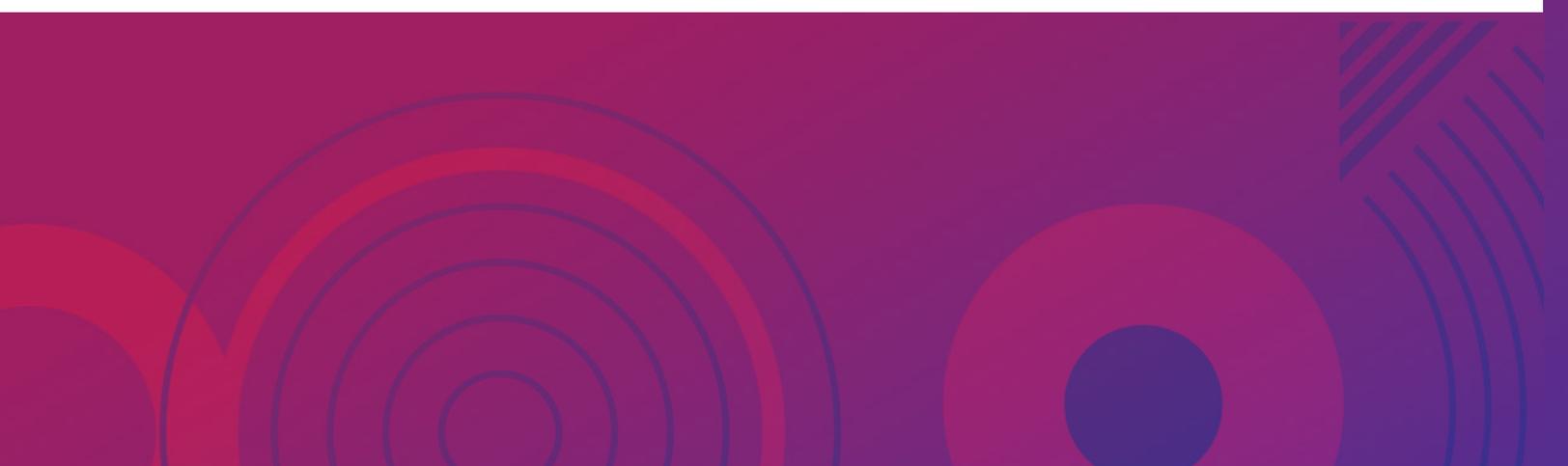
Because, youth and seniors, somehow face almost symmetrically prejudices and obstacles, the French Association TIGCRE – a French acronym for Intergenerational Tandem for Business Takeover – strives to set up collaborations between (often but not always) young business project holder and (often but not always) older skill owner through a matching process combining behavioural analyses, training, meeting and business creation support. This approach is furthered and expanded by IVI, an Erasmus+-project gathering six organisations from France, Spain and Sweden coordinated by the French business school IPAG. Close to this project is the Canadian WISE initiative, which aims to promote intergenerational entrepreneurship by adding seniors’

wisdom, initiative, skills and experience to young would-be entrepreneurs mastering the technology. Their experience has led them to conclude that *“between the two age groups many successful businesses have been started and many older workers are finding meaningful work in these businesses”*.

#### **From shadow to light**

All these initiatives deserved to be encouraged, supported and multiplied. Disadvantaged entrepreneurs have long lived under the shadow of the groups, categories or communities they presumably belong to: migrants, refugees, sexual minorities, veterans, senior women, disabled people, homeless persons, prisoners and former inmates. Despite the obstacles they have to face, they manage to demonstrate that above all, they are entrepreneurs capable to start, run and successfully complete their venture. Their motivations are often assimilated to necessity entrepreneurship. In most cases, their primary wish is to create their own job or prove to their close relations that they, too, can create and manage.

In addition to the external barriers they face, they have to overcome endogenous cognitive factors that hinder their entrepreneurial intention: anxiety before the future, anguish of death, generativity, health condition as perceived by others, subjective age, cultural gap as viewed by natives, etc. At a time when the Covid-19 crisis had led to the most severe recession since the Second World War, threatening the wellbeing and even lives of millions of persons, growth drivers and employment sources need to be searched everywhere and disadvantaged entrepreneurship does constitute a reservoir of jobs it would be terribly wrong to disregard. But more than their socio-economic contributions, because they have dared to put aside and succeeded to overcome their handicaps, each disadvantaged entrepreneur provides a lesson in life and should therefore be considered as a hero of modern times.



# 26. Global talent mobility, returnee entrepreneurship, and institutional transformation in China

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War for entrepreneurial talent has become a global phenomenon with important implications to all sectors and different types of organizations in both emerging economies and advanced ones (Liu, 2019). China, as the largest emerging economy, has launched the national talent strategy and attracted a significant number of overseas talents across a wide range of industries back to China. In particular many returned talents are determined to embark entrepreneurship careers. By synthesizing the policy arguments and our scholarly research in returnee entrepreneurship (Liu, 2017; Liu, 2020; Liu & Huang, 2018; Xing, Liu, & Cooper, 2018), this paper will uncover the central role played by returnee entrepreneurs in developing and driving regional economic development and institutional transformation in China. We believe China's policy development for talent can shed some revealing lights on the challenges and opportunities faced by both emerging economies and advanced ones in dealing with talent in today's uncertain world.

*The vibrancy of talent mobility and returnee entrepreneurship in China*

China is witnessing a rapid increase in the number of entrepreneurs in the country. The

rising importance of entrepreneurship across industry sectors, business opportunities and the economic environment at large are attracting many individuals to become entrepreneurs. Chinese local entrepreneurs are strongly influenced by Chinese culture. By contrast, returnee entrepreneurs are scientists and engineers trained in the United States or other Western countries who return to their home countries to start up new ventures. Returnees are strongly influenced by Western cultures due to their prolonged stay in the Western context. China's returning graduates now outnumber students going overseas to study. Thus, Chinese returnee entrepreneurs need to adapt and re-learn the cultural norms, even though they are ethnic Chinese (Liu & Almor, 2016). The science, technology, mathematics and engineering (STEM) skills of these graduates contribute largely to entrepreneurial activities in China. Returnee migration and the policy and managerial implications in China may serve as a useful model for broader social mobility for other countries that aim to enhance regional entrepreneurship and innovation.

One important role played by Chinese returnee entrepreneurs is transferring





knowledge and filling capability gaps. For example, in the framework of Triple Helix model, the interaction amongst university, government and industry aims to promote regional entrepreneurship and innovation. One core assumption in the Triple Helix model denotes that the universities always seem to possess readily 'university capability'. However, this assumption ignores universities in many emerging economies, such as the second tier cities in China, might not possess the readily 'university capability' in generating and transferring innovative technology.



By comparing two second tier cities in China, Wuxi and Suzhou, our research empirically shows two possible pathways in addressing university capability. One straightforward approach is nurturing university capability by itself. An alternative approach in addressing university capability is in the form of collective entrepreneurial activities by returnee entrepreneurs and their association. Our research from Wuxi indicates this alternative approach can achieve the key functions of university, so as to address 'university capability'. Importantly, our research indicates that Chinese government trying to attract overseas talents to return to their home country may compensate to a certain extent the lack of university capability in promoting regional innovation and entrepreneurship (Liu & Huang, 2018). Against the backdrop of globalization and the continuously increasing interconnectedness of the world business beyond geographical boundaries, entrepreneurs can launch global ventures at the outset in the pursuit of entrepreneurial spirit. Collective entrepreneurial activities may unleash the potential of returnees to substitute the key functions of university fostering regional development and entrepreneurship.

### *Collaboration, transnationalism and partnership for global growth*

Returnee entrepreneurs may help newly created firms to address global markets and scale up in the global marketplace rapidly. We view them as transnational entrepreneurs who can exhibit the characteristics of bicultural people, those who can identify with two (or more) distinct cultures by internalising more than one set of cultural schemas. Importantly, collaboration again can play a critical role for global growth because of three key reasons. First, born-global firms generate income mainly through overseas market operation. The nature of born global firms requests intensive interaction with overseas partners in operating and growing the business. The collaborative partnership is associated with a dynamic characteristic, such as sellers and buyers interact with each other over time. Thus, collaborative partnership enables the born-global firms to dynamically observe and adapt their interactive relationships with overseas partners. Second, born-global firms normally possess limited resources as the firms began pursuing global strategy since inception, this can significantly constrain its entry mode choice. It reveals that the HRM practices of born global firms evolved over time as the resource constraints changed (Glaister, Liu, Sahadev, & Gomes, 2014). Third, due to the institutional differences between home and host country contexts, a high degree of uncertainty may put additional obstacles for born global firms. The dynamics and potential vulnerability of the supplier-buyer relationship may further enhance uncertainty. Therefore, collaboration may facilitate born global firms manage and navigate through institutional complexity in the pursuit of growth.

Our research on the Chinese solar photovoltaic (PV) industry found out that returnee entrepreneurs can help

international new ventures to expand and accelerate global growth rapidly (Liu, 2017). Although Chinese firms contribute significantly to the production side of the solar industry, global consumption is driven by developed economies, such as U.S. and Western European countries. Specifically, a major driver is the “feed-in tariff” available in Germany and Spain, which provides incentives for consumers to install solar panels on their houses. Therefore, Chinese solar companies need to reach out to global markets and have done so since their inception as born global firms. For example, Jiangsu Province is host to more than 50 solar PV companies, 70% crystalline cell producers and 30% thin-film producers. In 2009, six solar PV companies from Jiangsu Province belonged to the top 10 national cell production companies. Their combined total cell production was 2142 megawatts, occupying some 54% of nationwide capacity, 93% of that in Jiangsu Province.

Our analysis shows that transnational entrepreneurs play a critical role in carrying the advanced technological knowledge needed for born global firm development. Australia’s advanced development in the solar energy sector has made it a major source of technological knowledge. Although local scientists and private entrepreneurs established the first few solar energy firms in China in the late 1990s, our analysis revealed that it was not until transnational entrepreneurs arrived that the Chinese solar PV firms realised the rapid growth path as born global firms. Thus, Chinese transnational entrepreneurs not only spread international knowledge about the global market but also generated a positive spillover effect on Chinese domestic firms, encouraging them to develop into global firms. In summary, our research suggests that transnational entrepreneurs in China and their international knowledge play a vital role in technology industries’ global

expansion and make increasingly important contributions to economic growth and development for China through global collaboration.

#### *The power of returnee entrepreneurship and institutional transformation*

We view entrepreneurship as a collective endeavour that involves multiple actors interacting dynamically. The recent development in the Chinese innovation and entrepreneurship landscape was a manifestation of the power and vibrancy of returnee entrepreneurship. In June 2015, 《关于大力推进大众创业万众创新若干政策措施的意见》[an important guiding policy document, “Suggestions on Policy Implementation and Promotion of Mass Entrepreneurship and Innovation.”

During the Summer Davos Summit of September 2015, Chinese Prime Minister Mr. Li Keqiang reiterated the importance of China’s mass entrepreneurship and innovation policy as the new growth driver for the Chinese economy. According to the Ministry of Science and Technology, China boasts over 2,300 MEMS, in addition to 2,500 business incubators and accelerators, 11 national-level indigenous innovation demonstration districts and 146 national high-tech districts. These institutional arrangements inspired the vibrant development of entrepreneurial activities in China, which included both returnees and local entrepreneurs

We argue collaborative partnerships involving public and private business actors as an important organizational form (Liu, Sarala, Xing, & Cooper, 2017) that can shed some revealing lights on how governments interact with entrepreneurs. In particular, the collaborative partnerships involve local governments and private entrepreneurs (hereafter referred to as ‘entrepreneurial public-private collaborative partnerships’)





during the process of institutional change in China. Our research suggests entrepreneurial public-private collaborative partnerships can strongly affect the development of regional entrepreneurship (Xing et al., 2018). When a region in China chooses to foster regional entrepreneurship, overseas entrepreneurs can actively shape this process by contributing their knowledge and, in the process, can benefit from such an institutional transformation. Such private-public collaborative partnerships have important implications for regional development and value creation. As for policy implications, emerging economies tend to resort to entrepreneurship to drive local economic development. For instance, Start-Up Chile, a government-backed ecosystem accelerator, provides government funds to support about 1,000 Chilean ventures (Gonzalez-Uribe & Leatherbee, 2015). Similar to Start-Up Chile, many emerging economies consider using business incubators to fill the institutional voids and encourage entrepreneurship. However, our research indicates that attempts by governments to lure returnees can be a key component of the overall strategies aimed at promoting

regional entrepreneurship in China (Wang & Liu, 2016). The focus on attracting talent, especially returnee talent, is unique to the Chinese governmental approach to fostering regional entrepreneurship. We argue that other emerging economies may systematically design and implement policy initiatives to attract entrepreneurial talent and integrate them into the existing business incubators and accelerators.

To summarise, our research program has illustrated how and why returnee entrepreneurship can contribute to the Chinese economic development and institutional transformation from the individual entrepreneurial behaviour level, organisational and firm level, regional development level, and institutional change levels. In a nutshell, returnees and global talent mobility will continuously shape and change the landscape of entrepreneurship in China and the rest of the world. Collaboration and global partnership will remain as the important force and way forward for both Chinese and global entrepreneurs to pursue their entrepreneurial dreams, while building a better and prosperous world for our mankind and navigating through the societal and economic challenges that we are facing today (Liu, Lee, & Lee, 2020).

# 27. Humane Entrepreneurship and Homo Empathicus

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## Empathy as a Key Driver for Survival, Evolution, and Innovation of People

Humans existed on this planet for a long time despite all odds. What is the secret of human survival, of corporate survival, and of human existence on the Earth? How did Homo Sapiens survive on our planet in the last 100,000 years?

There may be many different reasons for the survival of Homo Sapiens, such as the ability to think, adaptability in changing environments, etc. In this short essay, however, we will try to answer the question by using a concept of “Homo Empathicus.”

### I Empathize with Others; Therefore, I Exist.

This may be called “Homo Empathicus.” Out of many different human species, Homo Sapiens is the only species on the earth that survived so far because they were able to imagine as well as empathize with others. Imagination made Homo Sapiens’ dreams come true and empathy became the dream-fulfilling driver. The term “empathy” means the ability to understand and share the feelings of others within their frame of reference, often referred to as the capacity to place oneself in another’s position. Oftentimes, although it is very subtle to discern, empathy has helped people to work together for survival when faced with many life-threatening threats on a local as well as global scale. As such, it is submitted that empathy is one of the key reasons for ensuring the human survival as well as its evolution on this planet.



