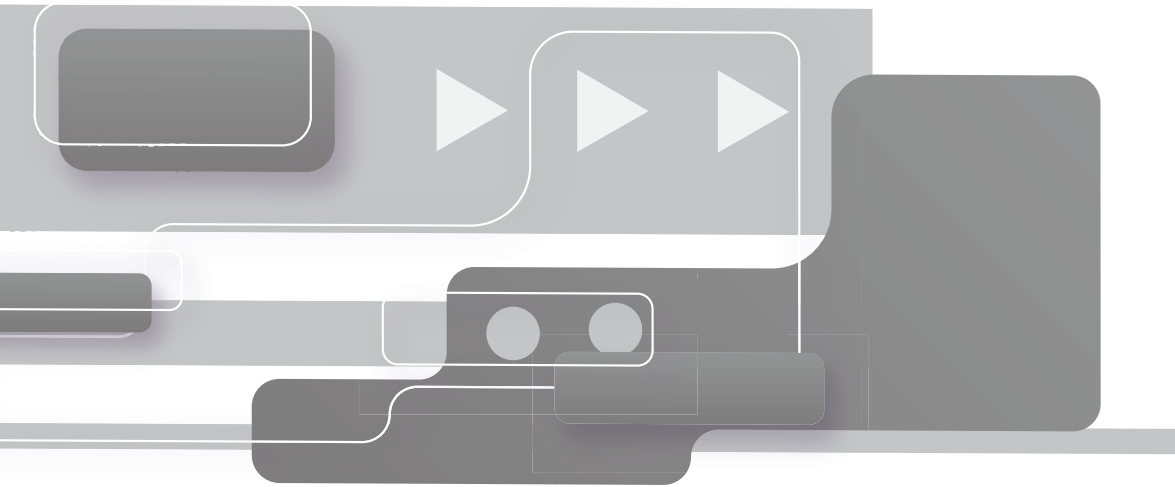


ICSB Annual Global Micro-, Small And Medium-Sized Enterprises Report

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ICSB 2021 Global MSMEs Report Editor:

Dr. Ayman El Tarabishy,
President & CEO, ICSB
Deputy Chair, Department of Management, GW School of Business

Report Coordination:

Analia Pastran, Executive Director of Smartly, Social Entrepreneurship on the SDGs. Report
Content Compilation: Ms. Hannah Gilroy, and Mr. Kyle Lyon

Report Content Review & Design: Smartly, Social Entrepreneurship on the SDGs.

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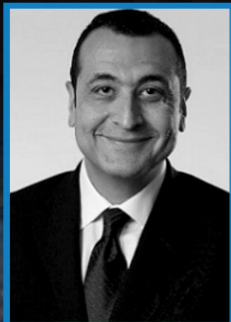
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INTRODUCTION

INTRODUCTION

Establishing Honor for Micro Small and Medium-sized Enterprises (MSMEs)

The Creation of the United Nations Day
June 27

Article by: Dr. Ayman ElTarabishy
President & CEO, ICSB

The 2016 61st World Congress at the United Nations, held in New York City, marked an extraordinary event. It was there that the International Council for Small Business (ICSB) created a business panel made up of seven small business government ministers from six different continents who represented billions of people around the globe. This inaugural event welcomed by the United Nations ECOSOC Council under its leadership of Ambassador Oh Joon for ICSB was co-chaired by the Honorable Maria Contreras-Sweet, Administrator, United States Small Business Administration (SBA), and the Honorable Dr. Young-Sup

Joo, Administrator, Republic of Korea, Small and Medium Business Administration (SMBA). Speakers from around the world were asked to share their understanding of the obstacles and challenges that entrepreneurs and small business owners face in their respective countries.

Moderated by Dr. Winslow Sargeant, 6th Chief Counsel of the the United States Small Business Office of Advocacy, requested that each panelist provide examples of the best practices from their nations, in addition to the strategies used to support and promote small and medium

enterprises (SMEs) through the most effective initiatives. This culmination of perspectives was the recognition that supports for micro, small, and medium enterprises (MSMEs) must be elevated to higher levels.

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

In the months that followed, Dr. El Tarabishy deployed "shuttle" diplomacy to create a template that would serve as a starting point for discussion with member states in the UN General Assembly. Leading the proposal and negotiations was the Permanent Mission of Argentina to the United Nations, alongside all UN country members. On April 6, 2017, the UN General Assembly adopted the resolution announcing June 27 as "Micro, Small and Medium-sized Enterprises Day" or "MSMEs Day." Shortly after that, on May 11, 2017, ICSB hosted the MSMEs Knowledge Summit in the United Nations' Economic and Social Council Chamber that created the basis for MSMEs Day. This summit was co-chaired by the Honorable Linda McMahon, Administrator, United States Small Business Administration (SBA), 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, fitting as Argentina proudly led establishment processes for the name day. Despite this strong showing of support from an international panel of governments, MSMEs are still in need of much political and regulatory help to enhance their narrative and support their establishment of entrepreneurial pursuits. The principles and best practices for MSMEs must be created in a way informed by the MSMEs themselves. Additionally, the purpose of entrepreneurship and the advancement of small businesses must be independent of administration and organization.

On May 12, 2018, ICSB gathered governmental and academic leaders, entrepreneurs, small business owners, and advocates to convene at the United Nations to discuss future supportive measures necessary for the healthy and sustainable growth of MSMEs. MSMEs continue to be vital to

the development of the world and the 2030 UN Sustainable Development Goals (SDGs). This report is the continuation of the ICSB's MSMEs Forum and directs its objective to bring all stakeholders and partners together in one place, with one mission and one focus: to promote MSMEs better.

Today

For MSMEs, the critical events of 2020 initiated a period of perseverance, resilience, and innovation. As businesses have continued to heal from the effects of the pandemic, ICSB has noticed a shift towards solutions-oriented thinking. They were maintaining revenue in times of great distress required creative thinking to make returns. The year 2020 also marked a global awakening to societal wrongs such as racial injustice, climate change, and income inequality.

Addressing these issues requires businesses to orient towards models that lead humanity forward. By operating under practices of human-centered entrepreneurship, companies are promoting humanity and the achievement of the United Nations Sustainable Development Goals. It is in working together; we can all create impactful change that benefits society and the planet.

In the following pages of this report, you will be exposed to the submitted papers made by many countries, institutions, organizations, and individuals, which will complete a collaborative and complete record of the current status of MSMEs. This specific alliance amongst MSME supporters worldwide acts as part of the observation of MSMEs Day. ICSB intends to continue its publication of this report as a tradition every June 27. Each submitted report is under 2500 words and written in a colloquial tone to be accessible to all. It is important to note that no country, institution, or expert was paid a fee for their efforts.

This comprehensive report seeks to amplify the essential findings and events of this year in history for MSMEs. It is the hope that you will read this report with an open mind and a clear spirit to allow this information to challenge your preconceived ideas about MSMEs around the world. In reading these reports, how do you feel? You might ask yourself, "Given this information, what can I do next?"

ICSB and MSMEs around the globe appreciate your support.

The Top 10 Micro, Small, and Medium Enterprises Trends for 2021

Written by: Dr. Ayman El Tarabishy, Professor,
The George Washington University and ICSB President
& CEO



Micro, Small, and Medium-Sized Enterprises Established as the Core Source of Generation throughout the Global Economy

The dawn of 2021 finds the world in a state of tension and uncertainty. The consequences of the COVID-19 pandemic have been dramatic and catastrophic for many businesses and entrepreneurs around the world. Governments are looking to each other as well as the private sector to forge new solutions to the problems facing us in these volatile times.

Although the past 12 months have challenged all of us in the business world, we still believe that MSMEs and other forms of sustainable, humane entrepreneurship provides the best framework for a quick and explosive recovery. MSMEs are the most flexible, and the most in touch with their local communities. This allows them to

extend the principles of frugal innovation further and expands the possibility of what this recovery can look like.

Although the pandemic has altered much of our previous expectations of 2020, there are still many positives and plenty of opportunities for businesses to take advantage of during these times. Looking forward to 2021, there are numerous trends that offer glimpses of solutions for those that are bold and innovative enough to take them. Here are ICSB's top trends for 2021.

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Number Ten Trend **FAMILY BUSINESSES**

INSIGHT:

Motivated by togetherness and sustained through passion, family businesses present the ideal template to build a business on a foundation of kindness, humanity, and social fabric. Family firms' ability to invest primarily in their employees has led to shocking short and long-term recovery even after moments of crisis. Exemplified during the 2008 economic crisis, family-run enterprises survived "by sacrificing profitability to preserve employment." This perfectly portrays how the firms that value both social and financial capital have a greater opportunity to succeed compared to those that focus solely on financial capital.

A family that is committed and trusting magnifies a family's strengths and discourages weakness. Families who are healthy and humanely oriented will become stronger and excel, even under challenging circumstances. However, those that are fractured and divided will only separate further.

ICSB RECOMMENDATION:

Continue to emphasize and encourage the creation and sustainability of family businesses. Each family's legacy will continue to help them see who they are and understand what defines them as a cohesive collective. This nature of "togetherness" ties family businesses easily with Humane Entrepreneurship, meaning that other, non-family firms can look to the guidance of family businesses' human-centered approach as a model with which to align themselves.

9

Number Nine Trend

CITIES — REIMAGINED FOR A NEW WORLD

INSIGHT:

Today, entrepreneurship and innovation are concentrated primarily in urban areas. The rise of the entrepreneurial city is becoming a global movement aided by improved telecommunications, prudent public investment in the start-up community, and an energetic, globally focused generation of youths. From Washington D.C. to Detroit, Michigan, and from Salerno to Italy and Macao, major urban centers have plans to transform their cities into what we call an entrepreneurial town.

However, the pressures of COVID-19 halted the establishment of many entrepreneurial cities, causing many businesses to reconsider the benefits of concentrating their business in the suburbs and more rural areas. Additionally, technology's widespread nature has helped reduce the inequality between rural and urban spaces. We now realize we may be entering a new era of the suburbs. More and more professionals

and working families recognize that they can attain high-quality living and working space outside of major urban areas. You can work as a top-level professional while being immersed in nature.

ICSB RECOMMENDATION:

The map will be reconstructed, and the current trend encourages the most innovative and entrepreneurial talent to see the world as its new home—unconstrained by borders. Teams no longer have to come to a major urban city to launch, fund, and scale their companies. Suburbs and even some rural areas can position themselves as a destination and a home for entrepreneurs of any size and in any location. The reason is simple: nature is evolving and changing the playing field, and a new balance is underway. The human relation to space is rapidly changing as we realize that business resources are not necessarily confined to a specific geographic location.

8

Number Eight Trend

ARTS THE SOUL OF OUR WORLD

INSIGHT:

The inward reflection that stemmed from the COVID-19 pandemic demonstrated that the world must not forget the central role that the arts have had and continue to have in our lives. As lockdown orders cemented, families and individuals realized the importance of incorporating art and creativity into their lives. By redecorating your home, creating a new business idea, or playing an instrument, entrepreneurs everywhere welcome the unique opportunity of reimagining the role of museums, galleries, and concert halls.

The technological revolution has introduced new ways for traditional areas of art to spread their reach. Even the reach of a small, local museum can become global, allowing its message to reach new and diverse audiences. There will always be an

emphasis on and reverence for experiencing art in person, which leaves entrepreneurs with ample space to respond to the human need to curate and experience art in difficult times.

ICSB RECOMMENDATION:

Not only should entrepreneurs be looking to the arts for growing opportunities for collaboration, but our need for arts highlights a missing piece in many of our entrepreneurship education programs. By restructuring how we look at the interaction between the arts and entrepreneurship, we will create products and services that feed an essential need for all local and global communities. Art accessibility will become an even greater topic of interest as we situate ourselves in the post-COVID-19 world.

