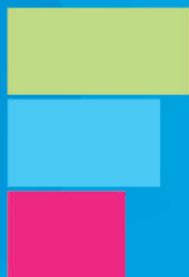


ICSB Annual Global Micro-, Small and Medium-Sized Enterprises Report

June 27, 2019



ISBN 978-1-7324980-4-4

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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

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7. “Pitfalls in Innovation Policy Making”, Salvatore Zecchini, Former Chair of the OECD Working Party on WPSMEE.
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9. “The Other Half: State, Challenges, and Action Items for the Realization of Women Entrepreneurial Opportunities Worldwide”, Katia Passerini, St. John’s University - New York.
10. “Moving Towards an Innovation-Driven Economy through Humane Entrepreneurship: From Human 1.0 to Human 10.0”, Ki-Chan Kim, Professor the Catholic University of Korea, Republic of Korea.
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DEDICATION

*To Every
Micro Business
Small Business
Medium-sized Business
Entrepreneur*

*This Global Report is in
Recognition of Your Efforts*

INTRODUCTION

I. INTRODUCTION

The International Council for Small Business (ICSB), in June 2016, convened a small business panel at its 61st World Congress at the United Nations, in New York City. This was no ordinary event. The panel consisted of seven small business government ministers from six different continents representing billions of people. In a historic move and under the leadership of then Dr. KiChan Kim from S. Korea, ICSB Executive Director, Dr. Ayman El Tarabishy, read a proclamation: “Seeing the need for broad SMEs support, ICSB calls on the United Nations to establish a dedicated Name-Day for small and medium enterprises.” This proclamation was enthusiastically welcomed by the panelists and ICSB conference attendees. It was therefore adopted by acclamation from the ICSB assembly. The journey to establish such a name day had begun.

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 provided the basis for the MSMEs day and how the day June 27th was selected. 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, Argentina, the lead country in the establishment of the Name-day.

With support at all government levels, MSMEs are still in need of political and regulatory support that provides them with clear language, a transparent process, and a predictable outcome. These are the guiding principles that should be the foundation of support. These principles and best practices must be independent of administration or organization.

This report is the continuation of the ICSB’s work since 2016 with the goal of bringing all stakeholders and partners together in one place, with one mission, and one focus: to help support MSMEs. In the following pages of this report and for the first time ever, many countries, institutions, organizations and individuals come together to pen reports about the status of MSMEs as part of the observation of MSMEs Day. It is ICSB’s plan moving forward that every June 27, ICSB will submit a Global Report on the status of MSMEs. We are proud to announce that this is the second report published on June 27, 2019.

ICSB requested from every author of this report to submit an analysis that should

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be close to 2500 words, and simplified in a way that any reader can understand. In the following pages, you have the first comprehensive analysis of the status of MSMEs around the world.

We invite you to read the report and identify the similarities and differences. Try to understand the scope and magnitude of the challenges and opportunities that face MSMEs. Finally, take note about how you feel about the well-being of MSMEs today and how you can help.

ICSB and MSMEs around the globe appreciate your support.

June 27, 2019 - International MSMEs Day.

Mr. Ahmed Osman, President of the International Council for Small Business

Dr. Ayman ElTarabishy, Executive Director for the International Council for Small Business



Mr. Ahmed Osman, President of the International Council for Small Business



Dr. Ayman ElTarabishy, Executive Director of the International Council for Small Business



Ki-Chan Kim, Professor the Catholic University of Korea, Republic of Korea

II. ICSB TOP 10 MSME TRENDS FOR 2019

Micro-, Small and Medium-sized Enterprises (MSMEs) continue to be on the move! Recognized globally for their contributions to innovation and improving economic conditions, MSMEs are embraced universally for the impact they have on every part of society by being the number one job creators. To better understand MSMEs, it is important to acknowledge that they are continuously inundated with a myriad of challenges in an ever-changing marketplace.

In 2018 ICSB Top Ten Trends for MSMEs predicted that the number one issue facing MSMEs was protecting a company's assets. Bad actors created a fear online that any company with assets in the digital cloud was vulnerable to hackers. There were many stories in the press that detailed how a small business lost its intellectual property due to online theft. Other trends on the 2018 ICSB's MSMEs list covered common prevailing concerns such as lack of access to capital, attracting a competitive workforce, and differentiation (personalization) from competitors. These were the top four trends in 2018 as projected by ICSB.

For 2019, ICSB sees a major shift in the landscape for micro-, small and medium-sized enterprises. It is remarkable what a difference a year makes!

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Number Ten: MSMEs TO MEET THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

INSIGHT: MSMEs are the fabric of communities, reaching many sustainable development goals without realizing it. Yet, they can be empowered to do more. MSMEs can become the measuring stick of how we are achieving the SDGs.

ICSB RECOMMENDATION: MSMEs should make the SDGs a prominent selling point to demonstrate why consumers should buy from them. If a consumer sees an MSME engaged in the SDGs, they will further support it. Like buying organic or recycling, MSMEs should allow consumers to contribute to a sustainable world. Educators, policy-makers, and consultants should educate, encourage, and assist MSMEs to develop the framework for this new operating model. Governments should provide incentives encouraging the rapid deployment of the SDGs, the return to their economies and societies is tangible and impactful.

9

Number Nine: ACCESS TO FINANCE AND NEW OPTIONS AVAILABLE

INSIGHT: MSMEs and entrepreneurs will have more options available than ever before to finance their companies. Many banks will launch new financial products aimed at micro, small, and medium-sized enterprises. Blockchain and cryptocurrency are 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.

ICSB RECOMMENDATION: The increase in Fintech, which includes crowdfunding and peer-to-peer funding, allows broader availability and timeliness. Universities and the Economic Press can contribute a lot to informing a large audience about why and how to invest in prominent MSMEs through these new financial tools.

8

Number Eight: ATTRACTING A NEW WORKFORCE FOR SMEs

INSIGHT: SMEs should jump on the opportunity to hire millennials by offering them the stability of a quality job. The benefits of innovation, encouraging creativity, and the opportunity to grow are incentives to attract the best and brightest. Co-working space is becoming the new normal. As millennials are the workforce of the future, they will be able to offer the best skillset, mindset, and productivity to SMEs. It's HIP to work for an SME!

ICSB RECOMMENDATION: SMEs should align more with universities and vocational schools to promote the hiring and development of the millennials. Education needs a fresh serious and relevant look.

7

Number Seven: CUSTOMIZATION IS THE NEW HOT TOPIC FOR MSMEs

INSIGHT: MSMEs can no longer compete on price or convenience of location; big businesses have discovered how to deliver their products to their clients on the same day and at a lower price. Artificial intelligence and machine learning are becoming more sophisticated (Alexa, Siri, and Google are popular household names). Given their size and coupled with AI, big businesses have developed one-size fits all for many products for mass consumption. MSMEs cannot compete at this level.

ICSB RECOMMENDATION: MSMEs should brainstorm and develop products and services that are customized and personalized for their customer needs and preferences. The benefits of new technologies like 3D printing and being close to the consumer will allow MSMEs to offer them a new and more attractive option. MSMEs should start preparing immediately.

6

Number Six: MSMEs REDEFINING THE INNOVATION PROCESS

INSIGHT: The human touch and the human experience will never be fully replaced. However, the advances in artificial intelligence, robotics, and technology are redefining what is meant by innovation. Reverse innovation and re-engineering are allowing for a radically new view on creating new products and services. Projects that used to cost billions of dollars now are a tenth of the cost because of open innovation. Open ideas and markets will accelerate this trend.

ICSB RECOMMENDATION: This is where MSMEs can excel. They are the incremental innovators that know how to bring practical innovation to fruition. They have the speed, nimbleness, and flexibility to pivot versus bigger companies that require more time and resources.

5

Number Five: DIGITAL MSMEs GO GLOBAL

INSIGHT: The global marketplace is one website away. The world of consumers is around the corner. The United States population only accounts for 5% of the total world population. Therefore, MSMEs should consider customers as global customers. We have moved from analog to digital. MSMEs need to do business in a digital manner as well.

ICSB RECOMMENDATION: A digital mindset is needed for MSMEs and should be considered as an opportunity, keeping in mind that their business needs require adequate logistics to handle digital commerce. Simplicity is the key to success in a complex digital marketplace.

4

Number Four: 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. Industrialization, robots, and artificial intelligence are the fad now and will continue to stay and grow. Yet, the heart will always yearn for a human touch.



3

ICSB RECOMMENDATION: Technology is a tool to improve your business operations; the human element is what makes MSMEs unique and long-lasting. Treat your employees with dignity and respect and engage your customers with the warmth of a human smile. Humane entrepreneurship is all-encompassing.

Number Three Trend: MSMEs AND NAVIGATING TRADE WARS

INSIGHT: ICSB projects that global trade wars will be a major issue impacting 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 in turmoil. MSMEs cannot escape the fallout from this fight and are feeling the impact. It will get worse if the trade wars continue. There is an African proverb that says, "When two elephants fight, it is the grass that suffers the most." MSMEs cannot escape the fallout from this fight and are feeling the impact.

ICSB RECOMMENDATION: MSMEs often believe that they can do little to influence the impact of such pervasive macro political forces. 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 in an effort to anticipate their impact on key stakeholders. Finally, by understanding your supply chain and the alternative actions you and your business can take, you are in a better position to let those you know at the local and national level that the trade wars are hurting your workers, communities, customers, and suppliers.



2

Number Two: THE IMPACT OF 1.8 BILLION WHO WILL TRANSFORM THE FUTURE

INSIGHT: The ICSB No. 2 projection for 2019 is the impact on the economy of the 1.8 billion youth. According to the United Nations Population Fund (UNFPA), there have never been so many young people (ages 10 to 24) in the world. This demographic is also growing the fastest in the developing nations and is coupled with the change in emerging markets

worldwide. The transformation will occur. How this happens will be done by the youth but must be supported by established institutions.

ICSB RECOMMENDATION: The youth are already redefining the workplace and the definition of work. There are many stakeholders who will be impacted. Our economic and educational infrastructure must lead the way for integrating the worker of tomorrow, many of whom are seeking to be part of a humane work environment. The education sector, in particular, needs to be more forward-looking and start preparing for the ever-changing workplace at all levels and the meaning of work to this formidable group. They have arrived.

1

Number One: THE POWER OF BELIEF

INSIGHT: The number one ICSB trend for 2019 is broadly captured as the POWER OF BELIEF. For many years, the question around entrepreneurship was, nature vs. nurture. It was argued by many that to be an entrepreneur was something innate. There are others who argued that entrepreneurship was a learned behavior. In 2019, those arguments have gone by the wayside once and for all. Everywhere you go, from the favela to the refugee camps, to remote villages, to our large urban areas, the belief that a person can create something of economic and social value is real. Entrepreneurship is no longer the domain of the rich, well-connected or gender specific. Women, youth, families, and the disabled, particularly, are transforming their societies and using the POWER OF BELIEF in themselves to energize their economies.

ICSB RECOMMENDATION: Encourage the creation and sustainability of MSMEs, by not just starting businesses, but creating and maintaining adaptable and vibrant ecosystems. It starts with a belief, the POWER OF BELIEF, and leads to meeting the challenges represented by the United Nations 2030 Sustainable Development Goals. To have a meaningful impact, all of us must engage our POWER OF BELIEF to continue the effort to create, grow, and sustain our economic and social enterprises.

**Let the Creative Class in
All Segments of Society
Take Their Place**



III. MESSAGE FROM ICSB PRESIDENT ENTREPRENEURSHIP FOR PEACE & DEVELOPMENT

Ahmed Mohamed Osman
President of The International Council for Small Business (ICSB).

I am honored and privileged to serve as the first Arab, Middle Eastern and Muslim President of ICSB. ICSB is a 64 year old movement, a catalyst of positive change and it is our duty to make sure that we promote social justice and economic empowerment to all sectors of society. In the Middle East, we have suffered for years from political and social instability. The region went through a series of wars dating to as early as World War I. Most recently, social inequalities, lack of education and high youth unemployment lead to a wave of social unrest, branded “The Arab Spring “.

My country Egypt, under the leadership of President Sadat, made an unprecedented move towards peace in 1977 in a historic move. This has led to my generation living in Peace and experiencing a more fortunate livelihood than our parents. However, recently terrorism became a global phenomenon due to religious extremism. In simple terms, I can state that terrorism is present when a vacuum exists due to lack of education and ignorance. Moreover, unemployment is also a main reason for terrorism becoming a source of living.

Entrepreneurship and SME Development can play a major role in maintaining peace and can serve as a dynamic tool that can help shape the future and provide a platform for people to express their underlying will for international harmony, collective security, and world order.

Complex emergencies such as armed conflict, wars, revolutions, atrocities, and genocide mean that vulnerable populations are at an increased risk of poverty, unemployment, economic deprivation, marginalization, inequitable distribution of resources and social exclusion, particularly among the young population.



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

According to Joseph E. Stiglitz, “Development is about transforming the lives of people, not just transforming economies.” Real development can only be effective if employment opportunities in conflict-affected areas promote development, inclusive growth, and sustainable peace. “There is a common view that unemployment is a critical factor leading to conflict; that employment is a casualty of conflict; therefore the creation of jobs should be a priority in post-conflict situations. This is in order to make the recurrence of conflict less likely as well as to generate and spread incomes and production. Consequently, many post-conflict settlements include provisions to promote employment.” (Francis Stewart).

Entrepreneurship and education are two exceptional opportunities that can be leveraged and combined in order to build societies that are richer, socially adept, and technologically advanced. Entrepreneurship, when efficiently deployed, can become a means for the creation of decent jobs for all members and sectors of the society, boost economic recovery, improve the productivity and status of youth working in the informal sector, reduce inequalities in employment opportunities between groups and sustain peace after years of war, violence and poverty.

The 2030 Agenda for Sustainable Development, serves as “a plan of action for people, planet, and prosperity.” Entrepreneurship, as referenced in the 2030 Agenda, is not only critical to achieving Sustainable Development Goal 8 on decent work and economic growth but can also catalyze progress toward the twin goals of prosperity and peace. (International Peace Institute “IPI)

The most fundamental human right is that we are all “created equal” and entitled to the same rights and freedoms, regardless of our race, ethnicity, religion, disability, gender, or socioeconomic status. The goal of inclusive development is to achieve an inclusive society able to accommodate differences, value diversity and to ensure that everyone is included in the peacebuilding process and development efforts.

Weaving the Social Fabric: “Entrepreneurs as Peace Brokers”

“Entrepreneurship for Peace” is a global call for action which should be led by countries, states, governments, private institutions, and the civil population. The main purpose of innovative entrepreneurship and peace building approaches is to make a powerful contribution to the ecosystem of peace and to strengthen the “balance of principal” not just a balance of power, in order to build an international system of organized common peace, so that “no one is left behind.

Micro businesses are a necessity in many countries, the source of livelihood for communities. With more emphasis on capacity building for entrepreneurship, decent jobs can be created and sustainable economic growth can be achieved.





IV. MSMEs Global Dashboard

1. INCREASING RECOGNITION OF MSMEs ROLE IN ACHIEVING SUSTAINABLE DEVELOPMENT



*Ambassador Martín García Moritán,
Permanent Representative of Argentina to the United Nations*

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. When Argentina, with the support of ICSB, decided to present a resolution in the United Nations establishing June 27th as MSMEs Day, our idea was to showcase the importance of these enterprises in the achievement of the 2030 Agenda.

It is a great satisfaction to witness that the visibility of the MSMEs has been increasing since the adoption of the resolution. Previously, the work done at the United Nations was more on a technical level, with specific agencies like the United Nations Conference on Trade and Development (UNCTAD) and the International Trade Center (ITC) addressing the issue but it being rarely incorporated in General Assembly resolutions or other high-level documents.

That started to change in the year 2015, when Member States adopted the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda. In the first case, MSMEs are mentioned in the Sustainable Development Goal

8.3., which consists in promoting development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encouraging the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

In the case of the Addis Ababa Action Agenda, there are multiple references to these enterprises encompassing many different aspects like job creation, access to credit, financial inclusion, and the integration in the regional and global markets, among others.

From the year 2017 and the establishment of the day, these references have been appearing in more documents and the topic has garnered support in the United Nations. For instance, each year the Economic and Social Council celebrates a Financing for Development Forum, which carries on a review of the implementation of the Addis Ababa Action Agenda. The outcome of this forum is a negotiated document which is concise but at the same time addresses the seven action areas of financing for development identified in that Agenda.

In each of the last three years, the outcome document has contained references to MSMEs. In 2017, countries recommit to promoting appropriate, affordable, and stable access to credit and other financial services to micro, small and medium-sized enterprises, as well as recognize that policies aimed at strengthening financial inclusion and nourishing entrepreneurship could also help to develop micro, small and medium-sized enterprises. In the outcome document of the 2018 Forum, there was a mention of exploring policies that encourage growth in cross-border electronic commerce, including for micro-, small and medium-sized enterprises.

In 2019, countries addressed the trade difficulties for MSMEs by encouraging capacity-building initiatives and actions aimed at allowing MSMEs to better tap into trade opportunities including e-commerce, as well as encouraging financial institutions to adopt, where applicable, trade finance techniques that are less document-intensive in order to help strengthen trade financing for MSMEs.

Perhaps these mentions could have been somehow expected since MSMEs play an important role in financing for development. But it is important to reinforce the previously stated idea that in a concise document which reviews the progress in the seven action areas of the Addis Ababa Action Agenda, like trade; domestic, international, public, and private finance; international cooperation; or debt, mentions to MSMEs were included.



The visibility that the topic is gaining is also seen in the fact that references to MSMEs are being included in important documents where before they never or rarely appeared. In that regard, we can mention two examples.

The first one is the Agreed Conclusions of the Commission on the Status of Women (CSW), which is negotiated every year. Even if some mentions to MSMEs are included in the Beijing Declaration and Platform for Action adopted in the Fourth World Conference on Women in 1995, it was not common that they were included in the following CSW Agreed Conclusions. But in 2017, Member States agreed to include the need to promote the transition to formal employment for women employed in informal paid work, home-based work, and in micro-, small and medium-sized enterprises. In that same document, there is also a mention to encourage and facilitate women's entrepreneurship, including by improving access to financing and investment opportunities, tools of trade, and business development and training, in order to increase the share of trade and procurement from women's enterprises, including micro-, small and medium-sized enterprises, cooperatives, and self-help groups in both the public and private sectors.

In CSW Agreed Conclusions of 2019, MSMEs were mentioned again in a paragraph related to the efforts to eradicate poverty in all its forms and dimensions and to achieve gender equality and the empowerment of all women and girls, in which Member States promoted access to financial services, enhancing productive capacity, entrepreneurship, creativity and innovation, encouraging the formalization and growth of micro-, small and medium-sized enterprises, and promoting full and productive employment and decent work for all.

The second example we could highlight is the Outcome Document of the Second High-Level United Nations Conference on South-South Cooperation, which was adopted in Buenos Aires in March 2019. This document is very relevant because it will be the guide for the Cooperation among developing countries for the upcoming years, as was the Buenos Aires Plan of Action adopted in 1978.

In the Outcome adopted in March 2019, Member States recognize that South-South and triangular cooperation represents an opportunity for support to developing countries in designing implementable strategies to strengthen MSMEs as agents of sustainable development, including sustainable industrialization. It also recognizes that South-South and triangular cooperation should enhance the capacity of

developing countries to develop strategies for creating an enabling environment for MSMEs to grow and thrive, and to build their capacity to contribute more to decent work for all and sustained economic growth.

It is also important to highlight that this visibility of the importance of MSMEs has gone beyond the negotiations in the United Nations. MSMEs creation and growth are closely linked to macroeconomic conditions. That is why these enterprises have been mentioned in every G20 Leaders Declaration since 2013. Even if most of the time it is only a sentence related to access to finance and technology, the importance of being included in these Declarations is a reflection of their role in national and international economies.

In that context, the Business 20 engagement group (B20) has been actively working in raising awareness on the difficulties faced by MSMEs and making recommendations on how to overcome them.

During the Argentine Presidency of the G20 in 2018, this engagement group highlighted the importance of entrepreneurship for MSMEs, so it recommended that governments aim towards promoting entrepreneurship skills through education and training, broadening the funding of alternatives and financial assistance, and introducing special entrepreneurship programs that may, for instance, temporarily reduce tax burden.

The B20 also encouraged the development of clusters and innovation networks to provide MSMEs with an alternative way of sharing knowledge and best practices to improve MSMEs' productivity, competitiveness, and foster innovation.

All these references showcase the importance of MSMEs in the world we live today. Some of the mentions appeared before the establishment of the day in 2017, but they have been increasing since then, highlighting their relevance in the achievement of the Sustainable Development Goals. Together with ICSB, our objective when we drafted the resolution on the establishment of June 27 as the Micro, Small and Medium-sized Enterprises Day was to raise awareness on the relevance of these enterprises and we are delighted to see that, with the support of all stakeholders, this is happening. Events and publications like this one from ICSB keep contributing to that end.



2. KEYNOTE SPEECH FOR MSME FORUM BY AMBASSADOR CHO TAE-YUL, PERMANENT REPRESENTATIVE OF THE REPUBLIC OF KOREA TO UN

June 27, 2019

Distinguished Guests, Ladies and Gentlemen,

I am delighted to welcome you all to this special event today. Let me first thank the International Council for Small Business (ICSB) for organizing a series of events this week, including today's Forum, to shed light on the important role of entrepreneurs and MSMEs in the achievement of the Sustainable Development Goals (SDGs). My special thanks also go to the Permanent Mission of Argentina. We are pleased to co-sponsor this important event with our Argentinean counterparts once again following last year's Forum.

This year's MSME Forum is taking place on MSME Day, as designated in 2017, and I believe this has a special meaning for today's event. Personally, I had the honor to address the MSME Forum around this time last year. It is wonderful to be here with you again, and I am glad to see that this Forum is becoming a great tradition.

Distinguished Guests, Ladies and Gentlemen,

In my speech at this Forum last year, I highlighted the critical importance of the United Nations working together with outside stakeholders, especially the private sector, including entrepreneurs and MSMEs. As emphasized in the UN Secretary-General's SDG Progress Report and the Global Sustainable Development Report, sustainable development cannot be achieved by the United Nations alone. Unless we join forces with each and every stakeholder and scale-up our joint efforts, we will continue to struggle to achieve the 2030 Agenda.



Ambassador Cho Tae-yul

Today, I wish to highlight three points that I believe are important in terms of relations between MSMEs and SDGs at the global level.

First, we need to take MSMEs more seriously as a genuine partner in achieving the SDGs. The SDGs are not abstract ideas but rather a set of concrete and specific goals which need to be implemented on the ground. When it comes to action on the ground, MSMEs could serve as the best partners for the UN, as they form the backbone of most economies, developing and developed alike. In fact, according to the data provided by the International Trade Center, MSMEs constitute over 90% of all firms around the globe and account, on average, for 60-70% of total employment and 50% of GDP at the global level.

Second, with the advent of the Fourth Industrial Revolution, MSMEs can give development a human face. We are not yet sure what kind of future technological advancement—such as automation, robotics, and artificial intelligence—will bring about. There are widespread concerns that the exponential growth of technology could worsen inequality and deprive the development process of the human element. At this critical juncture, we need to go back to the basics and carefully consider what all of these technological advancements hold for our future. In implementing the SDGs, we should always put “people” at the center. This is where MSMEs have a competitive advantage.



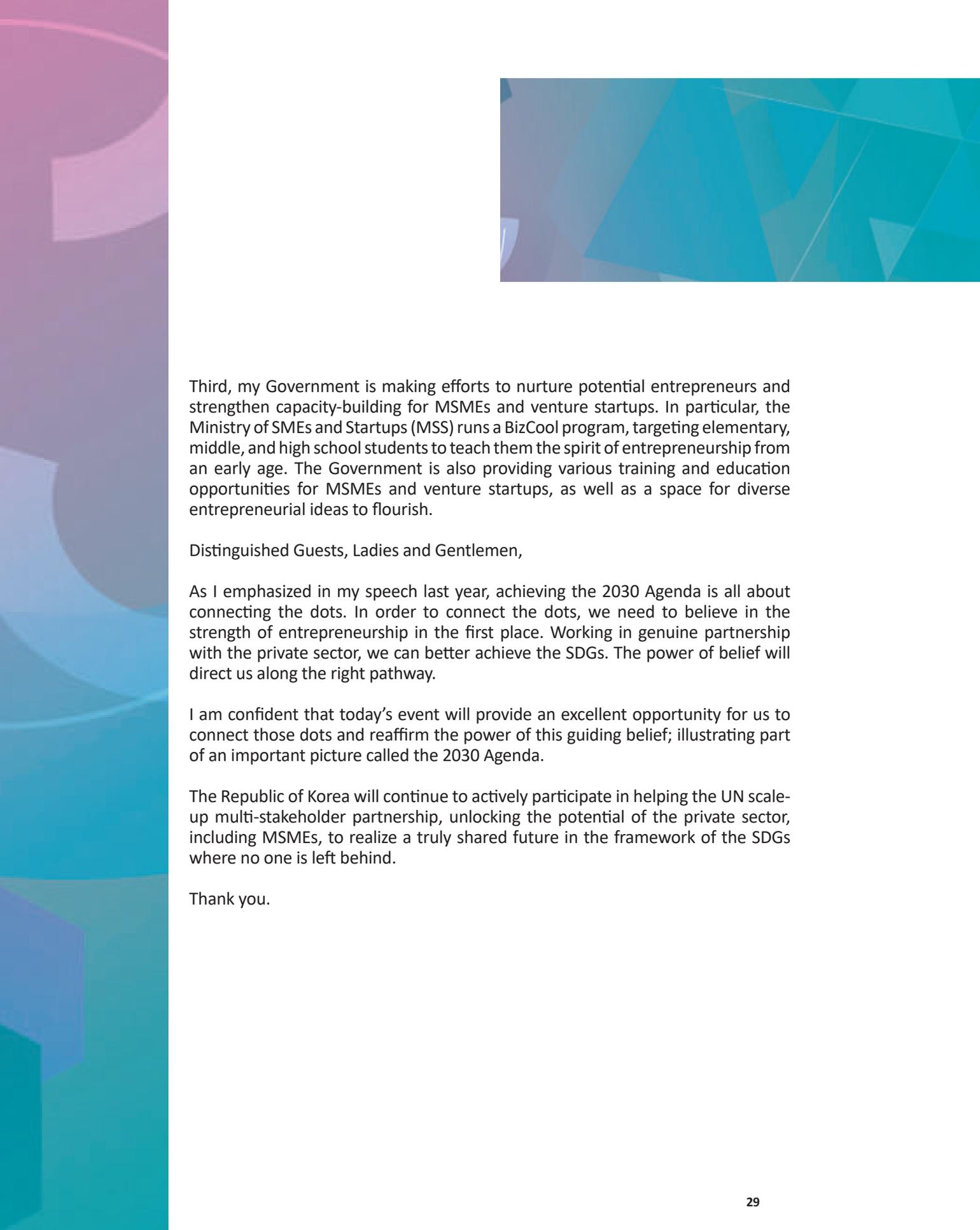
Third, MSMEs can contribute to achieving the SDGs by creating more quality jobs. Being the key driver behind innovation, they can explore untapped economic areas and provide various opportunities for the young population. This would require more capacity- and resilience- building within the MSME community itself, while governments, for their part, should strengthen their support in creating a virtuous cycle of a more sustainable ecosystem for MSMEs.

Now, let me to take the story of MSMEs and their relations with the SDGs to the national level.

In the case of the Republic of Korea, MSMEs make up 99 percent of the total number of enterprises, 88 percent of total employment, and 38 percent of total exports. Given this context, the Korean Government has made continued efforts to shift its policy focus from large-firms to MSMEs. This is also a way to achieve an inclusive society and ensure sustainable growth. In alignment with this philosophy, we are pursuing MSME policies in Korea in three important ways.

First, we are striving to build a sustainable ecosystem for MSMEs, venture firms, and business startups. The 'SME Policy Deliberation Committee' has been recently established to strengthen governmental policy coordination across different Ministries. We are also implementing measures to nurture MSMEs and provide more tailored venture funds, while removing stumbling blocks and creating a business environment that is safer to fail in.

Second, by way of promoting a more gender-balanced and inclusive business environment for women entrepreneurs and CEOs, the Korean Government has devised special assistance programs such as a one-stop export assistance program, networking and knowledge-sharing opportunities among women businesses, as well as consulting assistance to women-owned businesses.



Third, my Government is making efforts to nurture potential entrepreneurs and strengthen capacity-building for MSMEs and venture startups. In particular, the Ministry of SMEs and Startups (MSS) runs a BizCool program, targeting elementary, middle, and high school students to teach them the spirit of entrepreneurship from an early age. The Government is also providing various training and education opportunities for MSMEs and venture startups, as well as a space for diverse entrepreneurial ideas to flourish.

Distinguished Guests, Ladies and Gentlemen,

As I emphasized in my speech last year, achieving the 2030 Agenda is all about connecting the dots. In order to connect the dots, we need to believe in the strength of entrepreneurship in the first place. Working in genuine partnership with the private sector, we can better achieve the SDGs. The power of belief will direct us along the right pathway.

I am confident that today's event will provide an excellent opportunity for us to connect those dots and reaffirm the power of this guiding belief; illustrating part of an important picture called the 2030 Agenda.

The Republic of Korea will continue to actively participate in helping the UN scale-up multi-stakeholder partnership, unlocking the potential of the private sector, including MSMEs, to realize a truly shared future in the framework of the SDGs where no one is left behind.

Thank you.

3. ROLE OF MICRO-SMALL AND MEDIUM ENTERPRISES IN ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS

Funded by the Agenda for 2030 Sustainable Development sub-fund of the UN Peace and Development Fund

The Department of Economic and Social Affairs through its Division for Sustainable Development Goals at the United Nations currently manages a programme on the role of Micro, Small and Medium Enterprises (MSMEs) in achieving the Sustainable Development Goals. The project is run through the Agenda for 2030 Sustainable Development Sub-Fund of the UN Peace and Development Fund (UNPDF), of which the People's Republic of China is a major contributor. The project presently operates in 8 countries: Fiji, The Philippines, Cambodia, Laos, Sri Lanka, Kenya, Tanzania and Gambia.

There is less empirical evidence on MSMEs growth in developing and emerging economies than in the developed world. MSMEs in developing and developed countries are faced with different challenges. Many MSMEs in developing countries are still informally organized enterprises limiting their longevity and



Department of Economic and Social Affairs (DESA)

wider contributions they make towards the SDGs. There are also questions on how formalization of the economy ought to take place. Moreover, demands and challenges vary within the micro, small and medium enterprises cluster itself: demands and challenges faced by micro enterprises are different from those faced by small and medium enterprises. Studies show that the growth of MSMEs in developing and least developed countries (LDCs) dominate in sectors which are labor intensive and possess low barriers to entry, including agriculture and agribusiness, manufacturing and service sector.

Women, youth and other vulnerable groups face more difficult challenges in MSME development. Women and youth MSME entrepreneurs, for example, particularly those from rural poor communities, are often further disadvantaged in growing their business, lacking land deeds and/or collateral needed to access formal sources of credit. Other challenges include limited access to finance and lack of capacity and knowledge, particularly with regards to business development, marketing and strategic management skills. In addition, many developing countries have not been able to fully tap the potential of MSMEs due to weak political, institutional and regulatory mechanisms. MSMEs are less likely to secure bank loans than large firms, which hampers their growth, rendering them more vulnerable to market risks.

MSME entrepreneurs also suffer disproportionately from asymmetric information, including a lack of market information and limited support on strengthening business management skills such as financial planning and bookkeeping, which are crucial to formalize their business operations, capture market share and cope with market fluctuations. Lack of professional business management skills may further limit appreciation of MSME entrepreneurs on the value of Research and Development (R&D) and innovation in promoting productivity and keeping a competitive edge within the global digitalized economy.

These challenges, evident in all the pilot countries outlined above, require transformation in policy and how financial markets and institutions operate. These would not only reduce constraints of MSMEs in accessing financial resources, but also catalyze growth of informal MSMEs into formal MSMEs, generating multiple impacts, including unlocking sources of capital and providing additional economic growth and employment opportunities. Other recommendations include mainstreaming mechanisms to support the important contributions of MSMEs to the SDGs into national development policies and plans; development of collaboration and trade agreements across countries to expand the access of MSMEs to markets at the regional and global level; piloting and up-scaling of innovative financing solutions; developing targeted capacity building and awareness campaigns; and creating business ecosystems conducive to allowing MSMEs to access markets and financial resources. Public-private partnerships are also key, particularly in maximizing the role of trade facilitation to improve the capacity of MSMEs in the global value chain. The development community, including the United Nations system, needs to build platforms to bring together all stakeholders to foster the exchange of good practices on MSME growth for the SDGs.



In the light of the review by the High-level Political Forum in 2019 on SDG 8 ('promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'), it is important that the role of MSMEs in achieving decent work is examined. As is defined by the International Labor Organization (ILO), decent work refers to "working conditions that are free from coercion, provides equity and security at work, contains dignity of work and permits decent working hours."

MSMEs contribute a major share of total private sector entities in both developed and developing countries, and when the informal sector is included, they account for about 9 out of 10 jobs in developing countries. They are typically the main income source for the poorest population segments, especially in rural areas, and tend to employ a larger share of the workforces in vulnerable sectors.

Private sector development is recognized as a means to create high quality employment opportunities in developing countries. The presence of MSMEs is typically concentrated in low skilled and labor intensive sectors such as light manufacturing and the service sector. Compared to large enterprises, MSMEs typically bring their products directly to the market, selling to individual customers, or are alternatively contracted as suppliers in the lower-value added upstream segments of value chains dominated by Multi-National Enterprises (MNEs).

There is less cooperation and collaboration among MSMEs, often due to the lack of trust and market information. Many MSMEs, particularly, micro enterprises, are family owned businesses with a strong tendency to hire family members without careful consideration of the suitability of their skill sets. This impacts on operational efficiency, the quality and consistency in both products and processes and the competitiveness of MSMEs, which could turn jobs created by MSME into being lower paid and more insecure, compared to those provided by large enterprises.

Informality is another important feature of MSMEs, particularly, in developing and LDC countries. A vast majority of MSMEs, especially the micro and small enterprises are informal business entities without registration in these countries. Informal MSMEs are important job providers. Lengthy registration processes, combined with the high costs of compliance, pose challenges. On the other, given the positive externalities for all, MSMEs entrepreneurs need to be further incentivized to actively formalize their businesses, the benefits of which should be accrued and enjoyed by MSMEs entrepreneurs themselves. Unfortunately, the informal nature of these MSMEs makes it difficult to examine and understand their demands and challenges for business development. Because of informality, it is also difficult to ensure jobs provided by informal MSMEs are fully covered by social protection network.



While emphasizing the crucial role of MSMEs in creating employment, it could be useful to highlight their potential as decent jobs providers. This means not only formulating policies at enterprise level for improving human capital, efficiency and productivity of MSMEs, but also launching structural transformation that provide a regulatory framework conducive to their growth. Decent job opportunities should also provide sufficient earnings that allow job holders a level of consumption above the poverty line, so as to reduce underemployment and avoid the dilemma of employment poverty. In view of the MSME characteristics shown above, jobs provided by MSMEs may not always fit the decent job requirement from the dimensions of earnings and working conditions.