In the study of Humane Entrepreneurship, empathy has been analyzed as a key variable in corporate innovation and evolution settings. The hypothesis is that companies that evolve and innovate tend to have high levels of shared empathy among members of the companies.

For Homo Empathicus, it is postulated that only humans who empathize and cooperate with others survive and when they cooperate humanity evolve or degenerate in conflict. A well-known economist as well as sociologist, Jeremy Rifkin, who first used the term ‘Homo Empathicus’, stated that ‘The most powerful energy that drives history is empathy’ in his book (Jeremy Rifkin, *The Empathic Civilization*, 2009). Linguistically, the term ‘Homo Empathicus’ consists of Homo and Empart + cus suffix. Homo is a generic name referring to human beings. The suffix—cus is a Latin suffix referring to a person who is immersed in a particular field, just like a baby suckling.

Further, in Homo Sapiens, Sapiens means 'a thinker, wise and intelligent person.' Thus, Homo Sapiens means 'it exists because of wisdom and intelligence,' or alternatively, Homo Sapiens mean 'I think. Therefore, I exist.' As such, Homo Empathicus, which is based on empathy, means 'I empathize. Therefore, I exist.'

### Three hypotheses of Homo Empathicus

There may be three hypotheses for Homo Empathicus as follows:

Hypothesis 1: Survival Evolution Hypothesis of Humanity (WHY)

Hypothesis 2: Person's Innovation Evolution Hypothesis (WHEN)

Hypothesis 3: Company's Innovation Evolution Hypothesis (HOW)

Let's briefly examine each of the above hypotheses to have a better understanding of Homo Empathicus.

Hypothesis 1: Survival Evolution Hypothesis of Humanity (WHY)

Why could our humanity, Homo Sapiens, have been able to survive in the past?

Because of empathy, the humanity was able to survive in face of most difficult challenges. Homo Sapiens, as one of the only six species of human beings 100,000 years ago, were able to cooperate with each other, thereby enabling them to survive all kinds of life-threatening threats on the planet. Shared empathy resulted in active cooperation among Homo Sapiens.

Hypothesis 2: Person's Innovation Evolution Hypothesis (WHEN)

When do people work and innovate, really?

Many innovations happen when people are motivated to work. Further, when people empathize with others, people can be motivated and innovate with their own excitement. That is, when we sympathize with someone, we are more willing to cooperate with each other and thus use our intellect and minds to solve challenging

problems at hand. As such, when we work together with shared empathy, many innovations can be made.

Hypothesis 3: Company's Innovation Evolution Hypothesis (HOW)

How can a company innovate and evolve?

Companies often evolve through innovations. When we empathize with each other, we can innovate and help evolve as an organization with dreams. For a giant dream to live without dying out, the dream needs a host that can nourish and nurture it. The host needs to be empathetic. Empathy is a welcoming angel that can help a person to achieve his or her dreams in a company. Thus, through cooperative working based on the shared empathy, a company can evolve, re-invent and/or transform itself to a greater, long lasting platform for all.

Let's examine these three hypotheses in the context of Homo Empathicus again.

The first hypothesis (Human Evolution Hypothesis of Humanity) is the Homoem Taticus Hypothesis: Why can only Homo Sapiens survive on this planet? To man, everything surrounding him/her was a threat such as wild animals, floods, earthquakes, harsh climate, lack of food, etc. Everything had been a challenge for the survival of man because there was no mercy on earth and only the fittest survive in nature. In this challenging environment for survival, Homo Sapiens was able to cooperate with each other and survive. That is, Homo Sapiens survived because they were able to cooperate based on their shared empathy.

Empathy is often the source for cooperation. As Jeremy Tifkin, aptly put it in his book, the most powerful energy that drives human history is empathy. Thanks to the human's ability to empathize with others, because of the shared empathy, mankind has become a species dominating the world. And it also resulted in the sharing economy, as predicted by Jeremy Tifkin in the book titled The Zero Marginal Cost Society. Thus, if one desires

to survive in a corporation, one needs to create a cooperating company environment in which there is shared empathy among members of the corporation.

The second hypothesis of Homo Empathicus hypothesis II (People's Innovation Evolution Hypothesis) is about when a man works and innovates. Generally speaking, by nature, most people don't like to work and try to not work if it is possible. However, there are some triggers that make people work. That is, people may work in certain scenarios as follows.

First, when people are in a hurry, they tend to work. Most of the time, if people are not in a hurry, people will postpone the work till tomorrow, or we tend to put it off another day thereafter. Eventually, work may never be done or completed. This tendency of procrastination is a natural human tendency. However, when people are pressured under time, people often work and get things done, whether they like it or not.

Also, when people are hungry, they tend to work. That is, when people are hungry and don't have enough money, people work and innovate countless times. It is often called the work driven by a Hungry Spirit.

Next, people work when it's fun to do work. If it's not fun, people put it off till tomorrow, and when tomorrow comes people may put it off another day. Eventually, the work will never be done. When people have dreams and empathy, however, people tend to work with their own initiatives and excitements, innovating in the face of many difficult challenges. In this case, empathy can be a strong base along with their dreams for creating excitements as well as innovative spirit in people. This is the reason why empathy is a key element in Humane Entrepreneurship.

This naturally leads to that when people are induced to empathize with others, people will work together having fun and

excitement of their own and this is when true innovation happens.

The third hypothesis is the Homo Empathicus Hypothesis III (Corporate Innovation Evolution Hypothesis) which is about how a company innovates and evolves. How can companies innovate and evolve? As mentioned above, the mid-host of corporate evolution can be empathy. That is, when people are made to empathize with others in the company and then innovation often takes place. Enterprises, whether for profit or non-profit, are organizations that often have dreams of solving social and/or economic problems. Empathy can be the host that can nourish and keep the organizational dream alive and going forward. Without the shared empathy, however, dreams will quickly become a simple catch phrase without any sustaining power to change or transform the organization. That is why empathy is needed for innovation and/or transformation in corporate settings. As mentioned, empathy creates cooperation, nurtures dreams, and makes a symbiotic organizational culture. This leads to another concept of a company, that is, Compania. Compania is the Spanish word for a company. In Spanish, Compania refers to 'companion, together, people together, company.' In other words, a company may be a person (being together) and at the same time an enterprise.

One of the essential aspects of a company is to provide people with a place to cooperate and realize dreams of its members. In the company, the shared empathy becomes a host that nourishes the dreams and makes the members of the company to cooperate for common goals.

What is a host by the way? It is a medium that supplies nutrients to parasitic organisms. Similarly, empathy nourishes an organization's dream or vision, acting as a host to keep the dream alive without dying in the organization.

Thus, to put it in other words, the third Homo Empathicus Hypothesis may be rephrased to become Compania. Com (Com DNA: Cooperation) + Pan (Pan DNA: Making Vision and Dream) + Ia (Creating Community) are the evolutionary DNAs of Compania. In other words, the company must be a place or platform to cooperate, create a vision, and create a community, having the shared empathy as the host of the three major DNAs. Thus, if innovation is sought in a company, Compania need be challenged because the shared empathy is the host that makes the Compania possible and thus a bed for innovation activities. Further, there must be a catalyst person for the transformation of the company, often in the form of a generous individual for the goods of a team. That is, there must be a meal-buying person rather than a stuck-up person with knowledge e.g., a PhD. This is because in many situations, there is a greater value and truth in the following order: company dinner (team dinner – life's competitive advantage) > awareness (40's competitive advantage) > knowledge (30's competitive advantage).

By activating the above three different DNAs of Compania, entrepreneurship can drive company innovations, which is often referred to as Humane entrepreneurship. Empathy, Empowerment, and Enablement are called three medium hosts that create innovations in a humane entrepreneurship model. Empathy/Empowerment/Enablement (3Es) of 'Empathy', 'Delegation', 'Capability Development' are needed to create a company culture which will cooperate, create a vision, and create a community. Companies with this corporate culture will surely invite thriving innovation activities in due course.

So far, in the name of Homo Empathicus, we have briefly discussed that empathy is the host for the evolution of humanity, people's innovation activities, and the transformation of the company.

So, a natural question to ask next may be 'Is a host so important?'

In science, it is observed that even if there is a cause apart from a host, a result may be changed if the host or parameter can be controlled. By way of example, even frightening encephalitis which is caused by viruses can be prevented by controlling the mosquitoes and disinfection and quarantine of pigs, where the mosquitoes and pigs are the mediums and hosts of the viruses. Therefore, as in science, we can achieve the desired result through calculated control of a host or parameter. As such, empathy which acts as a host that supplying nutrients to keep the organization's dreams alive within the organization can be used. Thus, it is reasonable to conclude that to achieve the desired result for a company, the shared empathy may be created or formed and controlled in the company.

As the humanity has evolved because of the shared empathy, it will continue to evolve in the face of future challenge because of the shared empathy. Further, it is noted that the communal spirit such as Ubuntu Spirit which is referred to by a Former UN Secretary-General of Kofi Annan may promote the shared empathy. Ubuntu Spirit is based on acknowledgment that I am because you are; we cannot live alone. As mentioned above, Compania embeds the Ubuntu Spirit and continues to exercise a good influence that empathizes with society in general.

In conclusion, in view of the above, in the context of Homo Empathicus, empathy is the needed host and the key driver for on-going humanity evolution, innovation activities of people, and the transformation of a company in face of future challenges. As such, the new catch phrase for us all may be that of: 'Make Empathy Great Again!'

# 28. TVET: Labour Force Today, Entrepreneurial Leaders Tomorrow

Shoroke H. Zedan, Executive Director, TVET, Egypt

The technical and vocational education and training (TVET) sector is fundamental to both society and the economy, providing a significant percentage of jobs worldwide, and contributing to social and economic development. Worldwide trends created both challenges and opportunities for the sector, forcing radical reshaping in what future occupations will be like. Over the last few years, local and global initiatives in education have placed focus on the inclusion of education of sustainable development at different levels, and in Egypt's reform initiative towards a demand driven TVET, accessed by over 2M+ youths annually, reform of curricula and teaching programs at technical school and university levels began not so long ago.

The undeniable commitment of the Government of Egypt towards addressing SDGs through TVET program transformation, and quality TVET training that prepares youth for long-term employment and thus providing social and economic stability within communities, has been met with equal enthusiasm and support from varied development partners. Entrepreneurship and Innovation education, along with Career Guidance, became formalized into the TVET education system to further develop attitudes and values relevant to sustainable development. Parents, businesses and communities at large began contributing to solving issues pertinent to providing skills for employability. Youth began to

develop a sense of citizenship as content change of TVET became more relevant to bettering their communities, economy and environment.

Without question, the global spread of COVID-19 has radically reshaped the sector and poses a challenge to the education landscape at a magnitude that has and will continue to affect us in continuing our work towards sustainable development goals (SDGs). Despite many achievements, the crisis has disrupted industrial activity all over the world and changed the demand for skills. With different sectors being affected in many ways, persistent inequities remain a major concern as the pandemic forces a new norm upon us.

Disruption to education and training, employment and income losses, and greater difficulties in finding a job, and on-the-job training are suffering massive disruption. And TVET youth, who constitute



the majority of young people in Egypt are once again falling victims of social and economic consequences of the pandemic as complete closure of technical and vocational schools and training centres has taken place, interruption of work-based learning, such as apprenticeships and internships, and an unknown transition lurks with poor technology infrastructure to support the digital transformation, resistance to accepting the new norm by parents and teachers, and the mere fact that not all occupations can be transferred to digital format to ensure the intended learning outcomes.

As an immediate response to the pandemic, Egypt has resorted to television and radio broadcasts and traditional written materials to support distance learning. Equally, development partners have been requested to support the upgrading of weak infrastructure and poor access to the internet, and work simultaneously on building the digital skills among teachers and students.

Since the emergence of technology supported and online instruction became imperative, impact has hit entrepreneurship education especially hard within the TVET sector. The unique challenge facing us educators and practitioners doesn't only entail looking at integration to online learning as a novelty amongst our developing communities, but primarily how to continue to succeed in providing innovation and entrepreneurship education that stresses the need for deliberate practice, real-world immersion, and experiential approaches. Existing policies must be reviewed to recognize and support improved TVET youth resilience and their contributions to achieving the SDGs. They need to support and motivate the TVET sector entrepreneurs to create businesses, wealth, and much needed jobs in economies.

How do we prepare the workforce of today to become tomorrow's entrepreneurs and effectively teach entrepreneurship online which will require changing

teachers' mindsets to different teaching and pedagogical considerations? The long-term challenges posed by COVID-19 definitely reduces potential employment opportunities and future earnings for the TVET youth and further increases the existing inequalities. The landscape is grim, but it also gives opportunity to market re-entry as entrepreneurial leaders if online innovation and entrepreneurship education curricula is developed to grab the attention of everyone and produce effective results. This will require looking at virtual learning from a different perspective- where extra-curricular activities created through learning and collaboration technologies to support ideas that work on achieving sustainable development goals within sectors that have recently emerged as priority sectors amid the vast disruptions, while also encouraging engagement and social learning.

To make progress towards the SDGs, innovation and entrepreneurship education needs a paradigm shift in rethinking how to interpret developments and the skills needed to ensuring TVET youth gain the necessary opportunity to become entrepreneurial leaders as a driving force for economic growth rather than a resource drain on national economies. Collaboration between the public and private sectors must be strengthened to help identify the most urgent sectors and the economic challenges associated with the COVID-19 pandemic.

New innovative mechanisms that ensure lifelong learning, flexible education, and training systems that can anticipate the skills demanded are also required to prepare youth for their new entrepreneurial leadership tasks and roles. The TVET sector must be recognized as a contributor to inclusive economic growth, a generator of jobs, and a site for advancing gender equality, providing decent youth opportunities and generating gains across multiple SDGs. Investment in continuous skills development will be critical to ensure that technologies and AI can be properly harnessed in sectors that may be automated in the future, and to identify

those that will continue to require hands-on human expertise. This includes interpersonal and soft skills like communication, social and emotional skills, higher cognitive and technological skills, as well as teamwork and team-building abilities, and the changing trends of consumer habits. Tailored training related to social media, and education through simulation training will also build sustainable, well-trained and supported workforce.

This outbreak bears good long-term opportunities. Practitioners and educators alike must capitalize on the transformed

mindsets, attitudes, perceptions and behaviors; aiding TVET youth to rethink with a strategic competitive advantage in a post-pandemic economy to support supply-chain resilience and the value added to their local societies. In short- we must be ready to support creativity, agility and more important embrace what's beyond our comfort zone.