7

Number Seven Trend

SCIENCE, TECHNOLOGY, ENGINEERING, AND MATH EVERYWHERE

INSIGHT:

Science, technology, engineering, and mathematics (STEM) are increasingly important to the innovation equation. They allow individuals to think profoundly about local and global problems while designing and applying real-world solutions. Consequently, it should not be surprising that small businesses drive a significant percentage of the STEM economy. Small businesses are the most human and personal form of entrepreneurship, and as a result, they are perfectly positioned to take advantage of the growing technological capacity at our disposal. However, we must remember that because small businesses are the most human and personal form of entrepreneurship, they can reflect the issues and inequalities of their space. Therefore, we must always remember to be aware of the past mistakes made in small businesses to correct them consistently. One of the core mistakes made in the STEM field has been the field's gender inequality. Therefore, addressing this inequality is one of the most important short term goals we can set for ourselves.

ICSB RECOMMENDATION:

As the STEM and small business economies grow, let us be sure to recognize how "gender differences in STEM entrepreneurship expose issues unique to female entrepreneurs in STEM fields." Women are known as the most suitable group of frugal innovators for multiple reasons. First, many women have the experience of running and managing the household, which could be viewed as a micro-business. Additionally, women have personally felt the oppression that frugal innovations seek to abolish.

It is inspiring and motivating to see the evolution of STEM moving so quickly. However, we should not assume that equality and fairness will necessarily follow the STEM fields' growth. We must continue to be conscious of the need to focus our STEM efforts on gender equity and other efforts towards achieving the Sustainable Development Goals.

6

Number Six Trend

EQUITABLE EMBODIMENT

INSIGHT:

We are living through a revolution towards cohesion. We must emphasize that within every structure of society, including business, “respect for human dignity demands respect for human freedom.” We seem to have mistaken the value of every individual human with the value of economics. Consequently, we have accidentally turned economics into an opposing force for humane endeavors. However, the current situation brought about by the pandemic has allowed us to start anew. Within this restart, we must then consider the mistakes made in the past and rectify them. It is imperative to understand the characteristics of humanistic management, with empathy acting as an essential “driving factor for employee engagement and communicative business culture, leading to a better understanding between organizational members and stakeholders.” Empathy is often thought of as the “starting point of design thinking,” and it seems perfectly reasonable that this

would be a guiding principle in reimagining and reshaping our new world.

ICSB RECOMMENDATION:

From empathy comes a commitment towards equity. At the firm-level, equity encompasses the “extent to which a company treats individuals in a fair and equal manner.” This essential component of the work and world culture promotes “a sense of proportion,” agreeing that “the outcomes individuals receive should be awarded in proportion to their inputs and outputs” and understanding that not all individuals are starting in the same place because of historical, embedded discrimination. We have to begin centering the experiences of the marginalized, atypical actors who have suffered on the old business ecosystem’s periphery. To form companies, nations, and people who work for equitable solutions for all, we must agree to unearth the past that has created these inequalities and challenge the present that continues to recreate them.

5

Number Five Trend

THE END OF THE STATUS QUO — THE FINAL RAMIFICATIONS

INSIGHT:

ICSB in December 2019 said the number one trend for 2020 was the End of the Status Quo. We called it because the status quo is no longer enough. To say it falls far short (to the tune of 60 million jobs that need to be created by 2030) is an understatement of fact, and it is failing even strong economies and (in particular) vulnerable ones alike. The wheels of change need to be set in motion immediately.

Then Covid-19 happened, and it was much harsher and more dramatic than ICSB expected. The new decade started with much death and sadness. Human Progress took a step backward.

Yet, what makes us human is the unequivocal and relentless will to hope!

ICSB RECOMMENDATION:

Forward momentum in these areas is still being seen to some extent. Sustainability is on everyone’s mind. The Gulf region continues to open itself up. The middle-class in Africa is on the rise, and countries re-examine their social contracts with their citizens. But is it enough? MSMEs have power and can play a crucial role in shaping the destiny of their businesses. They have actions and options available that they can take to minimize the disruption to their businesses. MSMEs must educate themselves to understand the supply chain, how it works, and how it affects their business in various ways. It is also essential for them to know and understand the alternative actions that can be taken. Many voices, many perspectives, and many heads can be better than one. Silence will not end the struggle, but letting our collective voices be heard can influence positive action.

4

Number Four Trend **DIGITAL DISTINCTION AND TRADE WARS**

INSIGHT:

As a business transforms from its creation to implementation, identifying and prioritizing market opportunities is essential. However, managers often face one of the most challenging tasks when striving to increase their company's growth capacities.

Traversing market opportunities is too often left to simple chance when in reality, anyone can capitalize on available market opportunities if they can understand the systematic frameworks at play. Fully understanding these frameworks and tools will allow you to make informed strategic choices and present your applications to build team cohesion around your preferences.

This is where Digital Distinctions and Platforms can be the edge for entrepreneurs and SMEs.

It is not just the strategy that is needed but the perfect online platform as well. The strategy has to be executed well. The art of foresight, leadership, and accountability is required. You have to have all three aligned perfectly. If not, the competition will destroy you.

ICSB RECOMMENDATION:

There is no flexibility in the modern business world without a digital presence. The tools exist for small businesses to create an online, global platform that can work towards solutions for various societal needs with very few input resources. The future of education is digital, and tying your business's investment in digital presence to skills training or other educational opportunities is a smart, cost-effective way of growing your footprint.

3

Number Three Trend **SMALL BUSINESS RESILIENCY**

INSIGHT:

During these difficult times, everyone is talking about survival, uncertainty, and loss—loss of revenue, relationships, and resources. It's normal and human to feel fear and uncertainty and wonder about your business's future. Currently, experts estimate that one-third of companies will fail, another third will prosper, and the remaining third are in dire need of support.

We know that disasters and economic downturns bring unprecedented challenges. But what if the worst thing that ever happened to your business was also the catalyst to unlock your courage once again? What if the obstacle you are experiencing right now is your opportunity to grow more robust, adaptable, and more successful than you've ever been?

What if you could do more than survive?
What if you could thrive?

ICSB RECOMMENDATION:

We are beginning with a simple yet intrinsically complex question: how can we innovate with

limited resources in a way that will create products and services that are accessible to all? In taking a step back, we might see the solution more easily; we must do better with less. In introducing the concept of frugal innovation, we can begin to think about how SMEs can escape the volatility of crisis and change and eventually start finding solutions that uplift the values of ingenuity, empathy, and resilience.

#1 Know thy business. Owners must review operations, contracts, and agreements to be thoroughly knowledgeable about their enterprise's current status.

#2 Focus on the employee. Small business owners must spend time with employees, exploring employee contentment, and ensuring their focus aligns with the company's more excellent vision to endure.

#3 Connect with your customers! Owners and managers need to speak directly to their clients to gain better insight into useful innovations to meet their current needs.

2

Number Tow Trend

HUMANE ENTREPRENEURSHIP

INSIGHT:

In 2015, ICSB began discussing the human element in Entrepreneurship. The concept of a human-centered approach across the various processes and components was simple and powerful. The idea was proposed by Dr. Ayman El Tarabishy, CEO and President of ICSB, Dr. KiChan Kim, Past President of ICSB, and Dr. Paul Swiercz, Professor Emeritus at GW University. At that time, the idea was not well received and was rebuked for lack of clarity. They told us that focusing on the human was shortsighted and ineffective compared to the dynamism of business and the accelerating speed of technology. They said Humane Entrepreneurship was naive and inconsequential. Think Again!

MSMEs are about doing business in a humane way. They hold a special place in people's hearts because they are as human as we are. We currently see a trend in very non-human centric business models that take industrialization, robots, and artificial intelligence. This trend continues to grow and does not look like it is going to end any time soon. Yet, the heart of humankind will always yearn for a human touch.

ICSB RECOMMENDATION:

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

Small businesses must prioritize the well-being of their employees and the sustainability of their business practices. This is paramount across all industries. We have seen the consequences that companies face when they fail to prioritize human and environmental health. The assurance of wealth creation and continued operation only occurs when your employees and customers are confident that your business cultivates an environment of safety and health. This commitment to humane and sustainable business practices and investments will continue to develop into an even more critical metric in determining small businesses' success today and in the future.

1

Number One Trend

THE EVOLUTION OF THE ENTREPRENEUR: WOMENPRENEURS

INSIGHT:

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ICSB RECOMMENDATION:

Forward momentum in these areas is still being seen to some extent. Sustainability is on everyone's mind. The Gulf region continues to open itself up. The middle-class in Africa is on the rise, and countries re-examine their social contracts with their citizens. But is it enough? MSMEs have power and can play a crucial role in shaping the destiny of their businesses. They have actions and options available that they can take to minimize the disruption to their businesses. MSMEs must educate themselves to understand the supply chain, how it works, and how it affects their business in various ways. It is also essential for them to know and understand the alternative actions that can be taken. Many voices, many perspectives, and many heads can be better than one. Silence will not end the struggle, but letting our collective voices be heard can influence positive action.



GLOBAL REPORTS





The Reality of Entrepreneurship

Ahmed M. Osman
Chairman of the International Council for Small Business (ICSB)

The word “entrepreneur” has been glamourized by today’s media. When you hear the word “entrepreneur,” you are often shown an image of successful people with profitable, rapidly growing businesses and a glamorous lifestyle. Unfortunately, this representation of entrepreneurship reflects a minute fraction of entrepreneurs. The reality is that 8 out of 10 startups fail. The reality is that starting and running a business is psychologically and mentally distressing. It is years of dedicated and relentless hard

work. Being an entrepreneur is a powerful and rewarding experience, but the reality is often not what you expect.

The reality of being an entrepreneur is that there will be some tough days and a lot of ups and downs, in most cases more downs than ups. Despite what the stereotyping of entrepreneurship portrays in our minds, there are many sacrifices that entrepreneurs make, whether that sacrifice is personal, financial, or emotional.

It's essential to have a game plan before making too many unnecessary sacrifices so that you are working in the interest of both yourself and your venture. The first thing Entrepreneurs learn is that they have to play multiple roles in their business. They have to multi-task and sometimes become the bookkeeper, sometimes do sales or business development activities, and in other instances develop technology if needed. Entrepreneurs learn a lot from playing multiple roles and develop skills necessary to play a supervisory or leadership role over subordinates in the future once the venture allows them to hire in various roles. Entrepreneurs will slowly become better at managing multiple functions and duties, but it comes with experience and learning from your mistakes. Achieving overnight success is extremely rare. It is actually a myth because building a business is a long-term process.

When a business starts, founders face rejections and make some regrettable mistakes. However, these experiences contribute to the success of an Entrepreneur. The key is to keep going, which is often made easier by having a support network. Most entrepreneurs begin their journey alone or with a very slim team if they are lucky. Support from friends and family is essential as sometimes it is simple conversations and supporting words that keep us going. As a

company grows, so will the founder's list of responsibilities. Having people to lean on during these times for mental support or mentorship is extremely important and essential.

When growing a business, it takes time to see the financial reward. As an entrepreneur, you are consistently on the bottom of your own pay scale and having to be patient for return profit.

Being an entrepreneur is not for everyone, but it can be a rewarding and life-changing experience for those who pursue it. I recommend that you speak to other entrepreneurs first, those who have lived similar journeys and can share their experiences. Having a mentor is a valuable way to learn, grow and avoid making mistakes.