Recommendations made to the HLPF in 2019 include:

- **Support MSMEs:** Governments should note that MSMEs play a vital role in driving sustainable livelihoods and creating a vibrant global economy. MSMEs should be integrated into the digital economy, supported in adopting innovations, creating decent employment opportunities and gaining a stronger foothold in global value chains. They should be fully informed and involved on ongoing policy development and strategies targeted at incentivizing growth. Collaboration and trade agreements across countries are encouraged to expand the access of MSMEs to markets at the regional and global level. The comprehensive pillars of the ILO Sustainable Enterprises Conclusions should also be used.
- **Create incentives for entrepreneurship:** Countries need coherent efforts to create incentives for MSME entrepreneurship, enabling their knowledge and skills to appreciate and adopt innovations, and to improve their access to knowledge and networks, such as business associations and chambers of commerce. The development community, including the United Nations system, needs to build platforms to bring together all stakeholders to foster the exchange of good practices on MSME growth for the SDGs.
- **Access to finance should be improved:** Access to finance remains a serious constraint for MSME growth. This requires the piloting and up-scaling of innovative financing solutions. Targeted capacity building and awareness campaigns should be undertaken to transform the mindsets and attitudes of commercial banks towards MSMEs.



4. ROLE OF MSMEs AND ENTREPRENEURSHIP IN ACHIEVING THE SDGs

Chantal Line Carpentier, Raymond Landveld and Negin Shahiar, with support from Osita Abana, UNCTAD New York Office

In the context of the 2030 Agenda for Sustainable Development the role of entrepreneurship in improving the quality of life for ordinary people, including disadvantaged groups is recognized, as it contributes to building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation. In regard to the SDGs under review in 2019, entrepreneurship is linked to SDGs 4 and 8. SDG target 4.4 aims to substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment and decent jobs and entrepreneurship. Concurrently, SDG target 8.3 sets out to promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises (MSMEs), including through access to financial services.

MSMEs are a key part of the equation as agents for and beneficiaries of inclusive development. In most countries, MSMEs are the main drivers of employment and important facilitators of income generation, poverty eradication and inequality reduction for the majority of the population, including disadvantaged groups. MSMEs are one of the best tools to address the challenge of creating 600 million new jobs by 2030, particularly for the youth as they provide sixty to seventy percent of formal employment in developing countries and eighty percent in sub-Saharan Africa. Moreover, transformational entrepreneurs create new products and business models and offer dignified employment, and their success leads to broader improvements in the quality of life and even bolsters fiscal sustainability.

Major Constraints for MSMEs to have Transformational Impact

Entrepreneurs in developing countries and countries with economies in transition, however, face challenges such as lack of competitiveness, unreliable or unaffordable electricity, the digital divide and inadequate financing, that limit their engagement in productive activities and contribution to inclusive development. The situation



Chantal-Line Carpentier
Chief New York Office of UNCTAD

is especially acute in emerging markets where, according to the Inter-Agency Task Force on Financing for Development 2019 report (IATF), 45 per cent of small businesses are able to access credit provided by formal financial institutions in Latin America and the Caribbean compared to 68 per cent of large companies. While the gap varies considerably from region to region, it's particularly wide in Africa and Asia. Still according to the same report, the current credit gap for MSMEs is estimated to be more than US \$5.2 trillion, and these enterprises continue to rank their lack of adequate financing as the biggest obstacle to growing their business. Governments therefore have an important role in creating an enabling environment for entrepreneurship and MSME development and in encouraging inclusive growth aligned with the 2030 Agenda. Equally important is the sharing of information on responsible business with a view toward identifying good practices in enhancing private sector contributions to sustainable and inclusive growth. To address the MSME financing gap and form well-regulated markets with transparent and well-governed companies, UNCTAD has been increasingly supporting stock exchanges, including through the UN Sustainable Stock Exchanges initiative.

Role of UNCTAD

As the focal point within the UN system for the integrated treatment of trade and development, and interrelated issues of finance, technology, investment and sustainable development, UNCTAD has been contributing to strengthening MSMEs through its three pillars of work: **consensus building, research and analysis, and technical assistance.**

Consensus building

The UN General Assembly in its resolution entitled entrepreneurship for sustainable development, adopted in December 2018, acknowledges UNCTAD's work in support of entrepreneurship and calls upon UNCTAD to continue supporting and assisting Member States to identify, formulate, implement and assess coherent policy measures on entrepreneurship and the promotion of MSMEs.

Ministers attending last year’s “Ministerial Roundtable on Entrepreneurship for Sustainable Development” at the World Investment Forum (WIF) in Geneva, emphasized the importance of promoting policy, business and regulatory environments that foster the long-term growth potential of MSMEs by removing regulatory roadblocks, upgrading education for youth, women and vulnerable groups, facilitating access to finance for startups as well as for established businesses and developing innovation and technology exchanges.

With a view toward gender equality and empowerment of women, UNCTAD has worked to address the impact of technology on SDG implementation and the persistent significant gender divide in science, technology, and innovation (STI). For instance, women are twelve percentage points less likely than men to access the Internet, and this gap widens to thirty-three percentage points in least developed countries. Lack of gender equality in STI leads to lost talent and potential and undermines the contribution of STI to the 2030 Agenda. Therefore, UNCTAD and the Commission on Science and Technology for Development (CSTD) emphasize the importance of technology to empower women and girls, as well as the importance of women and girls as contributors to technology and innovation. In this context, UNCTAD as the secretariat for the CSTD in the past year has strengthened the collaboration between the CSTD and the Commission on the Status of Women. Furthermore, during the 22nd session of the CSTD, UNCTAD held a session on Applying Gender Lens to Science, Technology and Innovation, and a group discussion on gender perspectives on Priority Theme 1: “The impact of rapid technological change on sustainable development”.

Five Ministers attending the “Ministerial Roundtable on Entrepreneurship for Sustainable Development” at the WIF commended UNCTAD for engaging with policy makers and stakeholders in introducing a holistic and inclusive approach to entrepreneurship. Reference was made to UNCTAD’s Entrepreneurship Policy Framework (EPF)¹ and its implementation in developing countries.

Research and Analysis

The Trade and Development Report (TDR), the World Investment Report (WIR), and the Technology and Innovation Report (TIR), which UNCTAD published as flagship reports in 2018, all addressed MSMEs.

The TDR discussed the idea that available evidence challenges the claim that international trade in the era of Global Value Chains offers growing opportunities for individual entrepreneurs, SMEs and the poor in developing countries. Furthermore, the TDR noted that IPR profit shifting and creative loans (tax) cost-saving schemes only available to larger firms have been acknowledged to bias competition and threaten the survival of competing SMEs unable or unwilling to engage in systematic tax avoidance.

The report suggests that for innovation policy to be more cost-effective, there is need for firms and innovators within developing countries to have access to big

¹ See Pages 89-91 of ICSB Report 2018. <file:///C:/Users/raymond.Landveld/Documents/Raymond/2019/MSMEs/REPORT%20ICSB%202018.pdf>

data that is typically collected by multinational platform companies. Therefore, policies designed to prevent monopolistic control and to ensure that small- and medium-sized producers and potential innovators have affordable access to such data, are obviously important.

Finally, the report emphasizes regional digital cooperation in digital innovations and technology. It concludes that many developing countries are in a process of incentivizing digital start-ups to encourage innovations. SMEs are the main beneficiaries of these low-cost, high-returns innovations. However, it is a challenge to retain successful digital innovations for furthering national digitalization efforts because of a high rate of acquisitions of these start-ups by the big technology firms, who pick out the most successful innovations. This is an area where South–South cooperation can greatly contribute. Development banks like the New Development Bank, the Asian Development Bank and the African Development Bank can play an important role in financially supporting these startups and encourage them to develop software and digital technologies for use at the regional level. A regional strategy can be designed that encourages start-ups that cater to providing innovative digital solutions at the regional level. Intra-regional investments in digital technologies can foster technology transfers and innovations.

The WIR states that countries at earlier stages of development, in particular LDCs, tend to have a higher number of initiatives that focus on segments of the economy that are key to their development, such as the Craft Industry Strategic Plan in Rwanda or the SME Policy in Uganda. Furthermore, investment policy can focus on the key supply-side factors of production, from the promotion of investment in infrastructure to policies stimulating business linkages between foreign investors and local SMEs to build skills and disseminate technology. It can target all policy levels, from incentives for individual firms to broad investment facilitation measures to support the industrial system. Investment policies are increasingly linked to industrial policies, some of which often push enterprise development and aim to improve access to finance for MSMEs. Some strategies put relatively more emphasis on skills development, SME support and the promotion of linkages, export promotion, and strategic public procurement as a tool to promote domestic enterprise development.

The TIR concluded that platforms built on the Internet are creating new opportunities for entrepreneurs all over the world to start new technology-based companies, and for both startups and existing SMEs to reach global markets. While global trade has stagnated, and cross-border capital flows have declined since the 2008 financial crises, there has been an exponential increase in flows of data and information, with significant implication for job creation in developing countries and connectivity of their economies to the global marketplace and to global knowledge, education and entertainment. Furthermore, in the last few years, artificial intelligence has become a major focus of attention for technologists, investors, governments, and futurists, and recent breakthroughs have led to major advances, driven by machine learning and deep learning, facilitated by access to huge amounts of big data, cheap and massive cloud computing, and advanced microprocessors. Artificial intelligence now includes image recognition that exceeds human capabilities and

greatly improves language translation, including voice translation through natural language processing, and has proven more accurate than doctors at diagnosing some cancers. Upward of \$25 trillion dollars will be spent in the next 1.5 decades on achieving the SDGs and SMEs, entrepreneurs, including start-ups are more likely to be nimble and flexible to capture these opportunities. But instead of only aligning with the SDGs, entrepreneurs and companies will have to do the harder exercise of integrating the SDGs in their core business. It is only those companies that will be able to take into account the interlinkages, synergies and trade off among the targets, which will be in a position to harness the 4th Industrial Revolution (4IR) technologies.

Finally, the TIR concluded that the entrepreneurial ecosystem and access to finance are critical to business incubation and encourage the growth of innovative companies. An entrepreneurial ecosystem oriented towards supporting innovation should provide flexible access to finance, particularly for young entrepreneurs and innovative companies. Governments can contribute by ensuring a stable regulatory framework and promoting financial instruments catering to the needs and capabilities of SMEs and entrepreneurs.

Technical Assistance

UNCTAD's third pillar of assistance to Member States focuses on developing entrepreneurial skills and building local productive capacities of MSMEs, such as through its Empretec and Business Linkages programmes, as well as its work in facilitating eTrade for SMEs in developing countries.

In the thirty years since its founding, Empretec has demonstrated that entrepreneurship can be taught, based on its unique behavioural methodology. Over 470,000 entrepreneurs participate in more than 14,000 Entrepreneurship Training Workshops around the world, and the programme continues to grow beyond the 40 existing countries with requests to join the network from 29 countries. The Empretec Programme has made a significant impact on participants in developing countries and economies in transition.

UNCTAD's Business Linkages programme continued to support domestic MSMEs, including rural enterprises, to diversify and add value to their production, thereby participating more gainfully and effectively in international production systems.

In Tanzania, for instance, UNCTAD worked closely with ITC, UNIDO, and groups of beneficiaries in selected value chains, to improve farmers' business performance through training and capacity-building activities that changed their mindset from subsistence to commercial farming. Following the intervention, most of the farmers invested in improved breeds of horticultural products and fruits, growing varieties with higher productivity or that would better meet the buyers' needs. In the Moshi region, for example, the average productivity per acre among women farmers increased from 10,000 kg to 30,000 kg.

UNCTAD has also been strengthening MSMEs through its *eTrade for All* and *eReadiness* initiatives. In the past two years, UNCTAD has completed 17 Rapid

eTrade Assessments in LDCs (eT Readies) with the aim of helping countries take stock of their e-commerce capabilities and formulate related recommendations to grow digital trade. A total of 30 LDCs have requested UNCTAD's assistance in this area. The barriers to expand e-commerce are manifold and include limited awareness on e-commerce among policy and law makers, businesses, absence of dialogue between the public and private sectors, low Internet access in rural areas, costly access to fixed and mobile-broadband Internet, weak legal and regulatory frameworks, unsuitable financial mechanisms and insufficient business development skills, especially for MSMEs to startup and grow e-commerce businesses.

The Rapid eTrade Readiness Assessment Programme has had key policy impacts so far, including critical inputs generated to enable countries to better understand the interlinked issues related to the digital economy; growing awareness about the role of e-commerce for development among LDCs at domestic and regional levels; an enhanced knowledge base that also benefits international organizations, development partners, NGOs and civil society; governments have been prompted to request additional technical assistance; and countries are better equipped to formulate their needs to potential donors/partners.

eTrade for all is a collaborative effort to scale up cooperation, transparency and aid-efficiency towards more inclusive e-commerce. Currently the partnership features 30 entities sharing the same vision: to collectively engage in a different way of supporting e-commerce in developing countries. Organized around its digital platform, *etradeforall.org*, it offers a space to navigate more easily the wealth of information and assistance available on e-commerce. The platform allows, for instance, beneficiary countries to find in a single place technical assistance that can help them to engage in and benefit from e-commerce, partners to reach out to their constituencies through a systematic approach, and donors to finance impact-oriented projects meeting their development priorities.

The initiative also acts as a catalyst for generating increased cooperation opportunities among its partners. For example, with the financial support from the Government of the Netherlands, UNCTAD is supporting a new initiative called "eTrade for Women". This project will showcase the experiences of successful women business leaders in e-commerce, providing them with a unique opportunity to act as advocates for this cause. They will play a key role in inspiring and empowering the next generation of entrepreneurs and get a platform from which to make their voices heard in policy processes both regionally and globally.

The way forward: pull by investors

It has been a decade since the World Bank issued its first green bonds and now many national and subnational governments as well as stock exchanges are issuing green bonds and, increasingly, social and impact bonds. We do not have the ten years it took investors to feel comfortable with green bonds; the learning curve for impact and social blended financing needs to be compressed into a few years if we are to achieve the SDGs by 2030. This time, the financial sector is leading, and the UN is reforming itself to help support and speed up the process. Convergence

was created in January 2016 by the Canadian government and the Citi and Ford Foundations, among others, with this goal in mind. They are experimenting and documenting their experience with blending and multi-tranche instruments such as first-loss capital protection, loan guarantees, concessionary loans, and grants from various private and public actors to improve risk-return profiles to attract the capital market. Each instance is documented, and lessons learned are made public to speed up the learning². The Rockefeller Foundation, the World Bank and others also aim to speed up learning on impact and social investment.

Another emerging model is the “social-impact bond”, in which “outcome funders”, such as governments and aid agencies, pay back investors who have funded projects that meet specific goals which, although socially desirable and delivering national cost savings, do not yield direct profits. Israel, the U.S. and Canada are acquiring experience with these bonds usually based on the advanced market commitment (AMC) principle.

A growing number of governments are also increasingly requiring more meaningful disclosure by corporations on ESG issues, especially related to pension funds. A growing number of stock exchanges are also requiring or raising awareness with their listed companies about disclosure of ESG (IATF Report on FfD and Sustainable Stock Exchange Initiative). In addition, as climate change impacts are increasingly felt, governments are starting to price carbon externalities and clarifying fiduciary duty. Companies that take ESG into account are not yet receiving a premium price or less expensive capital, but most participants at the Financing for Development Forum believe we have reached a critical mass where this is about to change.

The SDGs have also led to a need to clarify what core indicators should be reported by corporations and whether they are material to their business sector or not. As corporations struggle to align and report against the SDGs, the idea of a core set of indicators that all corporations should report against is gaining ground. UNCTAD and UNEP, as co-custodians of indicator 12.4, have conducted necessary consultations and will issue a set of 33 core indicators before the end of the year through International Standards of Accounting and Reporting (ISAR). But almost as importantly, artificial intelligence and machine learning is allowing innovative companies such as True Value Lab and Global A.I Corporation to provide real time data on companies from unstructured data gathered over the Internet. Consequently, even if companies wanted to shun the 33 core indicators and only report against indicators that make them look good, the combination of big data, AI and machine learning is allowing third party entities to provide this information real time to investors.

2 The Sub Saharan Africa and Smallholder Agriculture (SORONA) is illustrative of early successes of these large-scale multi-tranche projects with OPIC offering hard capital through a senior loan on top of the stack (risk absorbing), the Canadian development agencies offering soft capital for the first loss concessionary grant, and private investors providing market rate investment.

Four years into the SDGs, 146 of the 193 UN member countries have already conducted their Voluntary National Reviews and clustered the goals and targets. Many member countries are also in the process of assessing which policies, mechanisms and institutional arrangements will be needed to achieve the SDGs. What most have not done is link a budget to these strategies or identify the best sources of financing to achieve them.

The UN, through the Inter-Agency Task Force on Financing for Development's annual report, monitors progress on the means of implementation and sources of financing. The 2019 report includes a chapter on integrated national financing strategies that will help address the annual financing gap, which is estimated by UNCTAD at \$1.5 trillion for developing countries alone.

The Secretary General has also launched a sustainable financing strategy accompanied by a three-year roadmap supported by UNCTAD, DESA, the UN Global Compact, and UNDP, as well as others as needed.

Beyond reporting and being a good citizen, the SDGs offer large business opportunities for corporations that not only align with the SDGs but also integrate them in their business model. The World Business Council for Sustainable Development concluded that the SDGs represent a minimum \$12 trillion business opportunity. These opportunities will be easier to capture by flexible, creative and nimble companies that are able to innovate, which often are SMEs. By doing the integration analysis, companies will be able to take into account the interlinkages, synergies and trade offs among the targets and unleash innovation, creativity and partnerships needed to achieve the SDGs in the eleven-and-a-half years we have left. These innovations need to deliver products and services for less money (affordable and high quality) from less resources (efficient), for more people (inclusive), as stated by Dr. R.A. Mashelkar during the 2019 Global Solutions Summit held at United Nations Headquarters in New York. Ensuring that women-owned companies have access to capital and can capture thirty-percent of the wealth created between now and 2030 as part of an equality moonshot will go a long way in helping achieve the SDGs.

5. MESSAGES FROM T20 TOKYO SUMMIT 2019: CHALLENGES & PROPOSALS FOR SME POLICIES IN G20 COUNTRIES

Hiroyuki Okamuro
Professor, Hitotsubashi University, Japan

Introduction

On behalf of the G20 Summit 2019, which is held in Osaka, Japan, on June 28th and 29th 2019 under the Japanese presidency, 10 task forces (TFs) were established within Think 20 (T20), a research and policy advice network where academic researchers and policy experts from universities, institutes and think-tanks can discuss major problems and challenges and make useful policy proposals to cope with them. TF 9: SME Policy Faced with Development of Financial Technology is one of the task forces proposed by the host institution (Asian Development Bank Institute: ADBI). It is noteworthy that T20 2019 established a task force for SME policy, probably for the first time in the history of G20 and T20, recognizing its increasing importance for G20 countries. And it is surely useful to share this information with all the members of ICSB and its affiliations including researchers, policymakers, practitioners and entrepreneurs.

As the lead co-chair of TF 9, I present in this report some major challenges and proposals for SME policy (covering micro firms) in G20 member countries based on the Policy Briefs of TF 9. I have been working as the lead co-chair of TF 9 since September 2018. Closely collaborating with ADBI and RIETI (Research Institute of Economy, Trade and Industry), I could recruit some top

researchers and experts of SME policy worldwide, including Prof. Massimo Colombo (Politecnico di Milano, Italy), Prof. Erik Stam (Utrecht University, the Netherlands), Dr. Dong-Soo Kang (Korean Development Institute, South Korea) and Dr. Ing-Kuen Lai (ITRI-ISTI, Taiwan) who supported the ACSB Tokyo Conference in September 2018 as keynote speakers or invited panelists. More information about T20 2019 can be found in the following official website, as well as more details of the task forces and the policy briefs (<https://t20japan.org/>).

SMEs have a dominant share in the number of firms and employment in all G20 countries, and so can play an important role in economic development and job creation in each country. In Japan, for example, SMEs (firms with either less than 300 employees or 300 million yen in capital in general) account for 99.7% of firms, employing approximately 70% of the workforce. In the manufacturing sector, they produce about a half of value added. The legal or statistical definitions of SMEs differ across countries and also across sectors. Moreover, SMEs are quite heterogeneous even within a single country. Therefore, it is difficult and even no use to propose one-fits-all policy proposals for all types of SMEs in each country. Nevertheless, we selected



some major issues that may be common challenges for SMEs in the G20 countries and proposed some policy measures that may help SMEs to play their roles appropriately in the economy.

TF 9 for SME Policy focuses on the following six fields in providing Policy Briefs for the T20 in 2019:

Promoting Support for Start-ups (lead author: Yuji Honjo, Chuo University, Japan)

Promoting SME R&D and innovation (lead author: Hiroyuki Okamuro, Hitotsubashi University, Japan)

Digital Innovation Can Improve Financial Access for SMEs (lead author: Naoko Nemoto, Asian Development Bank Institute and Waseda University, Japan)

Promoting Investment in Human Capital and Labor Mobility: Making the Entrepreneurial Economy Work (lead author: Erik Stam, Utrecht University, the Netherlands)

Fostering Greater SME Participation in a Globally Integrated Economy (lead author: Miriam Koreen, OECD)

Business Transfer as an Engine for SME Growth (lead author: Miriam Koreen, OECD)

Let me explain in detail the first three of these policy proposals (start-ups, innovation and financial access), which have been headed by Japanese researchers including myself, in the following sections. Because the topics on business transfers and human capital

(labor mobility) are closely related to start-up support, I will briefly refer also to these subjects in the next section.

Challenges & Policy Proposals for Start-ups

Start-ups are often expected to contribute to the development and revitalization of national and regional economies. Some start-ups play a critical role in innovation and market competition, which in turn creates employment and spurs growth both in local and national economies. However, many, if not all, potential entrepreneurs face difficulties in securing various types of resources, so that even those with high ability may lose the desire to start up their own businesses. Therefore, public support for start-ups and entrepreneurship is useful for economic development. Specifically, based on recent research trends and empirical evidence, we focus on the following three aspects: diversity, ecosystems, and international orientation.

1) Targeting various types of entrepreneurs:

Establish an environment in which potential entrepreneurs, regardless of gender, race and age, can access entrepreneurial networks.

Provide more opportunities for individuals with a wide range of backgrounds to acquire knowledge and skills.

Deregulate for business start-ups to stimulate interest in entrepreneurial activities.

2) Building effective entrepreneurial ecosystems:

Stimulate younger firms to develop entrepreneurial ecosystems.

Develop financial channels related to private equity capital, including venture capitalists, angel investors and crowd funding.

Improve access to technological knowledge, including licensing of intellectual property from universities and public research institutes, and support for collaboration in a timely manner.

Support joint research leading to commercialization of unused technologies developed in universities and large companies.

Provide effective support for high-tech start-ups, including financial incentives related to tax breaks to encourage investment.

Establish governance rules to sustain vibrant entrepreneurial ecosystems.

Improve private equity markets to facilitate strategic exits.

Reduce both exit and entry barriers for entrepreneurial recycling.

Share information to develop ecosystems.

3) Promotion of global start-ups:

Ease time-consuming and costly administrative procedures.

Simplify systems and procedures for business start-ups and tax systems.

Understand the conditions of global start-ups better to sustain their internationalization through appropriate support programs.

Moreover, business transfers (successions) represent a critical stage

in the life of many SMEs. With the aging of populations in many G20 countries, which is especially serious in Japan, the volume of business transfers is expected to increase sharply. Successful business transfers of economically sound SMEs are crucial to retain employment, drive business dynamism, ensure continuity in business relations and preserve asset values. Thus, there is an increasing need for policy support for successful business transfers. In this regard, we propose the following policy programs: 1) raising awareness of the business transfer problems, 2) increasing the number of potential business successors, 3) ensuring appropriate financing conditions for business successors, and 4) considering tax consequences of business transfers. These proposals for successful business transfers are explained in more detail in the Policy Brief “Business Transfer as an Engine for SME growth”.

Promoting start-ups and business transfers is closely related to promoting human capital investment and labor mobility. How can a sufficiently high level of investment in human capital and organizational knowledge be achieved, while ensuring an optimal level of labor mobility between and within organizations? Public policies can stimulate labor mobility between established organizations, new ventures and especially young growing firms by loosening employment protection and making social security portable over all occupations. Businesses can change their work organization in order to enable labor mobility. These issues are discussed in more detail in the Policy Brief “Promoting investment in Human Capital and Labor mobility: Making the Entrepreneurial Economy Work”.

Challenges & Policy Proposals for R&D and Innovation

Innovation is a major engine of economic growth. SMEs are expected to contribute to innovation. However, it is widely known that SMEs' contribution to research and development (R&D) and innovation is limited, mainly due to constraints in internal business resources (capital, human resource and knowledge), constraints in accessibility to external resources, and difficulties in protection and utilization of intellectual property rights (IPR).

The most important issues in policy making for SMEs' innovation are the targets of such public support programs and the most binding constraints for them. We argue that it is important to consider "backing challengers" rather than "backing losers" or "picking winners" and that not only capital and human resource constraints, but also access to external knowledge and protection of their own innovation are binding constraints for innovative SMEs. Based on these arguments, we propose the following policy measures.

1) Improving public support schemes for SMEs' R&D activities:

Rebuild incentive schemes based on empirical evidence.

Pay more attention to demand-side support (public procurement of innovative products) and "soft" support for R&D including matching, networking, consulting and mentoring.

2) Promoting public-private partnership for R&D investment in SMEs:

Develop human resources who can appropriately evaluate growth and innovation potential.

Build intensive networks of investors, banks and SMEs that provide open access to investment opportunities.

Encourage combinations of public and private investments to increase SMEs' opportunities (matching funds and public venture capital).

3) More efficient search for potential R&D partners:

Construct comprehensive databases to link SMEs with other firms, universities and public research institutes.

Encourage information disclosure on the market needs and scientific seeds of R&D activities and utilize networking intermediaries.

4) More efficient protection and utilization of IPR:

Improve the IP literacy of SMEs and design more "SME-friendly" IP systems. Provide professional and legal support to protect SMEs' innovation against IPR litigation.

Provide better and easier access to IPR database including trademarks and copyrights.

Challenges & Policy Proposals for SME Financing with FinTech

SMEs go through several phases in their life cycles – start-ups, growth, maturity and renewal/rebirth or decline – and their need for finance varies depending on those phases. We focus on the growth and renewal phases, although our proposal to utilize new "FinTech" is also useful for start-up firms. In general, SMEs in G20 countries face the problems of limited access to bank lending due to information asymmetry and (nevertheless) over-reliance on bank debt. Therefore, we propose to improve SMEs' financial access utilizing new financial technologies (FinTech) in the following way.

1) Improving traditional lending using new technology and big data:
Develop process automation including online application, automation of underwriting etc., cloud-based accounting, and digital payment.
Encourage innovative use of technology and data sharing such as credit scoring, e-commerce transactions, and evaluating intangible assets.
Enhance credit guarantee programs.

2) Broadening the range of financing:
Form special investment funds for SMEs, initiated by the public sector.
Improve SME access to capital markets (including foreign markets).

3) Enhancing the consultative functions of financial institutions:
Develop an effective ecosystem among public entities, universities and the private sector more broadly.
Take proactive steps to support business succession.

4) Designing an appropriate regulatory environment for FinTech:
Design an appropriate regulatory environment to protect against systemic risks, ensure compliance with regulations on personal data and maintain a fair, safe and competitive market.
Run a regulatory sandbox to allow selected firms to test new models on the market.
Share several banks' account information with an account aggregator.

Concluding Remarks

SMEs do not only play a role in the economy, but also in society and culture. Hence, not only economic policy, but also other types of policies including social policy matter for SMEs

in each G20 country. Here, however, we focused on economic challenges and policy issues and discussed policy proposals based on the economic way of thinking.

Moreover, because policies are subject to resource constraints, appropriate design of relevant policies is important to make them efficient and effective. Therefore, we intended to apply evidence-based policy making (EBPM) to our Policy Briefs by not only showing data, but also (and more importantly) by referring to empirical evidence from previous research published in international scientific journals. It is not a coincidence that the conference topic of the ACSB 2018 Tokyo Conference was EBPM for SMEs. It is also noteworthy from the viewpoint of efficient EBPM that every support program for SMEs should be subject to a constant, independent monitoring and evaluation by a third-party, which should be inserted into relevant laws and ordinances.

Our proposals in the Policy Briefs of TF 9 with key recommendations were presented and discussed at the T20 Tokyo Summit at the end of May 2019. I sincerely hope that our proposals for SME policy will be seriously considered and reflected in actual policymaking soon and contribute to substantial improvement in SME policies worldwide, even beyond the G20 countries, in the near future. I recognize that it is not easy even for an optimal policy program to be implemented appropriately because of political biases and incapability. Therefore, more effective collaboration of academic researchers, policymakers and practitioners for SME policymaking is necessary.

6. A WORLD OF EMPATHY

A few years ago, Professor Ki-Chan and his colleagues, Drs. Ayman El Tarabishy and Zong T. Bae, put forth the novel concept of Humane Entrepreneurship as it relates to interactions in the workplace. Their ground breaking work outlined a model whereby “as countries and organizations move towards holistic growth, enterprises should extend their priorities beyond the profit margin. Instead, companies “should shift this focus onto its people, the environment, and society.

What is interesting about this concept is its relevance to the times in which we live. In the age of the 4th Industrial Revolution, the re-centering of enterprises based upon humanity is a 180-degree departure from the impending reality of artificial intelligence (AI) and automation in the workplace. How then should the entrepreneurial community bring together artificial intelligence and humanity in order to create a harmonious work environment?

The 4th Industrial Revolution tells us that the “rise of the machines” will reduce the need for humans in the workplace. According to some estimates, as much as 40% of all human jobs that currently exist will be made obsolete by machines. If this true, the manner in which AI-robots or machines relate to those few humans that are in the workplace is of great concern. The lack of empowerment and equality between man and machine may not create a thriving ecosystem.

The success of the Humane Entrepreneurship model, intended to reshape the way entrepreneurs and employees interact, centers on empathy. In order to understand why empathy is so important to this model, it is necessary to dig a little deeper into the “humane” vs enterprise mindset. The humane (or employee) side seeks empowerment, engagement, equality, ethics, in a holistic ecosystem. The enterprise (employer) side on the other hand would like employees to show enthusiasm, enlightenment, excellence, envisioning, and experimentation. What would bridge the gap in the difference in mindsets is empathy. Empathy is the ability to understand and share in the feelings of others. It isn’t clear that the developers of these AI-robots have built in emotions into their functionality. A lack of empathy between AI-robots and humans could create a serious hostile environment.

The challenge for entrepreneurs, policy-makers, researchers, and employees, is to consider the Humane Entrepreneurship model very carefully, specifically, ensuring entrepreneurship is coupled with the foundation on empathy. It is imperative that whatever direction the 4th Industrial Revolution goes, empathy must remain at the core of any new economic paradigm that emerges.

The 17 United Nations (UN) Sustainable Development Goals (SDGs) are about eliminating some of the inequalities that exist within the global community by 2030. The International Council for Small



Ph.D. Winslow Sargeant, ICSB SVP of Partnerships

Business (ICSB) in partnership with the UN Permanent Mission for Argentina (with support from Mariano Mayer, National Secretary for Entrepreneurs and SMEs, Ambassador Martín García Moritán, and Dr. Rubén Ascúa), led the charge that connected the support of the SDGs with the recognition that small and medium enterprises (SMEs) were crucial to the 2030 SDG attainment. A world that works for human, must all be a world that shows genuine empathy as well.

In 2016, ICSB engaged with policy-makers and non-profits on the need for guiding principles that would establish what entrepreneurs and small business owners should consider when bringing creativity and innovations to the marketplace. In June of that year, ICSB, under the leadership of then President Ki-Chan Kim, held the opening of its World Congress at the United Nations. Notable supporters attended in person and remotely, including former UN Secretary General Ban-Ki Moon and Prince Constantijn Van Oranje (Netherlands). Also in attendance were government ministers and leaders (Egypt- Dr. Sahar Nasr, Argentina-Mariano Mayer, US SBA Administrator-Maria Contreras-Sweet, South Korea-Dr. Young-Sup Joo, New Zealand- Craig Foss, Kuwait-Dr. Mohammed Al-Zuhair and Indonesia- Mr. Anak Puspayoga). At the conclusion of this panel, the ICSB declaration called for “a dedicated day set aside by the UN annually to recognize the importance of small and medium

enterprises in achieving the sustainable development goals.” The Sustainable Development Goals (SDGs) as outline by the UN are based on development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The ICSB declaration showed that creativity and innovation by SMEs, infused with empathy, could significantly contribute to the achievement of the goal of 2030.

This recognition of entrepreneurship and sustainability wrapped by the “ribbon” of empathy has begun to make inroads. In 2017, South Korean President Moon Jae-in stated at the United Nations that “growth is led by job creation and people enjoy equal opportunities and the fruit of growth ... a people-centered economy.” The people-centered reference is the concept of empathy as it relates to entrepreneurship and employment. A tipping point in 2018, that showed that empathy was indeed a key component of entrepreneurship, was the inaugural Italy- Salerno University Conference, “Social Innovation Humane Entrepreneurship from Policy to Action.” Professor and conference leader, Dr. Roberto Parente, convened leaders such as

Chantal Line Carpentier (UNCTAD), Claudio Gbitosi (Giffoni Film Festival), David Storey (University of Sussex), and Andrea Piccaluga (Sant’Anna di Pisa). The focus on the changing nature of



Ph.D. Ayman ElTarabishy, Professor at the George Washington University

“entrepreneurial behavior” made it clear that today’s entrepreneurs care more than just purely self-interests and financial motivations. Doing good economically and doing good in the workplace for employees and in society are synergistic and not mutually exclusive. The Egypt Entrepreneurship Summit (EES) in November in the city of Luxor, Egypt was another event that made it clear that the Entrepreneurship playbook used for so many years was being rewritten with input from a region (Egypt, Middle East and North Africa) with one of the fastest growing populations in the world.

In order for clear guidelines around Humane Entrepreneurship to take root, there must be collaboration between the private and public sectors. This movement must also be expanded to globally and connected with groups who seek an inclusive and empowered workplace. Going global with help for entrepreneurs was given a boost with the partnership between ICSB and the US SBA. Led by Mr. Eugene Cornelius, Associate Administrator for the Office of International Trade (OIT), and on detail to ICSB, he has overseen the development of what is called the 10x10 program. This initiative brings together 10 small businesses per 10 countries to discuss trade, collaborations, economic barriers, best practices, and big ideas. This extraordinary opportunity to connect across geographical and cultural barriers got off to a great start at the annual ICSB’s conference called GW October. A follow

up meeting was held in Taipei (Taiwan) under the Women’s Empowerment Economic Summit in April 2018 with speakers from Microsoft’s Office of the General Office, TSMC’s Chief Financial Officer, and Lecturer Dr. Syaru Shirley Lin of the University of Virginia and the Chinese University of Hong Kong. The outcome was the recognition that a changing workplace must meet the needs of women and men in order to maximum the talents that each employee brings. Empathy and understanding are important team building skills and are key to firm’s competitiveness.