TVET Egypt

(Programme co-funded by the Government of Egypt and the European Union)

Innovation and Entrepreneurship Education Fact Sheet

- Development of a unified curriculum for Entrepreneurship and Innovation in Technical Education with all development partners and a dedicated curriculum for Innovation and Ideation.
- 88,000 students in 207 technical secondary schools receive Entrepreneurship and Innovation Education.
- 12,000 students in 45 PVTDC centers receive Entrepreneurship and Innovation Education.
- 4,500 students in 12 Technical institutes receive Innovation and Ideation Education.
- Building the capacity of 751 Entrepreneurship and Innovation facilitators in MoETE and PVTDC.
- Organized "Innovation Gate" competition with the participation of 3,000 students presented 1,447 innovative projects. The 10 most innovative and applicable projects were awarded a price of 150,000 EGP.
- Built the capacity of 13,000 TVET graduates and students through Egypt Says YES movement across all governorates.
- Establishment of 3 incubators that provides incubating services and seed fund worth 250,000 EGP per project to 40 innovative projects
- Support the incubation of 45 innovative projects at Nile University, ROWAD 2030 project, Bank Misr, MSMEDA, and many other incubators.
- Support the participation of TVET students in several national and international events such as:
  - » 19 students presented 6 projects in the global forum for higher education and scientific research attended by His Excellency President Abdel Fatah El-Sisi
  - » 60 students presented 25 projects in the Forth "Cairo International Exhibition for Innovation"
  - » 980 students presented 370 projects in NAWAH competition 2018 as part of the Egypt Entrepreneurship Summit in Luxor.
  - » 1425 students and 210 graduates presented 344 projects in NAWAH competition 2019 as part of the Egypt Entrepreneurship Summit in Alexandria.
  - » 20 students participated in ICSB Academy as part of the ICSB 72 Global forum held for the first time in Egypt representing Egypt amongst 100 young entrepreneurs from 80 countries around the world
  - » 1600 TVET students and graduates attended startup huddle in 5 governorates
  - » 4,800 students attended several entrepreneurial boot camps to enhance their skills and projects

# 29. A policy response to COVID 19: An Australian perspective

Vicki Stylianou, Institute of Public Accountants, Australia



This article presents an overview of the Australian economic policy response directed towards minimising the economic fallout that was expected to flow from the public health measures introduced to address the Coronavirus (COVID-19) pandemic.

Given their importance to economic activity, many of the economic policy responses targeted small businesses. These businesses, which numbering around 2 million, account for 35% of Australian GDP, employ 44% of Australian workers and are the largest employer in 8 of the nation's biggest industries. These businesses also employ more apprentices than any other sector.[1]

The speed and scale of the public policy responses to the COVID-19 crisis in Australia has been breathtaking, in terms of the

health, social and economic dimensions. Like many countries, initial policies were aimed at avoiding a 'worse case' scenario and introduced social distancing restrictions, the closing of national and state borders and the closing of 'non-essential' businesses. These policies temporarily restricted the personal freedoms of Australians to reduce the potential for community spreading of the virus and, with it, the infection rate. Overall, these measures were relatively effective in controlling the public health impacts of the pandemic, and avoided the worst case scenarios initially envisaged. Two key questions are now how effective will the economic response be; and what will the implications be for the Australian economy going forward?

## **Economic stimulus measures introduced**

The Australian Government responded to the pandemic by providing A\$259 billion in fiscal and balance sheet support to business (equivalent to 13.3% of annual GDP). The direct fiscal measures introduced were equivalent to 6.9% of GDP. Among other things, these responses provided support to workers, households and businesses and were spread out across three stimulus packages, with the first being announced on 12 March 2020.

Reflecting its status as a federation, all State and Territory Governments also released their own economic stimulus packages; together with the Reserve Bank of Australia,

which is Australia's central bank, which introduced a funding facility (equivalent to 2% of GDP) aimed at helping banks lend to business, with a particular emphasis on small businesses.

The stimulus measures included, cash payments to welfare recipients, an extensive wage subsidy package, increased depreciation and write-off thresholds, financial assistance for trainees and apprentices, cash boost payments to small businesses, early access to superannuation (pension fund), a government guarantee of 50% for business loans for small businesses and SMEs, rent relief with a six month hold on evictions, relief from insolvency laws, childcare subsidies, deferring tax liabilities and lodgements, grants and concessional loans for small businesses affected by the recent bushfires in addition to the COVID-19 relief and removing numerous regulatory barriers. State and Territory Governments waived fees and charges, employed extra people, reduced or waived payroll tax, made cash payments to households and businesses, provided industry support, helped to reduce energy costs, brought forward spending on infrastructure and provided rent relief. The Australian Government established a 'National Cabinet' to enable enhanced coordination and cooperation between the Federal, State and Territory Governments and a National COVID-19 Coordination Commission. This has resulted in a high degree of coordination and consistency across Australia, particularly in terms of the public health responses.

A central element of the economic response to the crisis involved the implementation of a 'wage subsidy scheme' to maintain the link between employers and employees and to minimise unemployment. While possessing many similarities to schemes introduced in other countries, the idiosyncratic nature of the Australian scheme means that its economic effects will differ from those in other countries.

### **Wage subsidy schemes: a comparison**

The United Kingdom, New Zealand, Canada, the United States, Australia and Denmark, among other countries, have all introduced wage subsidy schemes. The policy rationale is the same for all countries — to put the economy into 'hibernation' or to 'freeze' the labour market. The idea is to keep workers connected to workplaces, stop businesses from closing permanently and minimise any lasting disruption to the economy. The hope is that the economy will rebound swiftly once restrictions are lifted. A lot depends on the length of the hibernation or freeze. All schemes are intended to be temporary, though for differing periods of time and many have been extended. Most but not all have eligibility criteria, with most making proportional payments and some require employers to have attempted to mitigate their losses.

Australia: The *JobKeeper Scheme* seeks to be 'egalitarian' by offering a flat payment of A\$1,500 per fortnight per employee, which means that some people are being paid more under the scheme than they were prior to the scheme. To be eligible, employers must have suffered a 30% reduction in revenue compared to a comparable period last year, or 50% for businesses with turnover over A\$1bn. Once eligible, participants remain in the scheme for the full six months.

United Kingdom: The *Coronavirus Job Retention Scheme* has changed to allow claims for employees that have been brought back to work in addition to those who have been stood down (ie furloughed); and covers 80% of their usual wages (up to 2,500 pounds per month). The scheme was initially introduced for a period of 3 months (although it may be extended). It is open to any business which cannot maintain its workforce because of COVID-19.

New Zealand: The *Wage Subsidy Scheme* entails different rates for part-time and full-time employees up to an employee's usual wage. The scheme is open to sole



traders and the self-employed and is paid as a lump sum covering 12 weeks. Initially, eligible employers had to experience at least a 30% decline in revenue compared to the previous year for any month between January and June; and under the Wage Subsidy Extension, the revenue loss has to be at least 40% in a 30-day period in the 40 days before the application.

Canada: The *Emergency Wage Subsidy* covers 75% of an employee's wages up to CAN\$847 per week. The scheme is open to employers of all sizes and across all sectors who have suffered a drop in gross revenues of at least 15% in March and 30% in April and May.

United States: The *Paycheck Protection Program* authorises forgivable loans to become federal grants if small business owners meet certain conditions, including spending 60% (recently changed from 75%) of the loan on payroll costs. The other 40% can be spent on mortgage interest, rent and utility costs. It has recently been extended.

### **Debt — how much is too much?**

Australia's position heading into this crisis was stronger than many, with both the International Monetary Fund (IMF) and the OECD forecasting that Australia would grow faster than comparable economies, including the United Kingdom, Canada, Japan, Germany and France. The IMF and OECD indicate that Australia is one of the advanced economies best placed to provide fiscal support without endangering debt sustainability.

Whilst our new debt level may be 'sustainable', it still needs to be repaid. However, it does not necessarily mean increased taxes or some kind of austerity program. According to some economists, Australia could take its time in repaying the debt, which would still be relatively low at a forecast 26% of GDP (according to Treasury), but possibly up to 50% (according to Deloitte and others). This is substantially lower than the latest OECD average of 110% of GDP. If

we overcome the national obsession with surpluses, the country could afford the debt for a while longer whilst investing in renewed productive capacity, as was the case after World War II, where debt levels soared to 120% of GDP. Many economists contend that a similar kind of boost is needed to revive the economy as it emerges from hibernation, even if this means more stimulus and more debt.

### **Policy rationale — the knowns and unknowns**

The lesson from the Global Financial Crisis of 2008-09 was to 'go hard, go early and go households'. Accordingly, in the current crisis, the Australian Government went 'hard', 'early' and went to business, individuals and households. Some commentators have questioned whether, given the relatively restrained health crisis experienced in Australia, the economic pain endured is proportional — that is, has Australia gone too 'hard' with our economic response? However, given the impossible task of accurately forecasting the health crisis, it can be argued that Australia's cautious approach to both the health and economic responses was aligned with community expectations. 'Going hard' has meant large-scale and integrated measures across all policy areas on the demand and supply sides, which have been necessary in order to make strong and sustained impacts. For instance, without the wage subsidy scheme, unemployment could have been far worse. It is estimated that wage subsidies will reduce peak unemployment, possibly down to 9% from 17% (Westpac Bank); or 8% from 12% (Deloitte); or 10% (Treasury). Prior to this crisis, the unemployment rate was around 5.2%.

The International Labour Organization (ILO) says that 2.7 billion workers (81%) globally have been impacted by COVID-19, with 1.25 billion workers (38%) globally facing a severe impact or displacement (unemployment). Even though Australia is classified as a 'rich

country', it is still critical to get the policy settings right, both during and after the pandemic.

### **Policy responses — a useful framework**

The recovery will rely on an integrated policy framework, such as the one outlined below from the ILO. Many of the Australian Government stimulus measures fit within this framework.

The ILO refers to the four pillars of policy responses to COVID-19:

1. Stimulating the economy and employment, through fiscal and monetary policy, lending financial support to specific sectors, including the health sector.
2. Supporting enterprises, jobs and incomes, including employment and retention measures (wage subsidies), financial and tax relief for businesses, extending social protections for all.
3. Protecting workers in the workplace, preventing discrimination, adapting work arrangements (eg enabling teleworking), providing health access, expanding paid leave.
4. Relying on social dialogue for solutions, including building trust and confidence, strengthening capacity and resilience of workers' and employers' organisations, strengthening the capacity of governments, strengthening labour relations and processes.

### **Academic research – what does it tell us about policy design**

There have been numerous studies and reports over the years on the effectiveness of Active Labour Market Policies (including wage subsidies). Indicative, overall, of the findings is *What Works for Active Labor Market Policies?* by Eduardo Levy Yeyati, Martín Montané and Luca Sartorio, Center for International Development, Harvard University, July 2019. Their findings included:

- programs are more likely to yield positive results when GDP growth is higher and unemployment lower;

- programs aimed at building human capital, such as vocational training, independent worker assistance and wage subsidies, show significant positive impact; and

- program length, monetary incentives, individualized follow up and activity targeting are all key features in determining the effectiveness of the interventions.

Other studies have found that generous and long-lasting hiring subsidies can have more substantial positive effects in the long-term. By contrast, short-term hiring programs and subsidies are only effective if they comprise a substantial training element.

These might be useful indicators, considerations and features when designing policies to aid our recovery from this crisis and post-COVID-19.

### **What can Government do to ensure small business survival and prosperity?**

There are numerous issues to address to ensure the ongoing survival and future prosperity of small businesses. Some of these rely on the overall health of the broader domestic and global economies. In the Australian context, there are three critical areas requiring a policy revision by Government. These include: tax reform, supply chains and digitization.

### **Tax reform — the road to recovery and beyond?**

While we were in a relatively good position fiscally compared to many OECD countries, with relatively low government debt and a federal budget almost back in surplus, the Australian tax system is overly-reliant on personal and company tax. Approximately 60% of all federal revenue comes from personal and company income taxes, nearly twice the OECD average.

Australia's experience from the Global Financial Crisis suggests that it will take a long time for corporate taxes to recover from the COVID-19 downturn as company losses are carried forward. This puts additional pressure on personal income





taxes to carry the load. However, long term weakness in wages growth, combined with COVID-19 related unemployment, suggests that personal income taxes may not be able to adequately carry the load.

Consumption tax (known as the Goods and Services Tax or GST) will not be of much use in making up the shortfall since it is payable on only about 47% of consumption.

The pandemic has now exposed an ill-equipped tax system to support the recovery process. Efficient taxes that support growth are needed and previous tax reviews can point the way for genuine and robust reform.

#### **Supply chains —the need to diversify**



The new normal will also depend on the reaction to globalisation and integrated supply chains. For Australia, which has the most concentrated trade profile in the world, this crisis has glaringly exposed the vulnerabilities of our supply chains. There is now widespread speculation about re-industrialisation, becoming more self-sufficient in crucial medical supplies, de-risking, building resilience, diversifying and focusing on national values.

#### **Conclusion**

Australia's policy responses to the health, social and economic challenges caused by the COVID-19 pandemic have been arguably effective in constraining the infection rate, securing a reasonable level of social cohesion, limiting the impact on unemployment, generally keeping businesses in a state of hibernation and mapping a clear road to recovery. While history will judge how genuinely effective these policies have been, the crisis has exposed many vulnerabilities and flaws in the Australian economy. Three of these relate to the need for serious tax reform, global supply chains in need of urgent diversification and a lagging and uncompetitive digital economy. While there are many uncertainties and pot holes ahead, the crisis presents a real opportunity for Australia (and other countries) to reshape the world we want to live in.

The Australian Government needs to reassess its policies on industry, innovation, digitisation, trade and investment, in light of the pandemic. Whilst the stimulus measures have assisted during the crisis, there is an imperative to take the opportunity to 'reset' or 'reboot' policies and programs in these critical areas. However, genuine reform takes political will.

#### **The digital economy — capturing the potential**

Australia has low penetration and adoption rates of e-commerce compared to comparable economies (just over half that of the US), creating huge potential for the future. Small business and SMEs can be at the forefront of this evolving digitally enabled economy, with the pandemic exposing the gaps and accelerating the change. The challenge is to ensure the momentum continues past the pandemic. According to McKinsey, businesses need to renew and refresh their engagement with customers by offering an excellent digital experience, safe and contactless connection and dynamic customer insights through the timely and effective use of data.

[1] *Source:* The Australian Small Business and Family Enterprise Ombudsman and the Australian Bureau of Statistics.