Globally, entrepreneurship is now becoming politicized and is promoted to young people as the only route to employment. I am afraid that such propaganda creates a dream of wealth and quick success for young people. As the reality is different, this may lead to resentment from younger generations. Therefore, we must be careful in what we promise and explain the facts around starting a venture with complete transparency.



The Future is Now: The Rise of the “Preneur” in the Wake of COVID-19

Ayman El Tarabishy

President & CEO of the International Council for Small Business (ICSB)

From February to April 2020, the number of active business owners dropped significantly compared to the start of the year, a direct result of the COVID-19 pandemic. Micro, small, and medium-sized enterprises (MSMEs) were subjected to widespread layoffs and closures just a few weeks into the pandemic. However, like the expedient rebuilding of London following the Great Fire of 1666, the post-COVID period is shaping up to be one of the most productive and entrepreneurial eras yet. Global disruption created

space for “preneurs” to innovate the inefficiencies that were revealed in a post-COVID world. Taking advantage of the preexisting cultural shift towards digitization, workers across all industries developed resourceful mindsets. Ranging from intrapreneurs to edupreneurs and freelancers, the rise of the “preneur” represented the obligatory response of a society where an entrepreneurial mindset is a prerequisite in order to adapt to an ever-evolving world.

By creating one's own venture, one is shielded from the traumas of having an interruption in income during a pandemic-induced global depression or other economic downturn. The stage set during the beginning of 2020, when many businesses permanently closed their doors and mass layoffs and furloughs were commonplace, shifted the entrepreneurial narrative from a calling to a necessity. In mid-September 2020, Americans were starting new businesses at the fastest rate since 2007, with 3.7 million companies entering the arena (Guilford & Scott, 2020). Meanwhile, the coronavirus pandemic further forced the hand of companies by mandating work from home in order to stop the spread of the virus. Employees that had not anticipated this move had to embrace an entrepreneurial attitude in order to navigate the adjustment. Pivoting towards a solutions-oriented way of thinking was a gradual process, accelerated by the immense uses and accessibility of the internet. This digital foundation and existing technology, such as video conference applications like Zoom and Google Meet, gave companies and individuals the tools to move to a virtual model of operations with relative ease. However, workers still had to adjust their modus operandi in order to assimilate to their new work environments.

Accustomed to the accountability and resources of an office, personnel within these companies had to act as intrapreneurs in order to adapt to working from home. Remote work initiated a culture of "innovate or fail," a response that required employees to locate the voids created between the shift from in office to home office. To fill these gaps, workers had to create routines and systems that cultivated consistent productivity and results or else risk losing their livelihood amidst the backdrop of

a global pandemic. Additionally, these circumstances gave people the desire to invest more fully into their companies. The pandemic magnified ineffective systems and brought them into focus. For employees who missed a physical connection to their company, staying home gave them the time to address these inefficiencies in innovative ways. This code switch has huge implications because once people discern new ways of operating, it opens up the possibilities of what they can achieve.

Likewise, in the education sphere, this adjustment to a virtual world manifested in many ways. For teachers looking for stability in the middle of an in-person vs. remote learning debate, e-learning offered a platform for them to act as edupreneurs. During COVID, there were 2,800 courses added to the massive open online course (MOOC) market. Out of the 180 million students around the globe now utilizing these classes, one-third of them joined in 2020 (Zalani, 2021). Tasked with finding innovative ways to further engage students, educators have utilized apps such as TikTok and YouTube, where they can make fun, engaging education videos with the chance to go viral and reach a wider audience. One in particular, "Iam.mrluke," a primary school teacher in Southern Australia, accrued a total of seven million views across his videos, illustrating the clear appetite for digital offerings (Hartung et al., 2020). This uptick in educational content illustrates how teachers permeated digital spaces in order to make up for the shortcomings of remote learning, expanding the opportunity for students to learn during the pandemic.

Meanwhile, the self-made non-graduates and highly-skilled young people who graduated into a pandemic with a limited job market also benefited from

educational content available online as they sought non-traditional work paths. For them, freelance work offered both opportunity and high pay. Following the rules of the “gig economy,” these workers, who operate independently rather than accepting full-time employment within a single company, contributed \$1.2 trillion to the U.S. economy during the pandemic (Liu, 2020). In uncertain times, the option to work under more than one employer, generating multiple streams of revenue, was a secure way to ensure income. Additionally, lockdown was beneficial as it gave these independent contractors the time to develop their portfolio or earn a certificate that enhanced their credibility and skill set. Moreover, it offered them the freedom to pick their own hours, which can be optimized to take advantage of one’s most productive hours or even prioritize family events. The ability to create a schedule to coordinate work around life, rather than the other way around, is a trending attitude that does not seem to be going anywhere, even as

the world reopens and approaches a new normal.

Ultimately, the origins of this entrepreneurial boom, found in the failures of businesses across the country as well as mass layoffs, have paved a path of resiliency for those looking to get back on their feet. Aside from the traditional motivators of time, money, passion, and knowledge, the factors that nurture entrepreneurial mindsets stem from the need to evolve. Adapting to unprecedented events requires the innovation of unprecedented solutions. These results from a changing world, induced by the major global transformation following COVID-19, created a space where “normal” people could imagine a life in which their creative ideas, innovative solutions, and work-life balance could exist symbiotically. Thanks to the “preneurs” now prevalent in society, as these spaces develop, there is no limit to the extent with which these societal transformations can occur.

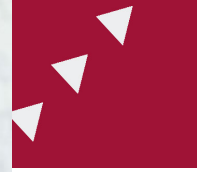
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Small Business Resiliency: Five Strategies for Small Businesses to Survive in the World of Vuca - Volatility, Uncertainty, Complexity, and Ambiguity

Katia Passerini

Provost and the Executive Vice President, Seton Hall University

VUCA stands for Volatility, Uncertainty, Complexity, and Ambiguity, a term attributed to the United States (US) Army War College. It was first used in 1986 based on the leadership theories of Bennis and Nanus (Bennis & Nanus, 1985). One of the earliest references to VUCA was found in the Journal of Management Development (Barber, 1992). In the article, Barber describes a conference, held in 1991 by the US Army War College and the Army Research Institute for the Behavioral and Social Sciences, which

was focused on exploring the influence of context and the environment where leaders operate. The environment described by the conference participants was characterized by turbulence, geopolitical uncertainty, and fast-paced technological advancement that needed better governance (Baran, 2017).

It was the aftermath of the collapse of the Soviet Union in early 1990. When the Soviet Union imploded, and the enemy changed, the Army found itself leading through a fog.

It was not clear where to go and where the attacks would be coming from. VUCA then became synonymous with “trying to make sense of what you have in front of you when you cannot see” (Baran, 2017).

Before the 1990s, the environment was filled with two superpowers: the Soviet Union and the United States competing against each other during the Cold War with clear alliances and targets. One part of the world was US-aligned, and the other part was Soviet-Union aligned. The targets were technology and achievements. These superpowers were competing on tech and other achievements: who would put the first man on space (Yuri Gagarin in 1961) or the moon (Neil Armstrong in 1969) (Jenks, 2013). They were also competing on achievements such as the number of Olympic medals (de Vroe, 2018).

The implosion of Russia, the changes from the Soviet Union to more than a few independent countries, the collapse of the Berlin Wall, and similar, switched the targets, and the alliances. For the US Army, the war was now different: it was not clear where the enemy was coming from, or it could have been anywhere and could have been invisible. The 9/11 attack is the typical example of a VUCA world, one for which the US had to re-prepare. The environment in a VUCA world is different: it is volatile, it is uncertain, it is complex, it is ambiguous.

To better understand VUCA, one must think about the opposite words: a known world where one can adjust quickly because it is stable. A world where one can go from “A” to “B”, with everything else equal. The relationship between “A” and “B” is predictable, certain, simple, linear, clear. On the opposite side of the spectrum, a VUCA world, is about system interactions, system theory prevails and there is a lot of noise

and many other suppressors or moderating variables that may alter the relationship between “A” and “B.”

To survive in a VUCA environment, businesses need to take a system perspective and develop a set of fundamental skills, not just in the founder, but across the entire organization. These skills can be built by focusing on the five strategies highlighted next.

First, **businesses must be resilient, build character** and understand that any crisis is another test of one’s resolve. Those who do not panic and take a longer-term view will be those who will be able to move forward.

Second, **businesses must prepare spare resources** and keep them ready for action. If the environment presents a lot of uncertainty, the only thing one can do is try to understand risk and be ready to mitigate it. In typical project management, if a project falls behind schedule, there are clear pathways to follow: fast-track a project by doing activities in parallel or crash the schedule by adding more people (Ballesteros-Pérez, 2017). Both actions increase risk and uncertainty. Fast-tracking increases risks and errors; crashing the schedule increases costs and project complexity. However, these are known risks that can be managed, and they are both managed by preparing spare resources to act faster or work in larger teams.

Preparation also entails being ready for the “known unknowns” by obtaining and studying competitive intelligence, launching gaming scenarios, deploying crisis management, practicing role-playing. These techniques enable not to fully predict but to prepare. The 34th President of the US, Eisenhower is quoted to have told the Supreme Commander of the Allied Forces in Europe during World War II. *“In preparing*

for battle, I have always found that plans are useless, but planning is indispensable.” (CAMP ATTERBURY MANEUVER TRAINING CENTERED IN BURG IN, 2002)

Third, **businesses must clarify goals and communicate them.** Businesses must face complexity with clarity, create a vision and communicate a direction. One can react to complexity by communicating clearly, and when a negative event occurs, the clarity of communication will lead teams through the response that is aligned with the company vision.

Forth, **businesses must nurture an innovation and improvisation mindset.** This is the most important competence in a VUCA world. Since it is not clear what is going to happen, businesses have to become skilled at dealing with ambiguity. Fortunately, entrepreneur-style thinking is the best style positioned to do this well: the agility of the entrepreneurs, their *creativity*, and their focus on *innovation* are key characteristics that differentiate successful entrepreneurs from more traditional business leaders.

Creativity is innate in anyone. One does not need to work to build it, s/he just has to focus on not destroying it with too many rules. Rules and regulations keep individuals in boundaries that make them unlearn creativity. Businesses should encourage an organizational culture that celebrates creativity and thinking outside the box. Finding solutions differently, using imagination, no matter how naïve an idea might be. Companies like 3M, Google, Facebook give time to the employee to think about other endeavors, to be creative, and nurture an innovative mindset.

A good reference to understand this framework is “the Innovator’s dilemma” from Clayton Christensen (Christensen,

1997). The late Christensen wrote about two types of innovation: sustaining innovation, which is incremental and focuses on giving the customers what they want by implementing incremental changes to established products. Then, there is disruptive innovation. The type of innovation in a VUCA world, the product that nobody expected to be disruptive because of its lower quality or lower features. As Christensen highlighted, an exclusive focus on established markets might bring displacement by emerging technologies that nobody was looking at (Christensen, Raynor, & McDonald, 2015). All of a sudden, the emerging technology overtakes the market (i.e., online learning during COVID) and now, Universities have to change the way they deliver education on a large scale as competition is coming from anywhere and at any time.

Design thinking is emerging as a way of doing, inspiring, ideating, and implementing. It requires thinking beyond traditional management processes to inspire creativity and innovation. Design thinking is not about the right answer. It is about asking the right question. It is not about repeatable processes, but it is intuitive and responsive. Not designed for someone but designing with someone, like the customers. It is built for insight, it is about listening, getting outside, using stories, focusing on experiences, talking about feelings, it is collaborative and revolutionary (Bandera, Somers, Passerini, Naatus, & Pon, 2020).