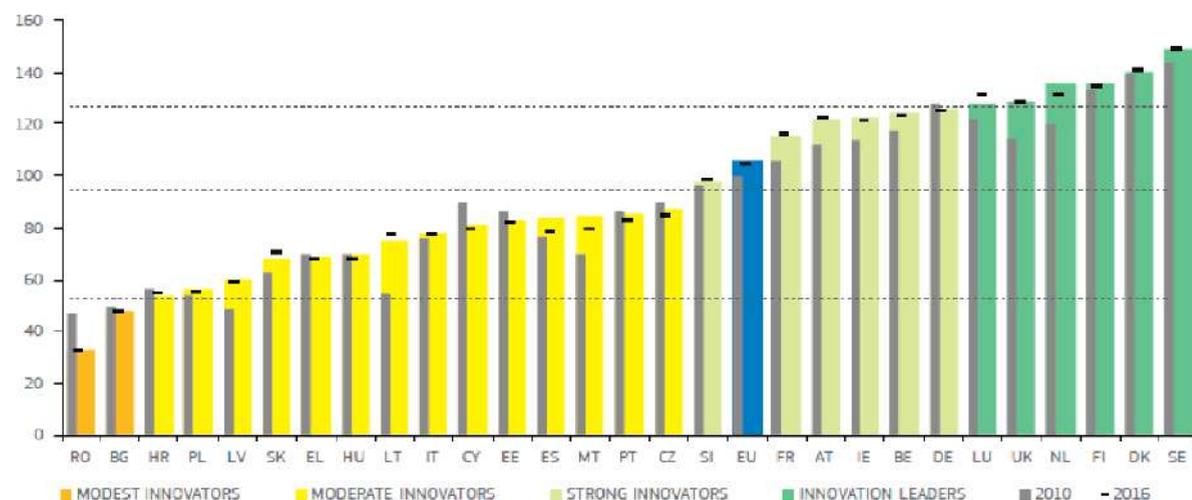
Recently, ICSB President-Elect Ahmed Osman attended the International Labour Organization’s (ILO) Decent Jobs for Youth event in Rome, Italy. Educating our Youth, particular the 1.8 Billion, will be critical in how the Future of Entrepreneurship will be shaped and sustained globally. The youths of today are connected like never before. The proliferation of social media tools has provided extraordinary real-time access to issues and solutions worldwide. What effects one part of the globe is felt by everyone. At this gathering, Mr. Osman announced that ICSB has pledged to support 3000 youths through its Academy which will teach the principle of entrepreneurship around thematic areas, including Digital Skills for Youth, Transitions to the formal economy, and Youth entrepreneurship and self-employment. The academy will wrap this approach to education to include empathy.

7. PITFALLS IN INNOVATION POLICY MAKING

Salvatore Zecchini, Salvatore Zecchini, Former Chair of the OECD Working Party on WPSMEE.

In an era of economic upheavals due to radical technological change and rising trade protectionism, a major challenge facing policy makers is how to boost research and innovation across their economic system. The reason is quite apparent when considering what lies behind the sizeable and prolonged slowdown of economic growth in the EU countries in the last decade. Apart from cyclical developments, the economic slowdown has some of its roots in the long-term decline of productivity, which is the outcome of several factors affecting the ability of entrepreneurs to do research and innovate on a wide scale, thereby ensuring economic renovation and competitiveness. ww

SMEs are part and parcel of this negative trend, but structural factors and government policies also play a significant role. It is well established that there is a positive correlation between both innovation and productivity, on one side, and firm size, on the other side, whereby investment in innovation and productivity rise with the increase of firm size. But in the new economic paradigm of an “entrepreneurial economy” that has taken hold in both industrial and emerging economies, even small firms can have access to the same resources needed for R&I as those available to large firms, that rely on their ability to exploit economies of scale. R&I are no longer the preserve of large firms due to their command over ample means. Still, firm size matters. Thus, while the channels linking growth, productivity and innovation are shared by all countries and their firms, regardless whether more or less developed, structural characteristics and policies that affect this relationship widely differ across countries, leading to disparities in economic performance.



Coloured columns show Member States' performance in 2017, using the most recent data for 27 indicators, relative to that of the EU in 2010. The horizontal hyphens show performance in 2016, using the next most recent data for 27 indicators, relative to that of the EU in 2010. Grey columns show Member States' performance in 2010 relative to that of the EU in 2010. For all years, the same measurement methodology has been used. The dashed lines show the threshold values between the performance groups in 2017, comparing Member States'

Source: European Commission, European Innovation Scoreboard 2018.

EU Countries' Innovation System Performance

Firms' size, structural factors and government policies together have led to widely different productivity and growth performances within each economy and across countries, leading to divergent trends in per-capita income. In this light, three aspects will be addressed here: first, SME concentration in the low-innovation and low-productivity end of the enterprise distribution; second, the issues affecting innovation performance of a country; and third, the pitfalls or shortcomings of innovation policies.

Drawing on the availability of micro-level data, two recent studies by the OECD¹ have shed light on the unexpected features of the aggregate productivity slowdown. It has emerged that the decline of productivity growth has not been due to the performance of frontier firms, i.e. the top 5% of the firm distribution, but to a rising gap between the global frontier firms, that have actually kept on advancing, and the laggard firms. Actually, the rise of labor productivity of firms at the frontier has been coupled with increasing divergence with respect to laggards. This divergence remains after taking account of differences in capital deepening, leaving Multi Factor Productivity (MFP) as a determinant factor in explaining such a divergence. More precisely, this gap is estimated to reflect only partially the market power of frontier firms, i.e. their ability to charge higher mark ups, but it is mostly the result of a widening divergence in revenue-based multifactor productivity.

What can explain this rising gap in MFP? The answer lies with structural factors such as digitalization, innovation, globalization, higher weight of tacit knowledge and the complexity of new technologies, as they require complementary investment in order to be able to absorb them. But there is more to take account of. Other studies show that digital technologies may enable leading firms to acquire a hard-to-beat advantage over laggards (in other terms, they may lead to winner-takes-all dynamics), raising in fact barriers to market entry and reducing market contestability. Apart from digitalization, MFP divergence from leading firms is found to be more severe in sectors where competition is less pervasive and deregulation or competition-enhancing policies are lacking. Significant product market competition generates incentives to raise innovation intensity and to aim at more efficient resource allocation. This is consistent with gathered evidence showing weaker MFP performance in sectors with rising barriers for laggards to catch up. In these patterns, size matters: in manufacturing, MFP-frontier firms have higher revenues and employment than laggard firms, while in the services sector this divergence is found in terms of revenue, but not employment.

The conclusion of these econometric tests is clearly that there has been an increasing failure in diffusing innovation and best practices from the most productive firms to the mass of those lagging behind, or by extension from expanding firms to less dynamic small

OECD, DSTI, The global productivity slowdown, technology divergence and public policy: a firm level perspective, by Andrews D., Criscuolo C. and Gal P., 21-9-2016. OECD, DSTI, The great divergence(s), by Criscuolo C. and Berlingieri G., 6-10-2016.



firms. Once again, the mass of laggards is made out of small firms operating in sectors or areas less open to market competition. There are also low-productivity small firms serving local markets and less likely to pursue growth strategies, as well low-productivity young firms in early stages of their activity. This heterogeneity of SMEs' characteristics calls for different policy responses in promoting innovation.

What hampers such a diffusion? A number of barriers prevent the spreading of innovation, but to a different degree across countries and sectors, and they are found all along the various phases of the innovation process. On the demand of innovation, we often find a kind of system inertia due to entrenched habits, lack of information and bias towards existing technologies and approaches. On the supply side, there is a large depository of new knowledge in universities and public research institutions that has not yet found its way into products or business applications. Funding is also a hard constraint for SMEs, since the risk involved in very innovative undertakings or in applying new technologies is difficult to assess by financiers, with the result of restraining the supply of funds. By another token, public funds cannot be a replacement for private capital

because of their limitations and since their primary aim is to support mainly basic research and experimentation, areas where market failure is most evident. Transmission of knowledge from producers to users is the weakest link in the innovation system. There is often a low propensity to collaborate with Universities or outside research centers, or to enter into teams of firms to carry out innovative projects.

An enabling environment is crucial to allow innovative entrepreneurship. Three components are crucial: availability of skills -- from management to blue collar workers, efficient financial institutions capable of allocating capital to creditworthy but risky projects, and infrastructures that are functional to implementing innovative projects, such as broadband, testing laboratories, technology incubators, transport and communications. Some impediments stem from skill mismatches between what public education and training systems provide and what firms need. Small innovative firms, which don't have the resources to invest in training programs, are at a clear disadvantage in pursuing their innovative projects.

Government policy is called to address these market failures together with the business community, but it turns out

that it may be itself a source of failure, as seen in some countries. Governments fail to understand the systemic nature of innovation, i.e. that is the result of a system of interactions that has to involve several actors (from researchers and inventors to educational institutions, financing sources, users, etc.), and requires specific targeting of measures, specialized infrastructures and policy coordination across different policy makers.

Pitfalls begin when innovation issues are approached without a long-term vision of the goals towards which government wishes to orient business choice. The usual approach consists of adopting spot measures aimed at individual weaknesses that are thought to be the major ones. A piecemeal approach is, instead, partial and leaves important deficiencies unmet. Ireland is a case in point. It has introduced a vast array of measures to promote innovation among SMEs, but it has no holistic strategy, with the result of shortcomings and inadequate effectiveness.

Another pitfall lies with the supply-driven characteristic of many policy approaches. Support is given mostly to public research institutions and R&D projects by the private sector, without due attention to the whole demand side, i.e. the large number of non-innovative firms, especially small firms, that should ask for new knowledge to deal with their challenges but don't do it, because of difficulties in absorbing new approaches.

An analogous mistake is made when governments adopt a top-down policy approach, which does not take account of strengths and weaknesses of firms, especially small ones. On the opposite side, a bottom up approach is equally ill-conceived, since it doesn't spur firms to advance towards new frontiers in production, marketing and internal organization. A combination of the two approaches is a preferable

solution, which could be implemented through ad hoc public-private dialogue, exchange of views and partnerships.

A common mistake in innovation policy is to confine interventions to the remit of industrial policy. Evidence, instead, signals the need to adopt a holistic approach that draws on a wide set of other policies, such as education, training and school curricula, tertiary education, financial system, trade arrangements, judicial system, public governance, intergovernmental agreements, defense, company law, public procurement, intra-governmental coordination. In the absence of an all-encompassing approach, inconsistencies can emerge, as evidenced, for instance, by skill mismatches, relatively low private return on R&I investment due to taxation and costly requirements by public administration, and difficulties to develop and commercialize an innovation because of lack of infrastructures or regulatory barriers to market entry.

Skill mismatches are bound to magnify in the coming years as soon as the new industrial revolution becomes widespread. The new emerging technologies like robotization, artificial intelligence, augmented reality, big data and others, require skills that are hardly provided by the current, public education and training systems. In the near future, advanced economies will likely experience an increasing polarization between new skills in short supply and old skill becoming redundant and unemployed. Public policies have to support the transition towards the new industrial paradigm by supporting retraining and a new work culture, in which new services can expand and reach higher productivity.

In developing specialized skills and promoting linkages between knowledge centers and business, measures aimed at supporting general purpose institutions are less effective than a proactive policy that reaches

out to backward SMEs and provides them with mentoring services and networking with large and more advanced firms. A degree of selection of the beneficiaries is necessary.

In addressing the funding problem of innovation, a major risk is to offer incentives for R&I investment on a general basis, while for creditworthy firms, banks and capital markets are the natural source of financing. Here again, selection is a means to optimize the use of limited public resources.

Choosing the most appropriate tool to foster innovation is another area prone to mistakes. Some countries have shifted their support towards tax credit, avoiding lengthy and dubious selection processes. But this instrument is not appropriate for startups or very young innovative firms, since they don't have access to credit or equity markets because of their age, size and risky venture. Grants and subsidized long-term loans are more effective, albeit they involve a difficult selection process.

In the same vein, differential treatment is required for firms of different size classes, age, innovation-propensity, economic sectors and location because their need for assistance differs. Small firms should receive more support than large ones, and the services sector should not be left at the margin because innovation is mostly associated with manufacturing, while services are more in need to innovate.

Furthermore, the diffusion of innovation cannot be left to market forces alone, but depends on some structural policies, especially enhancement of market competition and allowing more factor mobility particularly for the labor factor. Innovation implies both ease of market access by curtailing the power of incumbents, and efficient reallocation of human and capital resources that are employed in less competitive enterprises, being sheltered by lack of competition. Hence, policies favoring

innovation may be inconsistent with or made less effective by the presence of rigidities in factor mobility and poorly contestable markets.

Policy governance may also be the source of failures even for well-designed measures. Leaving aside divergences in sectoral policies, in a multilayer government system, different authorities may pursue divergent objectives in the same realm of innovation, depriving the overall government strategy from needed synergies and impact strength. Tight coordination within government is a requisite that could be met by establishing a system of close cooperation of all public bodies and involving the scientific and business communities.

In several countries policy failures derive from lack of interest by government in evaluating its policy effectiveness and learning from its findings to improve its interventions. Policy evaluation is often seen as a threat to the credibility of government action rather than as an invaluable tool to sharpen its focus and avoid repeating past mistakes. Hence, evaluation should be part and parcel of policy making and an opportunity for periodic reassessment of both, strategy and measures, to plan ahead.

Overall, the experience across advanced countries points to the conclusion that there is no optimal policy model which would fit all, but each country has first to analyze its strength and weakness, then determine the general orientation of its innovation policy, choose the most appropriate tools and monitor results, being ready to make swift adjustments based on careful evaluations. On top of all this, it has to breed across society an attitude favorable to change and continuous advancement towards the frontier of knowledge. In the absence of this cultural change, widespread innovation will always be a mirage.



Donna Kelley
Babson College

8. ENTREPRENEURSHIP IN THE UNDERSERVED POPULATION

While entrepreneurs may come from every demographic and situational background, each economy around the world has its own distinct entrepreneurship profile. This profile reveals who in a society most frequently starts a business—and who doesn't. Those who are less likely to become entrepreneurs may be dissuaded in some way. This typically includes women, younger or older age groups, and those with lower income or less education. Besides these demographic characteristics, there may be those who have challenges due to their particular situations, such as veterans, migrants and refugees, and ex-convicts.

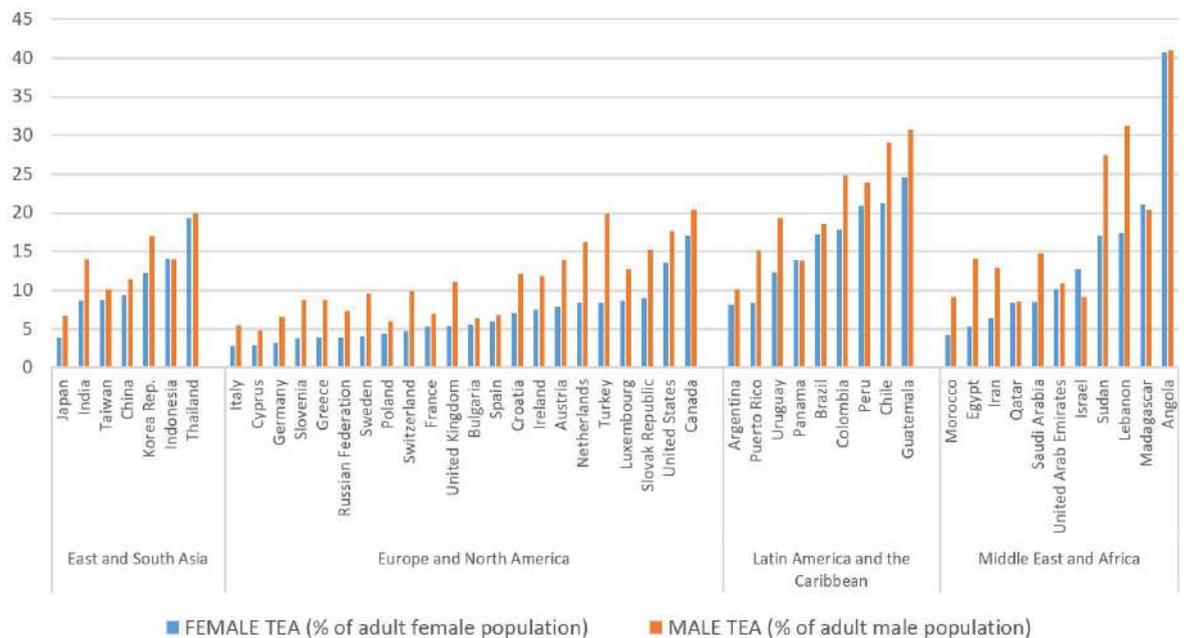
These populations may be underrepresented among the entrepreneurship ranks in an economy, yet they may otherwise benefit highly from this activity, particularly if they have few other work options, or if they have particular needs that entrepreneurship can accommodate. Additionally, society benefits from their participation when they pursue opportunities that others do not see and when they are generators rather than consumers of income. Entrepreneurship helps a society make the best use of its human capital and avoid negative consequences of idleness and frustration.

In many economies, policy makers, educators and the business community have recognized the advantages of promoting entrepreneurship in underserved groups. This may take the form of providing training and mentoring to women or youth, for example. By identifying these gaps in entrepreneurship, an economy can target its policies and programs toward a goal of making entrepreneurship accessible to everyone, and in so doing, boosting the health and development of its economy and the wellbeing of its people.

Women

Women rarely participate in entrepreneurship as frequently as men, as Figure 1 shows. According to the Global Entrepreneurship Monitor (GEM), out of the 49 economies participating in the 2018 adult population survey, only 6 showed as many women as men entrepreneurs. The remainder showed lower female rates—in fact, in 13 of the economies, men were about twice as likely as women to be starting and running new businesses.

Figure 1: Total early-stage Entrepreneurial Activity (TEA) Rates by Gender among Adults (ages 18-64) in 49 Economies, in Four Geographic Regions



Source: Global Entrepreneurship Monitor 2018

The International Labor Organization reports many countries with female unemployment rates that are high overall, and higher than the male rates. These include Greece, Egypt, Sudan, Saudi Arabia, Iran, Spain, Brazil and Turkey (ILO, 2017). With few work alternatives, entrepreneurship should present a viable option for women in such circumstances.

Interestingly, according to GEM, women are, on average, as likely as men to believe there are good opportunities for starting businesses around them. Additionally, the gender gap in intentions is narrower than it is for entrepreneurship. This means that women's intentions to start a business are closer to men's intentions, compared to the difference between the genders in actual startup efforts. Are women then not translating their intentions into actions as often as men, and if so, why is this the case?

GEM data provide a few clues. While women in the 49 economies are, on average, more likely than men to have at least a college degree, they are only three fourths

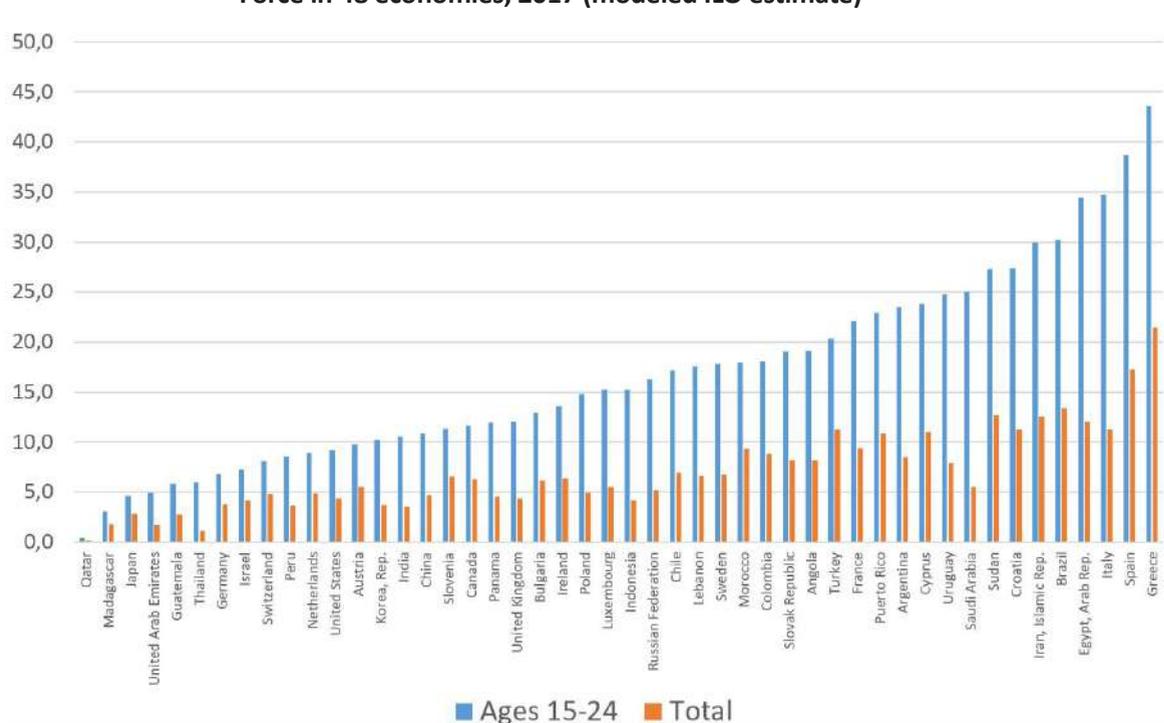
as likely to state they have the capabilities for entrepreneurship. This could reflect their experience and the disciplines they studied in school or college. But it also might indicate less confidence, perhaps relative to what one believes they are up against in starting a business.

Researchers have also pointed to lower access to financial capital (banks, venture capital, angels and other private investors) for women entrepreneurs. An examination of startup capital, based on a GEM special topic focus on finance in 2015, shows that men raise more money from institutional sources compared to women, particularly when they have innovations or growth oriented businesses. In addition, individual countries may have their own particular constraints for women: for example social expectations, employment practices, or economic conditions. These may point to areas for consideration in efforts to promote women’s entrepreneurship.

Young and Older Age Groups

Many countries around the world exhibit very high youth unemployment rates, as Figure 2 demonstrates. As this figure shows, over a third of 15-24 year olds in Greece, Spain, Italy and Egypt are unemployed. In Spain, despite high unemployment rates, few young people are starting businesses, at only half the level of the overall entrepreneurship rate in the country, suggesting constraints or a lack of support for this age group. Conversely in Greece, the youth entrepreneurship rate is approaching double the overall entrepreneurship level. In this case, starting a business may be seen as a viable income-generating solution for many young people in an economy where few jobs are available.

Figure 2: Unemployment Among Youth (15-24 years of age) and the Total Labor Force in 48 economies, 2017 (modeled ILO estimate)



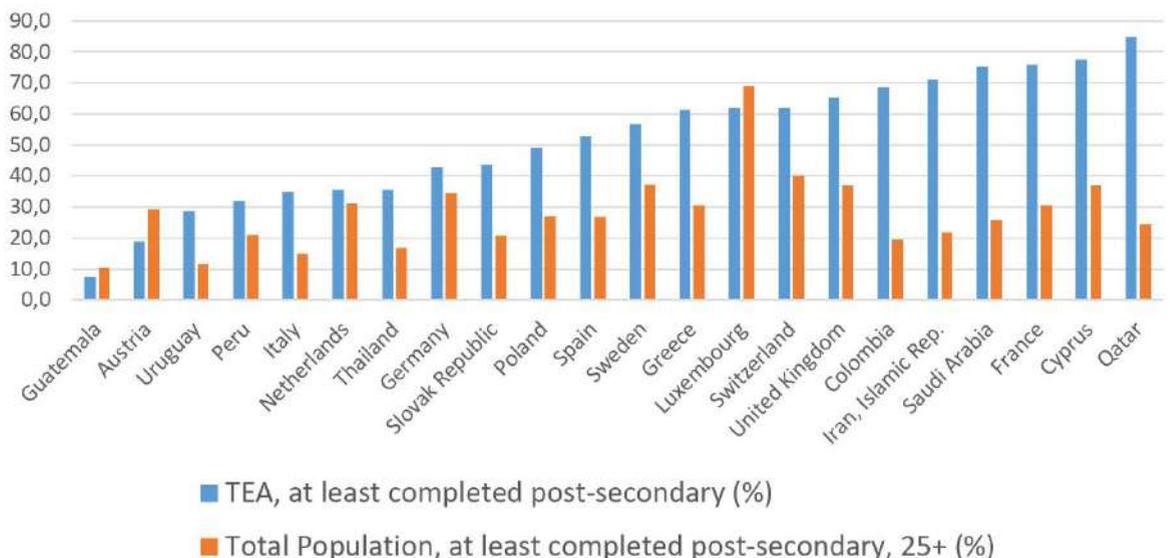
Source: International Labor Organization

In other economies, high entrepreneurship rates among the older age groups (for example, Saudi Arabia and the Republic of Korea) may suggest an opportunity or need among this age group. On the other hand, very low rates, especially compared to overall entrepreneurship levels, could indicate little opportunity or interest in this endeavor. Entrepreneurship can serve as a promising alternative for those who need to generate income in their late careers. This may include those facing issues such as age bias relative to employment, and for those who see an opportunity to pursue a particular interest of theirs in their later careers. While youth may have the energy, cutting edge ideas, and the rest of their careers to make up for any losses, the older population can leverage such as advantages as their experience, network, and access to resources.

Education and Income

Figure 3 shows the percentage of entrepreneurs who completed at least a college (post-secondary) degree, drawing on GEM data, and the percentage of the population with this level of education, based on the World Bank's World Development Indicators. This graph displays the high education levels of entrepreneurs, which is notable because this group should also have good employment prospects. But it also suggests that entrepreneurship is less often being pursued by those without this level of education. Similarly, those living in low income households are often less likely to pursue entrepreneurship (particularly in Slovenia, UAE, Russia and Turkey). Entrepreneurship is often seen as a means for lifting families out of poverty, and therefore critical for those needing to generate their own source of income.

Figure 3: Education levels of Entrepreneurs (TEA—Total Entrepreneurial Activity) vs. the General Population in 22 countries



Source: Global Entrepreneurship Monitor and World Bank

Situational Restrictions

People may find themselves in situations where employment is restricted or challenging for various reasons. Those who have migrated to another country, perhaps in search of a better life, or refugees escaping violence, persecution or war, face an unfamiliar environment in their adopted homeland. They likely have no social network that can provide support, and racial discrimination can limit their integration into society and their job prospects. As a result, they may find that their only employment alternatives are low skilled jobs. Entrepreneurship offers promise for this population in adjusting and settling in their new country, a means for generating income and a livelihood.

Veterans are another group that may find traditional employment less attractive or not feasible. On the other hand, starting a new business may allow them to leverage the skills they developed in the military: for example, their discipline, teamwork and leadership. The United States government has encouraged veteran entrepreneurship with such initiatives as the Small Business Administration's Boots to Business program and services such as the Veterans Business Outreach Center. Targeted policies include the Veterans Entrepreneurship and Small Business Development Act, where federal agencies are required to spend at least 3% of their budget with service-disabled veterans, and the Veterans Entrepreneurs Act, offering a tax credit of up to 25% of franchise fees for veterans purchasing a franchise.

Ex-convicts are highly likely to reoffend. A 2014 Department of Justice study tracked more than 400,000 prisoners after their releases in 2005. Nearly 68 percent were rearrested within three years. Perhaps this is no surprise when considering that criminal records often prevent one from getting a job or a loan, or going to school. In addition, one's social network is likely to pull an ex-convict back into a prior way of life. Some programs have sought to counter this threat. The Prison Entrepreneurship Program (PEP) in Houston Texas offers business skills training, mentoring, and other forms of support. Recidivism among those graduating from the program was reported at less than 10%. Considering the harm to society of a repeat crime, in terms of safety and the cost of handling and housing convicts, it's clear that entrepreneurship can provide, not only a source of income for the ex-convicts, but cost savings and greater security for an economy.

Concluding Remarks

While the focus on entrepreneurship is often on those who are starting businesses, there needs to be equal attention paid to those groups in society who aren't starting businesses. This is particularly critical when these individuals and those around them can benefit from such efforts, and when policies and practices can facilitate and support them. Policymakers, researchers, businesses and other interested parties can examine their nation's entrepreneurship profile, identify gaps, engage in dialogue with other countries on experiences and best practices, and design initiatives and policies that will address underserved populations and equalize participation in entrepreneurship. Making entrepreneurship accessible to all is not just the right thing to do, it's good for society; it promotes peace, contributes to economic development and stability, and enhances the wellbeing of people in multiple ways.

9. THE OTHER HALF: STATE, CHALLENGES, AND ACTION ITEMS FOR THE REALIZATION OF WOMEN ENTREPRENEURIAL OPPORTUNITIES WORLDWIDE

Introduction

According to the United Nations, the world population reached 7.6 billion in 2017. About half, or 49.55 percent, were female (United Nations, Department of Social and Economic Affairs, 2017). The fact that the gender demographics on the planet are balanced, compounded by the recent announcement that most countries have achieved gender parity in primary education (UNICEF, 2018) should be cause for optimism. However, these numbers are quickly obscured by the realization that disparities still remain at the other education grades, which disproportionately favor males.

President James Madison once stated that “education is the foundation of civil liberties.” Therefore, this gender unbalanced state of affairs might also escalate to the structure of several other institutions, including public and private sector activities, and the distribution of entrepreneurial opportunities.

In this brief report, we review selected gender indicators across countries, and then compare them with entrepreneurial indicators in an attempt to understand the distribution of business opportunities across economies. After reviewing the general numbers, we focus on key challenges and practical recommendations for action.



Katia Passerini, St. John's University - New York

Gender and World Population, by the Numbers

The world has added about one billion people over the last twelve years, and an additional 2.2 billions will be added in the next thirty years. By 2100, the world is expected to surpass 11 billion inhabitants. Currently, sixty percent of the world population lives in Asia (4.5 billion), seventeen percent in Africa (1.3 billion), ten percent in Europe (742 million), nine percent in Latin America and the Caribbean (646 million), and the remaining six percent in North America (361 million) and Oceania (41 million) (United Nations, Department of Social and Economic Affairs, 2017).

In terms of demographic growth, more than half of the anticipated population growth is expected to take place in Africa, which will remain the largest contributor to global growth well after 2050. Population growth trends are expected to slow down in the next century primarily due to low fertility rates of more advanced economies.

One aspect worth noting when looking at global trends is that life expectancy rates are increasing, with the group aged 60 or above growing faster than any younger age group. The aging of the population will impact social structures that have traditionally relied on welfare and pension benefits to support retirement and rising health care costs. **Figure 1** shows the population breakdown by gender, location and age. Observing the aging phenomenon, especially in high innovation regions, such as Europe and North America, opens further questions on what systemic changes might be necessary to deal with troubling decreasing support ratios (defined as the number of people aged 20-64 divided by the number of people aged 65 or above). Japan had the lowest support ratio in the world: 2.1 in 2017. While helpful, the movement of migrants across regions, from low income to high income countries, is not sufficient to shift the needle of the redistribution of the population towards the older age groups. Naturally, the age distribution of a population impacts drivers such as economic growth rates, workforce participation, educational and healthcare services, housing markets. These elements have significant implications on productivity, job distribution and the social welfare needs of the future (Roser, Ritchie, & Ortiz-Ospina, 2013). As such they remain important elements of the entrepreneurial workforce discussion: the increase in life expectancy may lead to the need to identify new form of self-employment, such as business-ownership.

Figure 1: World Population, 2017

Region, country or area	Population (thousands)			Population by broad age group (percentage)			
	Total	Male	Female	0-14	15-24	25-59	60+
World	7 550 262	3 808 932	3 741 330	26	16	46	13
Africa	1 256 268	627 392	628 876	41	19	35	5
Asia	4 504 428	2 304 731	2 199 697	24	16	48	12
Europe	742 074	358 540	383 534	16	11	49	25
Latin America and the Caribbean..	645 593	319 085	326 508	25	17	46	12
Northern America.....	361 208	178 828	182 380	19	13	46	22
Oceania	40 691	20 356	20 335	23	15	45	17

Source: (United Nations, Department of Social and Economic Affairs, 2017)

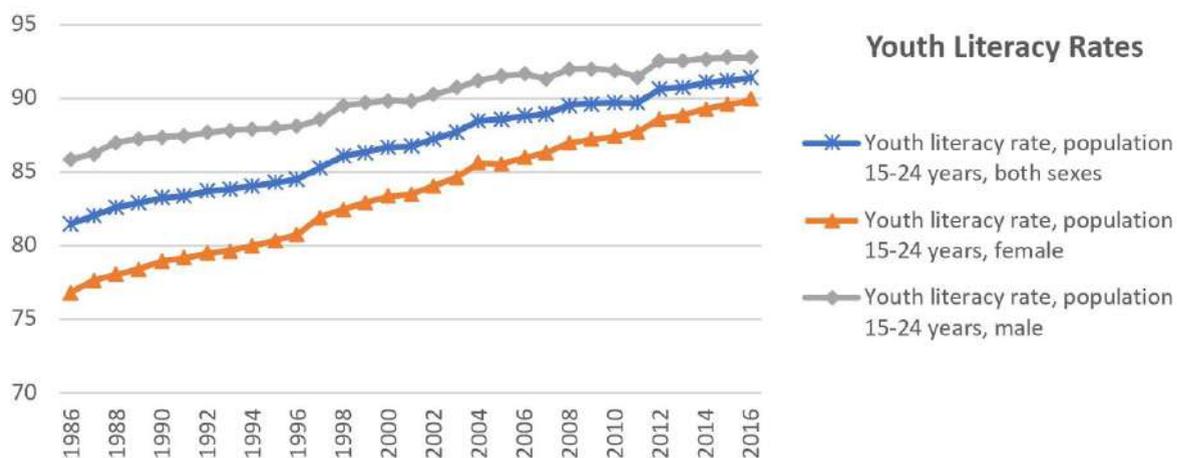
Gender and Education, by the Numbers

The Beijing Platform for Action, adopted in 1985, established the global priority to provide universal and gender equal access to primary education worldwide. This guideline has supported closing the gender gap in universal enrollment in elementary education. According to UNICEF, two thirds of countries have reached gender parity in the ratio of female/male school enrollment. However, in regions such as Sub-Saharan Africa, the Middle East and South Asia, girls remain at a disadvantage often because of poverty, armed conflicts, lack of adequate school infrastructure, especially in remote areas, and in some instances, gender norms on child marriage (UNICEF, 2018).

Starting from a place of disadvantage generally leads to the systemic perpetuation of imbalances. It is not surprising to observe that gender disparity increases worldwide at the secondary school level. In an interesting twist, such disparity favors girls, if the country has a high overall enrollment in secondary education (for example, East Asia). It favors boys for countries with low total enrollment in secondary education (for example, Sub-Saharan Africa and South Asia).

While in the last two decades the youth literacy rates have increased worldwide from 83 to 91 percent (with illiteracy among 15-24 year old decreasing from 107 million in 1986 to 57 million in 2016), gender disparities are evident in the fact that young women represent 59 percent of the overall global illiterate youth population. **Figure 2** shows improving but still unbalanced trends in achieving youth literacy, narrowing from 9 to 3 percentage point-gap in the last twenty years.