# 30. How a Business Model's Sustainability and Scalability Interact

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## Sustainability & Impact Entrepreneurship

There is a growing perception in society that business is expected to not only produce economic value, but also to take part in positive social engagement. It is expected to reduce any negative impact on the environment, and at the same time, to contribute to its regeneration or protection (Evans et al., 2017; Schaltegger et al., 2016; Stubbs & Cocklin, 2008). These expectations are not only a concern for businesses but for whole governments and the economy (Bolton et al., 2020; Kyriakides, 2019) and are putting pressure on entrepreneurs to modify their current business models to



replicate a sustainable business model. The sustainable business model aims at creating and delivering economic and social value, while maintaining or regenerating the environment (Elkington, 1998; Schaltegger et al., 2016). The achievement of these multiple objectives can be seen by entrepreneurs and managers as an opportunity to develop new and innovative business models (Casadesus-Masanell & Zhu, 2013; Lindgardt et al., 2015).

Businesses have developed multiple ways to express their interest in sustainability, such as corporate social responsibility (Matten & Moon, 2008), sustainable production and consumption (Cohen & Muñoz, 2016; Geels et al., 2015) and sustainable supply chains (Carter & Rogers, 2008; Linton et al., 2007). However, implementing sustainability on only one or two of these levels is insufficient to implement sustainability deeply enough within the company's DNA in order to address the challenges of today's world, such as climate change, limited resources and pollution (Bocken et al., 2014; Dyllick & Muff, 2016). Furthermore, especially when it comes to the products and industries sector, a linear business activity, by its very nature, often goes against some aspect of sustainability (Michellini et al., 2017; Stahel, 2016).

Impact entrepreneurship is defined by Markman et al. (2019) as "the development of sustained applications and solutions that collectively address grand challenges to make the world better. Impact





entrepreneurs apply economics logic, but they prioritize solving formidable challenges ahead of wealth creation *per se*. They also use business principles to right environmental, social, and/or economic wrongs and apply science and technology modalities for impact". An entrepreneur creates a social impact on societies that can be positive or negative. For instance, it can have a positive impact when it creates jobs, pays taxes and supports local development, or it can have a negative impact when it exploits local communities, or encourages child labor or poor working conditions. When it comes to achieving environmental performance, it is less obvious how business can have a positive impact. This is due to an intrinsic opposition between producing - which is an activity that requires natural resources - and preserving the ecosystem (Hart, 1995). This view has been broadly studied by scholars, but with the rise of concern for more sustainable businesses, the paradigm is slowly shifting. **Triple bottom-line sustainability** has generated much enthusiasm among practitioners and researchers and from this interest a new paradigm has risen. The so-called circular economy offers the achievement of triple bottom-line sustainability by breaking the old linear economy paradigm (Andersen, 2007; Stahel, 2016): resources should no longer be used and destroyed but can be reused again and again (Bocken et al., 2016; Geissdoerfer et al., 2017; Ghisellini et al., 2016)

### **Business Model Scalability**

Hence, the challenge consists of scaling up a business for economic, social and environmental performance. However, it is important to mention that the relationship between sustainability and scalability is not mandatorily antagonistic. The three objectives of sustainability can be achieved simultaneously and even when a company scale (Bocken et al., 2018a). The relationship between the sustainability of a business

model and its scalability remains relatively unexplored and constitutes a key strategy for determining the factors that stimulate successful scaling. Boom and Chatterji (2009) developed *organizational capabilities* that could foster scaling, with the capabilities being staffing, communications, alliance building, lobbying, generating earnings, replicating and stimulating market forces. Palomares et al. (2018) propose a model where integrating engagement with the community is essential, especially for deep scaling at the base of the pyramid (BOP). It seems important that private business needs either government collaboration or community engagement for sustainable business models to create systemic change. Thus, we propose the acronym RESCALES, covering the capabilities of replication, earnings generation, staffing, communication, alliance building, lobbying, engagement with the community, and stimulating market forces (see appendix).

On one hand, radical change in behavior and priorities in companies can only happen slowly, due to the fact that companies still want to concentrate on profit-making. On the other hand, society is changing, and the climate is pushing businesses to change their attitude towards resource consumption and waste management.<sup>1</sup> Therefore, it is crucial for entrepreneurs, managers and researchers to focus on finding an adequate balance between the three sub-concepts of sustainability (Stahel 2006, Stahel 2019). More and more businesses proclaim their interest in circularity, but they are slow to adapt.

The emergence of start-ups, incubators and groups that concentrate on bringing the circular economy to life confirm the rise of

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<sup>1</sup> In Switzerland the Government has voted to stop nuclear energy production by 2050 and are taking actions to meet this objective. For instance, the Swiss Government has registered a reduction of about 10% of CO2 emissions in 2018 compared to 1990 (OFS, 2018). Finding a way to produce that does not harm the environment, or that even reinforces it, will be the norm for industries and businesses around the globe.

a general interest in circularity.<sup>2</sup> Changing a firm's business model so drastically is often arduous, not only due to the investments that have been made in developing and implementing the old linear model, but also because firms are uncertain about where they are going with the new model. It is hard to convince firms that investing in sustainability is profitable in the short term. Research on circular companies is growing but very few studies look specifically at the link between being a sustainable, circular firm and how scalability is achieved (Bocken et al., 2018b; Henry et al., 2020; Stål & Corvellec, 2018).

#### **Bcomp: How a business model's sustainability and scalability interact**

Bcomp, founded in 2011 in Fribourg, Switzerland, (<http://www.bcomp.ch/about-us/>) is a clean-tech company focusing on the production of linen-based composite material. Their aim is to build a new material which is strong enough to endure extreme sports, light enough to be comfortable and flexible enough to absorb all kinds of shocks. The product they have created is lighter than carbon (30% to 50% lighter), more resistant to shock (4 times the absorption capacity of carbon) and it does not shatter when broken, which makes it much safer. But the company didn't stop there. Production of this material is also 100% clean, with 0g of CO2 emissions, the product is recyclable and lastly, it is much cheaper than carbon. Bcomp's ambition is to replace carbon and glass fiber with their 100% renewable material.

The first is ampliTex®, which is a technical fabric made from natural flax fiber. This product can be produced in ten variations, depending on the level of flexibility the customer would like to focus on. This product has been used for summer sport,

<sup>2</sup> For instance, the famous incubator, Impact Hub, has created a specific branch dedicated to the circular economy, called Circular Economy Transition, and large groups, such as Circular Economy Switzerland, have emerged.

mainly to produce surfboards and other watersport boards. The second product is bCores®, also one of Bcomp's key products. Made from an assembly of balsa wood and flax fiber, bCores is the lightest core on the market. Its main characteristic is that it provides not only flexibility and robustness, but also excellent shock absorption. Thanks to these advantages and its light weight, the major applications for this product are found in the ski industry.

The third product is called powerRibs® and is probably the product with the biggest potential on the market. It is made from a reinforced linen fillet available in two finishes: dry or molded with recycled PET. The final product is much lighter than other composite material and also much cheaper. In addition, this component is very efficient in terms of sustainability, CO2 emissions and recyclability. The powerRibs® have attracted great interest from the automotive industry and are available in 6 variations.

**Value proposition.** Bcomp's vision is to become the global standard in lightweight, high-performance, sustainable materials, offering people the freedom of sports activity & mobility, without compromising the right of future generations to the same. Bcomp's mission is to replace standard engineering materials by cutting weight and cost. While other lightweight solutions allow weight reduction of benchmark components currently in use, Bcomp offers this value at a comparable or lower cost when compared to alternative solutions: therefore, both lighter in weight and cheaper in cost. In addition, Bcomp differentiates itself from the high renewable content of their solutions and the deep know-how developed throughout the top-level research and programs (ESA, Eurostar etc.) they have conducted since its founding. These capabilities result in unique customer support through the sampling-, prototyping and scaling-up process they offer customers from project start to production.



Bcomp selected the **Sports & Leisure industry** as its entry market. For a high-tech material start-up, it has the great advantage of low entry barriers & state-of-the-art technology, resulting in short time-to-market for novel technologies, and strong growth in the targeted submarkets. The market is strong in image and storytelling, which has positive spill-over effects into other markets. Bcomp's growth on this market will come from the new generation bCores™ in the next few years, providing improved performance per price ratio opening giving access to a broader market, as well as from the ampliTex™ market entry into the Surf- and Yachting industries. The Surf industry has grown significantly over the past decades, and end customers are highly eco-conscious, thus willing to paying a premium for sustainable products. Early

adopters, like WestCoast Surfboards and Hurricane Surf, have set the trends, followed by global leader, Starboard, which just launched its first product range featuring ampliTex™ fabrics. More recently, they have explored the Yachting industry as a potential new sector, leading to the recent acquisition of the leading brand, Baltic Yachts, as an early adopter.

**Three mobility sectors** (Motorsports, Automotive Interior, Aerospace Interior) have been carefully selected for Bcomp's market entry, each of them having very specific characteristics and offering unique synergies, not only with the existing business, but also between each other. From a strategic point of view, the Motorsports sector is characterized by market dynamics similar to Bcomp's initial market, Sports & Leisure

Figure 1: Summary of value proposition for Bcomp's mobility markets

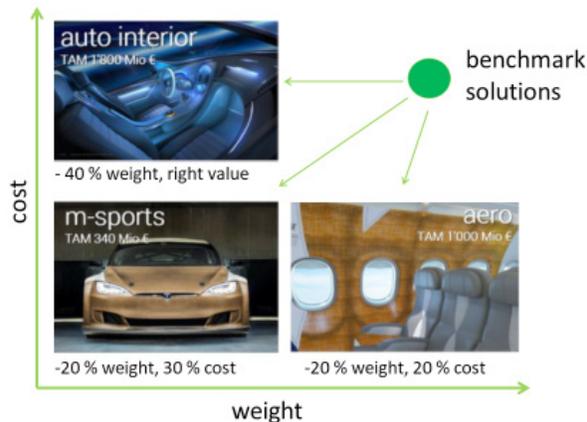


Figure 2: Summary of value proposition for Bcomp's mobility markets, (i) automotive interior, (ii) motorsports, and (iii) aerospace. The numbers are indications of the Total Addressable Market (TAM) in each market, respectively. The arrows indicate the qualitative weight and cost gains by moving from the current benchmark solution (green point) to the optimized Bcomp solution for each segment, respectively.

With its low entry barriers, short time-to-market, and high technology level, it offers a perfect stepping stone towards the large-scale Automotive industry. In addition, its outstanding technology and marketing platform results in great visibility, not only towards the automotive market, but also towards the initial Sports & Leisure entry

market. For all these reasons, Motorsports were selected as Bcomp's initial entry into the mobility sector.

Customer cases and image transfer from Sports & Leisure work well for Motorsports as they are powerful teasers for the Automotive industry. Important demonstrator cases have

been acquired and given proof of concept; Electric GT's racing adapted Tesla & the Gillet Vertigo for Pike's Peak have both raised significant awareness and helped to acquire substantial first customers, such as Porsche Motorsports, Aston Martin Racing and Audi Sport within only one year. Partnering with and supplying these premium brands have further fueled their legitimacy. In addition, several governing bodies have adapted their rules outlining natural fibers as the required material for specific applications.

The large-scale growth of the **Automotive Interior** market has a strong need for lightweight solutions. Since the validation processes are far more challenging than in the Motorsports industry, Bcomp has been partnering with leading companies, such as BMW, for several years now, with the objective to turn these customer development projects into product business by 2021.

**Figure 2:** Major achievements during the first 6 years of development of Bcomp

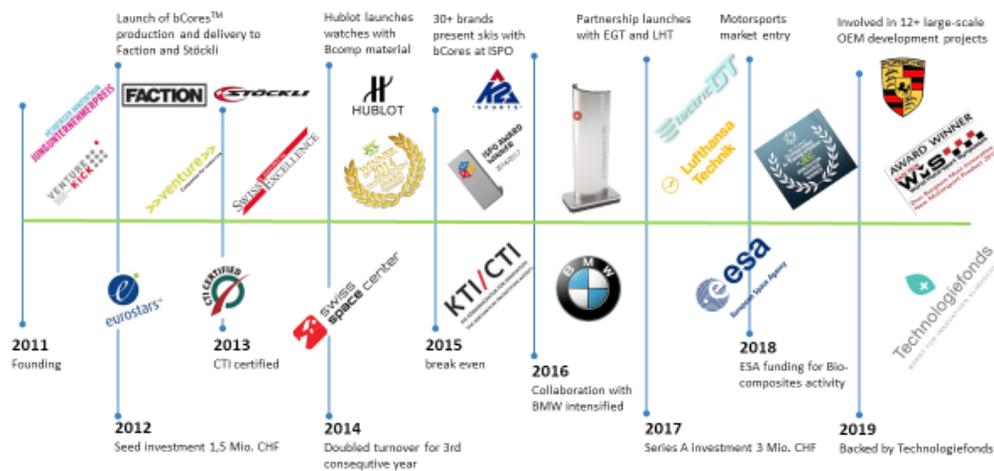


Figure 1: Major achievements during the first 6 years of development of Bcomp; along with the major customer acquisitions, Bcomp has won a large variety of start-up and product innovations prizes – such as the Swiss Economic Award in 2016 – and was awarded several research grants from national and European funding organizations. Most recently, Bcomp entered the Motorsports market by acquiring Porsche Motorsport, and is running 12+ customer development projects with leading automotive OEMs for the implementation of Bcomp's powerRibs™ technology in their interior parts.

This sector has several advantages, namely, the fact that Natural Fiber Composites (NFCs) are already widely used in interior door panels, which significantly reduces the 'mental' entry barrier. Furthermore, the powerRibs™ technology offers a significant weight-saving potential of up to 40%, ranging from the door and front panels, the headliners, seat back panels, all the way to various trunk trim parts. In addition to the light weight, the solutions offer increased safety, since debris is not generated in the event of a crash. From a product maturity perspective, Bcomp has reached a very high level of technology

readiness with its powerRibs™ solution for interior applications and works with Original Equipment Manufacturers (OEM) to supply companies like Polestar, BMW, or TESLA, to name but a few.

Bcomp has invested in the **Aerospace interior market** since 2014, with funding for several projects from the Swiss Space Office (SSO) and the European Space Agency (ESA) to develop its powerRibs™ technology for space applications. It has also established itself as the leading ESA partner for bio-composites in space. In January 2018, Bcomp was awarded a long-term project by



ESA within the latter's Clean Space program. In parallel, Bcomp won the Lufthansa Technik (LHT) start-up pitch contest in June 2016, marking the start of a development project between the companies.

Space and Aerospace both imply very costly and time-consuming material qualification processes to enter the markets. Important technical entry barriers (e.g. linked to fire resistance) still require significant R&D efforts and costly material qualifications. For this reason, Bcomp decided to focus on these two collaborations fully – with ESA for Space and LHT for Aerospace – rather than developing business with other potential customers in parallel. While ESA collaboration offers a unique platform to test the materials in extreme conditions, it also takes advantage of a powerful marketing tool, generating significant visibility and credibility for other target markets.