Fifth, **businesses must train backups and plan for their succession,** develop the skills that are necessary to deal with a changing environment in every employee and team, not just the founders. This requires hiring and nurturing people who challenge traditional thinking, identify the non-linear opportunities, who do not ask for business

templates but creative spaces. People who have empathy and compassion, because they need to fully understand their environment to be able to produce new solutions. People who care about society, who are not looking only at business outcomes, but at making an impact in the world.

Even across the five different strategies above (1. Build Resilience – Character; 2. Have spare resources ready for action; 3. Clarify and

communicate goals and vision; 4. Nurture an innovation and improvisation mindset; 5. Train backups and plan succession), there is one common denominator: a focus on humane entrepreneurship. To survive in a VUCA environment, businesses must develop and reward their people and empower them to co-lead and crowd-source solutions. The systems and connections that must be accounted for in a VUCA world are way too complex to be managed centrally and linearly.

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SME Competitiveness Outlook 2021: Empowering the Green Recovery Executive Summary

International Trade Centre (ITC)

COVID-19 was a harsh reminder of the economic and social damage that come with being unprepared. In addition to its grim toll on human life, the pandemic – and measures to contain it – have battered companies worldwide, both large and small.

For small and medium-sized enterprises (SMEs, with their scarce resources, surviving the crisis has been daunting. They suffered the most from the pandemic, with 60% of micro and 57% of small businesses strongly affected, compared with 43% of large firms. This is partly because smaller firms record lower levels of resilience, on average, than larger companies.

The pre-COVID-19 resilience score of micro and small firms was 16% lower than that of medium and large firms, according to a survey-based index constructed by the International Trade Centre.¹ Similarly, companies led by youth have lower resilience scores than firms led by people over 34 years of age.² While women-led firms in the sample displayed slightly lower scores than those owned and managed by men, the difference was not statistically significant.

Resilience is based on the strength of a company's business processes, its external connections and its ability to pivot. It matters, as it signals how a company will fare when crisis strikes, and its chances of long-term success.



During COVID-19 only 16% of resilient companies reported laying off employees, compared with 76% of companies with a lower index of resilience. As SMEs account for about 90% of businesses and more than 50% of employment worldwide, their demise has disastrous social and economic consequences.

Just as SMEs start to emerge from the first waves of the pandemic, a more far-reaching challenge looms – climate change.

Many scientists view climate change as even more disruptive than COVID-19 in the long term. While the range of likely impacts varies depending on the model used, the economic damage of climate change could be as bad as having a pandemic the size of COVID-19 every ten years.³

Small and medium-sized enterprises are increasingly seeing environmental changes as a competitiveness risk. Of the 1,369 companies interviewed for ITC's SME Competitiveness Surveys in sub-Saharan Africa, 68% said that environmental risks were significant for their businesses, with the share rising to 93% among firms in the primary sector.

Although many SMEs are concerned about the consequences of a changing climate, most have not yet invested in measures to adapt to it. Sixty per cent of surveyed large firms reported that they had invested in at least one measure to reduce exposure to environmental risks, compared to just 38% of SMEs.

If it is mainly large firms that have the foresight and capital to adapt, only they

will prepare adequately for climate change. Smaller companies that wait and try to cope after the event are likely to run down assets, with adverse effects on their competitiveness and survival. This could exacerbate corporate concentration, which research suggests is already on the rise as a result of COVID-19.⁴

Yet not all is doom and gloom. The disruption caused by the pandemic provides an unprecedented opportunity to change unsustainable 'business as usual'. The SME Competitiveness Outlook 2021 analyses the key insights provided by resilient SMEs for all firms increasingly exposed to major disruptions. It also harvests the lessons learned in supporting SMEs during the pandemic and examines how and to what extent these can inform efforts to lessen the impact of the climate crisis.

Lesson 1: Focus on fundamentals

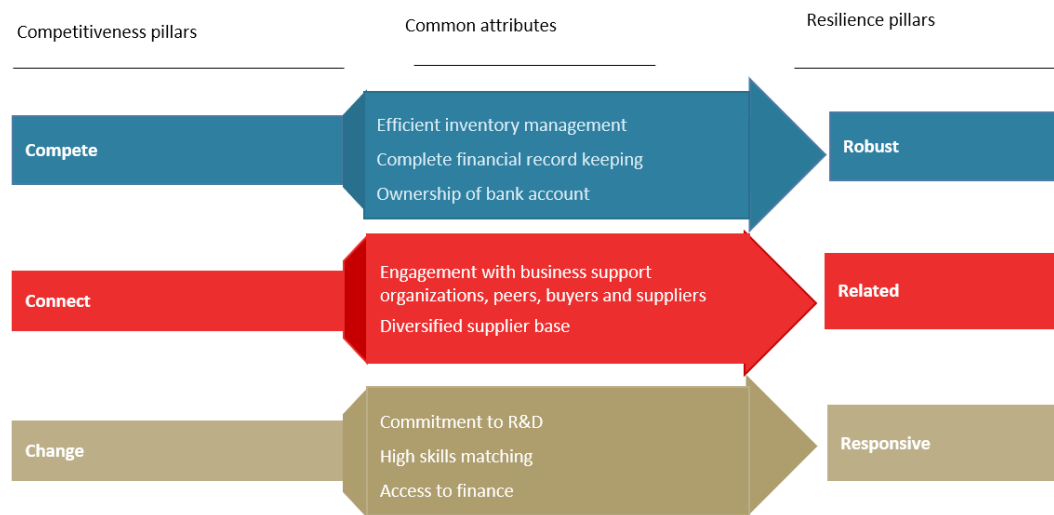
As was the case with the pandemic, SMEs find it more challenging to prepare for the many facets of climate change. This reflects constraints that SMEs traditionally face, such as lack of knowledge about the specific impacts on their business, and shortage of finance and expertise to implement necessary countermeasures.⁵ It also reflects the trade-off between strengthening short-term competitiveness and building long-term resilience.

ITC research on the business impact of COVID-19 shows there is a path to foster both. Firms have capacities, and business ecosystems have characteristics, that allow companies to thrive in good times and survive in bad times.

Practices that boosted the capacity to compete also made firms robust to the shock. Characteristics that drove the capacity to connect also determined the strength of the relationships that they drew on to

access information and benefits during the crisis. Finally, aspects that bolstered firms' ability to change also fostered responsive coping strategies.

Competitiveness builds resilience



Source: ITC.

The competitiveness attributes that lay the foundations of resilience are not specific to a health crisis. They enhance the ability of SMEs to cope with any shock, whether a pandemic or a hurricane. Investing in these fundamental aspects of SME competitiveness can yield dividends for current competitiveness and future resilience.

Climate change impacts follow an inequitable path. The most acute shifts are expected to occur in regions and countries with low incomes and lagging performance in achieving the United Nations Sustainable Development Goals. Businesses in strongly affected countries tend to have relatively fewer resources, alternatives and information to help them adapt.⁶

Lesson 2: Give timely and clear information COVID-19 showed that people can adapt if they know what to do – wear a mask, observe physical distance, stay at home. Similarly, small businesses need timely, accurate and clear information on the potential effects of climate change -- and of the shifts in consumption, production and trade that are emerging in response.

Companies interviewed for ITC's SME Competitiveness Surveys in sub-Saharan Africa were most concerned by changing temperatures (34%), followed by water scarcity (22%) and floods (20%). They also cited a range of other concerns, including scarcity (18%) and quality (15%) of business inputs, storms and other risks (15% each), lower air quality (3.2%) and rising sea levels (2.5%).

But SMEs in developing countries will not only bear the brunt of climate change's direct impacts. They will also be at the receiving end of measures, largely designed in developed countries, to counter the damage of a warming planet.

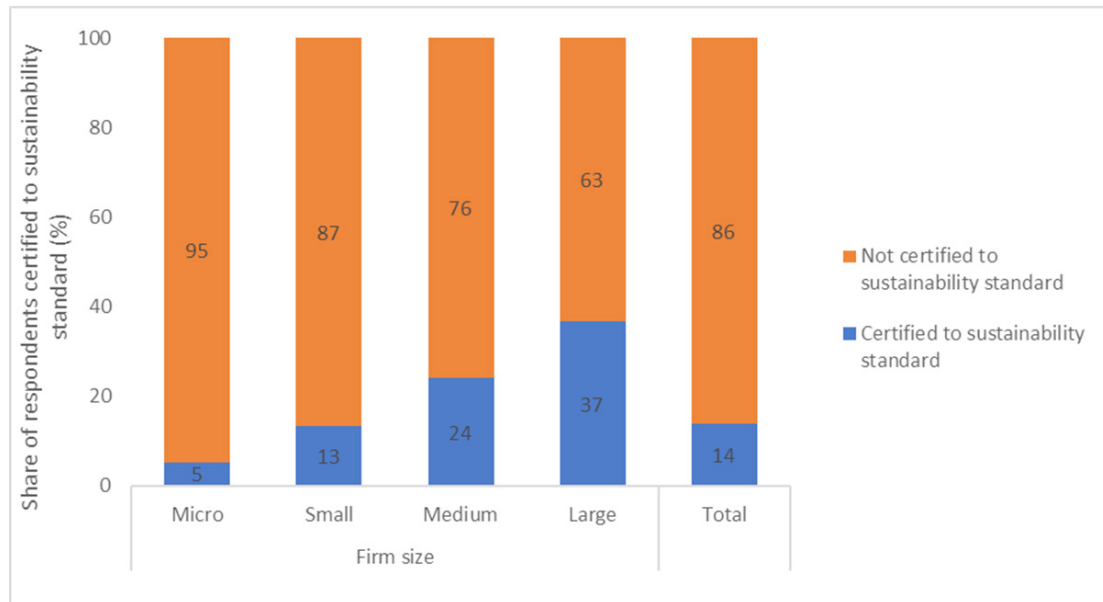
While necessary for mitigation and adaptation, new climate policies, regulations, laws and taxes may lead to regulatory risks for SMEs. There are financial costs associated with becoming compliant.⁷ Moreover, clear rules have yet to be implemented in many states, and the patchwork of declarations, policies and practices generates uncertainty and keeps smaller firms from planning their own green transition. Indeed, 28% of African firms interviewed for the ITC

SME Competitiveness Survey said that environmental regulations were an obstacle to their operations.

Voluntary sustainability standards complement government regulations and ballooned from just 15 in 1980 to more than 262 in 2020.⁸ These standards signal to environmentally-conscious buyers, including corporate purchasers and consumers, that firms follow certain desired practices.

The multiplicity and stringency of standards make them technically and financially challenging for small businesses.⁹ Only 5% of micro and 13% of small firms interviewed by ITC globally were certified to a sustainability standard.

Smaller firms are less likely to be certified to a sustainability standard



Source: ITC SME Competitiveness Surveys of 4,844 respondents interviewed between 2017 and 2020 in Argentina, Benin, Botswana, Burkina Faso, Cambodia, Ghana, Hungary, Kenya, Myanmar, Nigeria, the Philippines, Togo, Ukraine and Zambia.

SMEs need timely and well-defined information to plan their own green transition. Public and private sector actors must convey climate realities and policy

intentions clearly so that SME managers can avoid making investments or embarking on ventures that run counter to future measures.

Lesson 3: Leverage Opportunities

Adopting sustainable practices is not only about businesses being good – it is also about good business. Although 58% of the firms surveyed by ITC in 2019 expected climate change measures to affect them negatively, 39% expected some positive impact.