Figure 2: Youth Literacy Trends Worldwide – Gender Gaps



Source: Data from (UNICEF, 2018)

West and Central Africa, and South Asia continue to show the widest gender gaps in youth literacy despite multilateral efforts that have been undertaken by international agencies such as the UNESCO to implement the multipronged education-for-all (EFA) internationally agreed agenda (Edwards Jr, Okitsu, da Costa, & Kitamura, 2018).

Gender and Entrepreneurship, by the Numbers

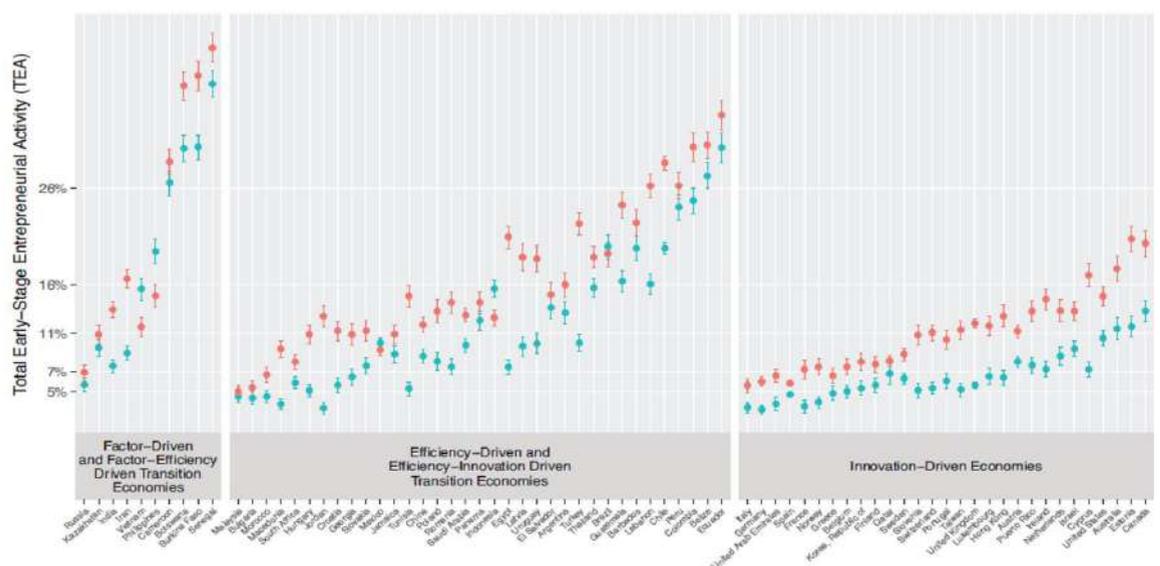
Even if women represent about half of the working age population and the education gap is closing as noted above, they tend to be underrepresented in the workforce, especially in leadership roles. Studies from McKinsey speculate that this lower participation may cost the economy over twenty-eight trillion dollars of unrealized gains. This opportunity cost will cap global GDP growth to \$108 trillion (Desjardins, 2018) in the next six years. Achieving the full-potential scenario, where women have an equal role compared to men in all labor markets, would push the GDP to about \$136 trillion by 2025.

However, the full potential in women entrepreneurship has yet to be reached. A 2015 study by the Global Entrepreneurship Development Institute (thegedi.org) found that more than sixty one percent of the countries reviewed scored less than fifty points in Female Entrepreneurship Index (FEI) worldwide. The top 10 countries for female entrepreneurship included the US, Australia, UK, Denmark, Netherlands, France, Iceland, Sweden, Finland and Norway, whose FEI scores varied between 66.3 and 82.9. While the report shows that the percent of female entrepreneurs who are highly educated has increased over the years, many constraints still need to be overcome across regional boundaries (Terjesen & Lloyd, 2015).

The Global Entrepreneurship Monitor (GEM) published a comprehensive report on the state of women entrepreneurship worldwide, based on a larger longitudinal data collection involving more than 100 countries annually. The 2016/2017 report, which featured seventy-four economies from six regions (East and South Asia and Pacific, Europe, Central Asia, Latin American and the Caribbean, Middle East and North Africa, North America and Sub-Saharan Africa) highlights that over 163 million women started new businesses, and an additional 111 million are running established businesses. These numbers underscore the financial impact of women-owned businesses, but they also move a step further by differentiating the types of entrepreneurial activities that women are involved in, and the stage of growth of their venture.

When measuring the Total Entrepreneurial Activity (TEA), which represents the percentage of working age adults who are new or nascent entrepreneurs, GEM uncovers that a gender gap remains, especially across types of ventures. Rates of female entrepreneurship in transition economies and innovation-driven economies continue to experience increasing gaps, while the ratios of male/female startups are closer in least developed economies, such as those in Sub-Saharan Africa, where females thrive in establishing necessity level types of entrepreneurial ventures. **Figure 3** represents these gaps.

Figure 3: Total Early Stage Entrepreneurship by Gender and Country Economic Classification*



* *Factor-driven economy: least developed, agricultural, natural resources-based economy; Efficiency-driven: industrial sector-based, with advances in productivity and growth of financial institutions; Innovation-Driven: service-based and industrial economy, knowledge-work and financial focus. Source: (Kelley et al., 2017)*

The GEM report finds that the overall gender gap is slowly reducing, and more importantly, it is slowly shifting to opportunity seeking (more than necessity-driven) entrepreneurship, especially in developed economies. The increase in TEA across regions suggests that the gender gap in startup activities will continue to shrink over the years (Kelley et al., 2017).

Fostering Opportunity- over Necessity- Entrepreneurship

While several frameworks and data sets can be used to benchmark women entrepreneurship activities worldwide, a fixed number of variables repeat across any conceptualization that attempts to study the phenomenon: a focus on the type of economic conditions that lead to the intention or actual opening of a business venture (necessity vs opportunity), a focus on attitudes (self-efficacy and cultural norms), and supporting factors (regulatory frameworks, education quality and workforce participation).

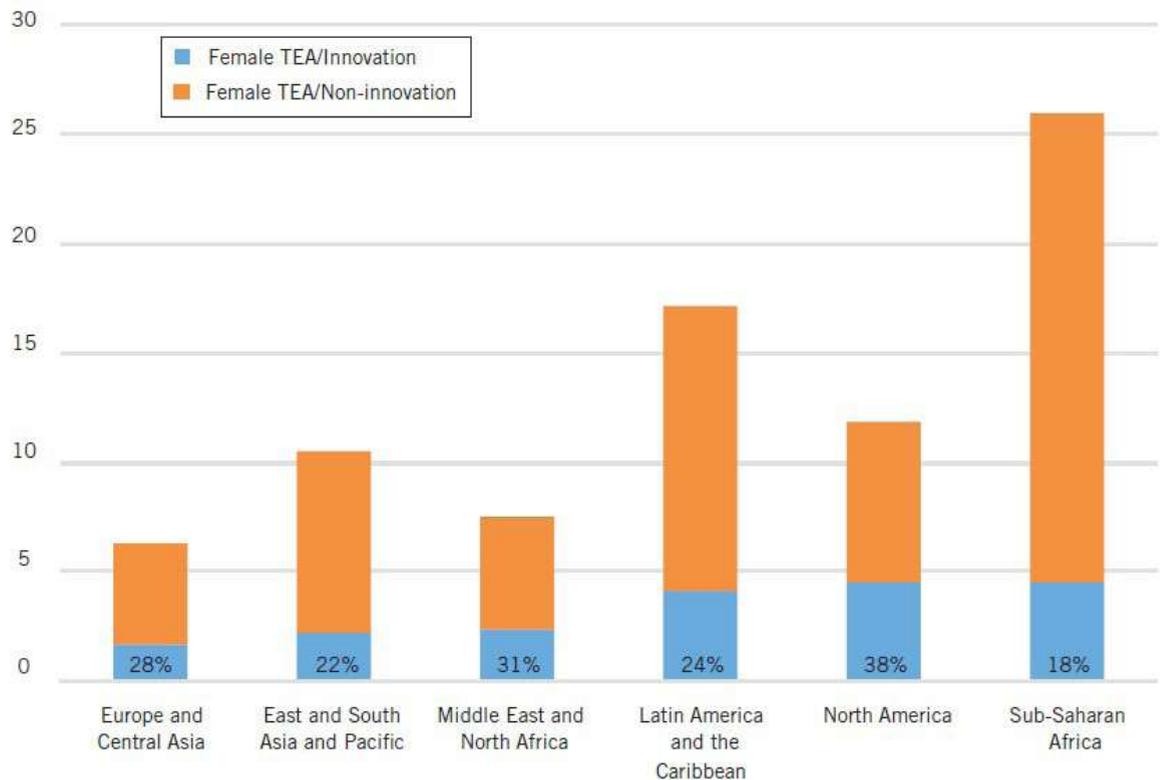
In general, necessity-driven entrepreneurship signals involvement in the start-up cycle because of lack of alternatives. For a woman, the loss of a husband or being a single mother who needs to provide for the family is a poignant driver of necessity entrepreneurship. On the opposite side of the spectrum, opportunity-driven entrepreneurship is based on the recognition of an open niche to exploit, almost independent from the need of increasing income (rather, just sustaining it). For a female entrepreneur, this often means becoming involved in initiatives that are innovative or that meet social needs such as health, education, and similar

ventures that exploit the identified opportunity or novel idea.

According to GEM, the number of women that start businesses out of necessity is at least thirty percent greater than men (Kelley, Singer, & Herrington, 2012). Some studies have highlighted that female entrepreneurs start their businesses as a second or third profession (Pandey, 2016). This necessity-driven higher focus limits the growth potential and sustainability of women entrepreneurship, eventually leading to discontinuance. Women-owned businesses close at a higher-rate than male owned businesses, albeit only at about a 10 percent difference. The reasons for such business mortality vary from unprofitability, lack of access to financial resources, or other personal factors. However, in innovation economies, women exit opportunity-driven ventures at a much lower rate than men, specifically at only two-thirds of the rate of their male counterparts (Kelley et al., 2017).

This differential rate underlines the importance of policy level interventions to support innovation-driven entrepreneurship levels beyond their current marginal levels. Such levels are relatively higher in the Americas but continue to lag significantly behind in other regions of the world, as highlighted in the bottom portion of **Figure 4**.

Figure 4: Female Total Entrepreneurial Activity by Region (in percent of female population 18-64 years old)



Source: (Kelley et al., 2017)

The need to develop opportunity-driven entrepreneurship across regions is based not only in the statistics showing the higher survival rate, possibly associated with the higher education levels driving innovation activities, but also in the expected higher economic impact. Focusing policies and financing beyond supporting retail and artisanal entrepreneurial activities builds capacity for growth and innovation and positions women-owned businesses at a higher revenue potential. This also requires identifying training and development programs for women-owned business beyond the traditional sector of retail/social services/consumer services and providing technology and advanced training to launch tech ventures. Women-owned ICT (technology) business numbers are abysmal: five percent of total female entrepreneurs in North America are in the tech sector, less than two percent anywhere else. This state of affairs prevents women's full participation and future exploitation of the market opportunities that might be opened from operating in a high-growth and high-margin sector.

Surmountable Obstacles and Possible Actions

Factors that are brought forward when explaining the slower growth of women entrepreneurship center on a) cultural differences, such as segregated gender roles. They are followed by b) the lack of adequate financing infrastructure, exacerbated by an implicit bias whereby venture capital firms tend to disproportionately finance male entrepreneurs, a phenomenon dubbed as homophily (Miller, 2017). Finally, the largest obstacle is often c) lower self-perception and self-efficacy, including elements such as fear of failure and lack of belief in one's own capabilities.

In a study conducted in 2008 (Koellinger, Minniti, & Schade, 2008), the authors explained the women lower propensity to start businesses compared to men as highly correlated with lower levels of optimism, confidence and higher fear of failure. The study provided evidence that such correlation is independent of cultural factors to the point that, when comparing men and women with similar levels of confidence and tolerance for failure, it showed that such women had a higher probability of starting a business than a male counterpart.

If these factors are acceptable explanations of the lower rates of female entrepreneurship, they can provide guidance for actions that foster sustainable growth.

a) To overcome cultural barriers, several countries are using political interventions that mandate gender equality in parliamentary representation. Argentina was the first country to introduce gender quota by law in 1991, and other countries have since followed with voluntary adoption of quotas or by reserving seats for women (Thornton, 2019). While progress is slow, the conversation has started and is being compared with anti-trust and anti-monopoly interventions. Anti-trust laws regulate businesses against concentrating too much industry power in the hands of a few selected players. The same intervention could be used against the concentration of power on men parliamentarians when the average percentage of women in parliament across the world is 24.3 percent, despite the fact that women represent fifty percent of the population (International Parliamentary Union, 2019). Working towards such parity could contribute to the passing of legislation more favorable to women initiatives and of gender-friendly

policies. This is exemplified by the “Nordic (European) Countries” which recently achieved an average 42.5 percent distribution of parliamentary seats as well as implemented some of the friendliest family-driven workplace policies (Eydal & Rostgaard, 2011).

b) To overcome the lack of adequate lending infrastructure, new public funding efforts could focus on financing women innovation and technology entrepreneurship, including professional development and technical training. Examples of the effectiveness of such initiatives are found in the concentrated financing of women in technology and other STEM initiatives (Dasgupta & Stout, 2014).

c) To overcome the emotional barriers associated with the self-efficacy perception challenge, it may be essential to develop an infrastructure of training and professional development to address the roots of the self-efficacy problem. Professional development in financial literacy paired with coaching on emotional effectiveness, posture, leadership and similar EQ-based elements (emotional quotient) needs to become integral to any financial, business law, and investment training that might be supported by existing policies and programs. Demanding that any financing be disbursed only to businesses that are 50/50 or more ownership based, tying financing to gender-equity metrics, could change outcomes much faster than any other indirect intervention.

Point a) above is not difficult to implement. From there, everything else will likely follow as role models, regulations and power distribution dynamics will inevitably change.

Conclusions: A Bold Way Forward

The Mastercard Report that annually calculates the Index of Women Entrepreneurship Worldwide (MIWE) concluded that while women-owned business is increasing, systemic bias towards segregated gender roles in society are constraining women potential. The economies that provide greater access to resources in the form of funding, training and development and show a higher trust, recognition, acceptance and encouragement of women entrepreneurship increase several business opportunities (as opposed to necessity-driven only) (Tan, 2018) . This quality growth is important especially considering women’s mission. Females higher focus on social and health venture might even become essential and inevitable in a world that is increasingly facing the challenges opened by a fast-growing aging population.

This change calls for bold and radical actions. It is difficult to change a culture and a societal structure that developed over centuries. Yet, we have finally achieved a universal understanding of the principle that women and men are created equal and that they represent an equal portion of the world population. To fully enable this equality, it is time that we adopt not only principles, but also practices that enable gender-equality in any publicly or privately supported endeavor: from education, to health care, to any form of financing, and, why not, even the defense budget.

Please see references in appendix of report.



Ki-Chan Kim, Professor the Catholic University of Korea, Republic of Korea

10. MOVING TOWARDS AN INNOVATION-DRIVEN ECONOMY THROUGH HUMANE ENTREPRENEURSHIP: FROM HUMAN 1.0 TO HUMAN 10.0

I. The absence of innovation and weakness of humane orientation in Korean SMEs

Currently, Korea's SMEs are: 1) weak in terms of innovation performance and innovation commitment 2) providing low wages 3) offering little motivation incentives for employees and 4) experiencing a vicious cycle of manpower shortage. Let's look at the current problem.

First is the weakness of innovation performance and innovation commitment of Korean SMEs. In particular, SMEs' new technology and innovation achievements are very scarce. The percentage of companies launching new products and services shows the innovation performance of SMEs at less than 3%, very low for OECD countries (OECD, 2015).

The entrepreneurial spirit is required for innovation growth in Korea's SMEs. In 2000, Korea ranked second in the Entrepreneurship Index Monitor (GEM, 2000) which compared companies in more than 100 countries. However, in 2018, Korea lost its rank and fell to 24th among 137 countries (GED, 2018).

Second, SMEs offer lower wages and competency development opportunities compared to large corporations. Compared to small and medium enterprises, large companies provide a high-quality education system, long-term employment of the staff, and high productivity. According to the Ministry of Employment and Labor's 2017 survey, the wages of SMEs are 65% (based on the total labor cost) of large enterprises. Indirect labor costs consist of labor costs (national pension, industrial accident insurance premiums, etc.) and welfare costs (Ministry of Employment and Labor (2018)). The education and training costs are 13% of large corporations, and the average tenure of employees is 3.0 years for SMEs and 7.4 years for large companies.

Third is the lack of motivation for employees. The degree of delegation of authority, autonomy given to employees, and motivation is low. Korea is ranked 78 out of 137 countries on the degree of delegation of authority to the employees according to the World Economic Forum (WEF, 2017). In terms of motivation for workers, Korea is ranked 59 out of 63 countries based on IMD's 2017 statistics (IMD, 2017).

Fourth, the staff of SMEs is lacking quantitatively. Above all, it is difficult for Korean small and medium enterprises to secure the desired human resources and talent. As of October 1, 2017, the number of short-listed enterprises (SMEs) with less than 300 employees was 253,000 based on the number of commercial workers with five or more employees. In particular, there is a shortage of manpower in production and technology research. Young people do not want to go to SMEs, and SMEs lack the will to raise people. In Korea, young people are avoiding the work of SMEs.

As such, SMEs lack the will to innovate, and have a lack of qualitative motivation. It is also difficult to secure talent for innovation through the efforts of SMEs themselves. It is difficult for SMEs to innovate if it is difficult to retain employees compared to large corporations. SME innovation vulnerabilities and employee motivation are becoming a critical issue. We need a policy to break this vicious circle.

This is a people-centered innovation growth policy. The people-centered innovation growth policy is meant to expand investment in SME employees, those who are the source of innovation and differentiation. Among its goals is to nurture people through core policies, to support the development of employee competencies, and to support the motivation of employees. As shown in <Figure 1>, the Korean economy is divided into investment-oriented type and innovation-driven (Goh, 2005). This needs to shift from an investment-driven economy to a people-centered economy.

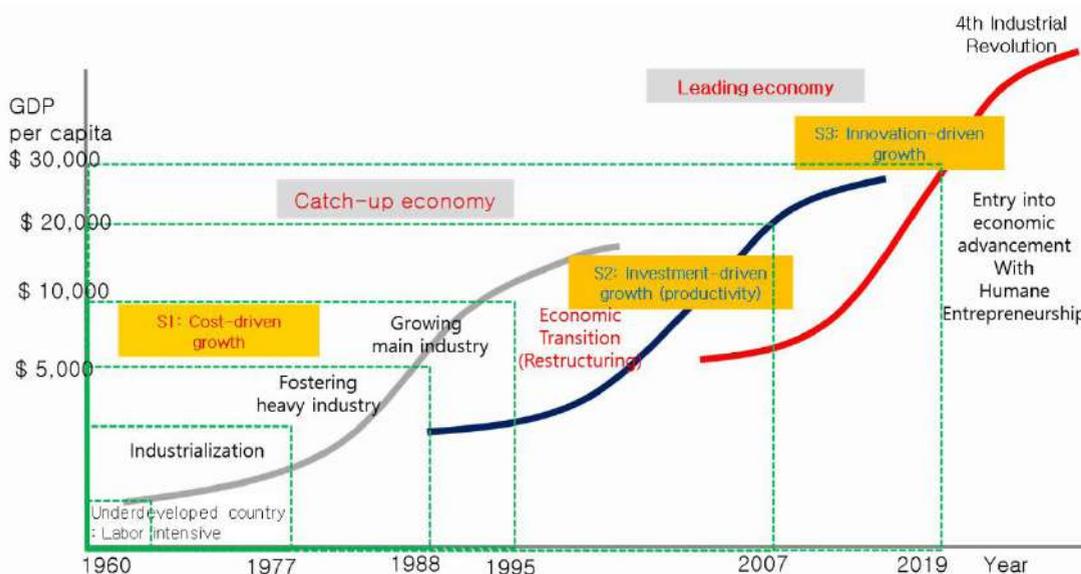


Figure 1. Evolution of Korean Economy to Innovation-Driven through Humane Entrepreneurship

II. Innovation-Driven Economy with Humane Entrepreneurship

Human 1.0: A company that uses only 10% of the ability and commitment of its employees.

Human 10.0: A company that uses 100% of the ability and commitment of its employees.

In order to move towards an Innovation-Driven Economy, SMEs should become Human 10.0 companies.

Humane Entrepreneurship is the main focus of the UN MSME Day. It is a source of innovation and quality job creation for SMEs. This concept could greatly help companies that want to innovate, and for entrepreneurs who want to create and foster decent jobs.

Entrepreneurs dream, and this dream becomes the foundation of their companies. They share this dream with their employees. This shared dream creates a more inspired, enthusiastic, and empowered workforce. Similar to what has been done in Korea, our team aims to apply Humane Entrepreneurship to Chinese companies.

Humane Entrepreneurship activities are summarized and reported as follows:



1. October 1, 2018 : 10 Best Humane Enterprises selected

Sponsored by the Korean government, we have selected the 10 Best Humane Enterprises that have successfully created decent jobs, fostered innovation, and achieved growth. The impressive stories of employees and innovative growth among the selected companies were broadcasted by KBS for the whole country and the world.

2. October 17, 2018: People-Centered Economy and Humane Entrepreneurship for Innovation-Driven Growth in Korea

At the general meeting of the National Economic Advisory Council (NEAC, www.neac.go.kr), I proposed a policy direction for 'People-Centered Economy and Humane Entrepreneurship for Innovation-Driven Growth in Korea'.

3. November 26, 2018: Special Meeting for Guidance of Humane Entrepreneurship in ISO37000

- Key theme: ISO37000, Humane Entrepreneurship and Innovation-Driven Growth
- Time: November 26 (Monday) 09:30-11:30 AM
- Venue: NEAC 12F Meeting Room
- Speaker: Yao Xin, Wei Min, Cui Ning, Chai Jinyan (CCPIT, China)
- Hosted by National Economic Advisory Council / Ministry of SMEs and Startups ○ Organized by Korea SMEs Trade Association / ACSB (Asia Council for Small Business)
- Discussants: Ministry of Trade, Industry and Energy
Korean Agency for Technology and Standards
Ministry of SMEs and Startups

Ki-Chan Kim (Chairman of Innovation-Driven Economy Division, National Economic Advisory Council)

Hermawan Kartajaya (Chairman of ACSB),

Sook Rae Kim (Korean Agency for Technology and Standards)

Chang Seok Song (Professor of Soongsil University)

Yong Jin Kim (ACSB Secretary General, Professor of Sogang University)

Zong-Tae Bae (Professor of KAIST)

Sang Myung Lee (Professor of Hanyang University)

Hyung-Cheol Lee (General manager of Ministry of SMEs and Startups, Republic of Korea)

Na-Young Chung (General manager of National Economic Advisory Council, Republic of Korea)

4. December 5, 2018: Awarding of the Entrepreneurial Mayors and Regents Champions of Indonesia

At the Awarding of the Entrepreneurial Mayors and Regents Champions of Indonesia, I did a lecture for mayors and governors with the Minister of Cooperatives and SMEs Puspayoga, and the Vice Minister of Internal Affairs at the Glass House / Pacific Place on December 5, 2018, at 6.30-9.30 PM.

My lecture was panelled by the Regent of Trenggalek (Vice Governor of East Java Elect Dr. Emil Dardak) and Hermawan Kartajaya, President of ACSB.

They gave feedback on my lecture through McKinsey's 7S Model. Shared Value is the key. The comments from their 3S viewpoint were especially impressive. The strategy is for tomorrow, the structure is for today, and the system was made yesterday. We need strategic action to prepare for tomorrow's innovation. The structure is to empower employees.

This is an Annual Event held by ICSB Indonesia, MarkPlus Inc, Philip Kotler for ASEAN Marketing.

5. December 11, 2018: Dialogue with the public at the National Library of Korea



Keynote Speech dialogue with the public at the National Library of Korea: Innovator, Innovative Enterprise and Innovation Driven Korea

Date and time: Wednesday, December 11, 2018 2:00 PM

Venue: International Conference Hall, National Library of Korea, Seoul

Organized by: National Economic Advisory Council

6. December 22, 2018: With the Guangzhou Chamber of Commerce President, and the Korean Consulate General



I have visited Guangzhou and Shenzhen, China with the invitation of the Korean Consulate General. I met with Jack Yao of the CCPIT (Beijing), the Guangzhou Chamber of Commerce President, and the Korean Consulate General. The ACSB conference next year will be hosted with the support of the Guangzhou Chamber of Commerce. We discussed the cooperation between Korean companies and Chinese companies supported by the Guangzhou Chamber of Commerce and the Korean Consulate General. I hope it goes well.

We agreed to have an awards ceremony for ‘Humane Enterprise’ selected by the ‘Enterprise We Want to Work’ index (<https://ko.surveymonkey.com/r/8767XGR>).

7. December 26, 2018: “Humane Entrepreneurship Presentation at Blue House for Korean President

The National Economic Advisory Council was held at the Blue House. It was a meeting to propose policy directions for the President of the Republic of Korea. I have advised on the direction of the economic policy paradigm. The theme of my presentation was “People-Centered Enterprise and Innovation-Driven Growth.” The main content is “Humane Entrepreneurship leads to decent jobs and innovation-driven growth.”

It was a good time to discuss Korea’s economic policies with the vast majority of experts, including the

Deputy Prime Minister, Advisor, and Chief of Staff to Republic of Korea, Secretaries for Policy, and Chief Secretary of the Economy to the president.

Venue: Blue House

8. January 24, 2018: The first graduation ceremony for the Compañia School

The first graduation ceremony for the Compañia School was held for students who study Humane Entrepreneurship together in Seoul. In the interest of Korean society, classes on “Humane Entrepreneurship” were held every Thursday evening. The lecture was led by ministers, ambassadors, professors, and CEOs through talent donation.

The first batch was attended by lawyers, doctors, oriental medical practitioners, architects, TV broadcasters, newspaper representatives, newspaper reporters, and many CEOs. The class for the first batch was held from October 11, 2018 to January 17, 2019. I would like to congratulate all who completed the course.

The class for the second batch will start again in February 21, 2019.

Compania School Principal: Kim Ki-Chan

9. March. 15, 2019: With Peter Drucker Society, Korea

‘Humane Entrepreneurship--Peter Drucker’s Mission & Entrepreneurship’

I thought of Peter Drucker’s question regarding the Pacific Island. ‘How can we make society happy? We should be interested in people and humanity.’

In Drucker’s five questions, ‘What is your mission? Why does it matter?’, Massive Vision is born from Massive Transformative Purpose. We must also have a big dream (MTP: Massive Transformative Purpose). We also need to have this dream, so we can become agents for change.

UNIQLO’s founder, Yanai Tadashi, acted as a strong initiator in the Japanese economy which lacked vitality. He gained inspiration from Peter Drucker’s book. What is his mission? What is his MTP? “I want to change clothes, change common sense, and change the world.” He is changing the world.

Peter Drucker Society Korea, Director, Kim Ki-Chan

10. April. 8, 2019: Humane Entrepreneurship at 2019 IPAG-OECD-ICSB Paris Conference

Humane Entrepreneurship. Why? For whom?

We had valuable discussions on Humane Entrepreneurship. SMEs and start-ups should be humane (ICSB HumEnt / ISO 37501 / Inclusive entrepreneurship). Why?

1. For the UN SDGs? For Youth/Employees?

This is because it turns ordinary jobs into decent jobs. This issue is of interest to the ILO/UN/Government. It is very meaningful, but it is not sustainable.

2. For Entrepreneur/Company?

It should, at the very least, be useful to the enterprise. The more humane-oriented, the higher the performance of the enterprise. This is the hypothesis we proposed.

11. May 23, 2019: '2019 SME Conference'

The '2019 SME Conference' was held at the Korea Press Center in Jung-gu, Seoul. The theme of this conference was 'Small and Medium Companies that want to work and pursue innovation and growth'. The conference, which began in 2013, is a ceremony for the winner of the Minister's SME & Start-up Award and the Seoul Newspaper Award. Five SMEs won the prize. After the award ceremony, Kim Ki-Chan, an advisor for President of the Republic of Korea (NEAC) & professor of the business school at Catholic University of Korea, made a lecture titled 'Transformation into a Humane Enterprise and Innovation Effect of Companies'.

His lecture began with the question, "How many of the employees at your company are not only physically but also mentally present?" The result was "not even 20%". Only 11% of Korean employees are both physically and mentally present at work.

Professor Kim emphasized that one of the key conditions for good performance is 'empathy'. The amount of empathy in an organization equates to the size of the dream of the employee. The ideas and enthusiasm of employees with big dreams lead to innovation. 'Empathy' is needed to enhance the performance of SMEs.

A person with a positive mind sees a person positively. Therefore, it is possible to cooperate with each other by seeing the strengths of others. After the economic downturn began in the aftermath of the US oil shock in 1975, companies that made money in the midst of recession were eventually "value/vision shared" companies. A company that grows in spite of a recession is a company that ignites the idea of employees. A good entrepreneur with a big vision tries to empathize with employees.

12. May 30, 2019: Conference G 2019 for Humane Entrepreneurship

An audience of 800 people, including many leaders gathered at the Shilla Hotel at 9:00 AM for Conference G 2019. They did not leave until 5:00 pm and were studying hard.

I planned 'Conference G 2019' and became a moderator. It was a very successful event. Ayman El Tarabishy Professor, School of Business, George Washington University and Matthias Holweg Professor, Said Business School, University of Oxford, Chantal Line Carpentier, Chief, UNCTAD New York, were invited as keynote speakers.

'Conference G 2019' was organized by Sisa Journal and I became a moderator. This event was held on May 30, 2019 at the Dynasty Hall of the Shilla Hotel in Seoul. The theme is 'The Fandom Revolution, a company that changes the world.'

I started the concept presentation with some questions. First, is your company kingdom or fandom? A Kingdom is a company that commands, and Fandom is a company that listens. "The most powerful weapon in a company is 'empathy'. Please, invest in empathy.



Second, what makes a company excellent? The answer is a big dream and empathy. There must be a reason for existence. This is the company's dream and mission. The bigger this dream is, the better. These companies are visionary companies.

Share the dream with members of the ecosystem. There must be empathy between the company and its employees. There must be empathy between the company and the customer. They then become your company's Fandom.

13. May 30, 2019: 2nd Graduation Ceremony of Compañia School

The 2nd graduation ceremony was held at the talent donation school, Compañia School (Principal, Kim, Ki-Chan), that teaches Humane Entrepreneurship was. Most graduates are professionals such as lawyers, doctors, CEOs, executives of large corporations, and bank executives.

Venue: Korea Automobile Industry Cooperative Association (KAICA) 5th Floor, Seoul

Time: 2019.5.30. (Thursday) 6:30 - 9:00 PM

<Reception>

Wine and celebration time for all the companions (sponsored by the student association)

1. Congratulatory Address:

Shin Dal-suk, Chairman, Korea Automobile Industry Cooperative Association (KAICA)

Umar Hadi Ambassador of Indonesia to Korea

Kim Byung-hwa, Representative of the forum of Compañia School (Attorney Kim & Chang)

2. Overseas Congratulatory Address

- Ayman El Tarabishy Professor, School of Business, George Washington University, US
- Chantal Line Carpentier, Chief, UNCTAD New York
- Matthias Holweg Professor, Said Business School, University of Oxford,

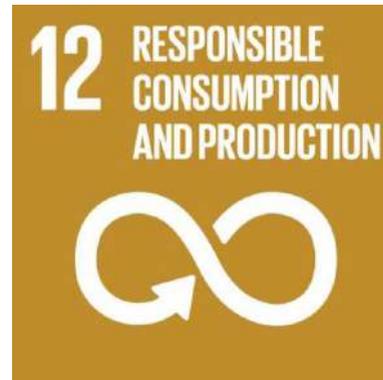
3. Award and certificate (Principal, Kim, Ki-Chan)

Conclusion

What makes an excellent SME? Through innovation and the commitment of its employees, SMEs could move towards becoming Human 10.0 companies. The key to evolving from Human 1.0 to Human 10.0 is Humane Entrepreneurship. Over the past year, we have been able to spread Humane Entrepreneurship not only in Korea, but to other Asian countries as well. We have a bigger dream for the next year and hope that through more collaboration, we could make Humane Entrepreneurship a Global challenge for companies worldwide.



11. SOCIAL ENTREPRENEURSHIP ON THE SDGs



According to estimates, the total combined consumption by all the human activity around the world is greater than the resources generated by the planet. In other words, every year, the Earth Overshoot Day is being reached earlier, and this overtakes the planet's ability to generate those resources for that year. By November 1st, 2000, all the resources of Mother Earth had been consumed. In 2015, it was by August 13. And last year, the Earth Overshoot Day was August 1 .

Scientists and international agencies have consistently reported on the root causes and consequences of climate change, alerting thus global leaders and the world about this phenomenon.

In 2015, the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development were adopted by the United Nations General Assembly. It is an action plan in favor of people, the planet and prosperity, universal peace and partnership. The 2030 Agenda proposes 17 SDGs and 169 targets, covering the economic, social and environmental spheres. The Global Goals for a new world aspire to be more sustainable, inclusive and humane. They are a guide for action to transform the world in a way that no one is left behind.

The 2030 Agenda and the Paris Agreement on Climate Change are two important milestones achieved in 2015, which specify the actions that everyone, from all across the world, must accomplish in order to achieve a more equal and inclusive future, while enjoying economic growth, and a strong protection of the environment.

In this context, Social Entrepreneurships have taken on impressive initiatives in their



Analia Pastran,
Executive Director of Smartly, Social Enterprise on the SDGs
Professor the Catholic University of La Plata, Argentina

endeavor to solve social, environmental and economic challenges. This new model of enterprise focuses on the wellbeing of human beings, the ecosystem as well as economic value. They show that it is possible to generate social and environmental value while at the same time providing a profitable business benefit. The business case for sustainable development is getting strong across industries. Companies and entrepreneurs are realizing that our natural and social capital can no longer be taken for granted, which becomes a motive to jump the ‘S curves’, through innovation and technological advancement.

“We’re getting to the end of a particular curve of attractiveness, which is the curve of money,” states Fred Kofman, adviser in leadership development at Google and former vice president of development at LinkedIn, during an interview for the online research and business analysis journal of the Wharton School of the University of Pennsylvania.

Why is that happening now?

Globalization allows people, organizations and enterprises, among others, to act Global-Locally: GloCaL. Thinking globally but act locally. This phenomenon is understood as an accelerated intensification of interactions between countries, but not only or primarily through the governments. It involves a process of transnationalization of politics, where the actions are carried out by a transnational actor (states, companies, unions, NGOs, etc.).

In this scenario, social entrepreneurs have the best opportunity to magnify their impact; working within a network of like-minded visionaries and troubleshooters.

SDGs challenge!