**Business Model.** Bcomp acts as a supplier of advanced renewable material solutions, focusing on cutting weight and cost in their customers' products. In this framework, they support their customers with outstanding and continuous technical support and offer customer-specific product developments with the aim of substituting their customers' material solutions with Bcomp's products. The core competencies consist of R&D and Technical Customer Support, Sales & Marketing and Supply Chain Management.



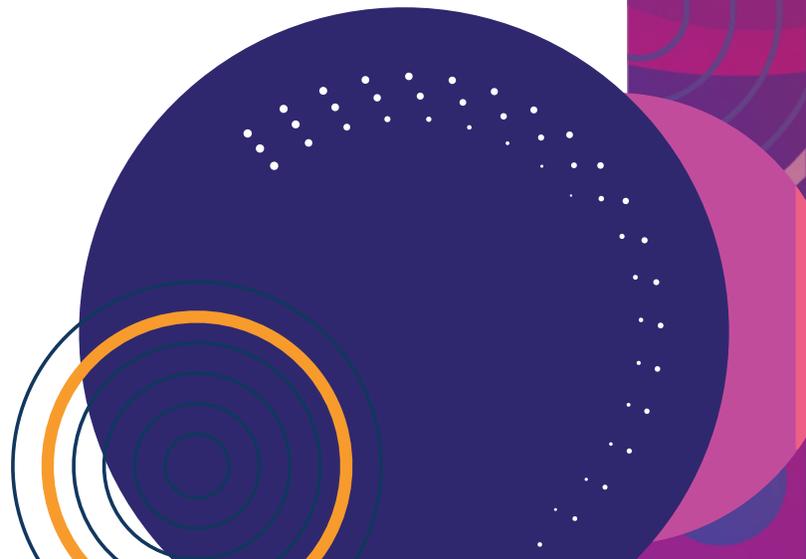
At its founding back in 2011, Bcomp adopted a philosophy of outsourcing its entire production, to keep CAPEX low at the early stage and focus on what the company does best: develop novel, natural fiber composite products, market them and sell them. Consequently, Bcomp built strong partnerships with several companies and mastered the required technologies to take care of the production. Today, the products are manufactured in different remote production sites: bCores™ are made

by Vöcker, the industrial carpentry company in Germany. AmpliTex™- and powerRibs™ products are made by Gerster TechTex, also in Germany, and Hexcel in the UK. Bcomp buys the required flax yarns and roving's which they have developed and specified with suppliers in Europe. They have these supplies shipped to the production partners free-of-charge and buy the manufacturing services from them.

Furthermore, Bcomp follows a robust culture of collaborating with academic partners to keep their position within the natural fiber composite field at the forefront of product innovation. Fundamental R&D is generally financed through national and European funding schemes, while they finance customer-specific product developments on their own. As much as Bcomp's total outsourcing business model has allowed the company to keep a high level of supply-chain agility, it also exposes the company to IP drain and the strategic changes of Bcomp's production partners. Thus, the company decided to build a pilot plant for the Automotive Interior market, and ready for production as of Q4-2020. This is important for several reasons: It will allow the production line to develop to its full maturity within the coming months. Bcomp will be able to hold its IP core very close and it provides a powerful tool with which they can maintain high speed and agility in the innovation process and the way forward. Along with the early adopters (TESLA, Geely Group), Bcomp has targeted vehicle programs and parts which will allow them to serve the programs from this pilot line, respectively, keeping full control of production fine-tuning, quality and the supply chain. Once they need higher scale production and/or a production footprint in global markets (China, USA), the company will be able to replicate the pilot plant themselves or with selected partners. However, the current strategy assumes they will scale-up production themselves, using the numerous plants based in Switzerland.

## Conclusion

A circular business model is built around the triangle of optimization of economic, social and environmental value (Stahel 2019), and the business model framework, for example, the nine dimensions by Osterwalder and Pigneur (2010), or Richardson (2008), thoughts on value proposition, value creation & delivery, and value capture conceptualizing with circular economy dimensions (De Angelis 2018). The transformation to a circular business model expects companies to work on a new experience curve. Over time, circular models would take some market share from linear business proposed by existing companies who tend to integrate circular dimensions only partially in their operations. Thus, for the transition, a fruitful combination of a circular and linear economy is essential in order to build awareness and to convince the business community to invest in circular economy models. Several categories of circular business models are possible, like on-demand concepts, dematerialization, product lifecycle extension/reuse, recovery of secondary raw materials/by-products, products as a service or sharing economy and collaborative consumption (Charter & McLanaghan 2019). Finally, MSMEs are the backbone to create a deal flow of circular business projects. Typically, start-ups, spin-offs of big companies or agile medium-size companies, whose approach is to create entire circular business models with a systemic approach, are in demand. From a short-term perspective, innovators and early adopters are the reality for MSMEs with circular business models, but with a clever scaling strategy built on community engagement, public debate, government support and smart communication, the goal is to get the early majority of the market in the future.



# 31. Local Government as a Platform for Altruistic Micro Business: Case Study of Children's Cafeteria in Japan

Atsushi Kato, Professor of Doshisha Women's College of Liberal Arts and Director, Japanese Committee of ICSB, Japan

## ABSTRACT

The grassroots and altruistic entrepreneurship is important for a healthy community after COVID-19, however they do not know the way to contribute. The world's big businesses are making changes from offering products to offering platforms. Similarly, the business model needs to be transformed to "local government as a platform", where new services would be offered mainly by potential entrepreneurs including commercial firms and individuals.

In this paper, the roles of administrators for promoting social entrepreneurship are considered through the literature survey and case study of the children's cafeteria. It is found that the regional welfare platforms formed by local government, institutions, colleges, private companies and other private sections will help trades among the members. And the culture of humane entrepreneurship is important, transformational leadership is required.



## Local Government as a Platform for Altruistic Micro Business :

### Case Study of Children's Cafeteria in Japan

#### Preface

The grassroots and altruistic entrepreneurship is important for healthy community, since COVID-19 will expand the gap between rich and poor. Many individuals and private firms have willingness to contribute to the local communities, however most of them do not know the way to contribute. If local government create platform, they could easily find the suitable measurement to contribute. In this paper, the roles

of administrators for promoting social entrepreneurship are considered through the literature survey and case study.

The Children's cafeteria is micro business and it has been initiated in Japan and it provide children with free or cheap nutritious meals and a warm, friendly environment to co-eat with adults. In recent years, many Children's Cafeterias were launched by altruistic entrepreneurs in regional society. And it is found that the density of the cafeterias differs prefecture by prefecture, which suggests that the involvement of the local government would be critical to start the services.

### **Local Government as a Platform**

#### ***Significance and organizational culture***

The world big businesses are making change from offering products to offering platforms. In public service business area, where most basic services are offered by public sectors, platforms established by government have gathering attention (O'Reilly,2010). The traditional model is "local government as a provider", where government have offered service to the beneficiaries directly or indirectly. However, the declining and aging population restrict their budget. After the COVID-19, the fiscal deficit would restrict the capability of public service to alleviate the disadvantages caused by the gap between rich and poor. The model needs to be transformed to "local government as a platform" , where new services would be offered mainly by potential entrepreneurs including commercial firms and individuals. The new role for local government is to perform as platformers and create regional social ecosystems.

In order to provoke entrepreneurship, the organizational culture of the regional platform members should be filled with entrepreneurial orientation(EO) factors; innovative, risk taking and proactive. In social service area, as Kim et al. (2018) propose, the humane entrepreneurial orientation factors (Empathy, Equity, Enablement and Empowerment) are also important in the organizational culture. If the incumbent culture of the regional system are different, the leaders of the platform are required to "change" the culture. 5 ( Figure one )

### ***ICT and local government platform***

These "Government as a Platform" model would be reinforced by the advanced computer network (O'Reilly, 2010 ; Accenture,2018). Tukiainen and Sutinen(2015) shows three key roles of city to proceed open innovation platform; (1) open the data, share the knowledge, (2) encourage citizen participation, (3) open innovation between all city stakeholders. In Japan Fukuoka City promoted "Comprehensive Care Information Platform", which consists of four systems: data aggregation, data analysis, home-based cooperation support and information provision(MIAC,2017).It aims at revitalization of the local economy and reduction of administrative costs. Indeed, ICT would expand the capabilities of the network, however business ecosystem to lower the transaction cost is the core element of the platform. Each participant could access the information of other members, stakeholders of the regional system. The participants enjoy lower exploration costs, bargaining costs and enforcement costs. Moreover, they sometimes lower production costs to find low cost suppliers. It is easy for them to begin and continue the transaction with other members.

## The Children's cafeteria

### *Activities of children's cafeteria*

With a rapidly aging and declining population, children are one of Japan's most precious resources. However, the relative poverty rate of children, which indicates that the ratio of the people with smaller than half of the median of equivalent disposable income accounts, stands at 13.9% in 2015. Based on the Act for the Promotion of Policy on Poverty among Children (2013) and the General Principles of Policy on Poverty among Children (August 2014), the administrators, educators and practitioners have promoted various activities to assist children living in poverty. With the limitation of public aids, it is important to form coordination of local networks, including administrators, private corporations, NPOs and citizens. (Figure two)

Children's cafeteria is a altruistic microbusiness, where children could access free meals and they feel at ease talking and playing with other children and volunteers. According to MUSUBIE (2019), the first cafeteria was established in 2012 and the number of the cafeteria has been rapidly increasing to 3718 in 2019. As Yuasa (2018) points out, Japanese people share the value of "being together" after the economic crisis (Lehman shock) and the Great East Japan Earthquake. (Figure three)

Average number of participants is around 39 including adults and the that of 7 volunteers is 9 (MAFF,2018). In some cafeteria children could ask college students about their studies, and others have chance to try cooking with volunteers. Some cafeteria open twice a week, while others open once a month. And most of cafeterias are run by regional residents, nonprofits, and other grassroot altruistic entrepreneurs. The operation of children's cafeteria

is supported many organizations and individuals. Food banks, superstores and other regional private companies supply ingredients and food. Volunteer citizens also bring ingredients and they cook using these ingredients. Sometimes college students take meal together and help studies. MAFF (2018) point out the significances of the cafeteria as follows,

- (1) Easy space and community for children who feel loneliness at home
- (2) Food education for children who sometimes have hardship to access meals

### *Difficulties Children's Cafeterias face*

MAFF(2018) points out that the cafeterias face six difficulties. First, some cafeteria feel hardship to increase the participation of children from solitary or poor families. Second, it is not easy to secure food and ingredients with minimum cost. Third, some could not recruit enough number of volunteers in each cafeteria day. Fourth, some cafeteria could not create firm relationship with the municipal governments, regional schools and local communities. Fifth, some do not have knowledge and skill to do risk management about prevent food poisoning and the insurance. Sixth, some practitioners could find the suitable place for the cafeteria. Since most of the above-mentioned problems are related with the lack of communication in the regional system, it is estimated that the system do not work well in many regional communities. ( Figure four )

And the regional disparities appear in the activities. In Figure four, the horizontal axis shows the poverty rate and the vertical axis shows the fulfilment ration; the number of the cafeteria divided by the number of the elementary school districts. The fulfilment

ratio is 17.3% on average. A few prefectures exceed 40 percent, while most prefectures are below 20 percent.

### ***Advanced platform: Shiga prefecture***

It is significant to study an advanced example. Shiga is located at the central Japan area, close to Kyoto and Osaka. The population is 1.4 million and the per capita income is 3.2 million yen, the same as the national average. In 2014, no cafeteria was found in Shiga. However, the children's cafeterias has rapidly increased and the number is 129 in 2019. The fulfillment ratio for elementary school district is second largest, second to Okinawa.

( Figure five)

The leader of the project is Ms. Ikumi Taniguchi. She is secretariat of the prefectural Council of Social Welfare. The Social Welfare Councils are public institution, which are established in all prefectures and municipalities based on the Social Welfare Law. She called on welfare practitioners, policymakers, educators and private firms to found ENISHI center, problem-solving network hub of Shiga. ENISHI center is the five-year project from 2014 to 2019.

(Table one)

The culture of the regional welfare systems should be changed from conservative to innovative, from reactive to proactive. Kotter(2012) identifies transformational leadership for change and point out eight-step process for leading change. The footage of Ms. Taniguchi and her colleagues would be considered in the light of Kotler's eight step model, shown in table one. They founded ENISHI center and carried out Step one of Kotter's model, communicate urgency, emphasizing the deadline of five

years. Step two, building a guiding team, was achieved through the foundation of ENISHI center and the formation of the working team. As for Steps three, create a vision, they called for model projects with the slogan "Playing, studying at Children's Cafeteria" and they showed the goal of 300 cafeterias. They practiced Step four of communication with 10

multiple channels including periodicals, guide-pamphlets, webpages and SNSs. They also had training and startup seminars for potential practitioners. They also invited National Conference of children's cafeteria held in February 2015. Step five, the removal of obstacles, was implemented through the Cafeteria Supporting Project founded in 2017 and Cafeteria practitioners' Network founded in 2018. Then, Kotter's sixth step, creating short term wins, was achieved. 115 new cafeterias had opened through 2014 to 2018. They cleared up Kotter's seventh step, maintaining momentum, with the governor's statement and the rebuilding of the networking organization. Governor Taizou Mikazuki announced that he would strongly proceed children's cafeteria project and committed that the goal is 300 and more cafeterias. Step eight is nurturing organizational culture. Ms. Taniguchi became secretariat of the prefectural Council of Social Welfare, and she continue to promote workshops and seminars in cooperation with the Prefectural government.

In Shiga prefecture, the effective platform to help altruistic entrepreneurs are formed and the leader promoted change, expressing clear goals. So far, very few prefectural governments show the clear goals of children's cafeteria policy.





## Concluding Remarks

Most potential grassroots and altruistic entrepreneurs do not know the way how to 11



contribute the community at first. Local governments could create platform in which various economic agents exchange information and trade each other. The participants are qualified by the platformer and they could access every necessary information to do business in the area. The transaction cost would be lowered since the participants could save exploration costs, bargaining costs and enforcement costs.