There are five factors driving the SME business case for going green:

- Increased resilience
- Cost reduction and higher productivity
- Compliance with climate regulations
- Access to markets
- Eligibility for green financing

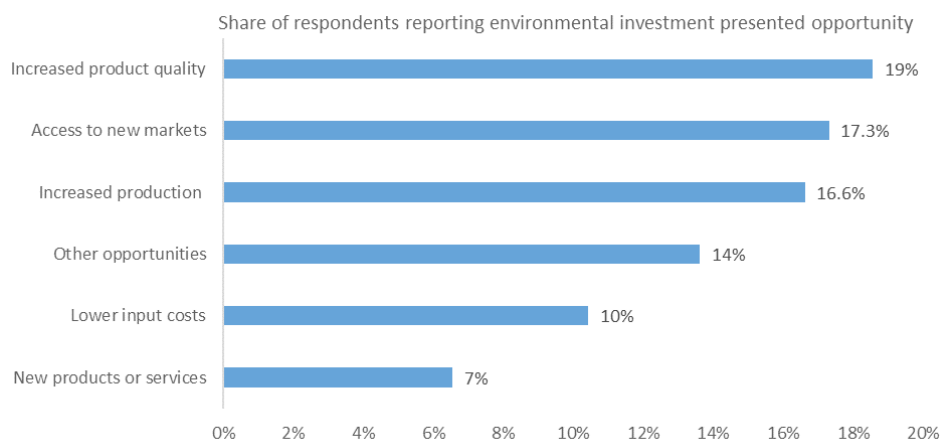
Measures to reduce firms' environmental footprint that cost nothing or very little, such as changing management of water, electricity and chemicals, pay off quickly. Although these 'quick wins' can mark the first step in the greening of SME business practices, bigger investments deliver much

more significant benefits to the bottom line and the planet.

For example, the costliest measures adopted by SMEs participating in ITC's resource efficiency and circular production interventions were installing solar panels and electricity equipment, which require significant initial investments. These initiatives, however, are expected to deliver the largest total financial benefits after 10 years and the biggest environmental dividend in reduced greenhouse gas emissions.

Fifty-nine per cent of African firms that had invested in greening their enterprise said it provided them with new opportunities. Of firms that made green investment during the previous three years, 19% increased product quality, 17% accessed new markets, 17% increased production, 10% reduced their input costs and 7% made new products or services.

Business opportunities from green investment



Source: ITC SME Competitiveness Surveys of 1,359 companies in Zambia (Year 2018, 242 businesses), Botswana (Year 2019, 615 businesses) and Benin (Year 2019, 502 businesses). Some green investment projects, however, do not seem to pay off financially in the short term. Forty-one per cent of the firms interviewed by ITC in Africa felt their green actions had not yielded benefits. This is particularly true of firms in the services sector.

Lesson 4: Support, support, support

Even when the green business case is compelling, and particularly when it is not, SMEs need support to transition. As small firms seek assistance to recover from the pandemic, all stakeholders should provide them with the means to become more

competitive, resilient and sustainable.

The Green Recovery Plan is a set of recommendations for business support organizations, governments, lead firms in international value chains and international organizations to help SMEs embark on a green transition.

The Green Recovery Plan to support small businesses

	Business support organizations	Governments	Lead firms in international value chains	International organizations
Embrace environmental sustainability	Develop expertise internally/seek it externally	Embed sustainability in recovery plans	Adopt a holistic approach to share and manage risk	Mainstream sustainability in development plans
Collaborate and coordinate	Create/join networks to share knowledge	Coordinate to ensure regulatory coherence	Harmonize/ mutually recognize sustainability standards	Be a platform for information, best practices
Advocate for SMEs	Build the local ecosystem of support	'Think small first' in policymaking	Source in non- <u>traditional</u> locations	Bring SMEs to multilateral forums
Facilitate SME access to finance	Be the trusted intermediary	Provide incentives for green finance	Facilitate access to supply chain financing	Promote tailored financial solutions
Strengthen SME technical capacity	Train SMEs to adopt green, innovative approaches	Promote innovation with access to skills, technologies	Build skills and technology base of small suppliers	Increase service offering for SMEs

COVID-19 taught the world hard lessons. Without action, climate change will teach even harder ones. By acting now and placing SMEs at the core of a green transition, it is possible to simultaneously address the climate crisis and build the competitiveness and resilience of the businesses on which a large percentage of the global population depend.

Endnotes

1 (Falcicola, Mohan, and Rollo 2021).

2 While women-led firms in the sample displayed slightly lower scores than those owned and managed by men, the difference was not statistically significant.

3 (Gates 2020).

4 (Rose 2020; The Economist 2020; UNCTAD 2020).

5 (Dougherty-Choux et al. 2015; Herbane 2010; Wishart 2018).

6 (Islam and Winkel 2017)

7 (Bradford and Fraser 2008; Conway 2015; de Oliveira and Jabbour 2017).

8 see standardsmap.org.

9 (DMCC 2020)

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SME and Entrepreneurship Policies Under the Pandemic: A Year in Crisis But Not a Nasted One

Lucia Cusmano and Céline Kauffmann
Organisation for Economic Co-operation and Development (OECD)

The past year has been a trying one for small businesses and entrepreneurs – everywhere and through successive waves of activity stop and go.

The COVID-19 pandemic has pushed many small businesses and entrepreneurs to the brink. The crisis - and more particularly the associated restrictions - have brought economies and societies into uncharted territory, and revealed the vulnerability of many MSMEs and entrepreneurs.

Since they constitute the fabric of economies and societies, the impact on MSMEs can mean a devastating effect on employment and social cohesion, as well as on future growth prospects in many regions.

Throughout 2020 and early 2021, OECD monitoring of 125 SME surveys over some 31 countries shows that between 7 and 8 out of 10 SMEs have experienced a serious drop in revenues/sales. Many were forced to close operations entirely for long periods: closure rates ranged between 15% and 26% over the course of 2020¹.

As illustrated in the OECD SME and Entrepreneurship Outlook 2021², small businesses were particularly exposed because of their over-representation in sectors most affected by social distancing measures, in particular in wholesale and retail trade, accommodation and food services, real estate, professional services, and other personal services. In these sectors, the share of SMEs in employment is 75% on average across OECD countries, compared to about 60% for the economy as a whole. Sectors such as tourism that relies extensively on small businesses have been particularly hard hit, with international tourism falling by up to 80%.³

The effect on MSMEs was amplified by the structural vulnerabilities that the crisis so starkly revealed. While some of these fragilities were apparent in past crisis, notably the 2008-09 Global Financial Crisis, the unprecedented scale and nature of the COVID-19 crisis have compounded their effects.

In particular, the crisis has exposed MSME financial fragility. MSMEs have smaller cash buffer. They face constraints in accessing external finance and over-rely on traditional bank debt. They suffer from gaps in finance management skills and planning. As illustrated in the 2020 Special Edition of the OECD Scoreboard on SME and Entrepreneurship Financing⁴, the sudden drop in revenues created acute liquidity shortages, threatening the survival of many viable businesses. At the onset of the crisis, the ability of many MSMEs to survive without liquidity support did not extend beyond 2 to 3 months.

The pandemic disruptions also revealed MSME weak supply chain capabilities, with small inventories and dependence on few supplier and buyer networks, and limited

bargaining power to enforce attractive payment conditions. In the aftermath of the crisis eruption, many small suppliers were called to stretch payment terms, increasing liquidity shortages and insolvency risks.

The stark impact of the COVID-19 crisis on MSMEs also resulted from operational constraints, in particular lags in the adoption of digital technologies, which limited their ability to adapt to a contactless economy. Before the pandemic, roughly half of small firms engaged with social media (compared to three quarters of large firms) and three quarters had a website compared to virtually all large firms (93%). Digital gaps increase as applications become more sophisticated. Half as many small firms use cloud computing or sell online compared to large firms. When they do sell online, they tend to use their own website, rather than e-marketplaces, missing out on opportunities to benefit from network effects and access digital services, such as data analytics⁵.

While strongly affected by the pandemics, small businesses and entrepreneurs have not remained idle. They were also supported by government measures.

While hard hit by the restrictions, small businesses have shown their strong resilience and capacity to innovate under duress.

Digitalisation is typically an area where business dynamism has shown. The adoption of digital technology by small businesses has intensified by 70% due to COVID-19⁶. The OECD Digital for SMEs (D4SME) Global Initiative⁷ illustrates the sheer variety of MSME digital transformation patterns. To accommodate the COVID-19 restrictions, this has ranged from a swimming pool launching a website to manage 'lane traffic', to a yoga studio streaming classes via Instagram, going through a music

production and events company live-streaming artists from their residence or the many small retailers promptly adopting “click and collect” strategies.

Resilience has shown also in forms other than moving online, with some MSMEs radically changing their business models, such as the case of textile and clothing producers rapidly transitioning to the production of masks and other sanitary clothes.

Policy makers have also responded swiftly to support SMEs. According to the OECD overview of MSME support measures across 60 countries, over 1000 (packages of) measures were launched, 40% of which in March/April 2020 alone⁸. This represents a massive amount of public funds.

The measures have largely focused on financial support to avoid a liquidity crisis in SMEs through for example payment deferrals, loan guarantees, or even direct loans or grants. They also involved temporary unemployment schemes, wage subsidies to avoid massive layoffs. Finally, they included training, advice and information sharing, active market surveillance and facilitated access to digital tools in partnership with bigger companies to help MSMEs to adapt to the restrictions and business environment.

The emergency support measures have been critical to business survival. The population of MSMEs reached by government support has increased dramatically: in the US, Ireland and the Netherlands, around 60-70% of small businesses were supported by public emergency relief measures in 2020. Support to date has helped avoid a massive rise in bankruptcies. It will be important to avoid jeopardising this achievement through a sudden withdrawal of emergency measures,

especially when trading restrictions remain and high uncertainty and extreme distress continue for many small firms.

What about tomorrow?

The impacts of the pandemic will be felt by entrepreneurs and small businesses for many years after the crisis has subsided. This presents policy makers with both risks and opportunities

The first challenge for governments is to unwind emergency measures without triggering a wave of bankruptcies. A rise is to some degree inevitable: financial support will be phased out and temporary regulations on insolvency will need to be repealed. This will lift the shelter that kept in business the most fragile MSMEs. In the United Kingdom, for example, bankruptcies in Q4 2020 were 27% lower than in Q4 2019, and have been lower since Q2 2020 than in any quarter since 1990⁹.

However, for many small firms that may otherwise be viable, there is a risk that the liquidity crisis triggered by the COVID-19 shock may turn into a solvency crisis. Some of the policy support instruments deployed that delayed but did not cancel payments, such as lending and loan guarantees, debt moratorium and payment deferrals, may amplify this trend¹⁰.

As a result, many MSMEs have built up debts that have weakened their financial standing and significantly constrained their capacity to invest and grow in the recovery phase. If MSMEs emerge from the crisis overburdened with debt, they may be strongly limited to undertake the necessary investment to go digital, greener and more sustainable. This may actually make them more vulnerable to future shocks.

The impact on business dynamics and innovation needs also to be managed. The crisis has had a profound impact on the availability of non-bank sources of finance, especially early stage equity financing, and on the diversification of sources of finance. There is also evidence that start-ups were among the most affected and most vulnerable enterprises at the outset of the pandemic. Business confidence has also declined in unprecedented fashion across countries, even deteriorating further with the second wave and renewed confinement measures.