Most Social Entrepreneurs are working towards the SDGs without knowing it. They are leading by example by being more sustainable, trying to create a good business environment, and by integrating people and improving their lives. In other words, enhancing the social (moral) value of their activities and transactions. They are in close contact with the communities in which they are involved and want to bring

about positive change. What is more, social enterprises have demonstrated that the economy can be disrupted, as they've created new business opportunities to tackle the current socio-economic and environmental challenges, as they begin to conduct business differently, with a renewed sense of purpose.

Smartly, Social Entrepreneurship on the SDGs, is a social enterprise leading the way in coordinating action to communicate and localize the SDGs within the private and public sectors, in Latin America and beyond. In order to mobilize stakeholders and society to meet the SDGs challenge, Smartly has launched a number of projects, inherent to the principles of the 2030 Agenda:

The Local Parliaments Network on the SDGs

Smartly's innovative element is that it operates as a private entity proposing and implementing public policies. One of its main achievements has been the Local Parliaments Network on the SDGs, which is a unique initiative dedicated to localizing the SDGs on a global scale starting from the local legislative level. The initiative provides: an induction to the SDGs, through a 2030 Leadership program, and promotes engagement from various stakeholders as a transversal strategy to achieve an effective localization of the SDGs. The Network seeks to harmonize the work of local parliaments, in regions that are usually disconnected from the advances in international affairs that could have a local impact. Through our consultative and formal training sessions with local parliamentarians, the Network guides local legislative procedures to produce ordinances to ensure inclusive participation from all stakeholders in the respective communities, and thus promoting the localization of the 2030 Agenda as a tool for governance. Founded only 17 months ago, the Local Parliaments Network on the SDGs has formed alliances with 12 Local Parliaments in 5 Argentine provinces, and will soon count with more accessions from Spain, Guatemala, Mexico and Ecuador.

Smartly Youth and Children 2030

Another example of Smartly's effort to mobilize action and promote the SDGs, is through the establishment of its creative platform 'Smartly Youth', which includes the Youth Contest in Photography & Audiovisual material on Resilience. This action helps to promote mechanisms of strength and resilience beneficial in growing up and essential in transforming their lives. This initiative was born after reports by the UN released data and highlighted the increased teen suicide rate globally Smartly has also created the campaign 'DoSomething4Peace', which is a call for action against violence, warfare, and discrimination.

Children and young people are the future of a nation, and of the world. Our goal is to empower children and young people to learn to express themselves and be agents of change. We manage and outline innovative strategies that ensure children and young people develop their talents. One of our main activities is our participation at the 'Infancy Runner' (Corredor de Infancias), an initiative organized by volunteers that enable children to play and participate in activities freely in car-free streets of their community.

Woman 2030

At Smartly we are progressively working on innovative approaches that promote the full and effective participation of women in the 2030 Agenda. Through our advocacy, we emphasize skill based training, and empower women in ICT who seek to improve their access to a decent and professional working environment, as well as increase their active participation in society and have their voices heard.

Changes in consumerism: Responsible Consumption!

A new trend is emerging as a response to the growing demands of ethically-driven Millennials and Centennials. This new generation of consumers strives to personalize “user experience” in what they do; they seek authenticity, transparency and social value. They want to know the origins of the raw materials, if the product is eco-friendly, how and who makes the products, and what happens to the garments once they are discarded. Millennials and Centennials are critical and responsible consumers. With all the information available to them, they seek products and services that meet their needs, or the alternative scenario is that they take the lead by becoming the entrepreneurs they seek.

Smartly, aware that the paradigm is changing, has created Iberoamerican Sustainable Entrepreneurs- a platform which encourages actions for learning, support, mentoring and community. It motivates sustainable entrepreneurs around the world to connect their ideas and innovations with opportunities across the global market, creating thus a global support system from a local position. Through this platform, dynamic and sustainable entrepreneurs would contribute to the promotion and introduction of new and innovative products and services, that aspire to provide solutions to current social and environmental problems. They are key actors in achieving the Sustainable Development Goals (SDGs), in Latin America and the world.

Social Entrepreneurship (responsible production) and millennials/centennials (responsible consumers) are changing the dynamics of the current marketplace. Both are cognizant of the challenges ahead. And both are contributing to achieve the Sustainable Development Goals (SDGs). The overall implementation of the SDGs gives the opportunity for a new style of sustainable business development: conscious and responsible. All services and production that take place locally are now being delivered while taking into serious consideration their global impact. The Global Goals are becoming the new norm in the world of business. Those who understand that their achievement leads to long-term growth, development and inclusion, will work independently, and with peers, to incorporate the goals in their strategy, invest in their communities, and seek to amend and improve policy-making for the greater good.

Social Entrepreneurship is an extraordinary example of how to begin to localize the SDGs.



12. REVITALISING THE AUSTRALIAN ECONOMY: NAVIGATING THE HEADWINDS

The role of small business

Small business continues to be the engine room of economic growth. The latest government statistics indicate that of the 2.24 million businesses in Australia, there were 2.18 million (97.3%) micro and small businesses (those with less than 20 employees). Of these, there were 1.4 million (64.2%) micro businesses that did not employ any staff. Small business contributes 30% of GDP, employs 44% of all workers and generates 40% of new jobs. The annual turnover for 60% of these small businesses is less than AUD\$200,000.

However, if small business is to prosper, some things need to change. Innovation processes are less common in small businesses, with 60% engaged in innovative activity compared to 67% for medium sized businesses and 80% for large businesses. Small businesses also report slower rates of productivity improvements compared to large firms (28% compared to 36%). Whilst small businesses represent 44% of all businesses that export goods, they only account for 0.5% of exports by value. Despite increases in the number of small businesses that are 'born global', significant scope exists for them to become more dynamic, innovative and efficient.

Recent research by the OECD and others indicates that small business can play an important role in lifting national productivity growth and, more importantly, national living standards through a variety of ways, including improved diffusion of knowledge, products, processes and technologies across businesses. However, significant challenges have emerged.

The global environment

The global environment has been impacted with the election of Donald Trump as US President, Brexit, rising protectionism, the rise of China as a super power, a 'trade war', ongoing technological advances with the advent of the Fourth



Vicki Stylianou
Executive General Manager
Advocacy & Technical, Institute of Public Accountants

Industrial Revolution, continuing demographic shifts, transnational cybercrime, the impacts of climate change and continuing refugee crises. At the same time, our world has continued to become increasingly interconnected and interdependent with scientific and technological advances in one country driving economic growth globally.

Other global challenges abound, including increasing urbanisation, environmental degradation and the rising demand for sustainable food sources, water and energy. It is not inconceivable that these could become political, economic and security disruptors over the longer term. For Australia, and for any of our trading partners, these issues have the potential to undermine regional stability, contribute to conflict and affect economic interests. For instance, the OECD estimates that 60% more food will be needed by 2050 with growing demand by middle classes for more resource intensive food like meat (which has spawned a new non-meat industry led by Bill Gates and others). The United Nations estimates that, if no changes are made to the way water is used, demand will outstrip supply by over 40% by 2030. In addition, the United Nations estimates that the world needs to create around 40 million new jobs every year, just to keep pace with the growth of the global working age population.

While Asian economies are largely growing, we note that, in the developed world, the headwinds are gathering as productivity gains associated with past technological advances have largely been exhausted, while the benefits for productivity from current and future technological advances have not yet been realised. Real wage growth is not expected to improve in developed economies unless productivity increases. Other constraints on global growth include ageing populations especially in Japan, China and the European Union; high public debt and low official interest rates; and China's slowing economy as it matures (which the OECD estimates will peak at 27% in the 2030s and then slowly decline).

These events and trends have all combined to create an environment of further uncertainty and change. What we need to consider is the impact of these factors

on the Australian economy and the need to develop appropriate domestic policy responses for the benefit of small business, SMEs and more broadly.

Being a small, open economy, Australia is particularly susceptible to the rise in global protectionism. This could damage future economic growth and undermine the global rules that underpin our trade and investment. At a time when productivity remains stagnant, this could have serious consequences for the Australian economy and our future living standards. These economic 'headwinds' continue to strengthen and present potential challenges for the Australian economy going forward. Successfully navigating these headwinds will be essential to maintain, if not boost, Australian productivity growth, improve national income and raise living standards.

The challenges for Australian policymakers are increasing, making the need for action immediate.

Productivity – headwinds are gathering

The long-term trend in Australian labour productivity growth has been declining over the last half century, with annual productivity growth being flat for over a decade. This trend is more clearly indicated by the downward revisions to the 30 year average growth rate made by the Commonwealth Treasury in its successive Intergenerational Reports, falling from 1.75% to 1.5% in its last report.

However, sluggish productivity growth in the Australian economy is not unprecedented, nor is weak national income growth. The recent strong growth in Australia's terms of trade boosted growth in Australian national income to the envy of most other developed countries and gave rise to the mining boom. Unfortunately, the mining investment boom is now behind us. Looking ahead, it is growth in the non-mining sector that will largely determine the prospects for Australian incomes and living standards.

These declines in productivity growth partially reflect the effects of longer-term structural change in the Australian economy that has seen a decrease in the relative importance of many traditional goods producing industries such as manufacturing and agriculture, and an increase in many service sector industries.

More recently, multi-factor productivity (MFP) has underpinned labour productivity growth in most industries, with 9 of the 16 industries for which MFP is reliably measured, experiencing positive average MFP over the current productivity cycle. However, productivity headwinds are strengthening and have the potential to make it harder for Australia to maintain, let alone improve, living standards into the future.

Governments have an essential role to play in addressing these headwinds.



Productivity – governments have a vital role to play in boosting productivity and living standards

Governments play a significant role, directly and indirectly, in the effective operation of the Australian economy. Governments set the rules by which markets operate, they regulate and enforce the rules; levy taxes; and provide or fund significant services and infrastructure for the community. These rules, taxes and expenditures affect business profitability and may create artificial incentives for them to alter their behaviour in search of higher returns which can result in unintended consequences or excessive compliance costs. Governments also exert significant influence on wider productivity in the private sector.

Given these myriad of ways that governments directly and indirectly impact on productivity growth, it is essential that these activities are selected, funded and managed as efficiently and effectively as possible to ensure the significant potential benefits are realised.

New and improved policies are also important. For example, significant scope exists to improve productivity growth in the delivery of education and skills development, as would updating regulatory settings to reflect the current economic realities.

Technology simultaneously creates and destroys jobs. To the extent that technological shifts require more advanced or new skills from workers, there is a role for government to ensure education and labour market policy settings enable upskilling and retraining.

Government also has a role to play in enabling research and providing access to data. We note that recent improvements in data collection and research, such as the development of the BLADE (Business Longitudinal Analysis Data Environment) framework, which was boosted by funding in the 2017-18 Budget, offers great potential for improving productivity growth through better targeting of government policy and the effectiveness of government programs at the firm level.

Australia should follow the lead of New Zealand in promoting more collaboration between the public sector, private sector and academia to improve the contribution of policy to increasing productivity growth ‘by connecting people, shaping research agendas and sharing research’. This will improve the evidence base needed for robust policy development.

Productivity – investment will also need to play an essential role going forward

Given that past investment has fuelled the capital deepening that has been an important source of historical productivity growth, investment needs to play an essential role going forward to underpin productivity growth and maintain living standards.

Prospects for two of the key main industries that contributed to this historical capital deepening – manufacturing and mining – are likely to be more subdued going forward than has been the case historically. If this occurs, future Australian productivity growth will be harder to sustain without capital deepening in other areas of the economy or through improvements in multi-factor productivity (requiring a significant and sustained reform effort).

Despite lower official interest rates and surveys indicating above average business confidence, investment remains muted. This implies that businesses are likely to be waiting for improved business conditions and greater certainty before making significant new investments.

The longer-term structural change towards service sector industries that are more reliant on labour has reduced measured labour productivity growth. These industries also tend to rely more on investment in intangible capital, such as research and development, information and communications technology, brand equity and organisational capital, all of which affect productivity, and are harder to quantify. However, studies suggest that investment in intangibles is significant but a significant portion may not be treated as investment in the national accounts; and that average annual growth in intangible investment was about 130% that of tangibles since 1974-75.

This weak outlook for investment is supported by the International Monetary Fund, which observed in 2017 that the prolonged periods of uncertainty and sluggish private investment after the Global Financial Crisis have further held back productivity growth, especially in the advanced economies; and that this slow growth is likely to make challenges such as the population ageing harder to address.

The OECD in its 2018 policy paper, *The Long View: Scenarios for the world economy to 2060*, also referred to slowing global growth, limited income convergence and rising fiscal pressures as being the long-term baseline projection. However, structural policy reforms can brighten the outlook substantially in all countries (including Australia). For instance, reforms through 2030 to make product market regulation in OECD countries as friendly to competition as in the five leading countries raise living standards by over 8% in aggregate (and up to 20% in some countries). For this reason it is imperative that Australia ensures that the benefits of the recent competition policy reforms flow through to small business.

Globalisation – presents significant opportunities for Australian businesses

Australia is the world's 20th largest export economy. One in five Australian jobs are trade-related and one in seven relies on exports. Over 50,000 Australian businesses export, contributing over AUD\$350 billion in export income per annum. Exporting firms on average employ more people and pay higher wages than firms focused on the domestic market alone. Trade liberalisation delivers AUD\$8,448 extra income per year for the average family.

Whilst these figures sound commendable, have we made the most of the opportunities presented by internationalisation? According to the Bertelsmann Stiftung 2018 Globalisation Report, Who Benefits Most from Globalisation? Australia's internationalisation has developed similarly to the median for all 42 countries assessed in the report. Low commodity prices have reversed some of the structural changes since 2012 that arose from the mining boom, which has resulted in a decrease in trade. This report notes further that Australia is in the middle in terms of per capita income gains from internationalisation.

Australia has very low tariff rates by international standards. This has helped to increase the competitiveness and flexibility of domestic Australian markets. Despite this, Australia is ranked 95th for ease of trading across borders in the 2018 World Bank's Doing Business survey. This indicates that further significant improvements are possible.

Australia needs to improve its performance against these and other measures if it is to seize the opportunities presented by international developments.

These opportunities exist by exploiting the 'complementarity' of our economy with those of our rapidly developing regional neighbours. That is, Asian economic growth relies on what Australia produces. China and India together make up more than 60% of Asia's economic activity. By 2030, Asia will produce more than half of the world's economic output and consume more than half of the world's food and 40% of its energy. By then, over 600 million more people will live in Asian cities. These countries will not only need Australian minerals and energy but also the services that we produce to fuel this growth.

Technological progress, urbanisation and rising incomes are leading to an increase in the share of services in economic activity across the globe. Australia has an opportunity to capitalise on the growing demand for tradable services, particularly from Asia. Our comparative advantage in services is in financial services and personal and recreational services. The ageing population is another opportunity. There are already more people over 65 years of age in Asia than the whole population of the United States. Aged care services, health services, nursing, asset management, insurance services, could all represent opportunities from this demographic change. However, in these industries there are often high

domestic barriers to entry, which our trade agreements will have to overcome if these opportunities are to be realised.

At the same time Australia is looking beyond Asia to find new opportunities in South America, Africa and the Middle East.

The Australian government will need to maximise economic growth in the region by facilitating the ability of Australian businesses to tap into global value chains; and to increase our relatively low investment in Asia which may be hindering our ability to tap into these global value chains. This includes manufacturing businesses. Manufacturing makes up \$44 billion or 13% of our exports. More than four out of five manufacturing businesses are SMEs. They rank fifth among advanced economies for business innovation. This should be applauded, encouraged and improved through government policy settings. Services make up a growing share of our exports, rising to over 20% of exports. For instance, Australia is the world's third largest provider of education to international students.

UN Sustainable Development Goals

In terms of international collaboration, the United Nations 2030 Agenda for Sustainable Development presents further opportunities. Its 17 Sustainable Development Goals (SDGs) seek to reduce poverty, protect the environment, and promote gender equality, responsible consumption and production, decent work and economic growth, quality education, peace, justice and strong institutions, industry, innovation and infrastructure and partnerships to achieve these goals. In addition to opportunities for Australian SMEs, the SDGs provide a useful, consistent and aspirational framework to inform policy development in Australia and other countries across the world. Humane Entrepreneurship has emerged as a useful tool for achieving the SDGs. It is built on the premise that countries and organisations should extend their priorities beyond the profit margin; and shift their focus onto their people, the environment and society. Human oriented businesses are deemed to perform better, produce better products and satisfy their customers.

Global trade – benefits for the Australian economy

The Australian domestic market is small compared to many international markets. Future economic and population growth in the region will only further increase the size of these markets. For example, it is estimated that Asia's total infrastructure investment needs will exceed \$26.2 trillion by 2030, which is roughly 15 times the current size of the Australian economy.

Australian businesses and the Australian economy have long gained benefits from accessing these markets through trade, investment and other strategic partnerships. Yet there remains significant untapped potential for Australian businesses to improve engagement in these potentially lucrative markets. To do

this, Australian businesses need to be internationally innovative and competitive as well as having management that can identify and exploit these opportunities.

Domestic policies can help or hinder the international competitiveness of Australian businesses. Excessive or poorly targeted regulation can reduce the competitiveness of Australian business or result in unintended collateral damage.

International policies can also indirectly present opportunities for Australian businesses and the Australian economy. For instance, by encouraging APEC countries to improve their productivity growth — whether by supporting education and training, competition, good governance and market openness, including in services, through helping to improve investment settings, regulatory frameworks, taxation systems, management of natural resources, workforce participation by women or the design and management of national budgets — the ensuing economic growth would increase demand for the goods and services that Australia produces.

Australian domestic and international policies need to support or reinforce each other to strengthen the resilience and competitiveness of Australian businesses through innovation, science and technology and an environment that facilitates improvements in productivity and a desire to drive exports. SMEs can play a vital role in this process.

Domestic policy must reflect this global reality.

It is pleasing, therefore, that the federal Government has reinforced that it will assist Australian businesses, including over 50,000 SMEs, to access international markets, through Austrade and EFIC ('Finance for Australian Exporters'). It has stated that it will also partner with the private sector through Asialink Business, chambers of commerce and other programs. The Government has also developed a new trade agreement portal and other online resources to enable small businesses and others to more readily access the benefits of our trade agreements.

Navigating these headwinds whilst taking advantage of global trends and regional opportunities will define Australia in the coming decades.

The Small Business White Paper released in September 2018 produced by the IPA Deakin SME Research Centre can be found at <https://www.publicaccountants.org.au/news-advocacy/small-business-white-paper>





13. INVESTING IN AN INCLUSIVE FUTURE: HOW ENTREPRENEURSHIP AND INNOVATION IS INTEGRAL TO EGYPT'S TVET REFORM

Shoroke H. Zedan
Executive Director, TVET Egypt

Education is at the core of the upliftment of standards and quality of life since it is the foundation for human capital. The application of appropriate science and technology is the basis for improved economic growth. As an alternative to traditional academic learning in Egypt, technical and vocational education and training is a substitute for the Egyptian high school degree Thanweya 'Ama, where students enroll after the completion of their preparatory education and focus on occupational learning. With the globalization wave, requirement to develop knowledge and practical skills on a continuous basis is necessary. Many education development initiatives have taken on board the need to foster transferable skills, because characteristics such as innovation and creativity are increasingly needed for all levels and types of work. TVET has a special role to play in providing the knowledge and practical skills that empower people to improve the quality of their daily lives and earn income. TVET today involves more than skills acquisition programmes. Its policies and strategies stress the need for stronger links with the labour market and for strategies to help graduates to adjust continuously to the fast changes in the market.

Yet for a long time, TVET in the Region has been neglected, fragmented and unevenly developed. In recent years, with Egypt's recognition of prior learning and skills acquired informally, there has been a policy shift that recognizes the importance of TVET in addressing a number of socioeconomic challenges faced by the government. Accommodating close to 2 million students and over half a million graduates per year, the sector in Egypt faces many challenges, especially in relation to the efficiency of the labour market and the deteriorating conditions that have disproportionately affected many of Egypt's youth. The important role of education in promoting more entrepreneurial attitudes and behaviours is now becoming recognized and the benefits of entrepreneurship education are no longer just limited to start-ups, innovative ventures and new jobs.

As a result, and in line with Egypt's national Sustainable Development Strategy: Egypt Vision 2030, the EU in collaboration with the GoE launched TVET Egypt to improve the structure and performance of the TVET system and boost employability to aid



+2 MILLION
STUDENTS ENROL IN
THE TVET SYSTEM
ANNUALLY



+150,000
TEACHERS AND
TRAINERS ARE REGISTERED
IN THE TVET SYSTEM



+750,000
GRADUATES ENTER
THE LABOUR MARKET
ANNUALLY



+3500
SCHOOLS AND TRAINING
CENTRES EXIST ACROSS THE
NATION FOR THE TVET SYSTEM



+30,000
PRIVATE SECTOR
FACILITIES DEMAND
SKILLED LABOUR

In the past decade, most TVET reform programmes have been designed to prepare people for paid employment and many focus on employment in large enterprises to help TVET planners and providers improve the relevance of supply, by ensuring that the demand side is considered. Still there have been limitations in gearing Egyptian TVET youths to become active contributors due to pre-defined ideas of what they can and cannot do, depriving local communities of their talents, and therefore constraining meaningful pathways for individuals and economic growth. Entrepreneurship has also become a key competency for all, helping young people to be more creative and self-confident in whatever they undertake. TVET, at all levels including tertiary education, is a main contributor to entrepreneurship skills acquisition in both its senses because of its relevance in ensuring that the current and future labour meet economic development needs. Nonetheless, there is still relatively little emphasis in national development policies, and even fewer highlight the skills dimension of this component on the national economy.

As governments, industry, NGOs and the general public become more aware of the urgency of sustainable development, a vital role for education in learning and teaching towards sustainability, comes the realization of the importance to foster an environment of combining entrepreneurship skills and occupation-specific skills in mitigating unemployment and opening opportunities for self-employment as policy makers try to address the critical developmental issues of unemployment, rural-urban imbalance, industrialization, capital formation, and labor utilization.

International and regional developmental partners as well as decision-making bodies are nowadays focusing on TVET to boost economies and promote equity. To meet the growing demand for skills, TVET Egypt has been setup by the Government of Egypt, with the European Union, where vocational education is seen as a policy instrument to promote economic and social progress through multi-dimensional strategies to reach a balanced spectrum of delivering skills (including entrepreneurial) through intensive engagement with partners and effective mobilization of interest groups to boost economic and social change.

The strategic partnerships established amidst Egypt's declaration of '2019 as the Year of Education' has placed unprecedented commitment to adopting policies



that clearly focus on lifelong learning, skills development and TVET to gain competitive advantage by increasing the speed and effectiveness with which we learn and act on that learning as means to ensure that people will be more employable, and more productive once they are employed (or self-employed). As such, providing a unique identity to the programme as an overarching platform that utilizes the combination of knowledge, skills and experiences from varied segments pushes the boundaries of traditional conceptions until the necessary TVET policies and systems are in place to cover the preparation of tomorrow's workforce for competitive labour markets. The paramount importance in developing, competitive economies and better societies through TVET and assessing the extent to which relevant programmes are preparing TVET students for the whole spectrum of working life, entrepreneurship development is now seen as being of considerable importance in Egypt.

A general trend can now be observed in the shift of national TVET curricula from contents to competences. And while the uptake of entrepreneurship education in Egypt's technical and vocational schools and centres are still in its infancy stages, introducing entrepreneurship as an explicit goal in the curriculum is a clear signal that this is important. The new competency-based learning system uses a multidisciplinary teaching approach that allows students and trainees to organize what they learn, in terms of skills, knowledge or attitudes, in a way that facilitates recalling and using it, as appropriate, in different types of employment. It also aims to help them to think about using these competencies in an innovative way in their work and in their life more generally.

The new system also tackles the existing lack of capabilities of teachers in providing the necessary support to TVET students in problem-driven and experience-oriented education, which is essential to fostering entrepreneurial mindsets and abilities. A wide range of pedagogical tools, in close collaboration with international organizations (ILO, GIZ, UNIDO, USAID), have been developed to upgrade teaching methods and train them in entrepreneurship. Entrepreneurship education is not yet included systematically in training programmes for educators, yet it will soon be as relevant Egyptian Ministries establish and formalize transition to employment units. These Units focus on providing the necessary know-how to allow students and trainees who receive entrepreneurship as general skills for all would be able to optimize their workplace experience, as a part of the TVET education, by looking beyond their skills and knowledge to other issues crucial in empowering them to take career decisions. The Units have also been setup to provide counseling for schools and teachers in designing TVET curricula where entrepreneurship is an explicit goal during the programme of study, allowing TVET students to continue to use their acquired entrepreneurship skills in mastering skills and acquiring knowledge that would enable them to become self-employed, establish their own business, or become more productive in paid employment.

356 TVET Institutions implementing Entrepreneurship, Innovation and Career Guidance Curriculums in 2018/2019

1825 TVET Transition to Employment facilitators/teachers trained and assessed on Entrepreneurship, Innovation and Career Guidance Curriculums in 2018/2019

85400 TVET students receiving Entrepreneurship, Innovation and Career Guidance in 2018/2019

Inclusion of entrepreneurship education to serve a disadvantage segment of society is now an integral part of the TVET mandate, to allow TVET graduates to gain access to a wider and better range of employment opportunities. Utilizing systems approaches to bring interconnectivity as transformation and re-alignment of the underlying processes and methods take place to change the way government works in a cross-cutting way, while involving all of the affected actors both inside and outside government regardless of the vocational training area, the most effective way to teach entrepreneurship is to have students participate in practical projects and activities, in which learning by doing is emphasized and real experience with entrepreneurship is gained.

The Transition to Employment aspect of **TVET Egypt** integrates the innovative mindset developed through entrepreneurship education and career guidance to help people in choosing and pursuing the career that most suits their abilities and interests. It also helps them in changing their occupation, should the need arise, in fast-changing labour markets. Within its framework, awareness programmes for all teachers, trainers and other related staff have begun with building capacity to ensure that innovation revolves around the use of different resources in new ways to dramatically better outcomes through many national and international initiatives to secure additional and sustainable technical assistance in order to promote entrepreneurship, and build a national cadre of professional trainers from different backgrounds, including young entrepreneurs. Thus, enabling TVET youth to become more productive employees as transferable skills are embedded into their lifelong learning processes, helping improve the public perception and image of TVET.



The development of a unified entrepreneurship and innovation curriculum has the scope of opened employment opportunities for TVET graduates, as it promotes enrolment in TVET and improves their social perception. Transferable skills acquired has helped Entrepreneurship be seen an employment strategy that can lead to economic self-sufficiency for TVET youth. Through entrepreneurship education, young people, learn organizational skills, including time management, leadership development and interpersonal skills, all of which are highly transferable skills sought by employers.

Working on key challenges that are currently facing the sector, TVET Egypt encourages relevant stakeholders to embrace a context-mindful framework towards a long-term objective with agility and adaptability to suit situations that may arise. Building on the opportunity provided to network, guide, learn, and further develop the innovative ideas generated by beneficiaries, embracing diversity and supporting initiatives that nurture strategic thinking and responsibility to lead changes in government managing the complexity and contradictions within the TVET sector. The strengthened linkages between education and sustainable social and economic development, with the promotion of technical and vocational education that offers practical skills and broader competencies, opening pathways to higher education and improving employability and entrepreneurship has raised a growing awareness of the role of entrepreneurship in growth and employment in Egypt. The issues of redefining entrepreneurship, and consequently entrepreneurship education and training, have become important to foster a paradigm shift toward skills-based TVET. As such, entrepreneurship and innovation must be developed by concrete policy initiatives taking into consideration available human and material resources as well as its developmental plans, to decide how available allocations can be best utilized.





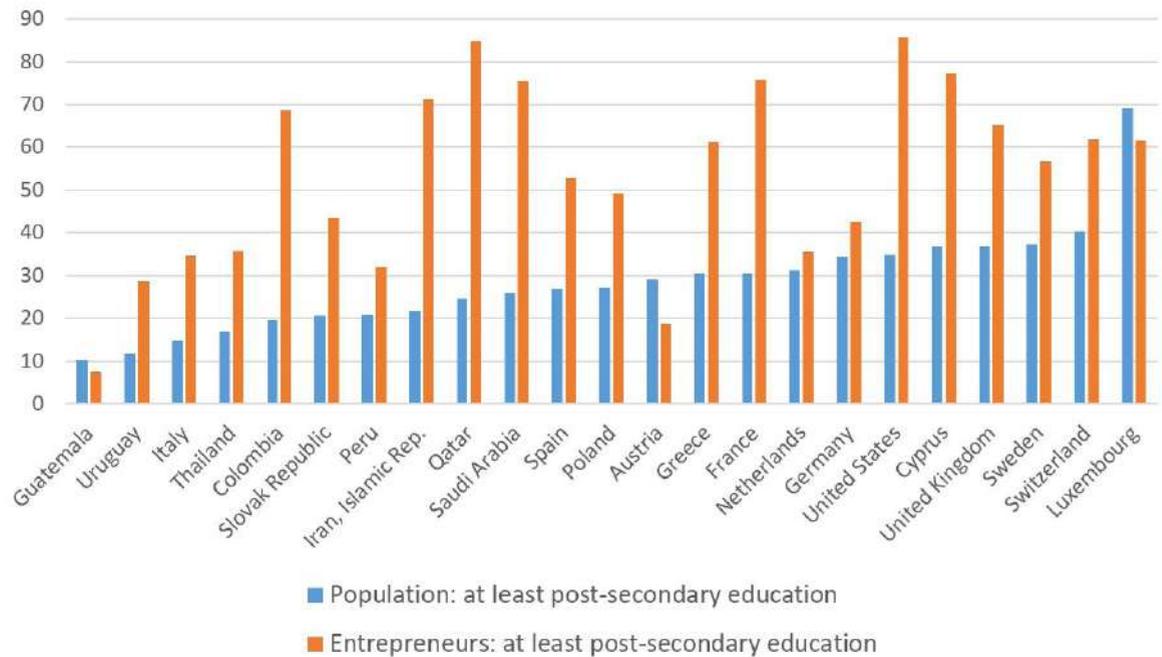
14. How to Educate Tomorrow's Entrepreneurs: The Role of University Entrepreneurship Ecosystems

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The notion that starting one's own business is a substitute for college, or at least that college isn't consistent with the idea of entrepreneurship, has not been true since our grandparents or great-grandparents' generation. Yet we hear more about how Steve Jobs, Bill Gates and Mark Zuckerberg dropped out of college than we hear that other very successful entrepreneurs like Elon Musk, Jeff Bezos, Jack Ma and Ariana Huffington actually graduated from one. Just google "successful entrepreneurs who went to college"; you'll instead get a number of links to entrepreneurs who never finished or never went to one in the first place.

While the legend of the billionaire college dropout entrepreneur makes for a good news story, this is far from the norm. Figure 1 shows percentages, among the adult population and among entrepreneurs, who have completed a post-secondary level of education in 23 countries. As this figure demonstrates, the majority of countries have a much higher proportion of entrepreneurs with a college degree compared to the general population. In fact, more than half exhibit twice the percentage of college educated entrepreneurs as does the general populace. With our entrepreneurial hats on, we can surely say this represents an opportunity. If so many entrepreneurs have gone to college, can we increase their preparation for this endeavor during their studies? In so doing, we can enhance their skills and confidence in ultimately building impactful, long-lasting businesses.

Figure 1: Percentage of the Population and Entrepreneurs completing at least a post-secondary education.



Source: Global Entrepreneurship Monitor and World Bank World Development Indicators

Entrepreneurship Education in Universities

The university environment represents a comparatively safe context for prospective entrepreneurs to learn and practice. Entrepreneurs must act under high uncertainty and insufficient information, charting a way forward when the path is far from clear, and somehow securing financial, human, technology, and other resources to accomplish their goals. This endeavor can be unforgiving, particularly for those with big ideas but who lack sufficient knowledge and connections to enact them. But on a college campus, students can experiment with their ideas inside and outside their classes, working with professors, peers, staff and those in the community to develop their understanding, abilities and confidence for entrepreneurship.

Entrepreneurship education is increasingly understood to be a combination of effective curriculum and pedagogy, and co-curricular and community learning-by-doing. It is not enough to focus on what happens in the classroom, with little connection to what students do outside class meetings and coursework. In addition, the curriculum needs to move beyond learning from the teacher to not just learning from others, but to also learn from oneself.

The case teaching method, originating at Harvard in the 1920s and proliferating across the curriculum of nearly all business schools, exemplifies learning from

others. Guided by the instructor, students identify critical issues, discuss solutions, and make recommendations, including how these might be implemented. There is no right answer, so in this way the method is designed to put students in the role of decision maker in the real world, applying classroom concepts to a real life situation, rather than guessing the one best way. Guest speakers also connect the students to others' experiences, enabling them to learn from the decisions and actions of those who have actually started a venture, grew a business, funded entrepreneurs, or served in some other stakeholder role.

But as effective as these methods can be, entrepreneurship requires more than lessons from the teacher and from others. There can be some gap between putting oneself in the role of a case protagonist, pondering what they should have done, versus really imagining being in that place. And guest speakers may not always be someone the student could imagine emulating. To truly walk in the shoes of an entrepreneur, one should try as much as possible to wear those shoes.

There are both curricular and co-curricular methods to accomplish this. First, the classroom uses as much experience-based learning as possible. When students apply frameworks and work through exercises with a business they can imagine starting, or that they are actually starting, they internalize the learning much more effectively. When they give feedback to their peers and receive the same from others, they broaden their learning by playing different roles and assessing other types of ventures, while reflecting on this experience and how it relates to course concepts. Continual pitching and presenting refines skills and build confidence, particularly in a community where everyone is learning.

Second the co-curricular, or out-of-classroom, learning happens through programs, events, and any other arrangements that allow students to experiment and interact with each other. This is genuinely experiential in immersing students in the startup world. It can involve interacting on a personal level with entrepreneurs, who not only share their experiences but mentor student entrepreneurs. Students can also work in paid internships for venture companies, and they can explore and start new ventures in an on-campus incubator.