The children's cafeteria in Japan shows good example of the function of the regional platform. With regional platform, the altruistic entrepreneurs could access the information. Where is the suitable place to open cafeteria? How could I inform the target family and children? How could I recruit volunteers including college student? How could I negotiate with superstores about food ingredient donation? Through the regional welfare platforms formed by local government, institutions, colleges, private companies and other private sections will help trades among the members. On

the other hand, the traditional systems are closed and the participation of individuals including students and housewives had been limited. Since the culture of the two systems differs, transformational leadership is required. The leader of Shiga prefectural children poverty platform have changed the organization in consistent with the Kotler's eight step model. Potential altruistic entrepreneurs could access the member of the network and 129 cafeterias have opened in five years. 12

While the grassroots and altruistic entrepreneurship is important in every economy after COVID-19, local government as platform approach get rid of obstacles of startups and nurture them effectively. Indeed, emerging ICT based government platform would be very effective, however the core value of the platform lies in the communication based on humane entrepreneurship.

# 32. Argentine universities facing the COVID- 19 pandemic

Prof. María Fernanda Andrés, Prof. Noelia Barberis, Prof. Andrea Minetti & Prof. Rubén Ascúa, ICSB Argentina & Universidad Nacional de Rafaela Argentina.

The current global health emergency caused by COVID - 19 has confronted us with new scenarios in multiple aspects of our lives. This epidemic must be overcome collectively, the society as a whole. This triggers us to immediate action not only indoors university, to quickly adapt working methods, but also to establish cooperation between different institutions, including MSMEs, to enhance strengths and provide solutions to this situation. It is here, where the university plays a fundamental role through its three essential functions: teaching, research and extension.

The Argentine university system has an extensive territorial presence and is characterized by its institutional heterogeneity. Each university has a specific role in its territory according to its own reality and within the framework of autonomy of governance. This allows each of them to make the decisions that their community, their professors, researchers and their students consider pertinent.

The first challenge that universities face is the unexpected change from a face-to-face educational process to a distance one, with the intermediation of new technologies,



especially the internet. This process must be defined and managed by each institution and also, they have to train its entire community on new virtual methodologies. This adaptation is internal, but it also has several external edges that must be mentioned.

Since the Argentine health emergency was declared on March 20, 2020, universities have developed a Pedagogical Continuity Plan at all levels, as well as the rest of educational institutions in all jurisdictions. Students were able to continue their education beyond the emergency.



According to a survey among Argentine National and Private Universities, some of them continue with their activities synchronously, with classes through various videoconference tools. One of the measures incorporated was to record the classes and make them available on University platforms or sent them to the students involved in the course.

On the other hand, some universities opted for asynchronous formation, using the virtual campus as their tool. The argument for this position is related to the inability of professors, and mainly students, to have isolated places within their residences that allow them to develop their classes with the silence and concentration required, without another member of their family interrupting them. Moreover, it was identified that not all students had their own device, but that it was shared with other members in their household, which further hinders the ability to have it at specific times.

Many of the institutions channeled the delivery of slides, bibliography and other study materials through their own virtual campus, which they also used as a means of conducting evaluations and exams. Other universities, despite having their own virtual campuses, directed these tasks through other resources such as sending files by mail or sharing them in the cloud. Some of the reasons were related to the fact that these own platforms were not routinely used by professors and students, hindering their immediate adaptation. In addition, technical support was not available to quickly train users, manage accounts, and respond to inquiries to ensure proper operation.

Regarding the exams, the evaluation regime has also been modified and each university defined it according to different criteria. Successful experiences of students who presented their undergraduate and graduate theses through videoconference are registered, thus concluding the last stage to obtain their graduation.

In all these processes, universities played a fundamental role, not only from the decision-making and communication side of the implementation of new methodologies, which was a great challenge and required immediate adaptation capacities; but also, from the containment and support for students as well as for professors, researchers and areas involved.

The university system is creating equal opportunity conditions to ensure access to new technological resources, with scholarships, connectivity agreements with service providers, making the study regimes more flexible, implementing tutorials and materially assisting those who need it most. Thus, assuming the task that the prevailing reality proposes from the action.

Currently, the role of universities goes beyond the teaching and research activities. The society demands a greater involvement of the universities in the process of economic and social development of the territory. This has given rise to a new consideration of the university, the entrepreneurial university, which combines and integrates the traditional education and research activities with the contribution to economic and social development. This new consideration of the university as an entrepreneur requires a redesign of its global strategy, in order to allow it to meet the challenges imposed by

its new role in society. The promotion and dissemination of the entrepreneurial culture within the university and in all its levels (teaching, research and extension), is shown as a key piece of this strategy to promote the economic and social contribution of the university in a really effective way.

Universities are currently contributing to the demands of COVID-19 through the generation and transfer of knowledge for the development of diagnostic devices, preventive and palliative elements, such as tests, masks and face shields, the production of disinfectant alcohols, respirators, monitoring technologies, the implementation of triage and hospitalization rooms in university hospitals, the evaluation of the social impact of the pandemic, and other contributions related to the generation and application of knowledge.

The organizational resilience approach starts from the premise that organizations are an active part of an increasingly changing environment, governed by political, economic, social and environmental instability. Rather than focusing on the causes that generate this situation, organizational resilience is concerned with observing those

conditions that make it possible to adapt and develop in a more effective and efficient way.

The resilient University is able to promptly take advantage and anticipate opportunities or threats; opportunities are exploited because the organization is alert and action-oriented. Reality has shown how transcendental it can be for any organization not to be constantly adapting and reinventing itself, to maintain its position in the present and in the future. It is important for the creation of resilient and lasting organizations to face problems in a flexible way in an environment of constant change.

Despite the advantages that virtuality offers, some questions arise. How to adapt to the new modality when some students do not have access to this technology? In turn, how are the conditions that ensure the training of professionals capable of interacting in a world that demands complex and changing skills guaranteed? The challenge of the university system will be to prevail in this turning situation as an antecedent for the future, in access to higher education through virtual platforms and in the creation of academic offerings that contemplate the development of competencies for the MSMEs of the future.



# 33. In Egypt: Supporting MSMEs is at the Core of the Government's Response to COVID-19

## How has the global pandemic created new opportunities for MSMEs, and how we plan to capitalize on them?

H.E. Hala el Saeed, Minister of Planning and Economic Development

### The macroeconomic situation in Egypt and COVID-19

At the time when the WTO declared COVID-19 to be a global pandemic, Egypt was entering a period of macroeconomic growth that

resulted from the economic reforms it had started in 2016. In FY2019/20 (which ends on June 30), the GDP growth rate was 5.3%, the non-oil trade balance deficit decreased to 24%, and FDI increased by 19%, and the average inflation rate dropped to 5%. From July to December 2019, Egypt has achieved a 5.6% GDP growth rate. Similarly, FY2020/21 witnessed the unemployment rate drop to 7.7%, and FDI increased by 20%.

However, the pandemic will certainly have negative effects on these improvements. Globally, GDP is projected to decrease by approximately 7.9% by the end of 2021. The first month of the crisis alone has resulted in a 60% decrease in the income of informal workers globally, global debt levels are estimated to increase by 322% of the global GDP, and global remittances are projected to decline sharply by about 20% in 2020.

The severe negative effects of the pandemic on the global economy stem from a number of factors. Primarily, the crisis has affected all sectors and disrupted global supply chains.



Since the crisis is not economic but rather health-related, economic measures can only mitigate the repercussions. However, no economic measures can put an end to this crisis.

In Egypt, macroeconomic improvements and political stability led to a positive outlook regarding the potential to withstand the economic shocks caused

by the pandemic. This explains why the World Bank, IMF, and Fitch Solutions, among others, predicted that Egypt would maintain positive economic growth rates despite the sharp decline in economic activities caused by the Coronavirus.

However, projections show that economic growth will decline due to the economic repercussions of the pandemic from an initial expectation of a 5.7% growth rate by the end of FY2020/2021 down to an expected 4%. Similarly, unemployment could reach 10% by the end of the fiscal year, up from a 7.7-8% expected rate before the pandemic.

### **Government Policies in Response to COVID-19**

Government procedures to flatten the pandemic curve included a partial shutdown of the economy, suspension of international flights, and an overnight curfew. In order to mitigate the negative economic effects of these measures, the government announced a comprehensive plan that included allocating EGP100 billion (approximately 2% of GDP) to dealing with the crisis.

The Egyptian government implemented a sizable targeted fiscal stimulus to act as a stabilizer force during the downturn in order to maintain consumer demand and support affected sectors. The government interfered to support vulnerable groups such as the irregular workforce, as well as the workforce in affected sectors such as tourism, through direct cash transfers. The government also raised pensions by 14%, and extended targeted cash transfer social programs, Takaful and Karama, to reach more segments of the population.

Furthermore, the government interfered to support the main affected sectors, such as tourism and industry, as well as affected individuals. It reduced the price of natural gas for the industrial sector and reduced electricity prices for heavy and medium industries, postponed the payment of real estate taxes for factories and tourist facilities for three months, and postponed the credit entitlements for MSMEs for a period of six months.

Regarding monetary policies, the Central Bank of Egypt (CBE) announced an EGP20 billion stock purchase program to protect the stock market, cut interest rates by 3% to stimulate the economy and counter inflation, launched a debt relief initiative for individuals at risk of default, and allocated EGP50 billion to fund real estate development for low-income families. The CBE also suspended credit score blacklists for irregular clients.

The 2020/21 budget includes a significant increase in government investment by about 60%. The sectors that gained the most attention are the health sector (42% increase) and the education sector (80% increase).

### **Entrepreneurship and MSMEs in Egypt's economy**

Governments throughout the world agree that entrepreneurship is the road to innovation, productivity, employment, and growth. In Egypt, the Economic Census, which had started in 2018, shows that the number of small and medium-size enterprises in Egypt is 1.7 million, employing 5.8 million individuals (representing 43.1% of the total employment in the formal private sector). The total estimated capital investments for this sector are EGP77.1 billion.

MSMEs are central to achieving Egypt National Vision (ENV) 2030, as they are the main avenue for achieving inclusive and equitable growth and generating employment opportunities. The main developmental focal points of the Egyptian government are digitization, green economy,



localization of development, and social protection. MSMEs play central roles in these areas.

The Vision recognized that the problems facing this sector include the multiplicity of laws and regulations, in addition to issues concerning training, access to credit, and linkages to local and international production chains. The government's policies have attempted to address these issues through a number of approaches that I discuss below.

#### 1. Legal and Institutional Reform

One key dimension of the government's approach to developing the MSMEs sector is to integrate it within the formal economy and facilitate its access to credit lines. The new MSME law provides several incentives, and conditional incentives, to MSMEs in the formal economy, and those who engage in adjusting their status to join the formal economy. A number of aspects are worth mentioning here.

1. Access to credit: the law facilitates the allocation of land for MSMEs, which can be used as collateral to facilitate borrowing.

2. The law encourages startups through a number of channels, including the exemption of startups from patent filing fees, as well as technical and financial assistance for registered patents.

3. Facilitating the integration of MSMEs into the formal economy: MSMEs operating in the informal sector are encouraged to adjust their status. They are exempt from licensing fees and can operate on a temporary license for five years.

Institutionally, the Micro, Small & Medium Enterprise Development Agency (MSMEDA) is responsible for supporting MSMEs financially as well as through policy and strategy development, legislative and regulatory overview, monitoring, and evaluation of sector performance and development, and coordinating the efforts of various stakeholders. Previously, MSMEDA was

affiliated to the Ministry of Planning and Economic Development. At present, it reports directly to the Prime Minister.

MSMEDA's Board of Directors includes broad representation from a number of Ministers, business leaders, and experts. Since the majority of employment in the MSMEs sector is concentrated in the big cities (according to the Economic Census, 36.3% are concentrated in Cairo, Giza, and Alexandria), the Board of Directors is actively working to support and spread entrepreneurial culture and ventures throughout the country.

#### 2. Non-Financial Support

The Egyptian government believes that capacity building and development are core to venture creation and the resilience of MSMEs. The government also believes that there is a need to change the mindset of young people in order to value self-employment and entrepreneurship, compared to formal employment.

Therefore, the government has invested significant efforts and financial resources to provide entrepreneurship education and capacity building and development for MSMEs, as well as other support through cooperating in the fields of marketing, logistics, and technology services.

The Egyptian government has dedicated considerable attention to entrepreneurship training and linking new entrepreneurs to the banking system to facilitate access to credit, as well as capacity building and development for young people who are planning to or have already started, developing their own ventures. The Ministry of Planning and Economic Development launched the "Rowad 2030" project to support capacity-building and skills development for young people. The project has achieved the following:

In the field of entrepreneurship education

1. Signed a cooperation agreement between Cambridge and Cairo universities to provide 40 Masters' degree scholarships in the field of entrepreneurship.
  2. Signed a cooperation agreement with the American University in Cairo (AUC) to provide 100 scholarship programs in entrepreneurship skills.
  3. Signed a cooperation agreement with the German University in Cairo (GUC) to provide 100 scholarship programs in entrepreneurship education.
  4. Signed a cooperation agreement with the Leadership and Management Development Center to provide 100 scholarship programs to study the principles of entrepreneurship.
- Spreading the entrepreneurship culture

1. Created Business pioneer Episodes, a series of 30 Cartoon business leadership episodes.
2. Trained 50 trainers and over 1000 teachers, instructors, and school operators to provide entrepreneurship training, which has so far benefited over 300,000 school-age students.

Creating Business Incubators

1. Created nine business incubators, including incubators in the fields of artificial intelligence and tourism.

2. Facilitated the establishment of 19 projects in the tourism incubator (Mashreq).
- Providing IT solutions for the problems facing MSMEs

- 1- Established a Business leaders Observatory (Rowad-o-Meter) to be a continuously updated national database that provides quarterly reports on the the latest business of all incubators in Egypt for business leaders and decision-makers.
3. Designed an e-Evaluation system that replaces personal interviews to select students who apply for grants, allowing access to more young people.
4. Established a micro-factory to support and incubate startups that provide technologies that can be used as input in bigger industries.

5. Launched the Rowad2030 Application.
6. Publishes a Monthly Business leadership Magazine.

**Egypt's response to the effects of COVID-19 on MSMEs**

The MSMEs sector has been among the sectors directly affected by the global pandemic. On the supply side, the sector is facing liquidity problems as well as disruption in global supply chains resulting in shortages in intermediate goods. On the demand side, slow growth, changes in customer preferences, and spending priorities have led to lower demand for a segment of the products produced by MSMEs, especially in sectors such as tourism, construction, and food and beverages. At the same time, MSMEs have to find resources to cover salaries, rent, and other expenses.

The government interventions following the pandemic focused on supporting all private sector establishments to continue their operations and keep their employees during these tough times. For MSMEs, the government implemented a number of key policies.

1. An **export subsidy exchange** for small companies whose total dues amounted to EGP5 million or less for pre 1/7/2019 shipments.

2. **Exempting regular microfinance clients from an expedited commission** to pay off outstanding debts to clients or reduce administrative expenses to renew existing funds.