Looking ahead, there is a need for sound entrepreneurship policies, which improve institutional conditions for entrepreneurship and provide entrepreneurs targeted support in specific activities that are conducive to growth, such as innovation and internationalisation¹¹. In this respect, the crisis opens an opportunity to re-boot start-up policies, such as by supporting innovative start-ups and those that meet environmental and social objectives. Furthermore, as highlighted by the OECD contribution in this report on addressing gendered barriers to entrepreneurship¹², it is also time to strengthen the use of a gender lens in the design of entrepreneurship policy.¹³

The importance of entrepreneurial mindset and innovativeness goes beyond the act of business creation. Skills and capabilities to handle complexity are crucial to building resilience, adapt to and seize the benefits of grand societal and technological transformations, including digitalisation, the green transition and demographic changes. In this regard, any transformational agenda should have skills development at its core aim to strengthen links between the MSMEs and knowledge partners, such as higher

education institutions. This is especially relevant at local and regional level, where Universities, colleges and higher technical institutions can be the catalysts of a more inclusive and sustainable recovery¹⁴.

Digitalisation is also opening many opportunities to simplify the lives of entrepreneurs and MSMEs, by easing business advice¹⁵, making available high value added and tailored services at relatively low costs, such as business diagnostics tools¹⁶, and reducing administrative burdens without resorting to traditional exemptions¹⁷.

Digitalisation is the cornerstone of recovery support for MSMEs. However, the successful digital transformation of MSMEs critically hinges on security and trust in Information Technology. It is an area where the system is only as strong as its weakest link. The weaknesses of smaller suppliers can expose entire value chains. The accelerated digital transformation triggered by the crisis has drastically increased MSME exposure and vulnerability to digital security risks, in part due to their weaknesses in risk management practices. Less than one third of small firms carry out digital security risk assessments, compared to over three quarters of large firms¹⁸. This is a real concern for the continued digitalisation of MSMEs and calls for prioritising the adoption of better digital security practices in small businesses.

MSMEs are essential for a strong recovery and for sustainable and inclusive growth. “Building back better” will demand mobilising large resources to address long-standing structural challenges that hold back their innovation and productivity, as well as support investments for the twin transition towards digitalisation and sustainability.

This raises the level of ambition for MSME and entrepreneurship policy, and demands a leap in policy coherence and effectiveness. If the year in crisis is not to be lost, policy makers should learn from their response to the pandemic, to strengthen effectiveness, efficiency, and speed of delivery. Continued consultation with MSME representatives and all actors in their ecosystems will be crucial to get the design and implementation of post-COVID policies right, and ultimately build more resilient MSME policy frameworks.

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Untapped Potential: Addressing Gendered Barriers to Entrepreneurship

David Halabisky and Cynthia Lavison, OECD

What are we missing out on?

Although women are increasingly participating in the labour market and higher education, these advances are not yet seen in entrepreneurship. A substantial gender gap remains in terms of entrepreneurship activity rates as well as business size and dynamism. Closing these gender gaps could increase global GDP by as much as 2%.

The gender gaps in entrepreneurship are explained by a wide range of factors, including differences in motivations and intentions. For example, some women go into entrepreneurship to better manage their work-life balance and others to avoid the “glass ceiling” in employment. It is also important to recognise that women face different – and greater – barriers to business

creation than men. These obstacles include discouraging social and cultural attitudes, information gaps, skills gaps, greater difficulties in accessing start-up financing, less effective entrepreneurship networks and policy frameworks that discourage women’s entrepreneurship.

Now is the time to take a leap forward. Governments are doing a “reset” with their economic recovery packages, which present an opportunity to strengthen the use of a gender lens in the design of entrepreneurship policy.

What can governments do to fix this?

First, policy can affect the broad environment in which (potential) women



entrepreneurs operate. This starts with **(1) culture**: gender stereotypes create internal (self-censorship) and external (conscious and unconscious biases) barriers that hinder women entrepreneurs, sometimes thwarting vocations. By promoting positive images of diverse profiles of women entrepreneurs (e.g. through campaigns and awards, in the education system), policy can help shift cultural perception of what successful entrepreneurs look like. An often-underestimated lever of intervention is **(2) regulation**. Tax regimes that support women's labour market participation enhance their engagement in entrepreneurship, and so do robust social protection systems for the self-employed, especially when provisions accommodate entrepreneurs' unique needs (e.g. maternity leave accommodations to facilitate business continuity). Business taxations can also have unequal gendered impacts as women and men entrepreneurs favour different sectors. Reviews of gender impacts can help identify and correct such disincentives.


Public policy can also support women entrepreneurs directly. This can take the shape of **(3) skills** support (training, coaching and mentoring, business advice). Tailored programmes are typically more effective at addressing needs and facilitating participation, albeit more resource intensive than generic options. Access to **(4) finance** is another bottleneck that

policy can address, either through direct support (grants, loans) or mechanisms to facilitate access to funding (guarantees, co-investment funds, investment readiness programmes) and alternative finance (microcredit, crowdfunding). Governments can also support **(5) networks** for women entrepreneurs (e.g. building networking initiatives around training programmes, fostering connections between existing networks).

Finally, co-ordination is key. Efficient interventions typically combine several approaches, and effective implementation requires **(6) strategic planning**, including setting appropriate policy objectives in consultation with women's entrepreneurship organisations, allocating resources to implementation and monitoring progress.

What has worked?

Peer-learning. A growing number of interventions are designed around peer-learning, including for example Going for Growth (Ireland). Monitoring and evaluation show that these types of interventions are attractive to women entrepreneurs because they can get practical advice and build their networks. Also evaluations show that they work. Going for Growth participants, for example, increased their revenue, exports and employment during and after the programme.



Coaching and mentoring. Evaluations suggest that coaching and mentoring programmes can be more effective than training at helping women build up their entrepreneurship skills, particularly in STEM fields. They can also help build entrepreneurial motivations and the more intensive type of support can address specific individual needs. While schemes can be more costly when professional coaches and mentors are used, relying on volunteers is also possible.

Microfinance. These small loans can help women entrepreneurs get their business off the ground, especially when they are accompanied by other types of support (e.g. training). Survey data in the EU show that women are the largest target group for microfinance institutions. Evaluations of schemes such as MicroStart (Belgium) show that offering quality “soft” with the loan puts entrepreneurs in a better position to succeed. In addition, it is important for microfinance schemes to closely monitor their clients and to intervene when potential difficulties are identified.

What has not worked?

Gender blind is not gender neutral. Indirect gender bias can occur in mainstream entrepreneurship policies and affect participation. Tailored support is not enough, governments should review the gendered impact of new and existing regulations and policies.

One size does not fit all women. Women entrepreneurs are diverse, and their needs may vary by project type (e.g. sector, growth expectations) and personal characteristics (e.g. experience, employment status, ethnic background). Interventions should consider these various profiles to tap into the full potential of the “missing” women entrepreneurs, and reflect the local context.

Ad hoc intervention is not enough. While most countries engage in women’s entrepreneurship policy, a lack of policy coherence undermines the effectiveness of individual initiatives, and threatens the continuity of interventions. Co-ordination mechanisms (e.g. strategies) can help by signalling political commitment and allocating concrete resources. They also foster buy-in from non-state actors.

Valuable insight is missing. Despite the wide variety of policy instruments in place, policymakers often operate without crucial information on women entrepreneurs and past programmes efficiency. Building the evaluation evidence base and generalising the collection of gender-disaggregated data would increase impact and save resources in the long run, as lack of data creates a lost opportunity to learn (including for scaling up and replicating interventions).

What is the OECD doing?

The OECD has been supporting governments in developing women’s entrepreneurship policies for several decades. This includes actively monitoring trends and policy developments and reporting these findings in reports such as the Missing Entrepreneurs series and the new report Entrepreneurship Policies through a Gender Lens.

The OECD also works directly with national, regional and local governments to examine policy practices with a view to working with policymakers to address gaps and strengthen support systems. This includes country and regional policy reviews, as well as working with governments in applying the Better Entrepreneurship Policy Tool.



Women In Cleantech are Key Levers for an Inclusive Recovery

U. Dulon
United Nations Industrial Development Organization

The clean technology sector¹ with its potential for creating sustainable, resilient and inclusive employment is crucial for a green recovery from the global COVID-19 crisis and for building back better.

Women have already been playing an important role in the transition to a green economy, and can drive responsible consumption and production behaviors as well as pioneer a culture of circularity at many levels and in many countries – as consumers, entrepreneurs, innovators and designers. As women make decisions on or influence the majority of consumer purchases², they can drive responsible

consumption and production behavior throughout value chains. In the business space, there is emerging evidence that not only women-owned or women-led companies tend to prioritize social and environmental benefits over mere shareholder value – companies with greater gender diversity on their boards are significantly more likely than others to reduce the company’s energy consumption, greenhouse gas emission and water use.³

This notwithstanding, why do we still find so few women in the driver’s seats of clean technology? The interrelated impacts of sector-specific challenges and structural gender inequality on women cleantech

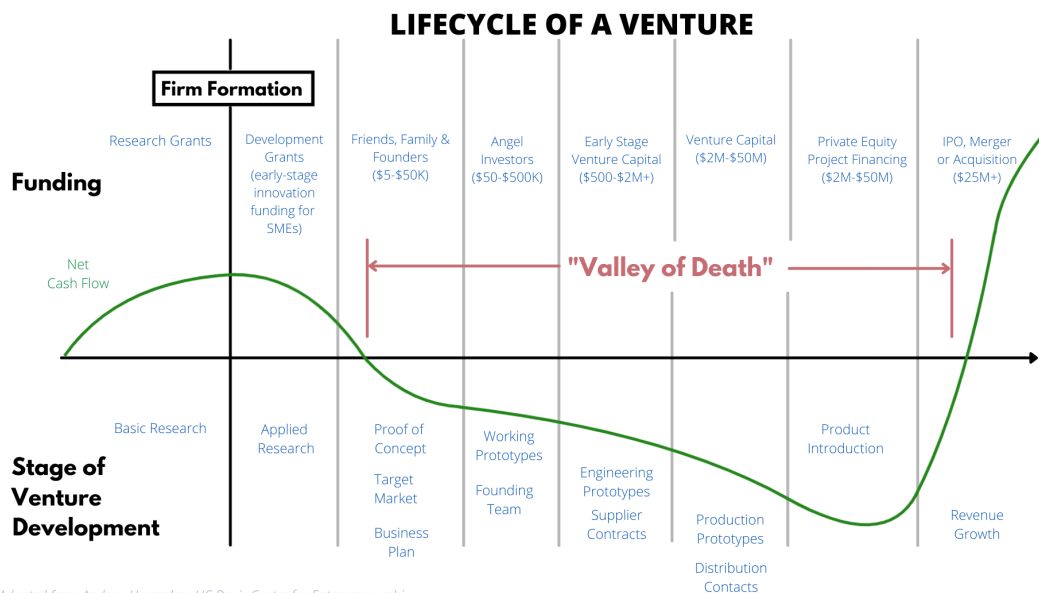
entrepreneurs has not been widely studied so far. That having been said, the challenges for women entrepreneurs seem to be compounded by the already well-known hurdles cleantech businesses generally face.

Compared to the average start-up, cleantech ventures need a longer time to become profitable – partially because they often work in highly subsidized and therefore distorted markets, such as in energy. Also, cleantech start-ups often commercialize complex innovations and therefore need significantly more time and a diverse team to make the leap from academic research to commercialization. This long road from research to revenue is often referred to as the ‘valley of death’ and tends to discourage early-stage private investment necessary for product development, manufacturing, and for attracting and retaining qualified

personnel. Women entrepreneurs are especially affected by this challenge.