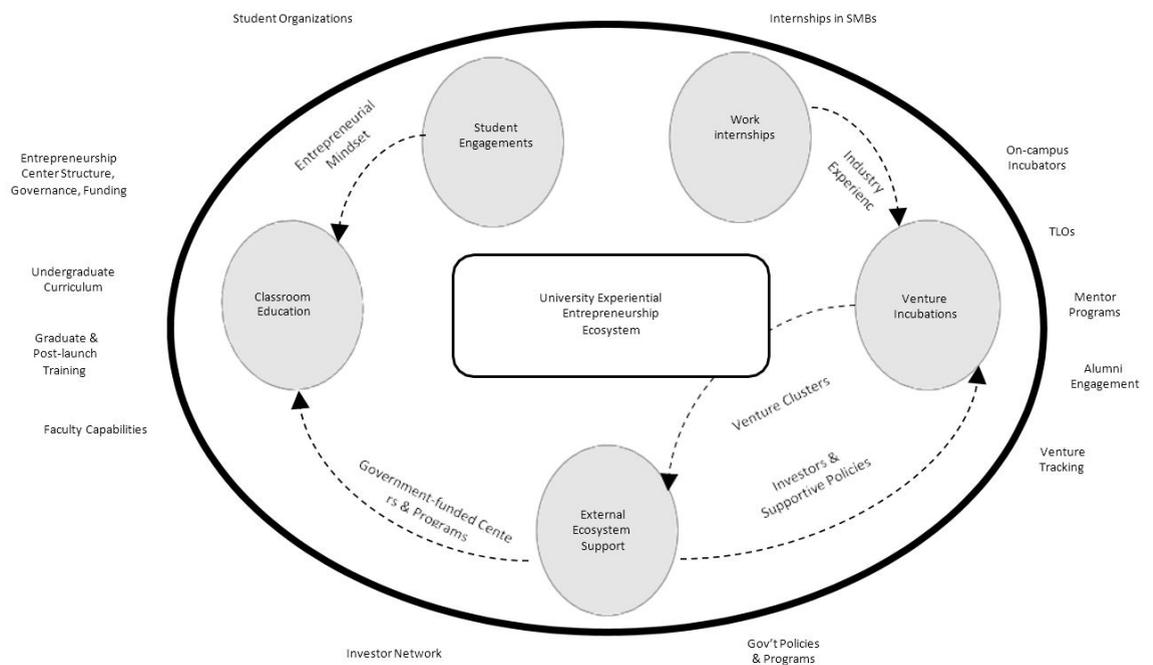
As students increasingly engage in both classroom and out-of-classroom learning, it will be important to integrate these experiences. Students may participate in pitch competitions or engage with an on-campus accelerator. It's obvious that these are practical learning experiences, but they don't necessarily need to be considered something one does on their non-academic time, or to supplement classroom learning. These could be complementary where, for example, students can engage in reflection to internalize the learning, connect their experiences to classroom concepts, and instructors can bring these experiences into the classroom.

The components discussed compose what is increasing being known as the university's entrepreneurship ecosystem. While a region or city (ie. Silicon Valley, Boston) may have conditions, actors and activities that foster and support entrepreneurship, we can also consider the ecosystem serving particular communities, such as a low income neighborhood, women, and students on campus. These focused communities operate within the broader ecosystem in which they come in contact. The important point, though, is to recognize that

these communities require attention to their own ecosystem, conditions that specifically foster and support their efforts, whether or not they can also draw on elements of the broader ecosystem that intersect with their communities.

We next present components of this ecosystem, illustrated in Figure 1, with suggestions for assessing and guiding actions to enhance entrepreneurship education and the building of ventures on campus.

Figure 1: University Entrepreneurship Ecosystem Dimensions



The University Entrepreneurship Ecosystem

The primary stakeholders in an university-based entrepreneurship ecosystem are logically the entrepreneurs (who may be undergraduate students, graduate students, research staff, faculty, and alumni returning back to the university for help starting their companies), teaching faculty, professional staff responsible for venture incubators, venture investors, university leadership, and the government policy decision-makers. There are also alumni who might fund entrepreneurship ecosystem activities, as well as corporations that have an interest in the technologies developed by the entrepreneurs.

Dimensions of the university entrepreneurship ecosystem can be physical, such as an incubator space, or nonphysical, such as entrepreneurship courses and non-curricular learning. These are assets that university officials can design, resource, and promote. Collectively, they are endogenous entrepreneurship ecosystem system factors. In assessing these factors, we can posit ways to operationalize

insights about the ecosystem into concrete action steps for learning and building support for venture creation.

Exogenous ecosystem factors are those requiring partners or composing actions or conditions over which the university has less control, but can—and should—influence. However, these are also important to assess in order to determine what benefits the region provides to entrepreneurs, that makes these less necessary for the university to offer, but that the university can leverage or complement with their own assets or practices. On the other hand, awareness about barriers or a lack of resources or support signals a need for the university to fill these gaps.

Next, we discuss endogenous and exogenous factors representing specific tangible and intangible infrastructure-related assets that our experience and observation has shown to be potentially beneficial to university-based entrepreneurship.

Endogenous Ecosystem Components

Endogenous ecosystem factors include: 1) classroom education, 2) “student engagement”, which can be seen as an antecedent to actual venture incubation, 3) on-campus venture incubation and 4) work internships with companies, whether these are early stage venture companies or venture capital firms and other types of investment vehicles. It should be noted that work internships are seen as endogenous in particular if they are a formal part of an entrepreneurship education curriculum – such as what may be found in “cooperative” education schools. In all, these meta-groups represent the major types of activities occurring within and around a university-based ecosystem, including courses, student clubs and events, and actual venture creation/incubation. This might also include university seed-stage financing in the form of grants for prototype development and early customer acquisition.

Based on the literature and our own experience building entrepreneurship programs, the five major components for assessing the **classroom education** subsystem with the university ecosystem model include: (1) undergraduate entrepreneurship curricula, (2) graduate entrepreneurship curricula, (3) post-launch skills training, (4) faculty capabilities, and (5) entrepreneurship center structure and resources. These components warrant a much more detailed discussion than is possible in this relatively brief article, but this subsystem is arguably the underlying foundation of a university’s entrepreneurship ecosystem.

Student engagement in entrepreneurship is a necessary antecedent to actual venture incubation, whether this occurs before or after graduation. It lies in between the classroom and the actual venture activity. This engagement may also occur in one’s family business prior to college. For most college students, however, such engagement comes in the form of student clubs and events. Student organizations enhance the entrepreneurial culture within the university. They can bring alumni and the business community on campus to interact with students, but also foster the exchange of ideas among student peers and help them build networks that will benefit their efforts even beyond graduation. In all, these organizations serve as a seeding ground for new ventures.

On-campus venture incubation provides students with venture management and advising, access to business and industry mentors, and seed funding. A university's technology licensing office (TLO's) may also become involved with this activity.

Many colleges help students find internships, typically over several months during a summer session, and these may or may not be paid arrangements. **Work internships**, generally known as "co-ops", represent a more serious form of experiential learning, not just a step up from short internships to longer duration paid co-ops, but those that are specifically focused on work in a startup or growing venture company.

Exogenous Ecosystem Components

Exogenous ecosystem factors include: 1) the broader and typically local or regional business and industry support and 2) specific government support of campus-based entrepreneurship learning and activity.

The region around and even beyond a university may have conditions, activities and stakeholders that can benefit entrepreneurship on campus with **business and industry support**. This may include organizations and meetings, events on topics related to entrepreneurship or the types of businesses they are starting, and people students may reach out to for information, expert advice, market research, or even value chain partners (suppliers, technology developers, prototyping facilities, etc.). Another component of the local ecosystem includes accelerators designed to serve entrepreneurs in general, but also students and alumni of universities in the city or region. Some of these are privately funded, while others are funded by federal, state, or local government agencies.

In addition, the investment community's interest in investing in university-based startups has continued to increase over the past decade, with dozens of universities having served as a launchpad for ventures which have exited for in excess of \$50M USD. The presence of a local or regional investor network, their activity level, and the extent first-time entrepreneurs can access that network will be important in assessing the extent this can benefit students.

Government policies and programs can include licensing and permits, tax policy and other requirements for operating a business. This also involves government-based support in the form of training programs, advising and other types of assistance. Government policies and programs can vary substantially across countries but also across regions within a country, in terms of the extent entrepreneurship is fostered versus impeded. Additionally, some governments seek to explicitly influence entrepreneurship, while others are more likely to take actions that enable the activity to flourish without direct intervention.

Assessing the Entrepreneurship Ecosystem

We designed an assessment tool to reflect our research and applied experience developing university-based entrepreneurial ecosystems. It takes the form of a survey, each reflecting a component of the framework described above, with outside experts coding the answers to reflect the current state of these conditions. Overall, the assessment is targeted toward identifying areas of strength that can be leveraged and areas where the university can focus their attention, in their efforts to expand their entrepreneurship ecosystems.

The components of the assessment include the following:

1. Entrepreneurship center organization, and governance
2. Student engagement in entrepreneurship outside of classroom
3. Undergraduate entrepreneurship curriculum
4. Graduate entrepreneurship curriculum
5. Faculty capabilities for classroom education
6. Work-internship design and intensity for experiential learning
7. On-campus student startup incubator organization and activity
8. Post incubator skills training
9. Commercializing technologies from research labs
10. Mentor programs
11. Alumni engagement for mentoring and fund-raising
12. Venture development activity tracking and reporting systems
13. Investor network in the region
14. Near-campus business scale-up incubator organization and activity
15. Government policies and programs

This assessment can be used for continual improvement and assessment over time, where actions can be taken to address needed areas, and subsequent assessments providing feedback. In addition, with multiple universities participating, the assessment can serve as a basis for benchmarking and sharing of experiences and best practices. The overall aim is to continually build the entrepreneurship ecosystem to better prepare our graduates to have the confidence, inclination and knowledge to start businesses that can have positive influence on their societies.



15. LOCAL ENTREPRENEURIAL ECOSYSTEMS

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Ecosystems have emerged as new perspective and tool to facilitate entrepreneurship and SMEs in the face of competitive environments and societal challenges. The term refers, analogous to biologics, to interacting organizations or ‘factors’ that rely on each other’s activities. Whereas for stimulating entrepreneurship attention was traditionally paid to a limited set of factors (e.g. access to finance) and often aiming for specific target groups (e.g. women entrepreneurs), now a more systemic perspective that acknowledges the interplay of various actors and factors appears to resonate among both academics and policy makers.

For effective use of local entrepreneurial ecosystem tools, local actors including entrepreneurs and policy makers need to align on a socio-economic vision for the region, taking into account the local institutional heritage. Based on this they can diagnose to what extent specific conditions and/or linkages between different actors and factors should be improved in their local territory. However, at present local decision makers are ill-equipped to make appropriate diagnoses. A harmonized approach on local entrepreneurial ecosystems, firmly rooted in the academic literature

and combining quantitative and qualitative approaches, is an important if not necessary ingredient to advance economic performance and wellbeing through entrepreneurship in local areas.

Four types of entrepreneurial ecosystems

This report discusses the relevance of adopting local entrepreneurial ecosystems perspectives. Before elaborating on this, however, it is important to relate this concept to other types of entrepreneurial ecosystems, such as those discussed by Jacobides et al. (2018). Given the popularity of the concept and the co-existence of different perspectives focusing on different units of analysis, there is a risk of mixing up concepts that are linked yet distinct at the same time.

First, there is the perspective of the business ecosystem, where the individual firm is the main unit of analysis. This is very much a stakeholder perspective from the viewpoint of a single enterprise developing its dynamic capabilities and includes a “community of organizations, institutions, and individuals that impact the enterprise and the enterprise’s customers and supplies” (Teece, 2007, p. 1325).

A second perspective is that of the innovation ecosystem introduced by (Adner & Kapoor 2010; Adner 2017), where the nexus of activities and actors around an innovation is the focal unit of analysis. This may be heavily determined by one or two single firms, however it is the network these firms with required 'complementors', organizations that are crucial to really embed a particular invention into the market and hence for the success of the innovative activity pursued.

Third, it will, given the recent emergence of the platform economy, not come as a surprise that platform ecosystems are being discussed heavily in recent years. They characterize themselves by a 'hub-and-spoke' system – e.g. platforms in the gig and sharing economy, and tend to challenge existing regulation by applying an own, semi-regulated, market system. This behavior of new niche systems challenging the existing regimes invokes negative and positive framings from key actors in the system (Martin 2016; McIntyre and Srinivasan 2017)

The local entrepreneurial ecosystem can be described as an interactive set of actors and factors that enable 'welfare

generating' entrepreneurship in a given territory (cf. Stam, 2015; Autio & Levie 2017). The concept links to 'industrial districts', 'triple helix', 'clusters' and 'regional innovation systems', however it is much more oriented towards the role of entrepreneurship, and hence linking more explicitly to accumulated knowledge in entrepreneurship research (Stam 2015). It is also relatively agnostic towards industry as a unit of analysis. Links can be made with business ecosystems and innovation ecosystems, in so far these are locally embedded. Furthermore, connectivity between the local ecosystem and international networks, may be crucial (Malecki 2011) and can take place via both business and innovation ecosystems. Links with platform ecosystems are less obvious, unless local ecosystems give rise to the emergence of new hubs in the hub-and-spoke system that characterizes these ecosystems.

Local entrepreneurial ecosystems: basic features and functionality

Based on the rapidly emerging evidence in entrepreneurship (business) studies and regional development, several critical factors for developing a conducive



local environment for entrepreneurship can be identified. Even though there is no widespread definition of entrepreneurial ecosystems, most definitions emphasize the “combination or interaction of elements, often through networks, producing shared cultural values that support entrepreneurial activity” (Malecki 2018, p.5). Most approaches then come up with a discussion of the critical factors for producing value creation through entrepreneurship, such as the early, popular, contributions by Isenberg (2011) and Feld (2012).

Stam (2015) contributed to the academic debate by synthesizing the accumulated knowledge and offering an integrative framework. This framework highlights the interaction between (i) framework conditions enabling or constraining human interaction such as formal institutions, culture and physical infrastructure; (ii) access to demand for new goods and services and (iii) systemic conditions such as networks, leadership, finance, talent, knowledge and support services. Especially the systemic conditions are key in spurring entrepreneurial activity aimed at the outcomes the key local actors are aiming for, such as economic growth, inclusion and sustainability.

Spigel and Harrison (2018) show how entrepreneurial ecosystems may develop and evolve over time in order to deliver benefits to entrepreneurs and to citizens in the local area. They propose a framework that shows how a ‘nascent’ ecosystem, with relatively low levels of connectivity between actors and factors in the ecosystem may be strengthened via specific interventions. This could lead to self-sustaining, resilient ecosystem that can respond to challenges and shocks even though this is not at all evident. Shocks and challenges may also lead to ‘leakages’, represented by resources and key actors (including) entrepreneurs leaving

the local area. Autio and Levie (2017) provide useful pointers when it comes to managing entrepreneurial ecosystems and stress the benefits of applying deep stakeholder engagement.

Local entrepreneurial ecosystems: what kind(s) of entrepreneurship?

Taking entrepreneurship as a process in which opportunities for creating new goods and services are explored, evaluated and exploited (Shane & Venkataraman, 2000), it should be acknowledged that entrepreneurship comes in different types and shapes. For instance, even though the term entrepreneurship tends to be ascribed to ‘high-impact or innovative startups’ in popular media, entrepreneurship also includes entrepreneurial behaviour by employees in established (mainly large and medium-sized) organizations. These organizations create organizational structures and cultures that stimulate entrepreneurial initiatives by their employees.

Results from the Global Entrepreneurship Monitor reveal that entrepreneurial employee activity is relatively high in countries like Sweden, United Kingdom, the Netherlands, the United States, Australia, and Canada, but very low in countries like Brazil, Argentina, Russia, India, China, Indonesia, Japan, and Italy (Bosma and Kelley 2019; see Figure 1 where this type of entrepreneurship is contrasted with independent early-stage entrepreneurship captured by TEA). Next to cross-national variation in these types of entrepreneurship we can expect significant variation at the regional level. Tying this to the perspective of local entrepreneurial ecosystems, in particular medium-sized enterprises may play a crucial role by combining a role as one of the local entrepreneurial leaders that interact with key stakeholders in the region while stimulating entrepreneurial

activity within their organization. The degree to which innovation is developed through entrepreneurial efforts within or outside organizations may not be of high importance when the focus is restricted to the inputs and outcomes at the aggregate level. However, from a systemic perspective it is crucial to understand how key actors in a local area may facilitate innovation. For instance, in more risk-averse, high-trust local societies, entrepreneurial activities may primarily be expressed by employees within established organizations.

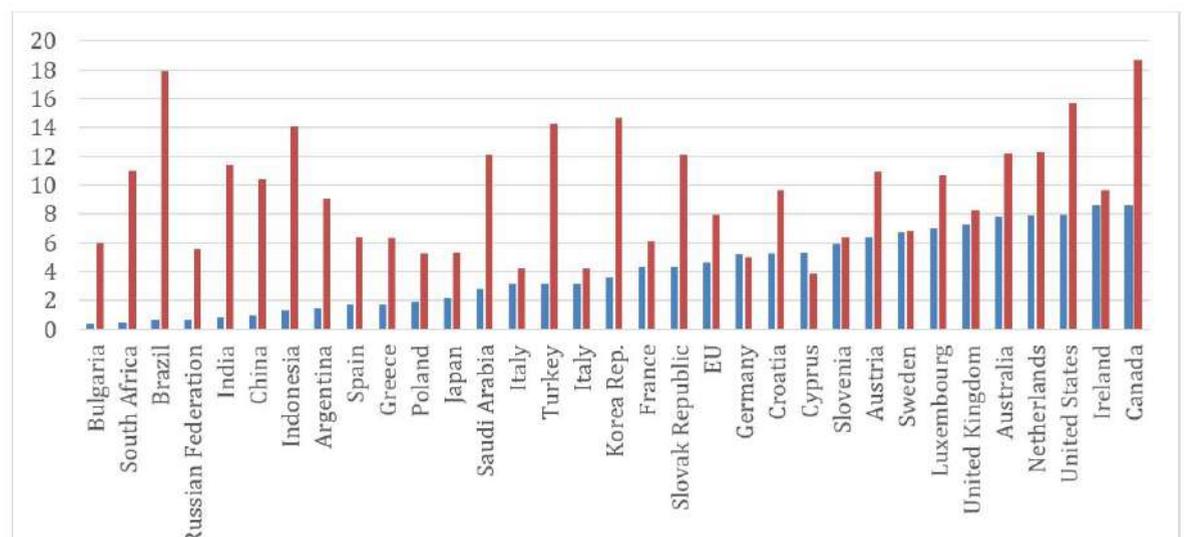
Another type of entrepreneurship that may be relevant is social entrepreneurship. Social entrepreneurship “encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (Zahra et al. 2009, p. 522). Hence, it comprises the efforts by independent entrepreneurs and

entrepreneurial employees to contribute to overall wellbeing and sustainability (inherently related to social wealth) and captured by the United Nations’ Sustainable Development Goals (SDG’s). Increasingly, regions adopt policies linking to the SDG’s while explicitly addressing the role of social entrepreneurship (see e.g OECD/EU 2017).

These are just two examples. Other types of entrepreneurship exist and can be functional for regional development in their own way, as Bosma and Kelley (2019) posit using data from the Global Entrepreneurship Monitor. In line with Stam’s (2015) entrepreneurial ecosystem framework, a joint socio-economic vision on the region, articulating what kinds of aggregate value creation is targeted, is crucial to see what types of entrepreneurship should be (further) developed. At the same time this should be contingent on the existing framework conditions that characterize the local area.



Figure 1. Entrepreneurial Employee Activity and Total early-stage Entrepreneurial Activity (TEA) Rates among Adults (aged 18-64)



Source: Stam et al. (2019) based on Global Entrepreneurship Monitor 2018/2019
 Note: data from Australia and South Africa have been collected in 2017

Towards harmonized assessments for better diagnoses and policy actions

Witness the increasing attention to local entrepreneurial ecosystems in policy, academia and among other stakeholders (O'Connor et al. 2018), the concept seems to be in a 'make or break' phase. At the moment, while academic and policy discussions on the relevance and use of entrepreneurial ecosystems are underway, it becomes apparent that the lack of an existing harmonized research tool is hindering its further development. An initial diagnose of a local entrepreneurial ecosystem can be used to fuel the debate on future directions and the roles different actors can play. However, for a diagnose based on a harmonized research tool to be successful it needs to satisfy a number of criteria. First, the tool should convey the accumulated knowledge and evidence so far (partially described above) and be open for further improvements. Being open for improvements calls for explicit attention to the governance of any initiative proposing a harmonized research tool.

Second, such a tool should be applicable for most regions across the globe, with the aim to be able to compare and contrast with other regions. Importantly, the co-existence of different types of entrepreneurial ecosystems, reflected by different framework conditions and types of entrepreneurship to be stimulated, should be acknowledged. This will not be facilitated by emphasizing rankings based on particular assessments of the elements of entrepreneurial

ecosystems. Such rankings often lead policy makers to be fixated on how to move up in the rankings with the risk to neglect the importance of local institutional heritage.

Third, entrepreneurial ecosystem assessments should aim for a combination of quantitative and qualitative data analysis. While elements of the ecosystem may be captured by available statistics, survey data and 'big data' such as social media analysis, the interactions between the elements can be captured only to a very limited extent. An initial diagnose based on quantitative data (e.g. such as the recent methodology put forward by Sternberg et al. 2019) can make for a good reason for key actors to get together and discuss the strengths and weaknesses of their local entrepreneurial ecosystem. Through a qualitative analysis the diagnose can be updated and interventions can be developed, implemented and evaluated.

Finally, developing such a tool calls for the active involvement of entrepreneurs themselves. A self-sustaining ecosystem will only be achieved if key entrepreneurial actors including SMEs see value in (i) pursuing a joint vision for local socio-economic development, and (ii) in a supportive framework and research tool to diagnose and develop entrepreneurial ecosystems.

Please see references in appendix of report.



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16. THE ROLE OF ENTREPRENEURSHIP EDUCATORS AND RESEARCHERS IN ADDRESSING THE UN'S SUSTAINABILITY AND DEVELOPMENT GOALS

Last year I had the privilege of participating in the International Council for Small Business' annual conference at the United Nations in celebration of the UN's Micro, Small and Medium Size Enterprise Day (MSME). The topic of my talk focused on the role of entrepreneurship educators and researchers in working with the UN to address its 17 Sustainability and Development Goals. I talked about the well known linkage between the level of entrepreneurial activity in any given region and its effect on economic development. I also talked about the idea of recognizing entrepreneurs as problem solvers, especially in the context of addressing social issues. Closely linked to this talk at last year's conference, past ICSB President Ki-Chan Kim emphasized the importance of adopting a philosophy and practice of "humane entrepreneurship". In fact, at the close of last year's conference, all attending delegates engaged in a signing ceremony to endorse ICSB's support for promoting and adopting a humane and empathetic approach to the formation and management of growth oriented ventures.

For purposes of this discussion, I think it is important to clarify what I mean by levels of entrepreneurial activity. As Acs (2006) points out in his work in connection with the Global Entrepreneurship Monitor (GEM) project, it is first important to define how we measure entrepreneurial activity. Measurement issues can significantly influence how we make inferences regarding regional economic development. The GEM Project differentiates between "necessity based" entrepreneurship and "opportunity based" entrepreneurship. Necessity based entrepreneurship implies that individuals resort to a simple form of self employment because there exists very little to no other options at established organizations. Thus for regions

characterized by high levels of necessity based entrepreneurs, we may infer that economic development is suppressed due to the lack of higher paying alternative employment opportunities. Alternatively, opportunity based entrepreneurship implies that individuals proactively choose an entrepreneurial path because they have recognized an opportunity and endeavor to exploit it through creative or innovative means. Accordingly, there seems to be a greater chance of improved regional economic development in areas where opportunity based entrepreneurs can flourish. From this perspective, opportunity based entrepreneurs may be more prone to undertake the challenges of building growth oriented organizations and thus contributing to the viability of a region.

It is also important for our further discussion, to expand on the notion of entrepreneurs as problem solvers. Fernald, Solomon and Tarabishy (2005) in describing the characteristics of an entrepreneurial leader, point to the importance of problem solving capabilities. Entrepreneurs will inevitably face problems in the process of company formation and they must develop the skill sets and competencies to confidently confront them. However, we need to expand upon this internal oriented dimension of problem solving to include the external context of problem recognition as an important element of opportunity identification. Clearly, in this sense, if entrepreneurs are going to play a key role in addressing the UN's sustainability and development goals, we need to focus on developing the kinds of individuals who are willing to take on wicked problems, convert them to unique opportunities and then by using their skill sets and competencies, adopt leadership roles in their process of building sustainable organizations. Thus, a key element of opportunity based entrepreneurship is the notion of addressing problems worth solving (Maurya 2012). In this case, problems have to be extensive enough, and there must exist a large enough potential customer base in search of solutions. Then, by elevating this notion of problem solving capabilities to the societal level, we can truly speak to the types of global issues the UN seeks to take on.

However, while both dimensions of problem solving capabilities are important for the development of opportunity based entrepreneurs, we must also consider the critical role entrepreneurs can play, who have adopted mindsets oriented towards social and humane entrepreneurship. While there still remain many competing views and definitions of the term social entrepreneurship, I refer here to Bornstein and Davis' (2010) perspective that social entrepreneurship represents a process whereby individuals build or transform organizations in ways that advance solutions to social problems (i.e. such as those enumerated by the UN's 17 Sustainability and Development Goals). Complementing this view, Kim, Eltarabishy and Bae (2018) explain that social consciousness in organization building is important, but not enough. Humane entrepreneurship expands this view by espousing the importance of investing in and cultivating an organization's human capital along with the sustainable use of natural resources.

Clearly, what these above points imply is that opportunity based entrepreneurs who recognize and are willing to act on addressing critical social issues in a humane and resource sustaining way can be value added players. Given the UN's endeavor to address its sustainability and development goals over the next decade, it then

becomes critical for entrepreneurship educators and researchers to actively engage in the process of training and developing the talent pool of individuals willing to engage and make a difference.

The Role of the Entrepreneurship Educator and Researcher

Given the lofty vision of the UN to achieve its sustainability and development goals by 2030, they are going to require a concerted effort on the part of people with a wide range of talents and skill sets who are willing to engage in meaningful ways. As I mentioned in my talk last year, we are going to need an eclectic collection of skilled individuals such as doctors, scientists, engineers, lawyers, teachers, artists and musicians who can apply their unique perspectives and talents in shining a light on and tackling vexing societal issues. Additionally, we are going to need entrepreneurs who can creatively pull together this critical talent along with resources in order to build the organizations that can make change happen.

Entrepreneurship education has come along way over the last several decades in the development of competency enhancing pedagogies for developing the next generation of entrepreneurs. Traditionally, during the 1970's, 80's and 90's, entrepreneurship had been taught using a basic business planning framework where a student would be encouraged to conceive of an idea and then to write a business plan as to how he or she would propose to implement it. Basically, what we learned from more deeply examining this approach is that we were doing more to train talented business plan writers as opposed to practicing entrepreneurs. However in recent years, several trends have profoundly influenced how entrepreneurship is taught and introduced to students of all ages and backgrounds. These trends include 1) the lean startup movement; 2) an emphasis on competency and network building, 3) a heightened awareness towards social entrepreneurship and and more recently 4) a focus on Humane Entrepreneurship.

The lean startup movement emerged from the seminal work of people such as McGrath and MacMillan (2000), Osterwalder and Pigneur (2010), Reis (2011), Blank and Dorf (2012), and Maurya (2012). The approach has caused a shift in emphasis in entrepreneurship education from a business planning framework to more of an experimental approach based on initial business model conception and design, assumption identification and testing through market feedback and subsequent iteration and refinement in order to achieve stronger product - market fit. Clearly the lean startup methodology constitutes an "action oriented" approach to learning how to build sustainable organizations based on market needs and product attributes.

The competency and networking approach to entrepreneurship education recognizes that company building activities require a wide range of skill sets that an entrepreneur must acquire in order to manage the changing needs of a growing firm. Early work in this area drew upon the social cognitive work of Albert Bandura (1977) in developing the construct of self-efficacy, or the belief in one's own abilities to accomplish challenging tasks and projects. In developing this construct, Bandura strongly recommended that researchers should begin to develop domain

specific (unique to a particular context) measures of self efficacy. This prescription influenced a number of entrepreneurship researchers (i.e. Chen, Greene and Crick, 1998; DeNoble, Jung and Ehrlich, 1999) to develop unique domain specific measures of entrepreneurial self efficacy. More recently, researchers began to focus on the unique competencies associated with entrepreneurship and new venture creation (Morris, Webb, Fu and Singhal, 2013). Thus, by understanding the competency and skill sets required to pursue venture initiation and growth activities, entrepreneurship educators began to focus on more experiential based pedagogical designs. In the entrepreneurship education field, we focus, for example, on helping our students to develop competencies around such areas as opportunity recognition and analysis, business model design, leveraging resources, risk management and creative problem solving. These skill sets represent important attributes of the types of entrepreneurial leaders who can effect meaningful and impactful change.

The third trend influencing entrepreneurship education today is a direct result of the heightened awareness of current generations of students around social issues and challenges. For the better part of the 21st century to date, today's generation of students are much more well informed of the state of world affairs than any previous generations. Clearly, advances in internet and mobile device technologies along with the development and proliferation of social media platforms has brought an amazing amount of current information available instantaneously to an individual anywhere and anytime. As a result, more and more students are aware of societal challenges impacting them locally, regionally, nationally and globally. Accordingly, these students are demanding that educators provide more thought provoking and engaging pedagogies that allow them to experience entrepreneurship through more meaningful field based activities.

Finally, a more recent enhancement to the concept of Social Entrepreneurship is the emerging construct of Humane Entrepreneurship. As mentioned earlier in this discussion, this approach developed and championed by past ICSB President Ki-Chan Kim, advocates that company builders and managers become more aware of the impact of their business model designs, strategic decisions, and resource allocations on people both inside and outside of the organization. Additionally, Humane Entrepreneurship recognizes that such business decision making should also reflect an organization's impact on the natural environment. Already, conferences devoted to this idea and papers focused on enhancing, measuring and further developing this concept are beginning to emerge. Eventually, a Humane Entrepreneurship methodology will become a standard and expected part of an entrepreneur's educational process. Accordingly, I believe that continued developments in entrepreneurship pedagogy will emerge and adapt to humane requirements in future business model designs.

Addressing the So What Question

So what do these trends in entrepreneurship education and research mean to those involved in formulating practical ways to implement meaningful and impactful change in global society along these seventeen dimensions of sustainability and development? I contend that it is entrepreneurs who can play leading roles in taking

initiatives and building organizations to mobilize resources for addressing these issues. Accordingly, the importance of entrepreneurship research and education must be recognized and supported. For it is incumbent upon this community to focus their efforts on training and developing competent opportunity based entrepreneurs who will be the difference makers. In this regard, the International Council for Small Business represents the leading global organization dedicated to this effort. ICSB, its affiliate organizations, and members worldwide represent the collective human and social capital of talent capable of influencing and affecting such change world wide.

At the global level, ICSB has been developing and innovating new programs to enhance the capabilities of both entrepreneurship educators and hopeful future entrepreneurs. The ICSB certificate programs in Social Entrepreneurship and Creativity and Innovation are prime examples of such initiatives. Both of these programs are designed to help educators to enhance their teaching impact through exposure to new pedagogical designs and educational resources. Additionally, the ICSB Academy brings together a diverse group of talented students from member institutions around the world to learn and experiment with new business designs and to build cross cultural relationships.

The U.S. affiliate of ICSB, the United States Association for Small Business and Entrepreneurship (USASBE) has reformulated its strategic mission to focus more on learning and education initiatives. Their annual conferences typically feature unique workshops devoted to experiential learning and cutting edge curriculum design.

Additionally, educators and researchers can engage in learning activities at smaller boutique conferences such as the Experiential Classroom hosted by the University of Tampa, the Babson Symposium for Entrepreneurship Educators (SEE), the Research Workshop hosted by CETYS University in Ensenada Mexico and the California Entrepreneurship Educators Conference (CEEC) hosted by the Lavin Entrepreneurship Center at San Diego State University. These conferences bring together leading researchers and educators in smaller more intimate settings to engage in discussions with a broad range of conference participants (usually new professionals in the entrepreneurship education field).

The purpose of all of these initiatives is to enable our educational institutions and communities of educators and scholars to offer the types of programming that will engage and motivate talented students to develop the confidence in their entrepreneurial skill sets and competences. The United Nations needs future generations of leaders who can not only recognize and empathize with the vast societal challenges confronting all regions, but can also have the confidence to act on their beliefs so that collectively we can make progress towards achieving these lofty goals.

Please see references in appendix of report.



17. SHAPING THE ENTREPRENEURIAL ENVIRONMENT FOR THE NEXT GENERATION

Hartmut Meyer
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In the European countries, the next generation of entrepreneurs sets highly self-confident and strong-minded the agenda for future entrepreneurial activities. The source for the awakening can be traced back to the activities of Greta Thunberg of Sweden. In the pursuit of the objective to stop a global warming, students left the school on Fridays and demonstrated for measures to reduce CO₂-emissions. This collective power and determination of the youth swirled together the national agenda. Previous discussion of market protectionism, the refugee crisis, or the debt problems of various members within the European Community were losing their impact on the political agenda power. The focus is now clearly laid on climate change and sustainability.

Moreover, their initiatives changed the perceptions of the next generation within society. The values and behaviours of European citizens changed within a few months and one could tell that their initiatives decided the recent election towards the European Parliament as was the case in the Germany demonstrates.

Although the need to take action to reduce the risk of a global warming as such are not new, national governments so far managed to define global treaties and goals. According to individual timetables, the implementations of the necessary measures were taken reluctantly due to the attempt to balance the requirements between the environment and the industry.

Here is exactly where the criticism by the younger generation begins, those who have now appointed themselves to force the implementation of the necessary measures. They appointed themselves as the last generation to have the chance to stop the consequences of global warming. Enhanced by the power of social media, the developments we made at an exponential pace, one which currently overruns the whole nation. Within a few months, the discussion changed towards the question of how green contemporary policies and entrepreneurship are. Consumers start to evaluate their decisions more strictly according to sustainable measures and their ecological footprint. In particular, the transport industry, automotive industry, as well as the tourism industry are expecting fundamental changes in consumer behaviour.

The existing establishment was overrun by the power of the younger generation who demonstrated their readiness to take up responsibilities and criticized heavily missing actions to stop global warming using reasoning arguments. This rapid development is not only a success of their ability to use social media effectively, it is more the message that we have to expect a next generation willing to take responsibility, setting their personal definition of a quality of life at the top of the agenda as well as being a member of a single-society embedded in digital networks.

They appear to be less materialistic and demand only goods and services which are needed at the time. However, they demand that their needs should be complied with by a high expectation of quality and pace without accepting personal compromises. This generation experienced a stable economic environment which always provided choices from among a wide number of opportunities.

The future key words in entrepreneurship will be sustainability, application of the cyber application, and information technology and humane entrepreneurship. These key words demand radical innovations within the value creation process in a true Schumpeterian sense. Although, national statistics fail so far to indicate true eco-entrepreneurship, according to the OECD in 2018, the figures indicate that only 7% of entrepreneurial activities can be classified as eco-entrepreneurship. It appears that we are entering a new area of a sustainable entrepreneurship which requires a change in the value creation process. This demand will create a set of abrupt innovations, but also provides new business opportunities for a future growth. Therefore, the question arises, how do we change the entrepreneurial eco-system in order to comply with the needs and characteristics of the next generation of entrepreneurship?

Within the European Community, the current situation and starting point to develop the necessary changes in entrepreneurship can be characterized as follows:

- Success in the market is based on the generation and application of innovation. This is the key driver of entrepreneurship. The collaboration between e.g. research institutes and businesses starts to develop and does not allow future entrepreneurship to build upon.

● Business models are increasingly based on digitalization, a cyber-based value creation process, and networking. It is assumed that the application of these measures increases productivity and profitability. Nevertheless, the current discussion suggests that so far the systems are used as an information source rather than allowing for automatic intelligence or production. The integration of industry 4.0 and society 5.0 has just started. The focus of investments within the companies is concentrated on the application of industry 4.0 and the integration of cyber and real space

● The society is working to find measures to comply with migration or demographic change. High social standards and employment rates are reducing factors that push towards entrepreneurship. Measures to protect the climate are at their start.