3. Postponing **loan installments** to direct lending clients from owners of small projects in all sectors (industrial / commercial / agricultural / service).

**The General Authority for Financial Control issued a package of procedures** to ease the situation for micro-enterprises, which include reducing or deferring the value of premiums owed to customers by 50% of the value of each premium to microfinance customers.

From a different perspective, the government perceives that, despite the challenges posed



by the global COVID-19 pandemic, it is actually presenting new opportunities to MSMEs. These opportunities include:

1. Re-prioritizing the importance of various economic sectors

The health, education, ICT, and agricultural sectors have gained global attention as the main determinants for economic and social resilience. As

mentioned earlier, Egypt's FY2020/21 budget had directed significant investments in this direction. Furthermore, the digitization of public services has been a key pillar of public sector reform in Egypt since the turn of the century.

These sectors are likely to become top investment priorities in the global economy, both for the private and public sectors. The new MSMEs law provides non-tax incentives to the digitization and industrial intelligence projects, as well as projects that deepen the local component in their products and operations.

2. Changes in local and global supply chains

One can observe changes in global supply chains that could represent an opportunity for the Egyptian MSMEs sector. The key to making the best use of these developments is encouraging accession into the formal economy, training, digitization of the sector, facilitating access to credit, and promoting exports.

As mentioned earlier, the main developmental focal points of the Egyptian government are digitization, green economy, localization of development, and social protection. The Egyptian government is drawing plans to build databases on the MSMEs sector (through such approaches as the Economic Census and Rowad 2030) as well as databases for the irregular workforce and entrepreneurship opportunities that can be linked to credit and global supply chains. The purpose is to implement a proactive strategy for utilizing the available

skills and human talents to capitalize on the global economic changes and satisfy local needs for productivity and employment.

As mentioned above, key sectors that represent important opportunities for MSMEs to grow to include health, education, ICT, and food production. The Government of Egypt is working to support entrepreneurial and small business ventures into these fields. For example, in 2019, the Rowad 2030 project supported a group of students from the School of Engineering at Ain Shams University that produced the first local electric race car. The team won the cost and manufacturing award of the competition.

We need more of these initiatives in Egypt and around the world in different fields such as health, education, manufacturing, agricultural production, etc.

Through supporting young people to excel and create impact through MSMEs, we are sure that young and promising talents will be the engines of change in the post-COVID-19 world.

**Looking forward**

In order to build on the future opportunities that the crisis has created for our MSMEs sector, we need new and creative approaches to respond to traditional and new challenges. In addition to access to credit, we need to develop access to information and ICT tools and platforms, both for the MSMEs entrepreneurs as well as government decision-makers. We need to create platforms for MSME entrepreneurs to communicate, exchange information, and collaborate. We need to create channels of communications with the global economy and supply chains and provide support for MSMEs in their attempts to compete globally.

Finally, training and, especially, digital capacity building remain the key determinant for success and resilience. Supporting digital channels of commerce is, therefore, a key ingredient of how we plan to support MSMEs in the near future.

# VI. Summary for the 2020 ICSB Global MSMEs Report

The resounding conclusion within this report brings hope to all of us. Out of the sheer panic and crisis of 2020's beginnings came opportunity for our community. There are not many sectors of life where a collective group works so seamlessly to find solutions. It is the empathy, empowerment, and drive of MSMEs that speaks volumes more than any report could recognize.

MSME supporters, researchers, and promoters are, for the first time, able to opportunize this chaotic moment in history by working with the uncertainty, instead of against it. In seeking to understand, MSMEs, themselves, along with their surrounding community have finally found common clarity through which we can begin to change the way we promote these exact MSMEs. We are changing our methods of research, marketing, and working, in order to align ourselves with the true nature of MSMEs.

As our world changes, we have the power to change with it. This report is a gift to each and every person who reads it, who lets the information change their mind, who becomes one with the realities of the macro and micro. This alignment is opening both us and the rest of the world to better our empathetic understanding. It is through this new lens that we can recognize the need for personalization. We can no longer make large sweeping plans that will affect the global community because we see how these initiatives indirectly hurt those within our most vulnerable populations.

With this heightened understanding of the true needs of MSMEs and, further, those

that have an entrepreneurial orientation, we can begin to formulate informed policies that will assist in constructing a flourishing entrepreneurial ecosystem, which is unique to each individual ecosystem. If we are able to set our sights on the goal of building an entrepreneurial ecosystem, then our steps in achieving the United Nations Sustainable Development Goals will work as our outcome. This will allow us to measure the success of our regions, nations, and world, at large, by the way in which we care for and work with oppressed populations in our communities.

Envision that. A world built around the most vulnerable. Collective action for and with those who have been unjustly ignored. True and actionable work towards the SDGs. The image is beautiful, a truly equitable world that is thriving thanks to the collective care and action of its people. So then our discussion might move to realizing this future, to the methods that we can realistically apply in order to move from our intention of building entrepreneurial ecosystems to the result of achieving the Sustainable Development Goals.

There are many viable solutions over which we could hypothesize, however the only methods that provide a fully comprehensive and integrative solution would be that of Humane Entrepreneurship. In applying ourselves towards creating human-centered relationships, businesses, and policies, we might have a fighting chance at equilibrating our world's systems so that we can live in a place that upholds equity for all first and foremost.

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# VII. APPENDIX

- **Healing A Hurt Generation with Humane Entrepreneurship**

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[1] For all of OECD presentations, please see <https://www.oecd.org/cfe/leed/entrepreneurialecosystemsandgrowth-orientedentrepreneurshipworkshop-netherlands.htm>

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[3] "builder" suggests that ecosystems are built when it is clear that ecosystems already exist. Some might argue that "operator" or "steward" might serve better but Kauffman concluded that "builder" sent an empowering message.

[4] Despite the work "America", these policy prescriptions are applicable to most nations.

[5] During the recession, such an ICSB panel asked "what is the #1 best practice at growing SMEs?" Every single panelist agreed that providing basic business skills has the biggest ROI. Not very sexy, maybe, but it was a powerful moment.

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- **From entrepreneur's serendipity to accidental sagacity: How to transform an unforeseeable crisis into strategic regeneration**

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**Appendix 1.** Examples of entrepreneur's accidental sagacity in relation with the outbreak

Company	Strategic paradigm shift	Entrepreneur's accidental sagacity // outcomes
<p><b>Case 1.</b></p> <p>Medium-sized company</p> <p>Maintenance &amp; cleaning industry</p> <p>Main Customers: local authorities</p>	<p><b>Initial conditions</b></p> <p>Slow declining performance</p> <p>Cost reduction strategy</p> <p>Low bargaining power</p> <p><b>Outbreak consequences</b></p> <p>Sharp decline (sales drop by 25%)</p> <p>Short term survival issue</p>	<p>Society has moved from a logic of maintenance to a logic of health engineering, thus becoming a partner of public authorities and ensuring 1) the operational planning of the crisis management, 2) the provision of protective equipment for public authorities workers as well as for local people, 3) the mediation between public authorities and local people. The strategic renewal initiated by the context was made possible by a thorough analysis of the company's identity and forces, the understanding of new challenges and a quick move towards the repositioning of the company vis-à-vis its stakeholders.</p>
<p><b>Case 2.</b></p> <p>Catering industry</p> <p>Main customers: business customers</p>	<p><b>Initial conditions</b></p> <p>Very recent activity (less than one year)</p> <p>Low volume with very high added-value</p> <p><b>Outbreak consequences</b></p> <p>Administrative closure.</p>	<p>The company has moved from a logic of lunch specials aimed at business customers to a logic of fast « homemade » to-go for the people living in the neighbourhood (lunch time), and the creation of a street happening with music, cocktail, wine tasting and savoury snacks (afternoon) and delivery of "gourmet menus" on a pre-order basis with a list of ingredients chosen by customers</p>
<p><b>Case 3.</b></p> <p>Medium-sized company</p> <p>Industry specialised in the cutting of industrial devices</p> <p>Main customers: Industry</p>	<p><b>Initial conditions</b></p> <p>Young start-up (less than 5 years)</p> <p>Specialist of the industrial precision cutting</p> <p><b>Outbreak consequences</b></p> <p>Sharp sales decline</p>	<p>The company has designed a manufacturing system for protective masks made in one single piece of fabric (no seam), thanks to an industrial cutting process. The mask is obtained via the removal of a single piece that is pre-cut in one single bloc (without any seam). The process is the result of the unique combination of a company's specific internal know-how, of the analysis of a new, strong need, and of the necessity to find quick sales alternatives in the context of the crisis. It was implemented via numerous experiments, trials and errors that lead to the creation of a prototype within only a few weeks.</p>

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## Appendix: Bcomp's Organizational Capabilities

RESCALES	
Replication	<p><b>Capacity of the firm to implement its initiatives in different locations, while maintaining control and coordination.</b></p> <p>Bcomp's outsourcing business model strategically sequences market entries: Sports &amp; Leisure → Motorsports → Automotive, to get proof of concept, maximize leverage of cross-market marketing-, image-, and technology transfers. In addition, this also allows operations to be gradually scaled up to meet demand and avoid significant cash flow gaps, while simultaneously scaling our supply chain towards larger markets.</p> <p>Bcomp has acquired several customer development projects with globally leading automotive Original Equipment Manufacturers (OEM), with the objective to deliver material solutions into their vehicle programs. In addition, Bcomp has a long-term development project with Lufthansa Technik, one of the global leaders in the Maintenance, Repair and Overhaul (MRO) aircraft industry. The Mobility sector will offer the required platform to significantly grow the business, generating revenues of several 10s of millions of EUROS within the next 5 years.</p>
Earnings generation	<p><b>Ability to obtain financial resources from three principal sources: (1) revenues from selling products/services, (2) donations, and (3) grants, subsidies, and other sources</b></p> <p>Bcomp has won several start-up- and product innovation awards, such as Venture Kick (1-3), the Swiss Excellence Product Award 2013, several ISPO Awards (from 2012-2016), the Swiss Economic Award 2016 (high-tech/biotech), Venture Kick's Global Shaper Award 2017, several JEC Innovation Awards (2014-2018), the Lufthansa Technik (LHT) start-up pitch contest in June 2016, marking the start of a development project between the companies, and recently the prestigious Motorsports Symposium Innovation Award 2018.</p>
Staffing	<p><b>Ability of the organization to acquire sufficient qualified human capital, either as employees or volunteers</b></p> <p>Bcomp is built on a lean team of 28 unique and highly qualified professionals (they have only people with PhDs, master's degrees and a few with a bachelor's degree) from a diversity of backgrounds, nationalities and genders working in a flat organizational structure. Aligned around corporate values, the team is strongly self-motivated, enjoys a high level of work flexibility, and focuses on keeping a healthy work-life balance.</p> <p>The team is led by Co-Founder and CEO, Christian Fischer, MSc &amp; PhD in Materials Science &amp; Engineering from the EPFL. Technological excellence and reputation were built by Co-Founder and CTO, Julien Rion, MSc &amp; PhD in Mechanical Engineering from EPFL, and CSO, Per Mårtensson, who has over 15 years of experience in the composite industry and a PhD in Cost Efficient Automotive Composite Structures.</p>

Communication	<p><b>Ability of the company to communicate objectives and progress to key stakeholders, such as beneficiaries and donors</b></p> <p>Bcomps' mission is to "play naturally smart". Those three words symbolize the combination of fun, respect and innovation that the firm is promoting on the inside as well as on the outside. The company started with passion and will continue to grow with this mindset.</p> <p>The managing team is supported by outstanding board members: Christian Beer, President of the Board, has a strong industrial background, and has managed several turnarounds of companies with international activities in e.g. assembly automation and medical products. The Vice President, Thomas Rauber, is an entrepreneur with over 20 years' experience in international industrial companies, in which he has held a series of senior management positions as CFO and General Manager. In the framework of its Series A investment, the board was completed by highly skilled professionals from D.A.CH.S investment and the Swiss Krono Holding, respectively.</p>
Alliance building	<p><b>Alliance building occurs when an organization generates win-win outcomes with other partners or organizations, instead of trying to accomplish its goals alone.</b></p> <p>Their culture of collaborating with <b>academic partners</b>, to keep their position at the fore-front of product innovation within the natural fiber composite field. <b>Early adopters</b>, like Faction, Stöckli or DPS, market leaders, like K2, Blizzard or Black Diamond, or luxury watches (Hublot). <b>High-profile alliances</b> with Porsche Motorsports, Aston Martin Racing and Audi Sport, launching development projects with several global automotive OEMs, as well as long-term collaboration with a global leader in the aerospace MRO (Maintenance, Repair and Overhaul) industry.</p>
Lobbying	<p><b>Ability to work with the government, by receiving financial support or passing legislation favorable to its social cause.</b></p> <p>The R&amp;D team successfully applied for several research grants, reaching from CTI (Commission for Technology and Innovation of the Swiss Confederation) to development projects financed by the Swiss Space Office (SSO) and the European Space Agency (ESA), all contributing to the development of our proprietary natural fiber technologies.</p>
Engagement with the community	<p><b>Activities implemented by firms to work collaboratively with and through groups of people to address issues affecting the social well-being of those people.</b></p> <p>Through the active promotion of their products by their customers, e.g. Polestar or Porsche, Bcomp establishes direct contact and engages interesting groups of people to promote their sustainability philosophy.</p> <p><a href="https://www.polestar.com/en-ch/news/kindred-spirits-bcomp">https://www.polestar.com/en-ch/news/kindred-spirits-bcomp</a></p> <p><a href="https://www.polestar.com/en-ch/news/precept-sustainability">https://www.polestar.com/en-ch/news/precept-sustainability</a></p> <p><a href="https://www.youtube.com/watch?v=4n9940yI700">https://www.youtube.com/watch?v=4n9940yI700</a></p> <p><a href="https://www.balticyachts.fi/yachts/baltic-68-cafe-racer/">https://www.balticyachts.fi/yachts/baltic-68-cafe-racer/</a></p> <p><a href="https://www.gurit.com/Our-Business/Composite-Materials/Reinforcements">https://www.gurit.com/Our-Business/Composite-Materials/Reinforcements</a></p> <p><a href="https://www.racetechmag.com/article/bcomp-partners-with-porsche-customer-racing-team-four-motors/">https://www.racetechmag.com/article/bcomp-partners-with-porsche-customer-racing-team-four-motors/</a></p>

Stimulating market forces	<p><b>Ability to demonstrate that the initiatives can generate profits for other firms, save money for customers who acquire the products/services they offer, and win the market's confidence that the social problem being addressed will be solved</b></p> <p>Bcomp has prepared the next big strategic move: to enter the Motorsports market and use it as a stepping stone for the large-scale, highly complex Mobility markets. Significant resources have been invested over the past 3 years in product development, understanding market needs, defining the go-to-market strategy and generating leads. This has led to acquiring high-profile customers like Porsche Motorsports, Aston Martin Racing and Audi Sport, launching development projects with several global automotive OEMs, as well as long-term collaboration with a global leader in the aerospace MRO (Maintenance, Repair and Overhaul) industry.</p>
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Source: Based on Boom and Chatterji (2009), Palomares et al. (2018) and own adaptations.