Access to funds in a timely manner and at a reasonable interest rate is a key requirement for cleantech ventures to take off and to remain sustainable. However, women-led small and medium enterprises (SMEs) account for a disproportionate share of the SME finance gap, especially in emerging economies and low- and middle-income countries.⁴ One of the gender-specific hurdles for women entrepreneurs that make them less attractive for traditional bank loans are discriminatory land and property laws and the ensuing lack of collateral. In addition, many women do not have credit histories in their own names, which further exacerbates the difficulties women face in access to bank loans.

Lifecycle of a venture



Adapted from Andrew Hargadon, UC Davis Center for Entrepreneurship

As regards the main source of funding for cleantech start-ups—notably seed funding for research and development and venture and private equity capital at later stages—the impact of subconscious bias and discriminatory gender norms continues to be a major obstacle for women entrepreneurs.

Recent research shows that less than 3 per cent of venture capital was invested in women-led companies⁵, and only 11 per cent of seed funding capital in emerging markets went to companies with women in their founding team. The gender disparity in early-stage business financing cannot be explained by differences in education, experience or similar reasons.⁶

Research also reveals that male investors' intent to invest in female entrepreneurs is lower than for their male counterparts, that they have more confidence in men simply because of their gender, and that women are offered lower valuations, causing them to give up more share ownership.⁷ This only intensifies the hardships for women cleantech entrepreneurs, especially since the majority of investors are men, and people are used to investing in and collaborating with people that look like themselves. Bias, stereotypes and prejudice continue to persist: many women entrepreneurs share the experience of walking into a boardroom and being asked who the founder or the leading engineer of their own company is.

The already limited investments in women-led businesses in the cleantech sector are concentrated in the early incubator stages, where less funding is required, rather than in later stages of acceleration, i.e. when moving from prototypes to commercialization, where the required amount of funding is higher. In other words, the gender financing gap in equity capital increases with a company's resource

intensity, and this is where a lot of women innovators are forced to give up.

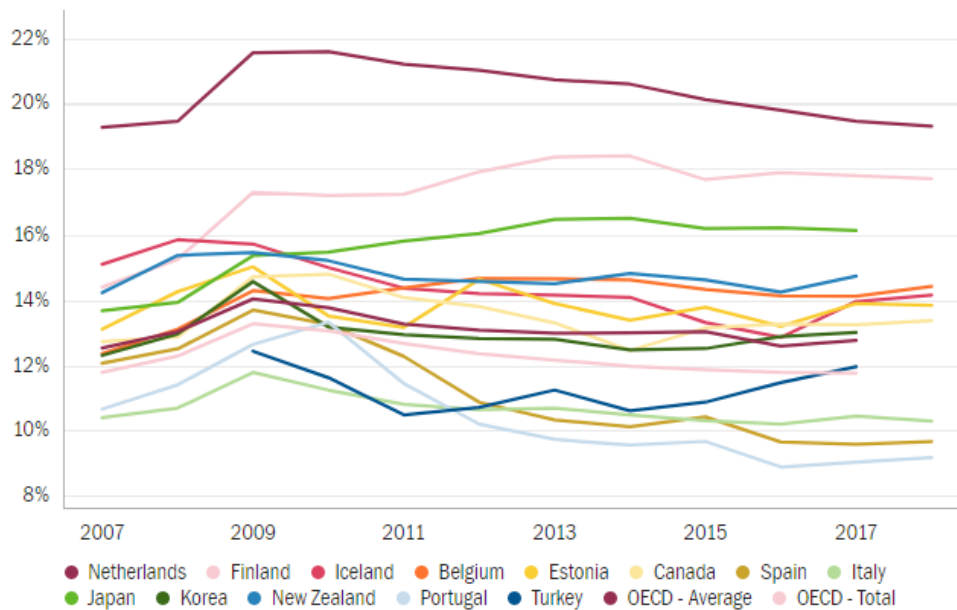
The same challenges limit women's access to networks and market opportunities. Since networks provide access to formal and informal knowledge, business opportunities and social capital, they are crucial for entrepreneurs' success. The current male domination in the clean technology sector also implies a lack of mentors and role models for women, factors that have been shown to have a significant effect on women's career choices and retention rates. In fact, a study in Denmark found that mentoring was a more significant factor for a woman's decision to choose and remain in a career in engineering than it is for men, who are motivated more by financial rewards.⁸

The combined impact of women's underrepresentation in STEM fields and their reduced access to knowledge and networks is also reflected in unequal access to market and procurement opportunities, especially early on in the proof-of-concept and early market entry stages.

Public procurement makes up 12 per cent of GDP in OECD countries, and accounts for 50 per cent or more of total government expenditure in some developing countries.⁹ In addition to the immediate business benefits, public procurement can also play an important role in creating trust in new products and services. For entrepreneurs in emerging economies and low- and middle-income countries, access to domestic markets can be a critical step in preparing for high-income countries' more demanding export markets, especially with regard to meeting certification requirements and standards, marketing and distribution know-how, and the use of e-commerce and digital tools that necessitate higher levels of digital literacy and stable internet access.

Public Procurement

General government procurement as size of GDP (%)



Note: Selected OECD countries.
Source: OECD.

It is estimated that women entrepreneurs have only been awarded 1 per cent of government procurement and tenders worldwide.¹⁰ The European Union's public procurement likewise reflects gender inequalities: only 26.3 per cent of the EU's suppliers have female managers, and a mere

16.5 per cent of companies receiving large value contracts have a majority female management.¹¹ It is safe to assume that this share is not higher in the cleantech sector, although no specific data is yet available.

How do we spur women's potential in cleantech?

Many programmes focus on the initial phases of cleantech companies. In supporting the transition to a green economy, the business sector—private investors, venture capital firms, investment banks and other financial institutions—needs to shift its paradigm from focusing primarily on quick revenue

to providing more sustainable medium- to long- term capital investment. At the same time, these measures need to be combined with support for networks that are inclusive of women, sensitization of stakeholders on their gender-related biases, and the creation of more mentoring opportunities for women in the cleantech sector. Fostering a climate of inclusion would allow women cleantech entrepreneurs to benefit from various opportunities on an equal footing, and ensure that all cleantech entrepreneurs can fully contribute to greening the future.

The public sector plays an important role by expanding growth and investment readiness programmes, tax exemptions, and subsidies for cleantech entrepreneurs in a way that is gender-responsive. Again, these need to be combined with efforts to ensure that women in this field can access and benefit from these initiatives in the same way as men do, including through

the elimination of discriminatory laws and gender stereotypes. Targeted outreach to women entrepreneurs, temporary special measures towards gender parity in companies, and overcoming the gender-specific hurdles related to collateral and credit histories play a key role in this regard. As a good example, the government and national financial institutions in India have been providing a range of state subsidies and collateral-free loans earmarked or with a specific quota for women entrepreneurs.

¹²

Governments are also becoming increasingly aware of the need to use green technologies in the operation of public buildings, energy production, waste services and of other public infrastructure. Finland, for example, requires central government bodies to commit 1 per cent of public procurement to cleantech solutions.¹³ As regards gender-responsive public procurement, India, Kenya and South Africa have introduced respective quotas for women-owned businesses. In fact, the President of South Africa announced in August 2020 that the government would set aside 40 per cent of all public procurement for women-owned enterprises.¹⁴ There is a

significant opportunity for governments to consolidate these programmes to bolster cleantech companies led or owned by women, but also for those companies that promote gender equality in general (through employment, supply chains, etc.), by giving them preferential market access for their products and for their financing needs.

The UN member states are expected to adopt bold measures to counter climate change and environmental degradation at the 26th UN Climate Change Conference of the Parties (COP26) in November 2021. The global community must bear in mind that gender equality, social equity and a sustainable circular and green economy are all pieces of the same puzzle. Advancing gender equality makes sense from all vantage points – human rights, business and climate action. We cannot afford to miss out on this opportunity.

So we should ask ourselves: a trillion dollars has moved in climate bonds in the last years, and there is an additional 23 trillion dollars needed to meet the commitments of the Paris Agreement. What if all of that had a gender lens?

This article draws on the key messages of a side-event of the 65th session on the Commission on the Status of Women organized by UNIDO and the Government of Finland, which celebrated women's leadership for climate-neutral and circular industries. The article also references some of the findings of a recent Regional Academy on the United Nations (RAUN) study (2020) mentored by UNIDO, which conducted interviews with alumni of four Global Cleantech Innovation Programme (GCIP) country projects.

Müge Dolun is Gender Coordinator ad interim at the Gender Equality and Empowerment of Women Office of UNIDO.

Suzanne Biegel is Founder of Catalyst at Large and Co-Founder, GenderSmart Investing.

Chitra Rajan is Serial Entrepreneur and PFAN Advisor.

Vere Shaba is Founder and CEO of Greendesign Africa and Greendesign Capital.

Disclaimer: The views expressed in this article are those of the authors based on their experience and on prior research and do not necessarily reflect the views of UNIDO (read more).

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UNCTAD's Work on Entrepreneurship for Sustainable Development

Chantal Line Carpentier

Chief New York Office of the United Nations Conference on Trade and Development (UNCTAD)

Background

Since 2012, the UN General Assembly emphasized the importance of promoting entrepreneurship for development with particular emphasis on vulnerable groups through its biennial resolutions. The latest resolution 75/211 adopted in December 2020 highlighted the devastating negative impact of COVID-19 pandemic on entrepreneurs, start-ups and micro, small and medium-sized enterprises (MSME) and called for inclusive and coordinated response to entrepreneurship promotion

through a comprehensive and holistic policy approach equipped with long-term and cross-sectoral strategies.

These resolutions mandate UNCTAD to support Member States in the design and implementation of policies relying on its Entrepreneurship Policy Framework (EPF) which has also been translated into specific policy guides that target entrepreneurs from vulnerable groups including youth, migrants and refugees, and less literate people. It

also encourages UNCTAD to continue its flagship Empretec programme, based on a behavioral approach to entrepreneurship. UNCTAD is also mandated through its governing body since 2016 to develop and disseminate further its EPF and assist developing countries in building a competitive domestic MSME sector, also through its deeper integration into global value chains. With its Empretec and Business Linkages programmes, and eTrade for Women initiative, UNCTAD promotes youth, women, and other vulnerable group's entrepreneurship.

UNCTAD launched the eTrade for Women initiative in 2019, to empower women entrepreneurs in the digital economy, in line with SDG 5 and SDG 8. eTrade for Women combines the transformative power of women entrepreneurship with the positive impact of digital technologies. The initiative provides critical support to women digital entrepreneurs through four strategic action lines: advocacy, capacity-building, community-building and policy dialogue. Its objective is to support women entrepreneurs to thrive as business leaders, impact their ecosystems by leveraging digital tools, and emerge as influential voices in the public policy debate.

UNCTAD's leading role in responding to COVID-19 impact on MSMEs

The United Nations responded to the pandemic through [the Global Initiative towards post-Covid-19 resurgence of the MSME sector](#) (MSME Surge project) developed under the [UN framework for the immediate socio-economic response to COVID-19](#). The main objective of the [MSME Surge project](#) is to strengthen the capacity and resilience of MSMEs in developing countries and economies in transition to mitigate the economic and social impact of the global Covid-19 crisis. It is led by UNCTAD and implemented in partnership

with several United Nations Agencies and Economic Commissions including, UNDESA, UNESCWA, UNECE, UNECA, UNESCAP, and ECLAC. UN entities are providing targeted advisory and capacity building services in a coordinated manner to facilitate the access for governments and MSMEs to relevant information, entrepreneurship skills and business management knowledge, including focusing on most critical for recovery areas such as access to finance, access to markets and access to technologies.