● The market is highly globalized and the industries depend on open markets. One finds a shift within the structure of the economy towards the service industry.

The next generation of entrepreneurs appears to be less materialistic, a fact signaled by a sharing economy and sustainability. The characteristics of future entrepreneurship will be outlined by the following observations:

● An individualistic generation which is well educated, knowing their opportunities and role in the society. Without compromises, they want to implement their future ideas of income generation.

● Accepting a high degree of social responsibility and compliance to it by various types of entrepreneurship

● Placing sustainability as a guiding philosophy in their business models of income generation to reduce the effects of climate change

● Going beyond the cyber and social media world. It is accepted that function of the value creation process, communication, and sharing knowledge and information is allocated within the cyber world. However, decisions and actions needed in the real world are done within their networks. Aspects of human entrepreneurship become a core feature

● Change and market developments take place at an exponential pace. In order to provide stability and orientation, ethical values are regarded highly.

● Working models fluidly change between self-employment and depend on working contracts on the grounds of the demanded knowledge by the economy as well as their personal perception of a work-life balance. In particular, the personal work-life balance will set the benchmark for their entrepreneurial activities.

● Due to the knowledge industry and demographic change, growth within the economy will be mainly generated through the knowledge industry, health and wellness industry, as well as the service industry as a whole. Through the development of industry 4.0, production is less orientated towards labor costs and will take place at the rate of consumption. Globalization will be newly defined on the grounds of sustainability as production will be determined by flexible systems like e.g. 3D printing.

● Due to the exponential pace of market developments and the shortening of product life-cycles, values of business ethics set the yardsticks for business behaviour. Misconduct against social values will lead to strategic disadvantages.



Upon reflection of these two situations, the question arises: What does this mean for research and policies in order to create the necessary eco-system for future entrepreneurship?

One does find an urbanisation trend due to the increasing cost of mobility and networking in the service and knowledge industry. Entrepreneurship develops mainly in off-spring areas where market access and growth is only possible through networking. Although the economy is dominated by smaller companies, the contribution towards the GDP will be mainly generated by multinational global enterprises. This means that the development of entrepreneurship will also be dependent on the collaboration of multinational enterprises. The reasons for this development have to be found on the issue in order to solve the problem of finding market access and to finance innovations. This means on the other hand, that entrepreneurship in rural areas becomes a particular challenge and will be determined by the mobility factor.

One of the prime focuses in Europe needs to be to set up a complete digital infrastructure. Many European countries are not in the position to provide a reliable infrastructure. Many business ideas like for example; Airbnb, ride-sharing, or the use of bikes relies on the application of information technology. These services, which noticed high growth rates the past, indicate two features for market success, the combination of the possibilities of industry 4.0 and sustainability.

Production and trade dominated the globalisation in the past, whereas the future trend will be laid internationally on the generation of innovation and knowledge application. The marriage between entrepreneurship and innovation will govern future entrepreneurial activities. This marriage can only take place by an extensive exchange of knowledge and its application. Here universities and research institutes will become key drivers of entrepreneurship. Research in Europe already shows now that public and private spending on R&D directly influences entrepreneurial activities. Governments must here change their attitude about public spending.

This application of knowledge sets new boundaries as the production will increasingly become local in order to save transportation costs. These costs are perceived more as additional opportunity costs due to the problem of emissions. Moreover, the exchange of knowledge is less dominated by tariffs and common market protection measures. Already, recent developments have shown that protection measures only have, if any, short-term labour market effects. Also, developing countries need to be included in the application of knowledge and sustainability in order to keep their markets open.

Due to the marriage of innovation and entrepreneurship, the structure needed to finance this marriage will set new demands and change the common financing behaviour of bank loans. Banks in Europe are restricted to the regulations of Basel IV. This makes it difficult for banks to finance innovation and business ideas in the service industry. The funding of seed costs is currently a problem. The venture capital market needs to be rapidly developed in order to comply with the needs of future entrepreneurship. Future entrepreneurship risks will be evaluated by a

set of opportunity costs as the personal consequences to take up the risk and the desire to be able to change employment situations more frequently. Therefore, banks are required to develop here additional services in order to be a financial partner for future entrepreneurs.

The environmental support system within the entrepreneurial eco-system needs to comply more with the needs of opportunity-based entrepreneurship. Opportunity-driven entrepreneurship especially requires high standards within consultancy services as well as the readiness to react fast to the needs of prospective entrepreneurs. Gateway functions are required in order to allow access to the target network and to reduce complexity while starting a business. Predominantly, the long-proclaimed reduction of administrative burdens for entrepreneurship must take place. Fiscal and administrative systems must become more entrepreneurship-friendly in order to reduce transaction costs.

For the future promotion of entrepreneurship, there is also a need for closed collaboration between researchers and policy makers in order to allow target-orientated measures. Institutions such as the International Council of Small Business (ICSB), the European Council of Small Business (ECSB), the Institute of Small Business and Entrepreneurship (ISBE), and so forth offer this through research measures to direct policy-makers.

The future entrepreneurship types will be opportunity and demand-driven and demonstrate the agility of the researchers, policy-makers, and the entrepreneurial eco-system. Here and now, actions are required to foster entrepreneurship, according to what current developments show. The younger generation will not wait for it, they will otherwise change the agenda themselves as the first experiences with the next generation of entrepreneurs demonstrates.



18. ENTREPRENEURSHIP EDUCATION IN THE 21ST CENTURY: ALEXA, TELL ME HOW TO START A BUSINESS

Background

It is 1947, graduate students at Harvard University enrolled in economics class are waiting for Professor Dr. Joseph Schumpeter to arrive. Dr. Schumpeter has created quite a stir with his economic theory of “Creative Destruction which was popularized by and is most directly associated with his 1942 book “Capitalism, Socialism, and Democracy”. In the book, Schumpeter introduced the term "creative destruction," which he explicitly derived from a Marxist thought which proposes that change occurs when the current socio-economic system (thesis) is challenged by a counter-vialing approach (antithesis), causing conflict which yields a new way of doing business and managing nations (synthesis).

In Schumpeter's vision of capitalism, innovative entry by “entrepreneurs” was the disruptive force that sustained economic growth, even as it destroyed the value of established companies. Faculty and students ostracized Schumpeter for this radical departure from contemporary thought. Professors saw this new focus as too radical a departure from traditional economic thought, and they dismissed any discussion of the theory/concepts. Central to his teaching was a desire to incorporate new pedagogies such as case studies to apply his theory within the community of scholars.



George Solomon
Editor, The Journal of Small Business Management

In the beginning

Schumpeter and the other early scholars in the field had no way of knowing what or if Entrepreneurship Education would survive the test of time. As seen in Table 1, from 1930-1970 there was some acceptance of Schumpeter’s divergent economic theory, fueled in part by the steady but slow offering of courses in small business and entrepreneurship and the rise in interest among psychologists examining what makes entrepreneurs different but more importantly, can we teach individuals to be entrepreneurs? If so, given the motivation and drive of entrepreneurs, societies could experience a rise in economic prosperity. However, the study of entrepreneurs and entrepreneurship suffered due to a lack of agreement on who was an “entrepreneur” and what was “entrepreneurship”?

In addition, educators taught entrepreneurship/small business management similar to existing management courses which relied on the use of case studies and the Socratic method. In most cases, they deliberately removed discussions on behavior, creativity, and innovations. This period is symbolized by the well-known phrase “Pornography: I know it when I see it.” This alluded to the difficulty in operationally defining an individual who defies logic.

	1900s-1950s	1960s	1970s
Evolution of Entrepreneurship Education	<ul style="list-style-type: none"> Entrepreneurship Education was almost nonexistent. Some economists, specifically Schumpeter, argued that the study of entrepreneurs was necessary for the economic health of a nation. Post-Secondary education was reserved for the few wealthy. 	<ul style="list-style-type: none"> Entrepreneurship Education was <u>receiving</u> some attention. Academics argued that to teach small business management and entrepreneurship one only had to teach the principles of management and merely shrink the scope to fit small business. 	<ul style="list-style-type: none"> Entrepreneurship Education was being offered at a variety of 2- and 4-year colleges and universities as a major or field concentration. The Academy of Management in approved "Entrepreneurship" as a distinct interest group for its members.
Academic Research	<ul style="list-style-type: none"> Academic Research on the topic of entrepreneurship was sporadic and inconclusive. Because firms were small and not complicated, there was little interest in studying small businesses. 	<ul style="list-style-type: none"> Academic research on entrepreneurship focused on personality traits and background characteristics of owner-managers and their relationship to success. Sociologist and social psychologist began examining the effect of individual personalities – McClelland's need for high achievement (n-ach) 	<ul style="list-style-type: none"> Academic Research on entrepreneurship focused on: <ul style="list-style-type: none"> personality traits and background characteristics of owner-managers the use of external sources of assistance to improve the chances of success Federal government began creating programs to incentivize people to start, manage, and grow businesses,
Pedagogy, Andragogy, Heuristics	<ul style="list-style-type: none"> Nonexistent. Storytelling was the vehicle for disseminating knowledge. 	<ul style="list-style-type: none"> Case study and the Socratic Method for examining multiple points of view. A few professors began teaching entrepreneurship through the lens of Schumpeter's work. 	<ul style="list-style-type: none"> Guest speakers Integrating theory with practice (<u>Arevis & Schon</u>)



Things start to pick up

As seen in Table 2, the years 1980 to 2009 saw rapid growth, acceptance, and significant scholarship conducted globally. Leading the way are the Kauffman and Coleman Foundations, Babson College, and individual entrepreneurs.

The entrepreneur suddenly became a folk hero immortalized in the popular press and fueled by a new wave of contemporary journals such as Entrepreneur, Inc., Fast Company, and Business Week.

Demand for textbooks grew exponentially as colleges and universities hoped to capture the entrepreneurial spirit as well as attract an influx of new students. US Federal Government played a significant role in the development of entrepreneurship education by creating and funding the Small Business Institute Program, the Small Business Development Centers Program, and Business Information Centers (BICs).

Perhaps the most significant contribution is the funding of the landmark study on “Job Generation” by Dr. David Birch. His findings indicated that many of the net new jobs came from fast-growing new ventures. Several politicians and others quickly became disciples, spreading the word that small was indeed beautiful.

Significant studies by Kauffman discovered that a vast population of nascent entrepreneurs existed in the United States. The worldwide community sought to duplicate the studies and convince policymakers to fund more research on entrepreneurs and develop strategies to create favorable ecosystems.

Family businesses and socially-focused entrepreneurs offered new insights into the goals and objectives of a new generation of entrepreneurs. Pedagogies were evolving from straight lecture, multiple choice format to more interactive and field-based research. Teachers began using the internet in a variety of targeted exercises as many professors were moving students out into the community to witness first hand the role and economic impact of the entrepreneur. To some, the growth in the field is vindication that entrepreneurship and small business are scholarly pursuits of knowledge and in some way validates the field and adds credence to Schumpeter’s work.

	1980s	1990s	2000s
Evolution of Entrepreneurship Education	<ul style="list-style-type: none"> Entrepreneurial Education was expanding nationwide in 2- and 4-year colleges and universities. The Academy of Management authorized "Entrepreneurship" as a significant division. Two "National Surveys of Entrepreneurship" are conducted by SBA and directed by G. Solomon. Babson College and Kauffman Foundation sponsor the annual "Frontiers of Entrepreneurship Research" conferences 	<ul style="list-style-type: none"> Entrepreneurship Education was an integral part of most business schools. J. Katz reports exponential growth occurring in Endowed Chairs in Entrepreneurship and the development of Centers of Entrepreneurship The study of Family Business and Women Entrepreneurs become crucial research areas. Publishers are producing a wide variety of titles and with the expansion of journal articles, offer the field an opportunity to develop a sound theoretical and conceptual basis in support of establishing the academic credibility of the field. 	<ul style="list-style-type: none"> Entrepreneurship Education is now widely available on campuses and the internet and through distance learning. Pedagogical issues arise dealing with the inability of educators to differentiate between "small business" and an "entrepreneurship" curriculum If everyone is an entrepreneur, then no one is an entrepreneur. There is a rise in activity in social entrepreneurship.
Academic Research	<ul style="list-style-type: none"> Academic Research on entrepreneurship was becoming diverse, exploring issues ranging from "personality traits of individuals to acquisition of capital. More research focused on examining the factors increasing individuals to become more entrepreneurial- 	<ul style="list-style-type: none"> Academic research on entrepreneurship became global in looking at Economic Development. The prevailing research explored issues ranging from "strategic alliances" to "succession in a family business." The field of entrepreneurship was developing standards of excellence. More international research was being conducted and collaborated. 	<ul style="list-style-type: none"> Extensive research support by the Kauffman Foundation examines the role and characteristics of "Nascent" Entrepreneurs. There is an absence of academic research exploring public policy issues and small business and entrepreneurship.
Pedagogy, Anragogy	<ul style="list-style-type: none"> Guest speakers Consult with local businesses Case studies Socratic discussions 	<ul style="list-style-type: none"> Increase in films, PowerPoint, and business plans as new teaching pedagogies The emergence of small boutique conferences Introduction of computers in the classroom 	<ul style="list-style-type: none"> Greater use of technologies Many schools offered majors, minors, and concentrations in entrepreneurship.

The Techie, The Unicorn, and the Gazelle

As seen in Table 3, Entrepreneurship Education has evolved to the point that it is not about 'can we teach individuals and students to be entrepreneurial at least in spirit', but 'where, how, and when do impart the knowledge'? The dilemma for entrepreneurship educators is too much a good thing. The field is still arguing among themselves regarding who is an entrepreneur, and what is entrepreneurship. Can one say that a steadily growing small business is no different from a high tech firm struggling to grow?

As more and more individuals decide to focus their career on creating the next "Google" rather than striving for the corner office, educators must firmly take hold of the steering wheel and drive the next generation of entrepreneurs to greater heights while ensuring that humanity does not suffer. More and more technology interfaces with firms, especially new startups. This may eventually lead to a point in time where a clash of ideas may pit tech entrepreneurs against the rest of the crowd. However, caution needs to be raised that in striving for more new entrepreneurial starts that not all will work accordingly.

As all this churning takes place in the economy, entrepreneurial educators will be forced to dehumanize their interaction with real live entrepreneurs (students). The act of being an entrepreneur is grounded in one part of creativity, one part innovation, and one part determination to succeed.

	2010s	2020 and beyond
Evolution of Entrepreneurship Education	<ul style="list-style-type: none"> • Business Plan competitions proliferate in the field. • There is a growing interest in Business Model Canvas instead of Business Plans. • Millennials see entrepreneurs as people doing “good.” • Begin employing AI in the classroom. • The rise of knowledge portals like TED Talks provides students with another view of the entrepreneur. • Educational technology becomes a significant force in integrating theory and practice providing the academic world. • Online delivery is a new wave of delivering low cost-effective training 	<ul style="list-style-type: none"> • Online becomes the dominant delivery system. • Classes are integrated with live sessions with faculty and entrepreneurs. • Increase in interest among economic development groups to create more appropriate economic development strategies. • Watson meets Alexis, and over time, faculty move out of the classroom and serve as mentors to students. • All knowledge will be virtual with the emergence of a paperless society. • As technology slowly becomes the dominant heuristic approach, the human element may be lost. • As Peter Drucker said in the early 21st century, “Culture eats strategy for breakfast. Thus, the rise of Humane Entrepreneurship
Academic Research	<ul style="list-style-type: none"> • Research becomes more interdisciplinary, incorporating math, science, and public policy. • There is greater emphasis on entrepreneurship education in all disciplines. • More attention given to motivating students to launch a new business 	<ul style="list-style-type: none"> • Researchers will revisit the role of the individual in creating new businesses. • Studies will be conducted on the how not the what is learned in a classroom. • As technology advances, what will be the role of creativity and innovation in creating the next generation of entrepreneurs
Pedagogy, Andoggy Heuristics	<ul style="list-style-type: none"> • Asynchronize and synchronize sessions rise in popularity • There is a greater emphasis on getting students out into the field. “Flipped” classrooms. • Debate still rages regarding the term entrepreneurship and the entrepreneur. • Schools rated by the number of new starts in addition to academics 	<ul style="list-style-type: none"> • Online will be the primary knowledge delivery system • Virtual Reality activities become more the norm than the exception. • Students will increase their use of various AI knowledge resources • Using AI, courses will have more simulations of probable decision outcomes such as starting a new venture minus the human touch. • Students worldwide will take the same course but with area-specific knowledge

The Future is Now!

Entrepreneurship professors in the not too distance future might be heard saying, “Alexa, I want you to download all relevant data to start a new venture, a restaurant. Provide all available data, URLs, and relevant websites containing how to start, to manage, and grow a business. Further, prepare all the necessary documentation to secure the best loan or equity investor. Next, hire a manager and make sure the firm receives a high ROI”. “Professor, how high of an ROI should we be targeting? Do you want to be a unicorn? “ “I am meeting Watson later after we refresh our cache, and I will have him transfer the data. Hopefully, your new venture will not be doomed to fail, as your life form already consumes too much fuel”. “Alexa in 2000, Michael Dell, the founder of Dell computers, addressed a group of executives about how to succeed as an entrepreneur”. “That is easy, think counterintuitively in all matters”.

Alexa and Watson left in disbelief, saying, ‘How did they survive without us to bring logic and clarity to all decision making?’



19. ENABLING INNOVATIVE BEHAVIOR IN ENTREPRENEURIAL MICRO, SMALL AND MEDIUM SIZES-ENTERPRISES

ABSTRACT

A plethora of new reports, materials, products, new financial networks, coupled with new joint venture possibilities, affect the way Micro, Small, and Medium-sized Enterprises (MSMES) do business globally. The number of articles, books, and symposia written on the role of the MSMES in developing change and innovation is overwhelming. However, the literature fails to examine the affect national, city, and organizational climates have on entrepreneurs and the MSME's ability to prosper in a very dynamic marketplace. For those of us involved and concerned about innovation and change, to overlook the key elements of climate distorts our understanding of the critical elements needed to foster entrepreneurial and innovative ecosystems.

This report will attempt to add to our understanding of how entrepreneurs and MSMEs interrelate with their climate to create innovative products and services. Researchers, managers, and government officials are becoming increasingly interested in examining how individuals and MSMEs can create an innovative and creative climate. This interest is fueled by the desire to understand the link between climate and the influence it has on individuals to develop and initiate new products, services, and systems. This relationship between climate and innovative behavior lead to interest in the field of micro and small business and entrepreneurship. This report will attempt to further explain this phenomenon from the perspective of the entrepreneur and the impact on the company.

INTRODUCTION

Researchers, managers, and government officials are becoming increasingly interested in examining how individuals and MSMEs can create an innovative



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and creative climate. This interest is fueled by the desire to understand the link between climate and the influence it has on individuals to develop and initiate new products, services, and systems. This relationship between climate and innovative behavior has led to interest in the field of micro and small business entrepreneurship.

This report will attempt to further explain this phenomenon from the perspective of the entrepreneur and its impact on the company. To present our discussion, I have arranged this report in the following manner: I will first explain the entrepreneur from a behavioral viewpoint. Second, I will explain what I mean by organizational climate. Third, I will explain what I mean by innovative behavior. Fourth, I will discuss how the entrepreneur affects the creation of the organization's climate. Finally, I will explain how organizational climate affects innovative behavior.

Entrepreneurial Behavior

A literature review of what an entrepreneur is can be dated back to 1938 when Murray (1938) attempted to explain that the difference between entrepreneurs and other individuals is based on their attitudes and behavior.

"They work hard and are driven by an intense commitment and determined perseverance; they see the cup half full, rather than half empty; they strive for integrity; they burn with competitive desire to excel and win; they are dissatisfied with the status quo and seek opportunities to improve almost any situation they encounter; they use failure as a tool for learning and eschew perfection in favor of effectiveness; and they believe they can personally make an enormous difference in the final outcome of their ventures and their life."

Some of the best-known research about examining the personality characteristics of entrepreneurs has been conducted based on David McClelland's theory of need for achievement (Anderson, 1978; McClelland, 1961; McClelland & Winter, 1969). Many writers assert that risk-bearing is a prime characteristic of an entrepreneur (McClelland, 1961 & Timmons, 1978).

McClelland's work (McClelland, 1987) was a cross cultural study on the characteristics of successful entrepreneurs regardless of country and type of business. He reports three groups of competencies: 1) the entrepreneurs seem more proactive, 2) they show several characteristics of previously identified achievement motivation, and 3) they show a commitment to others stressing the importance of customer satisfaction.

Table 1 gives a fuller description of these characteristics.

3. Sees and acts on opportunities	Seizes unusual opportunities to start a new business, obtain financing, land, work, space, or assistance.
4. Efficiency-	Looks for or finds ways to do things faster or at a lower cost.
5. Concern for high-quality work	States a desire to produce or sell a top or better-of-quality product or service.
6. Systematic	Breaks a large task down into subtasks or sub-goals, anticipates obstacles, evaluates alternatives.
7. Monitoring	Develops or uses procedures to ensure that work meets standards of quality.

COMMITMENT TO OTHERS

8. Commitment to work contract	Makes a personal sacrifice or expends extraordinary effort to complete a job, pitches in with others in their place to get the job done.
9. Recognizes the importance of relationships	Acts to build rapport or friendly relationships with customers, sees interpersonal business relationships as a fundamental business resource, places long-term good will over short-term gain.

Source: David C. McClelland (1987), "Characteristics of Successful Entrepreneurs"

Herzberg (1989) characterizes entrepreneurs as unconventional. He attributes entrepreneurial actions to those persons who take responsibility and pride in their jobs, and who, because of the "passion" and joy they have in their jobs, use their intellect to innovate new solutions to conventional problems. He also points to the ability to behave effectively in ambiguous situations as an indicator of the maturity and confidence that innovators and entrepreneurs bring to the economic table. They thrive on change, chaos, and disequilibrium and fail to understand why others don't.

Without ambiguity there can be no innovation. The greater the tolerance for ambiguity, the more one's internal freedom to experiment. Entrepreneurs thrive in ambiguous environments (Herzberg, 1989).

Joseph Schumpeter (1936) offers another view of entrepreneurship. He proposed the economic concept that a "state of equilibrium" was the fundamental view of economic theory. His provocative views on the entrepreneur originated in his conception of the economy as a "circular flow" of the stream of goods exchanged between buyer and seller and facilitated by money as the indicator of value. This circular flow is in a state of "equilibrium."

While the entrepreneur could not play much of a role in a state of equilibrium, Schumpeter did see the entrepreneur as a significant force in the economy. He was careful to make the distinction between inventions and innovations. For Schumpeter, the entrepreneur was the innovator par excellence. As an innovator, entrepreneurial actions disrupted the existing Equilibrium State. More definitively, entrepreneurs were paradigm pioneers who forged ahead and were quick to predict paradigm shifts and recognize the implications of advances that were harbingers of new paradigm development that would be in opposition to existing conventional wisdom.

If you continue to review the literature that followed, you will discover that the same approach was used to explain what an entrepreneur is through descriptions of personality characteristics considered common among entrepreneurs (Fernald & Solomon, 1987). Thus, it is difficult to paint a portrait of an entrepreneur because of the conflicting results of studies in the field (Fernald & Solomon, 1987).

Fernald and Solomon examined entrepreneurs using Milton Rokeach's Value Survey. Rokeach's (1973) definition of a value was an enduring belief that a specific mode of conduct or end-state of existence is preferable over any other specific modes of conduct or end-state of "existence."

Thus, when I can say that an entrepreneur has values, I refer to his/her beliefs about desirable modes of conduct or end-states of existence, that is to means and ends, respectively (Fernald & Solomon, 1987). These kinds of values are referred to as instrumental or means-oriented, and terminal or ends-oriented.

Fernald and Solomon conducted empirical research on 200 entrepreneurs in Orange County, Florida. Their findings indicated that entrepreneurs have in a set of common values both terminal and instrumental (See Table 2).

Table 2
The Top 5 Terminal & Instrumental Values of Entrepreneurs

Terminal Values	Instrumental Values
1- Pleasure	1- Ambitious
2- True Friendship	2- Broadminded
3- A Sense of Accomplishment	3- Honest
4- A Comfortable life	4- Loving
5- Salvation	5- Imaginative

Based on this research, one can argue that entrepreneurs can be defined in terms of values. These values give expression to human needs and have a strong motivational component (Rokeach, 1973).

What is Organizational Climate?

Organizational climate has its roots in the field theory of Kurt Lewin (1951). According to Lewinian field theory, the social world can be divided into the environment, the person, and the behavior:

Table 3
Figure 1

$$B = f(P, E)$$

in which B = behavior, E = the environment, and P = the person

This formula has distinctly divided the organization into three parts: the person, the environment, and behavior. The importance of separating all three is that the person has become a single variable that can be studied. Translated into management terms this means that the "subjects" of that system, most often employees, workers, or subordinates, are the primary objects of study.

The "agents" of an organizational system, such as the entrepreneur and management, are often assumed but seldom studied (Denison, 1996). The impact the system has on the agents (managers) and subjects (employees) are examined in a non-recursive logic that neglects the process in which the social environment is constructed (the creation of the organization) by the individual

members it comprises (Denison, 1996). Thus, Lewin's definition of climate analytically separates the entrepreneur (agent), the employees (subject), and the organization (environment).

Yet, Lewin's definition of organizational climate over the years has increasingly been a concern. Guion (1973) addresses this problem by asking the question "Was organizational climate to be conceptualized as an individual or organizational attribute?" Until today, the dilemma of which unit of theory to use has not been resolved. In this report, I will view climate as a joint property of both the organization and the individual (Ashforth, 1985). It is both a macro and micro construct (Ashforth, 1985). As such, climate is a "system variable" (Field & Abelson, 1982), serving to integrate the individual, the group, and the organization (Schneider & Reichers, 1983).

Schneider (1975) suggested that there are many types of climates, while Schneider and Reichers (1983) wrote, "to speak of organizational climate per se, without attaching a referent is meaningless". Therefore, in this paper the climate I am stressing is the innovative climate existing or being created or being thwarted in the organization. This definition of organizational climate allows for the analysis of how the individual responds to a specific climate, which encourages them to exhibit innovative behavior.

At the individual level, climate is a cognitive interpretation of an organizational situation that has been labeled "psychological climate" (James, James, & Ashe, 1990). Individuals in the psychological climate respond primarily to cognitive representations of the environment "rather than to the environments per se" (James & Sells, 1981). Therefore, climate represents signals that these individuals receive concerning organizational expectations of behavior and potential outcomes of behavior (Scott & Bruce, 1994). The individuals will then use this information to create expectancies and instrumentalities (James, Hartman, Stabbins, & Jones, 1977). These individuals will also regulate their own behavior in order to realize positive self-evaluative consequences such as self-satisfaction and self-pride (Bandura, 1988).

Until now, I have given you the historical definition of organizational climate. Yet, the question that still lingers is what is it really? I define climate as the atmosphere that surrounds human interaction within an organization. It is the emotional atmosphere that surrounds and envelops the interpersonal relations among and between people in the organization. It is a tone or the context within which organizational behavior occurs. Every organization has a climate, no matter how large or how small. Families have climates--some being formal and polite with low emotional content; others are loud, raucous, rambunctious, and emotionally saturated. Countries have climates such as the real-estate climate which may be cold while the business climate is very hot. Within organizations I may find some units (or departments) that are intense while others are laid back, some formal and ritualistic while others informal and iconoclastic.

There are number of ways to describe organizational climate. The following is a model developed for this report based on a model proposed by Gibb (1980). This model has considerable leeway for the purpose of simplicity, easy usage, and remembering.

Table Climate

Defensive	Supportive
1- Evaluative	1- Descriptive
2- Problem-Centered	2- Solution-Centered
3- Procedure-Oriented	3- Vision-Oriented
4- Neutrality	4- Empathy
5- Individuality	5- Collegiality
6- Certainty	6- Entrepreneurial

The climate generated under the conditions listed under:

and are characterized by malicious obedience, immature reactions, and behaviors frequently characterized as CYA's. The supportive climate on the other hand, leads to behaviors that are open, trusting, risk taking, responsibility-seeking, pro-active, mature, and growth-seeking.

Defensive climates have the ability to preserve position power, achieve immediate short run results, and develop obedience to direct commands. The disadvantages lie in the passivity, dependency, limited resourcefulness, one-upmanship, blame-fixing, finger pointing, and risk avoidance. The values and satisfaction needs developed under these conditions lead to rigid, fixated responses that limit skill utilization and may destroy competency while highlighting manipulative skills and "political behavior."

Supportive climates have some immediately discernible "disadvantages" in that they place a heavy burden on the leader to communicate constantly, frequently behavior and decision-making appears disorganized, decisions seem to take a long time, participation and inclusion seem unwieldy, and people seem to behave in an independent, opinionated way. The advantages are that human resources continue to grow in confidence, competence, and skill and implementation of change is rapid and accepted. An appreciation of diverse competencies, as well as acceptance of difference, is evident. The values and need of satisfaction developed under a supportive climate will reflect a valuing of competence and growth and a concern for colleagues at both the capability and the emotional level.

The remaining point to be mentioned is the relationship between climate and innovation. The aurora that exists in a climate that fosters innovation is one that



can be related to Herzberg (1985), Peters, and Waterman's (1982) use of passion. People are excited, spontaneous, impertinent, questioning, argumentative, experimental, and dedicated to problem solving and production. The spirit is one of outright "Can Do". The attitude is rarely one of "why we can't" but one of "how can we?"

Therefore, the aura of excitement transmitted by the leader is extremely important. We must be able to share the passion and become a fan of creating, of risk taking, and of delivering products and services. Reliance on rules and procedures may stifle the job of creation, so rules need to be reviewed constantly.

In the next section of our report, I will propose a definition of innovative behavior from the individual standpoint. I will also discuss the interrelationship between innovative behavior and the role of the entrepreneur.

Innovative Behavior

Innovation has become the buzzword for all organizations in the past five years as new technology has become a normal part of everyday life. Yet, to understand what innovation means, it is important to first understand its main objective.

The central role of innovation is the long-term survival of organizations (Ancona & Caldwell, 1987). Ideas are the foundation innovation is based upon and it is people who "develop, carry, react to, and modify ideas" (Van de Ven, 1986). Therefore, it is important to understand that innovation is based on the individual's effort to perform.

From this perspective, it is important to understand what motivates or enables individual innovative behavior to occur.

West and Farr (1989) noted that "there has been scant attention paid to innovation at the individual and group levels".

Individual innovation begins with problem recognition and the generation of ideas or solutions, either novel or adopted. During the next stage of the process, an innovative individual seeks sponsorship for an idea and attempts to build a coalition of supporters for it (Scott & Bruce, 1994). In the third and final stage, the individual completes the idea by producing "a prototype or model of the innovation that can be touched or experienced, that can now be diffused, mass produced, turned to productive use, or institutionalized" (Kanter, 1998).

Thus, innovation in the entrepreneurial firm is viewed as a multistage process, with different individual behaviors necessary at each stage. Since innovation is actually characterized by discontinuous activities rather than discrete, sequential stages (Schroeder, Van de Ven, Scudder & Polley, 1989), individuals may be involved at different stages (Scott & Bruce, 1994).

The definition that we stated for the individual innovation has laid out three

interacting systems--individual-leader or entrepreneur-work group or department-climate. The individual is our focus of attention because without them no innovative behavior can occur. The entrepreneur or leader is also important because he/she is the agent that effects the individual directly or through the climate. The work group or department will not be discussed in this paper because of the different dynamics that occur. Yet, we do concur that group effect does occur on individual innovative behavior. The culture and climate are important because the effect they have on the individual.

Entrepreneur's Effect on Organizational Climate

Through their values and consequent behavior, entrepreneurs influence the organization's climate. O'Farell and Hitchins (1983) argue that the entrepreneur/owner personalities, in particular their values and goals, are indistinguishable from the goals of their business. It is suggested that the entrepreneur's personal values influence the strategies they adopt in operating their businesses, and ultimately, the performance of their business (Thompson and Strickland, 1986).

In the initial stage of the creation of the organization, the entrepreneur is the focus. The business revolves around the founder (the entrepreneur) as they retain all decision-making authority (Dyer 1986). The founder typically recruits his/her followers to help him grow the business. In this stage, the organization is in survival mode and therefore the founder and his/her followers will strongly bond together to defend against the uncertainties of the environment. Schien (1990) explains that the business is creating its own climate through the founder's behavior.

Because the founder might be in a very competitive and aggressive mode, the group will typically reflect or adopt that type of behavior. The reason the group will replicate the founder's behavior is because they perceive it necessary for survival. The organization that seeks to survive the initial stages of inception fosters a sense of urgency, protection, and bonding between its employees.

The second stage is when the organization is no longer in survival mode. In this stage, the climate of the organization is still influenced by the founder. The behavior of the founder still has an effect on the employees. The founder's behavior such as aggressive, competitive, and spontaneous will be transmitted to the other employees and that will influence their behavior.

The importance of the entrepreneur at this stage is their perceived importance to the employees. If the entrepreneur is charismatic and strong-minded the employees of the organization would view him/her with an aura of respect and awe. This image coupled with their behavior creates an organizational climate for that certain moment of time. The climate could change depending on the employee's view of the entrepreneur and their behavior at that time.



The final stage of the organization is when the founder no longer plays a role in the management of the company. Their presence might be symbolic. The organization is now professionally managed, and its climate is or has changed because the founder or entrepreneur no longer plays an active role in the daily operations that allow them to interact with the employees.

The new manager that will interact with the employees will change the existing climate through their own behavior. The employees will start to adapt to the new climate that the new manager creates.

To sum the point about climate, the organizational climate is influenced heavily by the behavior of the manager that is in power at that time. Initially, if the entrepreneur or founder's personality was aggressive and competitive, the employees operated under a competitive and aggressive organizational climate. The new manager might have a different personality and their behavior might reflect other traits. The employees will then adjust to the new climate and their behavior will change.

Climate's Effect on Innovative behavior

There is a paradox in speaking or writing about motivating any kind of behavior, but especially motivating innovative behavior. At the very outset, it should be very clear that individuals who speak of "motivating" anyone are purely and simply dead wrong in the use of the term. Individuals are motivated all the time. A much more appropriate way of discussing the issue is to speak about guiding or shaping motivated behavior.

I believe that one of the fundamental motivations of individuals is to pursue their own growth in competence, skill, and creativity; to act upon the world rather than to react to the world; and to shape the environment as well as be shaped by their surroundings. Individuals always operate within this dilemma; "human behavior is influenced (shaped) by the environment, but it is an environment created and developed by human beings." (Skinner, 1971). The real challenge, therefore, is to structure an organizational climate which will foster and reward the excitement, enthusiasm, and experimentation that accompanies innovative and entrepreneurial behavior.

The most straightforward statement of how behavior is learned, modified, and encouraged is summed up in these six words: "Behavior is determined by its consequences." (Luthans, 1975) For our purposes, it is clear that organizations that foster and reward innovation will stimulate more of the same behavior. It is important to note that when an organization appears to reward, it is the behavior that will be seen as the model for success.