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Figure one Regional Ecosystem for social entrepreneurship  
 (source) modified from Tukiainen et al.(2015) 15

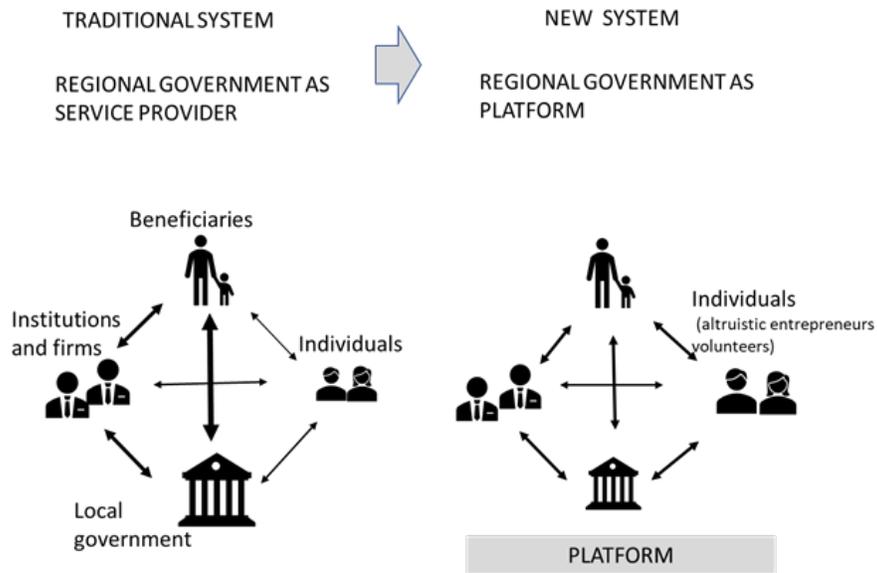
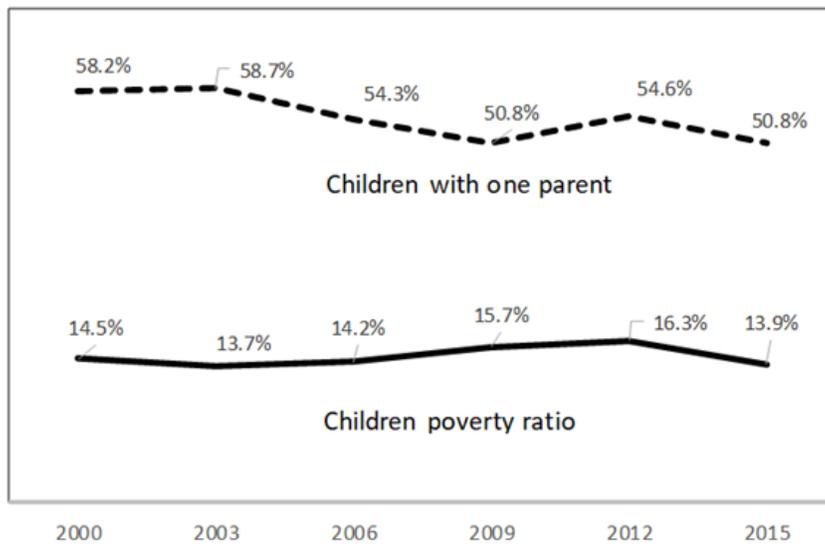


Figure two Relative poverty ratio of Children, Japan  
 (source) Cabinet Office of Japan (2020) 16



(NOTE) \*1 Children with one parent accounts for 9% in 2015.

Figure three Activities of Children's cafeteria 17

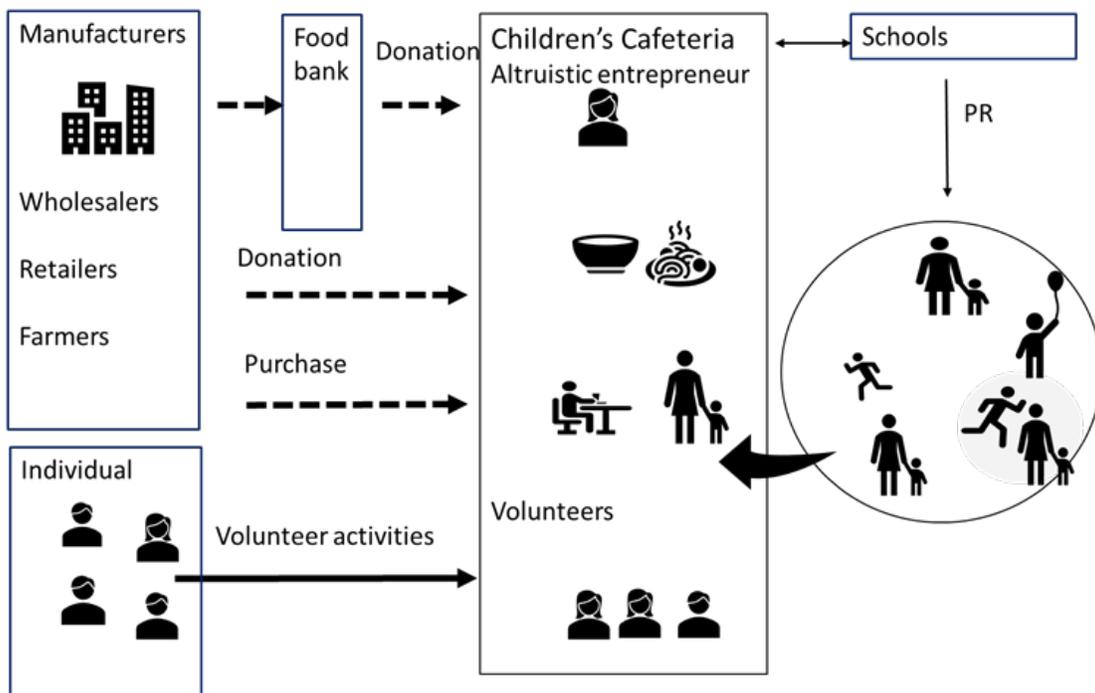


Figure four Distribution chart between Child poverty ratio and Rate of filled vacancies (source) Child poverty ratio is from Nippon foundation(2016).Rate of filled vacancies is from Yuasa(2019)18

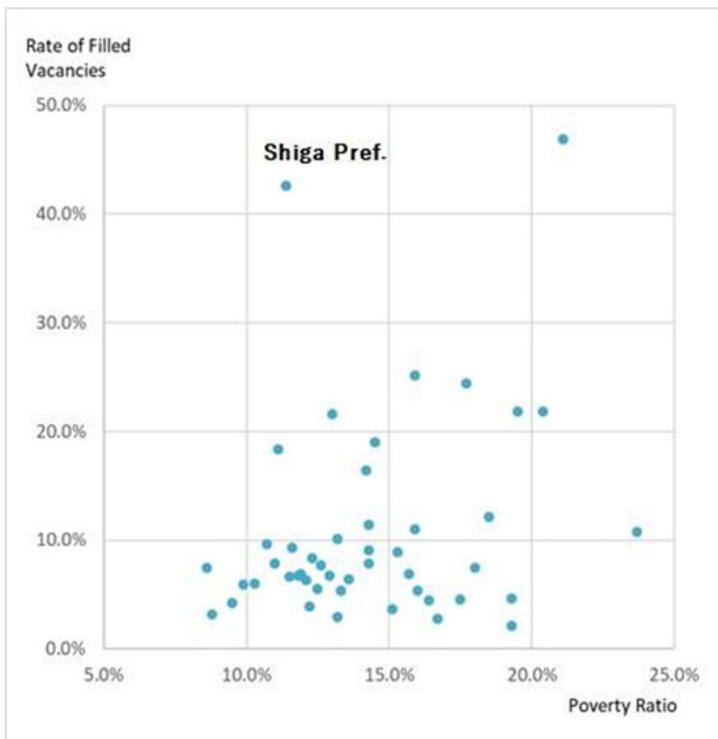


Figure five Number of Children’s Cafeteria, Shiga prefecture

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 %40%60%80%100%050100150200250201420152016201720182019Number of Children’s  
 Cafeteria, Shiga Pref.Total Number of CafeteriasFullfilment ratioCafeteriasby H-Entrepreneurs  
 (source) ENISHI center website 19

Table one The leadership of Ms. Kitamura, ENISHI center Kotter’s Phases of Change	The leadership of ENISHI project	
Creating the climate for change 2014-2015	Communicate Urgency	Sep 2014, five-year ENISHI project began operation.
Build a Guiding Team	Sep 2014, ENISHI project Mar. 2015, Working team	
Create s Vision	Mar.2015, “Playing, studying at Children’s Cafeteria”	
Enabling and Encouraging the Organization 2015-2018	Communicate for Buy-in	2015-, publications , web, SNS,etc. 2017-2018, training and starting seminar for potential practitioners Feb. 2017 National Conference Series in Shiga
Remove Obstacle	Aug.2017, Cafeteria Support- ing Project Aug.2018, Cafeteria practi- tioners’ Network	
Create Short Term Wins	2014-2018, 115 cafeterias opened	
Implementing and Sustain- ing for Change 2019-	Maintain Momentum	Apr. 2019, Governor’s Commit- ment “300 CCs”
Organizational Culture	2019- Continuous workshops and seminars in cooperation with the Prefectural govern- ment	

● “Argentine universities facing the COVID- 19 pandemic”

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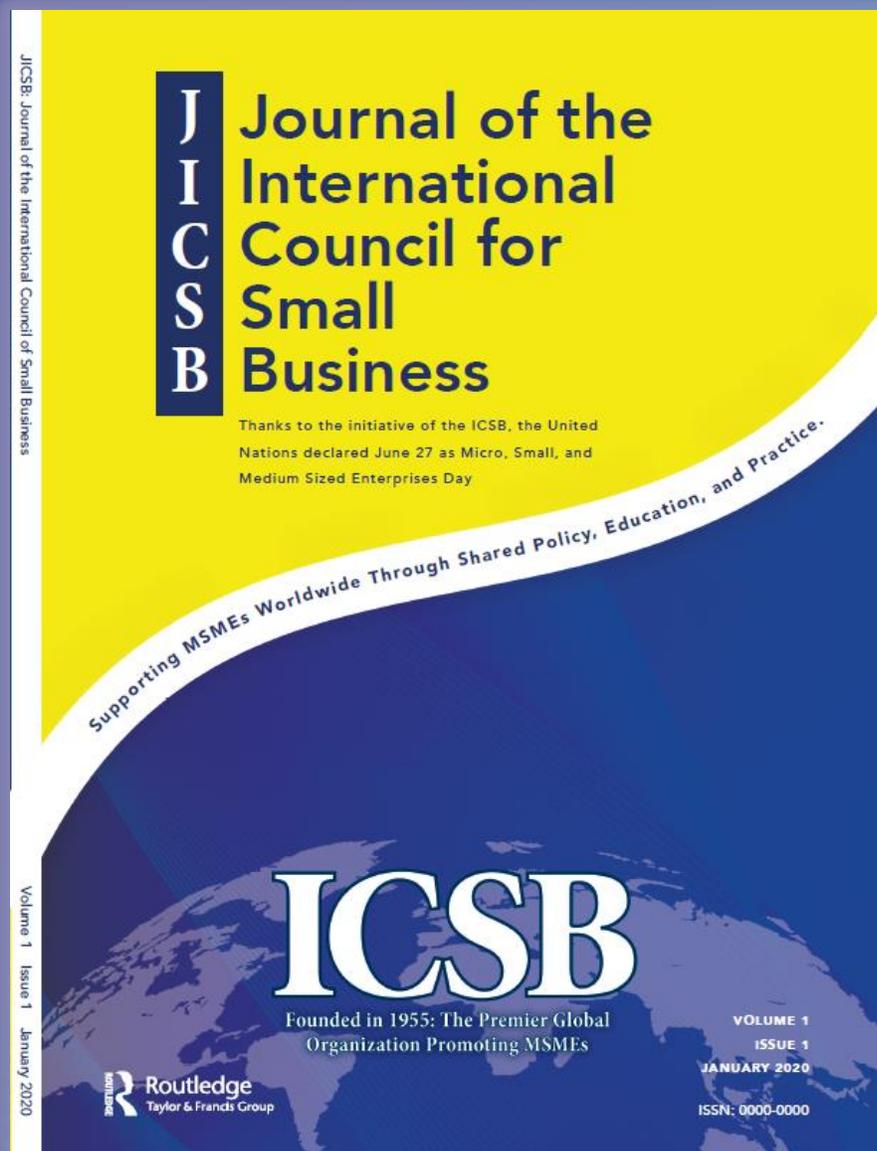
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Exec Director of Smartly, Social Entrepreneurship  
on SDGs  
Ph. D. Chantal Line Carpentier  
Chief of UNCTAD New York  
Ph. D. Adnane Maalaoui  
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Deadline  
Call Opens May 2020  
Call Ends October 2020  
Publication date January 2021

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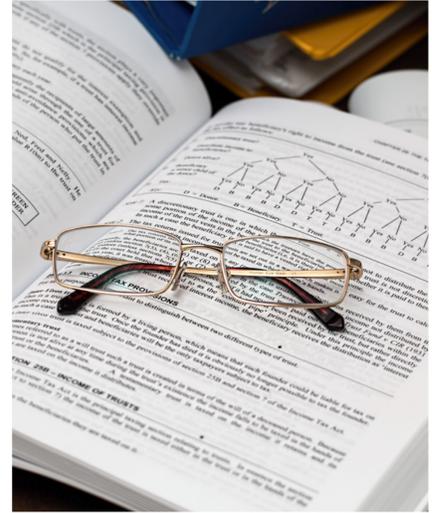
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Capitalizing on the technological tools readily available to us online, and through multiple platforms, we maximize the impact of the actions carried out and share best practices among peers and our partners globally.

Our work aims to empower and educate people, governments, universities, organizations and businesses on the SDGs, which, in turn, will allow them to assess the global objectives set out and implement these in their daily lives. As an independent private business, our work is commensurate to our purpose: to promote awareness across the private and public sectors, and provide the tools and knowledge related to the SDGs, through our advisory services and training, so that the 2030 Agenda becomes a reality.



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