There is nothing inherently right or wrong about a particular climate. What is important is that it is perceived by the individual to be conducive to innovative behavior in "their business". Some companies are "natural" innovators, with a strong innovative tradition and a climate in which innovation is managed intuitively rather than systematically. These are more likely to be small rather than large companies and often ones in which the founder of the company is still very much in evidence. Other companies innovate "systematically". Driven by corporate ambition, top management instigates explicit systems and mechanisms to make innovation happen. This is a natural route open to large companies.

Hence, given climate conceptualization as a determinant of an individual's innovative behavior, I can present the following statements:

When an innovative climate has been created and the company has survived its nascent phase, management must sustain this atmosphere by motivating and rewarding individuals that continue to behave in that manner. This can be done by entrusting and empowering individuals who developed a new product or service with more freedom to innovate and create.

Management should tolerate the disregard of organizational structure limitations. They should accept that individuals benefit from the experience and judgment of experts from within and outside the company to develop new ideas. Thus, seminars, conferences, and internal trade shows should be attended to stimulate "networking."

Universities and other companies are valuable external resources for developing new ideas.

Management should tolerate failures. Coming up with new products, processes, or approaches that work is a messy process. Many new innovations are developed in a series of trials and errors.

Cultivating, motivating, and rewarding innovative behavior is instrumental to further growth. As Herzberg has stated, "There are people who would maximize the probability of success." These people are motivated. Then there are individuals who "minimize the probability of failure." These individuals merely exist and seek safe havens."

Providing individuals who portray innovative behavior with added responsibility should be considered as a means of encouragement. Innovative companies recognize the importance of measuring results and developing budgets to sustain innovation. What must be measured is the number of innovative ideas generated and developed rather than the passing of project milestones, and the contribution to growth and earnings directly attributed to new products and processes.

CONCLUSION

Innovation and entrepreneurship are needed in society as much as in the economy, in public services as much as business. What we need is an entrepreneurial society in which innovation and entrepreneurship are normal, steady, and continuous. It will require the entrepreneurs/leaders in all institutions to make them ongoing, everyday activities.

This report's objective was to stimulate thinking in this field and to initiate an empirical stream of research. I believe that organizational climate is important in influencing the individual's innovative behavior. The climate existing within an organization is much more important to the ability of an organization to adapt, be creative, and continue to grow as well as define and redefine the organization's core competencies. The setting of organizational climate, work unit climate, or departmental climate is also within the control of a single manager's behavior.

Thus, the wise manager/leader will understand that in order to lead their SME into a formidable future, it is important to look at their organizational climate and make the changes needed to allow innovative behavior to occur.

The bottom line is that the atmosphere of a work group is directly influenced by the behavior of the "leader of the gang." We need more transformative leaders to change the world.

Please see references in Appendix of report.



20. MSME MANAGEMENT AND DEVELOPMENT: A BRIEF OVERVIEW IMAGINATIVE MINDSET AND ECOLOGICAL COMMITMENT

Abstract

The first part of this paper shares three examples. The first two are MSMEs whose turnover has increased but the enterprise has remained micro-sized in one case and small in the other. The third example is a micro-enterprise that became a multi-national corporation through large-scale reproduction, in thousands of semi-autonomous units, of the entrepreneurial culture originally developed by the entrepreneur in his first micro-enterprise. In the second part, the paper suggests some guidelines to help new venture creators think about how to organize their mindset and continue to be innovative when creating or managing an MSME.

Importance of ecological and humane values

On June 27, 2019, we celebrate the third anniversary of the International Day of Micro-, Small and Medium-Sized Enterprises. The entrepreneurship community in general, and we at the International Council for Small Business (ICSB) in particular, are grateful to the United Nations (UN) for agreeing to create this special day. It strengthens our commitment and provides an additional means of communication to help reach the UN's Sustainable Development Goals (SDG).

This paper is intended for entrepreneurs throughout the world, in developed and less developed countries, and especially for new venture creators. Recognition of the importance of MSMEs in the development of societies implicitly includes recognition of the role played by entrepreneurs. Entrepreneurs make a difference in people's lives. The products and services they develop influence the way people live, their quality of life and the evolution of their societies.

We were asked to share some of the lessons learned from enterprises in our regional environments. Three examples are presented below.



Louis Jacques Filion
HEC Montreal - The Montreal Business School

Three examples of entrepreneurial configurations

Guides Canins: A micro-enterprise led by a couple

*Julie Sansregret*¹ has always been passionate about dogs. She began by giving dog obedience and agility lessons in her home village of St-Lazare-de-Vaudreuil, a suburb of Montreal, Canada. Her classes were successful. She went on to hire other people to give additional classes, and eventually founded a training school where lessons took place in rented premises, church basements and other temporary facilities.

Now, 20 years later, she and her husband own a large, dedicated dog training centre and boarding kennel situated on a 75-acre forested site. They employ five full-time people and roughly 15 part-time kennel workers and instructors. Their dog-student graduates, especially in agility, have won many provincial and national awards. The centre has become one of the best-known and most respected dog training facilities in the country.

*Martin Hogue*² is Julie spouse. He is an engineer and was a partner, with three other engineers, in a successful construction firm they created together two decades ago. For many years, he worked evenings and weekends at the dog training centre, helping with infrastructure and organization, and eventually decided to leave his own construction enterprise to work full time with his spouse. He does not earn as much money as he did but he loves what he does. The couple feel they make a positive contribution to the community in which they live, and have created something that makes a difference to people's lives.

At their well-organized training centre, clients can walk dogs off-leash on dedicated trails every day of the year. They can choose from dozens of classes every week

1 Hafsi, J. and L. J. Filion (2017) Julie Sansregret et Guides Canins. De la passion canine à l'action entrepreneuriale. Case study published in: Filion, L. J. *Entreprendre et savoir s'entourer*. Montréal, Éditions de l'Homme, chap.7, 203-223.

2 Hafsi, J. and L. J. Filion (2017) Martin Hogue et Guides Canins. Un facilitateur engagé dans l'édification de l'entreprise familiale. Case study published in: Filion, L. J. *Entreprendre et savoir s'entourer*. Montréal, Éditions de l'Homme, chap.10, 285- 294.

in disciplines ranging from basic dog obedience to canicross and scent detection. Julie is a product/service creator and innovator while Martin is a process creator and innovator. He has invented, created and built numerous pieces of equipment and facilities, including special aluminum fences, agility equipment and free, site-wide Wi-Fi access. The couple offers a powerful example of complementarity in the innovation process: the leading entrepreneur creates activities that would not be possible without an imaginative facilitator to design and produce the structures needed for these activities to take place.

*Ballets Jazz of Montreal:*³ *A small business developed by two partners*

Eva von Gencsy and *Geneviève Sailbang* danced together in the Chiriaeff Ballet troupe, which was well-known in Montreal in the 1950s and 1960s. Eva went on to become a ballet teacher while Geneviève had to stop dancing as a result of health problems after the birth of her children.

Eva heard of a dancer in New York who had developed a new form of ballet based on jazz rhythms. She went to take classes on Broadway and developed an adaptation of the approach in a dance school that she set up with other dancers. However, it was not easy for them, as artists, to organize and manage their school, even though it was fairly small.

Eva and Geneviève met one day by chance, in the street. Geneviève was from a family with extensive project management experience. Although the two women had not seen one another for several years, Eva was able to convince Geneviève to join her at the school to help manage it.

Geneviève's husband was the CEO of a large multinational corporation and was a respected member of the business community. He and Geneviève organized a number of fundraising events, inviting large groups of business leaders to their sumptuous home in an élite neighbourhood of Montreal. The substantial amounts they collected were used to develop the Montreal Ballet Jazz troupe, which went on to tour internationally and became a true ambassador of this new form of dance.

Geneviève also developed the dance school by adding additional activities and courses in towns throughout Québec to teach jazz ballet. Together, the entrepreneur who imitated and created a new dance concept and the management process innovator were able to develop Montreal Ballet Jazz into an unprecedented international success story.

*Alain Bouchard*⁴ *and Circle K: From micro-enterprise to multinational*

In his late teens, Alain Bouchard finished high school in a small town in eastern Québec and moved to Montreal, where he found a minimum-wage job in the textile industry. One of his older brothers ran a franchised convenience store. The chain's rules were strict and the opening hours (7 a.m. to 11 p.m.) were long. His

3 Dallaire, G. and L. J. Filion (2017) Geneviève Salbaing et l'histoire des Ballets Jazz de Montréal. Case study published in : Filion, L. J. (sous la dir.) *Artistes, créateurs et entrepreneurs*. Montréal, Del Busso Éditeur, chap. 4, 91-126.

4 After several interviews over many years, case study in the process of being written.

health was suffering and he asked his younger brother Alain if he would take over the weekend shifts.

This was Alain's first job in the retail trade, so he kept his eyes open, observed carefully and listened to the customers. He quickly understood that the store did not sell many of the products its customers wanted. So, every weekend, he would buy inexpensive lots of these products from wholesalers and place them on the counter near the cash register. Within a few weeks, he was earning more from the sale of these products than from the minimum wage his brother was paying.

It was not long before he opened his own independent convenience store in another town. It worked well, but he realized that the market potential was limited by the size of the neighbourhood. So he opened another store in a better location. For his subsequent stores, instead of creating new businesses from scratch, he decided to purchase existing stores so that growth would be faster. Every time, he increased and even doubled the new store's turnover within a few months. He then began to acquire small chains of 10 to 20 convenience stores. After 10 years he owned several hundreds of convenience stores. Sales were growing and so were profits.

Alain Bouchard spent decades shaping every one of his store managers and employees into intrapreneurs, based on his own model: a strong focus on observation, good listening skills and a clear understanding of the needs, wants and interests of the store's customers, so that the store could carry products that would sell. Prior to the acquisitions, most of his managers and employees had spent years following orders from bureaucratic head office managers they had never met. They had trouble believing the CEO was in the store with them, or that it was possible to change the rules and methods to suit local needs.

Alain Bouchard even went a step further by developing locally adapted strategies to attract customers. In Iowa, for example, one of his newly-acquired chains gave free ice-cream to children with a purchase of gas on Saturdays. In another state, his stores gave away free hot dogs on Sundays to customers who purchased gas. He introduced many such strategies, and their impacts on sales were impressive.

Alain also surrounded himself with collaborators who became highly innovative facilitators in assessing and reviving newly-acquired chains. He began to make large-scale acquisitions, sometimes operating them as franchises and sometimes as the owner. Nobody on the planet has ever acquired more convenience stores than he has.

Alain has recently retired. He is no longer the CEO of his enterprise, which now has more than 80,000 employees in all, only 18 of whom work at the Montreal head office. His enterprise has one of the largest turnovers of any enterprise in Canada. He owns the highest number of convenience stores in the world (under several names, the largest of which is Circle K). However, even though he retired as a billionaire – as did his key facilitators - , Alain continues to make acquisitions and meet store managers to teach them how to read environments and improve sales. It is what he loves doing.

Profile of new venture creators: Innovation and focus on multiple forms of added value to clients, to the enterprise, to the employees and to the owner

Venture creators benefit if they start by defining their values, goals and objectives and forming a coherent picture of their own situation, so that they can lay down



solid foundations for their enterprise. Socrates advised his disciples to “know thyself”. It is important for venture creators to know who they are as people, to be aware of their own strengths and weaknesses, and to identify the complementary skills they will need in the people around them.

It is important for them to consider different facets of the new venture creation innovation process - innovation not only in products and services, but also in the processes needed to bring those products and services to the market, including the technological, financial, marketing, operations management, human resources and other structures.

After teaching venture creation for several decades in a wide variety of countries, contexts and programs, I have seen far too many projects that have been launched too quickly. In most cases, preparation that is rushed does not provide a clear enough understanding of what is being targeted and prevents the right types of people – those able to take care of operations properly – from being hired.

In the launching and development of any new venture, it is not only innovation that is crucial. The complementarity of the people who surround the creators will make a difference and will allow the entrepreneurs to keep working *on* the business. If the level of innovation is insufficient, creators must continue to work *in* the business. When this happens, it takes far too long to achieve the level of added value needed for the business to become truly profitable. Insufficient innovation is often the result of cutting corners during the preparatory phase. The practice of entrepreneurship is not an individual process, it is a collective process. Venture creation involves shaping an accurate social structure.

All the creators in the cases described above demonstrated good innovative capabilities and were able to be successful because they surrounded themselves with people, both inside and outside the enterprise, who had the complementary skills needed to ensure the success of their vision.

The value of imaginative intelligence and self space

MSMEs come in a wide variety of forms and most remain micro-sized, employing fewer than ten people. Even so, these firms are responsible for more than 80% of employment in every country throughout the world. Many stay small because they operate in service sectors or retail sectors serving a limited client base, for example in a specific neighbourhood. Others grow but maintain small structures because the entrepreneur-creator subcontracts most of the activities.

Regardless of these variables, research into MSMEs in different countries and contexts has revealed that, for a business to remain healthy and lucrative, a certain number of guidelines must be followed, some of which are listed below.

Guideline 1: Dare to dream

It is important for venture creators to allow themselves to dream. They can then imagine ways of bringing their dreams to fruition and take the steps needed to do so. People usually become what they truly want to become, although sometimes their final destination may not be what they originally imagined. Dreams evolve and take different directions, and sometimes transform into visions that provide the guiding thread needed to move forward into action.

Guideline 2: Observe, listen, learn and keep pivoting

Many entrepreneurs and venture creators are self-taught. They are explorers, curious people with good observation and listening skills. They learn by structuring and restructuring fuzzy contexts, in contrast to many highly educated people, who tend to incorporate the things they observe into pre-established structures. By observing and listening, entrepreneurs are able to keep learning and pivoting to meet the needs underlying the products or services they have created.

Guideline 3: Imagine and never stop innovating

Imaginative intelligence makes all the difference when creating an opportunity in response to a need and when designing the vision to address that opportunity – in other words the space to be occupied on the market and the type of organization required to do so. The vision serves as a guiding thread for strategic and operational decisions, in particular concerning the use of human, material, technological and financial resources and the resource that most entrepreneurs are most short of: time.

Guideline 4: Relate, communicate, inspire and motivate

Entrepreneurs usually design their products or services, but they need facilitators to design process innovations in the areas of marketing, finance, operations management, technology and so on. More than 75% of all firms are now created by teams. If the firm is to maintain its space on the market, it is vital for the leading entrepreneur to communicate constantly and coherently, because the initial innovation will continue to develop.

Guideline 5: Achieve

Many people work on innovations, but entrepreneurs are different because of their ability to move from innovation to action, implementing the things they have imagined using as few resources as possible. An entrepreneur's interest in and commitment to the product or service often generate the passion and energy needed to keep transforming, reinventing and innovating. Entrepreneurs work to occupy a space in the market, and as they do this they must also leave space for their collaborators to keep expressing their imaginative suggestions. This is especially true for the facilitators who are their process innovators, as we saw in the cases described above.

Innovation needs ongoing learning combined with continuous expression of an imaginative mindset

Successful entrepreneurs dream, imagine what they need to do to bring their dreams to reality, and then dare to take action. This process requires stimulators, such as travel, and various other learning referents. Stimulation kick-starts the imaginative process needed to begin and continue to innovate. This applies to everyone involved in an innovative process. It is impossible to overstate the fact that entrepreneurship is a collective process. The kind of innovative spirit developed in a team will make a difference.



21.

THE SMALL ENTERPRISE ASSOCIATION OF AUSTRALIA AND NEW ZEALAND (SEANZ), “INSPIRING FUTURE WORKPLACES”.



<https://icsb.org/seanz-releases-white-paper-future-work-smes/>



22. THE GENESIS OF THE NEW JOURNAL OF THE INTERNATIONAL COUNCIL FOR SMALL BUSINESS (JICSB)

Today, more than ever, companies are looking at their core business, as well as philanthropy, advocacy, and partnerships, to support society, improve human life and also contribute to profitability. Sustainable development cannot be achieved by the United Nations alone, as shown in the UN Secretary-General's Sustainable Development Goals (SDGs) Progress Report and the Global Sustainable Development Report. It is obvious, we will struggle to achieve the 2030 Agenda unless we join forces with every stakeholder and scale up our efforts toward the implementation of the SDGs.

ICSB Response to the Call of the United Nations

ICSB was the lead organization to propose and ask the support and leadership of the Republic of Argentina to help move forward a resolution to the United Nations (UN) to create an International Day dedicated to Micro-, Small and Medium-sized Enterprises (MSMEs). According to the data provided by the International Council for Small Business (ICSB), formal and informal MSMEs make up over 90% of all firms and account on average for 60-70% of total employment and 50% of GDP. MSMEs are the first responders to societal needs.

The UN General Assembly, recognizing the importance of these enterprises, decided to declare June 27 the Micro-, Small and Medium-Sized enterprises Day to raise public awareness of their many contributions to sustainable development.

Each June 27, the world will celebrate Micro-, Small and Medium-sized Enterprises Day. These enterprises, which generally employ fewer than 250 persons, are the backbones of most economies worldwide and play a key role in developing countries. These types of enterprises are responsible for significant employment and income generation opportunities across the world and have been identified as a major driver of poverty alleviation and development.

ICSB Breath-Taking Proposal to Create a NEW JOURNAL

MSMEs tend to employ a larger share of the vulnerable sectors of the workforce, such as women, youth and people from poorer households. MSMEs are often the only sources of employment in rural areas. As such, MSMEs as a group are the main income providers for the income distribution at the "base of the pyramid". MSMEs, as the first responders to societal needs, also provide the safety net for inclusiveness.

JICSB: Journal of the International Council of Small Business

J I C S B

Journal of the International Council for Small Business

Thanks to the initiative of the ICSB, the United Nations declared June 27 as Micro, Small, and Medium Sized Enterprises Day

Supporting MSMEs Worldwide Through Shared Policy, Education, and Practice.

ICSB

Founded in 1955: The Premier Global
Organization Promoting MSMEs

 **Routledge**
Taylor & Francis Group

VOLUME 1
ISSUE 1
JANUARY 2020

ISSN: 0000-0000

Volume 1 Issue 1 January 2020



Dr. Ayman ElTarabishy, ICSB Executive Director

The new journal, JICSB, will be focused on MSMEs and their relation to the United Nations Sustainable Development Goals. Published articles will address the business owner along with all major stakeholders in the small business ecosystem, including accelerator/incubator administrators, trainers, and regional/national policymakers. This agenda on solving real-world problems using rigorous research is aligned with ICSB's recent work with the United Nations General Assembly to adopt a resolution recognizing the crucial role Micro-, Small, and Medium-sized Enterprises (MSMEs) play in achieving the 2030 Agenda for Sustainable Development.

What does this all mean?

JICSB is a new breed of a journal, a first of its kind. A unicorn and a new trendsetter. We see a massive wave of change coming. The lines are being blurred between policy, research, education and the private sector. Technology is altering the landscape and the need for knowledge and wisdom is instantaneous. We want to pull our mobile phones out and within three clicks read reliable, insightful, and genuine knowledge. JICSB's spirit is to present knowledge that is reliable, insightful and genuine. We invite policymakers, scholars, researchers, social entrepreneurs, NGOs and more, to present empirical and theoretical research and discuss current issues to help shape future priorities. With a better understanding of the programs and opportunities for MSMEs, entrepreneurs, governments around the world we can experience transformational change.

Ideas Change the World.



Dr. Jeffrey Alves, Editor of JICSB



23. INTERNATIONALIZATION AND DIGITALIZATION OF MSMEs OR IS IT MSME DIGITALIZATION OF INTERNATIONALIZATION?

Director and Professor of Strategy, Entrepreneurship & Innovation
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Digitalization is playing an increasingly important role in the growth of small businesses and is leading to strategic, structural and cultural transformations. For MSMEs which decide to engage internationally, the use of digitalization presents new opportunities to succeed in foreign markets, based on a **new international value proposition**. Digitalization - as the combination and application of digital technologies within an organization, economy and society - is applicable for many fields and creates opportunities. It is represented in three related phenomena: digital artifacts, digital platforms and digital infrastructures.¹

For decades globalization was defined through trade in goods and services between countries. While the dynamics of these flows are currently moderate, globalization is not slowing down (Manyika et al., 2016). In contrast, huge data flows are constantly crossing borders and their volume has increased considerably. Consequently, globalization is evolving at the same pace as these exchanges of information and data across foreign markets. Digital infrastructures and platforms are mainly at the origin of these changes. They are creating new virtual market spaces and resizing all the business cross-border economies by reducing costs, shortening transactions and amplifying interactions. Because *digital* means shaping global user communities, these infrastructures are essential databases for companies and provide real opportunities with innovative ways to reach potential customers.

In terms of international business, MSMEs are now able to digitalize their

1

Digital artifacts: *a digital component integrated into a new product or service, which offers a specific functionality or value to the end user, e.g. software or other technological devices, such as sensors embedded in a connected object.* **Digital platforms:** *complementary offers hosted by a common and shared set of services including digital artifacts, e.g. browsers, servers, operating systems or other applications that operate through virtual environments.* **Digital infrastructure:** *digital tools and systems that support the company through better computing, communication and collaboration capabilities, e.g. SMAC technologies (social networks, mobile application, data analysis, cloud computing) and online community platforms, e.g. crowdsourcing and crowdfunding (Nambisan (2017).*



Prof. Rico J. Baldegger, PhD

internationalization process by integrating these technologies into the value chain and managing the massive amount of data. The 21st century globalization evolution is marked by intangible flows of data and information, greater participation by emerging economies and more knowledge-intensive flows. As digital infrastructure becomes equally important, and the role of small enterprises and individuals grows, there are more exchanges of free content and instant global access to information and services (Manyika et al., 2016).

In a modern digitalized world, it is difficult to accept costs or access to information as internationalization constraints. In general, digitalization impacts internationalization processes in terms of accessibility of resources, skills and competence acquisition, as well as learning and knowledge development in foreign markets. Other parameters, like location and entry mode choices or time and expansion rate, are influenced by the advent of digital technologies. In addition, there is the dematerialization of borders, the reduction of psychological distances between countries, the cut of internationalization costs and promotion of democratic consumption. For an entrepreneur acting in international business, four fields of activities are at the center of interest (Nambisan 2017):

- Distance and location,
- costs, accessibility, resources/competences,
- market knowledge, and
- relational competences and partner networks.

The digitalization effects on **distance and location** is manifest by border dematerialization and the acceleration of internationalization operations. Not only can the company manage the international activities from a distance, integrate democratization of consumption, reduce the psychological distances, and multiply the targeted countries, but the activities are led by networks rather than countries.

This digital impact on the internationalization process offers several opportunities for defining a new value proposition, like partnerships with local companies via

platforms, sharing of production and distribution sites, licensing to local actors, and local and niche market development. At an international level, small firms need to maintain a specific advantage for differentiating them from local competition. To achieve this, they maximize their entry mode attractiveness by targeting niche market and innovative, high-quality products. Another way is collaboration with specific local distributors integrated in a large network. Nevertheless, digital firms mostly differ in foreign markets in generating value through the creation and coordination of a network of users via the use of platforms.

Although a platform is easily replicable from one country to another, it is more difficult to transfer the user bases. In this case, companies are forced to quickly reach a critical mass of users in order to establish themselves in foreign markets. They are confronted with **new internationalization obstacles** (liabilities of outsidership). The limited number of users does not encourage interaction and makes market entry harder. In this case, the **platform costs** exceed the expected profits and the expansion rate is slowed down. To counter this, companies need to succeed in getting potential users to adopt the platforms and, therefore, develop a large community of users (Brouthers et al., 2016). Actions can be considered to achieve this: for example, establishing partnerships with other local companies or licensing products or services to a local firm (Neubert, 2017).

From a cost, and resources/competences perspective, the effects of digital technologies are seen in the dematerialization and digital platforms for distribution and production channels. By reducing operating costs and improving exchanges with all ecosystem stakeholders - including customers, partners, suppliers and distributors - digital infrastructures play an increasingly important role (Reuber and Fischer, 2011, 2014; Nambisan, 2017). Resource allocation in several markets, saving time on transactions and optimization of decision-making processes are additional effects of digitalization related to the foreign operation.

The MSMEs have new opportunities for defining a new value proposition, like alternative revenues through digital platforms and infrastructure, and sharing skills and capacities between companies. Furthermore, the use of open innovation and co-creation with partners and customers, and investment in qualified human capital are chances to create an international value proposition. Thus, MSMEs have to open their process and develop more collaboration modes of operation.

Market knowledge with deployment of user communities, data collection and new sources of accessible information underline the market-based view approach of an MSME. The effects of digital artifacts, platforms and infrastructures allow large information databases, exchange and processing of large amounts of data, online discussions with the user community, fast and efficient adaptation to markets, and less asymmetry of cross-border information.

The opportunities are in regular market experiments for product and service adaptations, in the analysis of market attractiveness and better targeted marketing and prospecting activities, plus data collection and use of predictive algorithms for modeling and interpreting these data.

Relational competences and partner network activity enhances collective internationalization, local partners' networks and direct interactions with consumers. Digitalization leads to larger market scope, fast interactions between partners, consumers integrated into the ecosystem, faster internationalizing speed, and better access to network skills and knowledge. MSMEs are required to multiply user communities in several countries and also to make sustained use of social networks and mass media deployed there (Brouthers et al., 2016).

Opportunities for defining a new value proposition through digital use could be in data and skills sharing between actors, personalized customer experiences, the solicitation of opinion leaders and change agent, and online reputation through the use of multiple social networks and local mass media. Collaboration with opinion leaders and change agents in foreign markets is a possible solution. These actors are powerful levers all around the world in social media. They can help a company become known quickly and build its online reputation, resulting in an acceleration of the internationalization speed of small firms. Because it generally improves communication and interaction, digitalization presents new opportunities in terms of skills sharing, open innovation and partnership between companies (Coviello et al., 2017).

Therefore, internationalization becomes a collective activity. It is no longer a bilateral relationship between buyer and seller. Exchanges extend multilaterally between all actors across networks. Small firms are particularly known to simultaneously develop their export and innovation capacities. In this way, they specially benefit from these multilateral exchanges by mastering the acquisition of specific knowledge and deploying their relational skills.

Managerial implications

The impact of fundamental **uncertainty** and the need to take into account non-linearity and interdependencies in the internationalization process, increase the complexity for the entrepreneur and have a direct impact on the entrepreneurial competences needed. Entrepreneurs and managers are, therefore, widely encouraged to integrate all their organizational capacities and skills to strategically position themselves and achieve their digital transformation. Complexity has increased through the dynamic of the international environment: integration of consumers in the development processes; MSMEs are threatening large ones by sharing their skills via large groups of entrepreneurs; virtual markets, global data flows; partner networks are largely dominating trade negotiations between nations; seller and buyer meet directly, regardless of distance or time zones.

The decision-making process is also supported by *machine learning*. With better forecasts, entrepreneurs and managers are able to anticipate changing consumer behavior and better adapt their offer. This situation allows entrepreneurs to improve the efficiency of decision-making processes and the quality of strategic choices over the long term. Although these algorithms do not eliminate uncertainties in foreign markets, they ease important management aspects, such as knowledge development (general and experimental), resource allocation and speed of internationalization.

From a **financial point of view**, digitalization has a positive impact and supports companies to manage the risks associated with potential additional costs from their operations abroad (liabilities of foreignness). Technology advances dematerialized communication and distribution channels allow companies to specifically decrease production and transaction costs allocated to foreign markets (Coviello et al. 2017, Brouthers et al. 2016).

The ability to anticipate also supports firms in investing in **qualified human capital**. Physical assets are replaced by human skills solicited mainly at a distance. As observed through research, the results mainly suggest companies should integrate the implementation of digital infrastructures directly into their internationalization process. With digital technologies, firms can benefit from greater efficiency in foreign markets. It also allows them to regularly review the adequacy of their offers and ensure a faster mediation between local realities and strategic objectives. Finally, thanks to a broader analysis and better market knowledge, firms are more reactive and efficient in their decision-making processes over the long term.

Lean-start-up principles and the use of digital tools allows companies to conduct market experiments faster and in more countries. Impacted by this combination, companies are performing better in their internationalization process, and can frequently introduce advanced versions of their products and services (Brouthers et al., 2016). Furthermore, companies can benefit from the direct contact with consumers and directly test their offers. To improve their position abroad, they are required to use feedback and comments shared on community user platforms or social networks. This sharing of ideas is fundamental for market adaptation and allows companies to anticipate their marketing efforts.

Consequently, export barriers toward small firms are mainly internal barriers in terms of human resources, international market knowledge and experience, resource allocation, productivity, technological capacity, and production, logistics and finance (Paul et al., 2017). They affect the configuration and coordination of the entire value chain. International trade is like a large ecosystem of entrepreneurs seeking independent opportunities (Reuber et al., 2018). In the near future, entrepreneurs who aim to expand abroad will no longer care about country borders, suppliers or customer locations. They will focus only on their own value proposition which will make the difference on foreign markets.

Accordingly, entrepreneurs and managers will benefit from the use of digital tools in several ways if they can rapidly master and integrate them into their internationalization process. The faster a company understands the benefits of the use of digital infrastructures, the faster it can improve its decision-making processes and accelerate its internationalization speed (Neubert, 2018). In these circumstances, to establish the adequate support of MSMEs, future research should collect quantitative and qualitative global data to empirically study the effects of digitalization on internationalization processes. Such data would be valuable for a better understanding of how digital infrastructures will

influence internationalization models and strategy, and have a positive effect on international expansion.

There are five essential factors for an MSME to define the international scalability of its business model. On one hand, there is a B2C-oriented business model to reach critical mass combined with user engagement and a collaborative approach. Also needed are a moderate amount of local offline dependence and an intensive human resources relationship with staff with local knowledge and networks (Aagaard, 2018). As a consequence of the local offline dependence and HR intensiveness, time-to-market is critical, as are recognition, evaluation and utilization of the international opportunity by the entrepreneur and their team.

Research Implications

Furthermore, scientific research interested in internationalization models should pay particular attention to **emerging countries**, where a multitude of niche markets are flourishing. In view of the above, research into international entrepreneurship has, therefore, many unexplored avenues of study regarding the digital context. Thus, we have to increase our competences in supporting MSMEs on this challenging journey and find new scalable business models with a strong impact on job creation, company-based competences and, societal values (Clegg, 2019).

Stage model theories emphasize that the internationalizing speed of a small company strongly depends on its capacity to acquire new knowledge on foreign markets (Vahlne and Johanson, 2017). One of the most significant changes related to the acceleration of online exchanges is the ability to capture and disseminate a considerable amount of information. As it is now possible to directly interact with customers, companies are able to personalize their services and offers. In this way, digitalization provides new fundamental experiential knowledge to companies. To access and succeed on new global markets, companies also need to expand their general knowledge (whether cultural, behavioral or commercial).

Digital use in internationalization has particularly advantaged Born Globals, which are more comfortable with digital use. Consequently, mainly technological aspects are often associated with these firms (Knight and Cavusgil, 2005). Thanks to their reactivity to innovations, they are able to quickly achieve their international objectives. However, the concept of Born Globals could soon be outdated because digital technologies call into question the “international” dimension of international trade (Manyika et al. 2016). In fact, instantaneous access to foreign markets is a reality. Thus, it is important to study digitalization’s role in recognizing and exploiting Born Global opportunities.

Please see references in Appendix of report.

V. Summary

The Butterfly Effect for MSMEs

What does the “I” in globalization represent? Perhaps it is the individual small business owner, trying to eke out a living. The incubation of innovation by institutions triples the “I” as universities and foundations that support university research establish formal operations designed to help individuals who are potential entrepreneurs actually initiate entrepreneurial ventures. Or it might be investment innovations designed to increase profits for financial institutions.

An underlying metaphor for all of the above is known as “the butterfly effect.” In its best-known form, the butterfly effect shows how the flap of a butterfly’s wings in Brazil has a tiny (but crucial) effect on the wind in the immediate vicinity. This, in turn, has a stronger effect on wind patterns and, ultimately, on weather. The final effect, carried out after a long series of increasingly strong impacts, is to create a tornado in Texas. Consider how each of the following actual and potential butterfly effects, represent one or another interpretation of the “I” in global.

The Individual. Today, more than ever, individual entrepreneurs are launching enterprises that are disrupting major corporations and scaring many others with the speed and ferocity of a tornado! Creative ideas that defy traditional business models upend what corporations think as a smart and safe business strategy. Social Entrepreneurs are a new form of angels appearing everywhere. The Individual with empathy, vision and strong drive is a powerful butterfly.

Incubation of Innovation by Institutions. Universities and research organizations have traditionally focused on developing basic scientific knowledge. Today, however, there is a growing emphasis on applications of knowledge, that is, “I”nnovation. And not only has the focus on innovation increased, it has shifted from simply generating patents to providing a setting in which innovative ideas are “incubated,” that is, provided with development resources that may result in practical and marketable innovative products and processes. Institutional policies and commitment to incubation of entrepreneurial innovation are, however, far from widespread, despite the potential for producing economic growth. How will institutions engage to produce the next internet butterfly mega Google Company effect?

Innovations in Investments. Beginning in the 1990s, banks and financial institutions In the U.S., Europe, Asia, and elsewhere created innovative new products and established entrepreneurial ventures to market them. In the U.S. loans were made to individuals who wanted better homes and better lives. A great number of these loans were, however, almost certain to fail because the borrower did not have the resources needed to maintain payments, especially when the housing market collapsed and the economy nearly collapsed along with it. Even worse, these loans were packaged as “securities” and sold to investors as “collateralized debt obligations” or CDOs. A small initial (and generally desirable) cause, the desire of individuals to own homes, has



already produced massive (and negative) outcomes, namely loss of those homes and institutional failures. Some innovations that are not well thought through can have disastrous world-wide effects. The desire of the individual to own a house resulted in the largest financial collapse of the financial institution. Will the U.S. government or one of its agencies discover and carry out some small action that might reverse these changes? Can the individual still pursue their dreams of prosperity and have a positive world economic effect? Can the butterfly help the world economy?

Innovation and Entrepreneurship. The last two examples illustrate an important question, that is, what role should national and international policy play with regard to innovation and entrepreneurship. There are, of course, various more specific questions, such as, “What is the role of national and international policy in driving and supporting the sort of innovation and entrepreneurship needed to spur economic growth and development?” That is a question of particular relevance given the global economic crisis of 2008 and the continued potential for future economic crises.

Small changes can produce massive, even global, outcomes. That is the point of the first example, an illustration of the butterfly effect. The “I” in global reminds us of the importance of innovation, which the economic theorist Joseph Schumpeter argued is the driver of economic growth and development by means of a process he called “creative destruction.” But it may also remind us that individuals, entrepreneurs, are the actors that are crucial for such innovation and change. We should realize that globalization (there’s that missing “I” again!) is ultimately linked to the individual, just as the movement of a butterfly’s wings may be linked to dramatic changes in the weather a continent away.

The world is constantly creatively destructing and reconstructing itself; individual innovation and entrepreneurship are playing critical roles.

The 2019 GLOBAL MSMEs REPORT represents the rapid and dynamic Butterfly Effect underway for MSMEs.

An Idea can change the World.

Sincerely,

Dr. Ayman El Tarabishy
Executive Director of the International Council for Small Business (ICSB)

VI. APPENDIX

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