UNCTAD In collaboration with its Empretec centres and experienced Empretec trainers has been developing online platforms and demand-driven, customized tools to assist and accompany entrepreneurs and MSME owners to cope with short-term and medium-term challenges to their business operations. These online solutions complement the traditional in-presence entrepreneurship training workshop, based on Empretec behavioural approach. Coaching and video guides on some of the topics (soft skills, competencies and behaviours) that are usually taught and practiced in a traditional class, continue to be adapted to online formats to allow Empretec graduates, as well as, established and potential entrepreneurs, to benefit from the Empretec methodology. UNCTAD is currently designing an online version of its entrepreneurship training workshop, as a readily available platform to assist entrepreneurs, especially from vulnerable backgrounds, and MSMEs that are at the forefront of an almost certain post-COVID-19 recession.

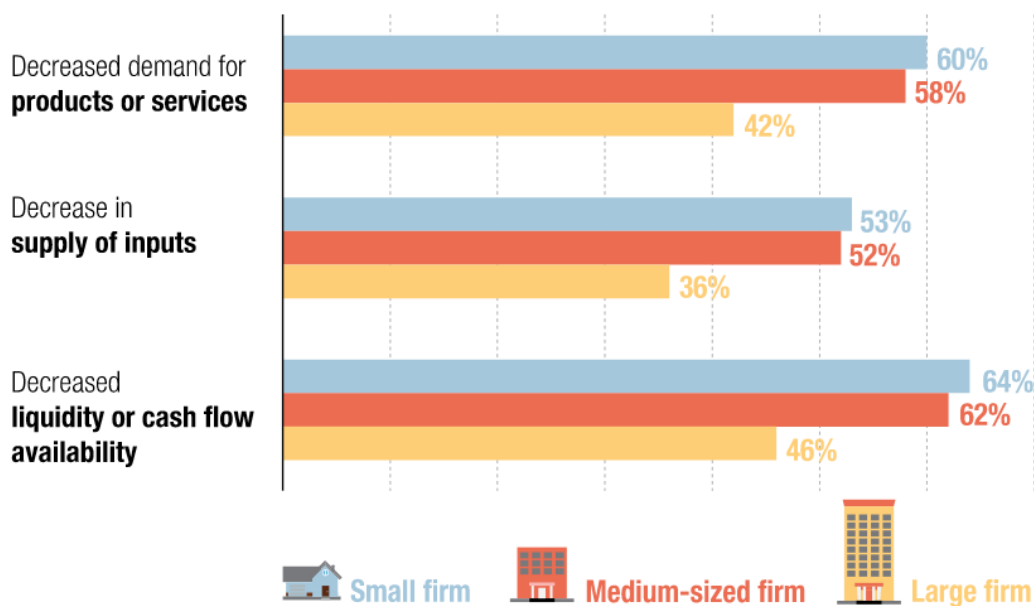
In the area of financial literacy, UNCTAD is developing online training materials for practitioners and delivering training courses on accounting for MSMEs, based on the Guidance on accounting for SMEs. Online training tools on environmental and social reporting for the MSMEs were also

developed based on UNCTAD's Guidance on the SDG reporting for companies (GCI) and the Training manual developed to support the GCI implementation. Additionally, online training courses were developed and delivered in all UN languages with support of national institutions and Empretec centers.

The COVID-19 pandemic has caused a steep global economic downturn and with sharp impact on swaths of small businesses who remain the backbone of the global workforce. In 2020, the equivalent of 255

million full-time jobs was lost due to the pandemic. Irrespective of region or income group, women have been affected by employment losses to a greater extent than men¹.

The results of an enterprise survey in 40 countries show that a greater share of SMEs, compared with large enterprises, experienced year-on-year decreases in demand for products or services, the supply of inputs and liquidity or cash flow availability after the start of the pandemic.



Source: UNCTAD calculations, based on www.enterprisesurveys.org.

Note: Data were obtained from probit regressions on a sample of 35,490 formal enterprises in 40 countries surveyed by the World Bank, updated in March 2021.

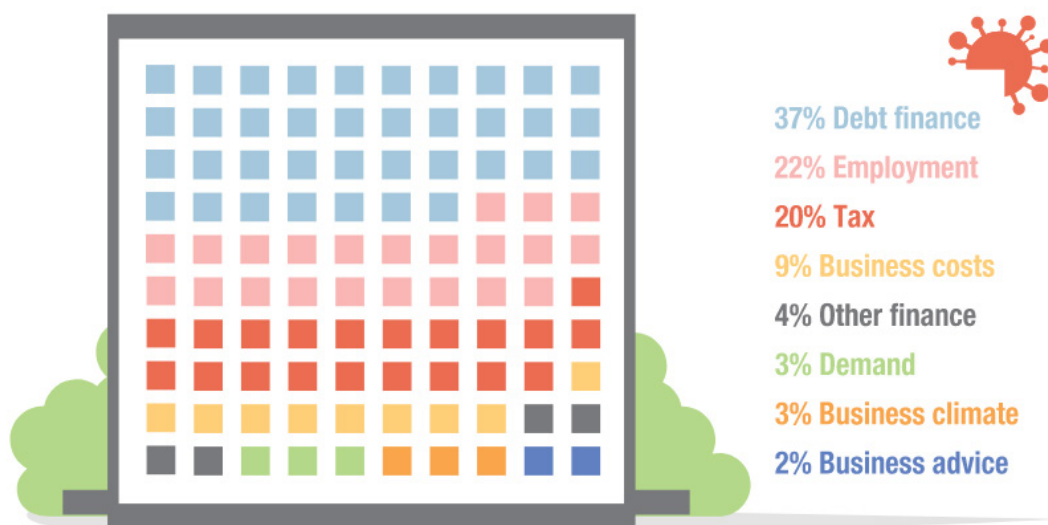
A significant proportion of MSMEs have experienced heavy losses in revenue, and many are out of operation due to confinement and other measures taken by authorities. Apart from sectoral characteristics, several factors help explain the vulnerability of microenterprises and SMEs. Small businesses have fewer resources and less capacity to cope with

abrupt economic shocks. They normally do not have diversified businesses, markets, suppliers, or external support that may be leveraged during a crisis

Unlike during the last financing crisis, supporting microenterprises and SMEs is an important part of the stimulus packages. Debt finance (loans and guarantees),

employment support and tax relief are the policy measures that are used the most. It is important to continue and further

strengthen support measures for MSMEs, to help alleviate the impacts of the pandemic.



Source: UNCTAD calculations, based on <https://www.worldbank.org/en/data/interactive/2020/04/14/map-of-sme-support-measures-in-response-to-covid-19>.

Research, analysis and policy advice/technical cooperation

As detailed in previous years, UNCTAD provides assistance to Member States to design initiatives, and identify measures and institutions that will promote entrepreneurship across the EPF's six interrelated priority areas. We formulated entrepreneurship strategies and action plans for the governments of Ethiopia and Cameroon and have upcoming ones for Seychelles, Angola, Ecuador, South Africa, and Uganda.

The Policy Guide on Entrepreneurship for Migrants and Refugees, developed jointly with IOM and UNCHR in 2018 has now led to the development of concrete action plans in 16 developed and developing countries across the world including Ministries

in Uganda and Ecuador to mainstream migrant and refugee entrepreneurship in their relevant strategies. The Guide has also inspired innovative partnerships between public and private entities to enhance the inclusion of migrants and refugees. The Swiss Government together with Seedstars, for instance, have been organizing the "The Migration Entrepreneurship Prize" since 2020.

UNCTAD, UNHCR and IOM, continue to raise awareness on this topic through an e-learning course jointly developed with UNITAR attended by over 1,000 decision-makers and practitioners from over 90 countries in 2020-2021. Available in Arabic, English and Spanish, the e-learning course certified over 900 participants.

In response to the rapid spread of new digital technologies, which creates significant economic opportunities for entrepreneurs - through new business models, better access to information, greater market access, and better participation of MSMEs in regional and global value chains. But, for which the benefits of digitalization do not accrue automatically and women across regions and continents still face multiple obstacles to succeed as active players of the digital revolution.

UNCTAD's recent research shows that while global trade in goods and services was declining by 9 and 15 per cent respectively in 2020 as compared to 2019, e-commerce experienced a surge – with its share in global retail going from an estimated 14% in 2019 to 19% in 2020. Such a surge will have long-term implications for MSMEs. Digitalization will be a key driver of recovery, and helping women take advantage of these business and trade opportunities will be critical to reduce the gender gap. In these recovery efforts, policy-makers will need to pay attention to supporting women entrepreneurs embrace digital transformations.

The factors that prevent women entrepreneurs to play a more prominent role in the digital economy are multi-dimensional. As MSMEs' transition to digitalization and e-commerce is not easy, pre-existing gender inequalities such as gender bias, lower participation in decision-making processes, limited digital skills, lack of trust, and unequal access to funding, make it even more difficult.

Technical assistance and community support

The other pillar of UNCTAD's assistance to Member States focuses on developing entrepreneurial skills and building local

productive capacities of MSMEs, through UNCTAD's Empretec and Business Linkages programmes and Masterclasses.

As reported last year, the Empretec programme has been installed in more than 40 countries and has been assisting entrepreneurs by establishing self-sustained, local market driven entrepreneurship development centres, training more than 500,000 entrepreneurs and providing them with workshops and business development services. A 2018 recent impact assessment in Angola found that 78% of Empretec beneficiaries foresaw starting up a business in the next three years.

Since 2018, the Empretec Programme has been supporting migrant and refugee entrepreneurs through our technical cooperation project "Promoting Migrant and Refugee Entrepreneurship in East Africa, Andean region and the Middle East". In October 2019, UNCTAD organized an Empretec Training Workshop (ETW) in Ecuador improving entrepreneurial skills of 34 entrepreneurs of which 26 were migrants. In 2021, UNCTAD has delivered two Entrepreneurship workshops in Uganda to a group of 68 entrepreneurs made up of local entrepreneurs and refugee entrepreneurs from various camps. The workshops provided a solid platform to improve entrepreneurial skills, empower vulnerable entrepreneurs and contribute to social and economic integration between two groups.

The Empretec programme also promotes women's entrepreneurship through the Empretec Women in Business Award (E-WBA) created in 2008 as an acknowledgment of the great achievements of women entrepreneurs trained by the Empretec programme. The award, granted every two years, has improved their access

to training, widened their markets and resources and boosted their motivation to continue growing their enterprises. It has also helped these women become role models in their communities.

eTrade for Women also offers women entrepreneurs the possibility to strengthen their skills to thrive as business leaders and pioneers of the digital transformation in their countries and regions. eTrade for Women delivered three Masterclasses in 2020 for Francophone West Africa, Eastern Africa, and South-East Asia, gathering 48 women entrepreneurs from 17 countries. Each Masterclass offered 3 days of engagement, with a combination of inspirational and business-oriented sessions, networking opportunities, as well as a high-level policy dialogue; with a programme tailored to best reflect the specificities of the region's digital ecosystem.

In response to participants in Masterclasses, UNCTAD help create regional networks to provide a safe space where women digital entrepreneurs can share best practices, create synergies, learn and develop new skills, and seek business opportunities. Three communities were established since 2020, in Francophone West Africa, South-East Asia and East Africa. Different sets of activities such as networking meetings, inspirational sessions with the Advocates and skill-building training were also organized.

The eTrade for Women Advocates - a small group of influential women leaders in the digital sector – advocate for women digital entrepreneurs by taking advantage of UNCTAD's networks and expertise to facilitate formal Policy Dialogues between policymakers and women entrepreneurs. They also act as role models for the next generation of women entrepreneurs and strive to influence more gender-inclusive policymaking at the national and global level.

Business Linkages and formalization

Building on the Empretec programme, UNCTAD also implements the Business Linkages programme which seeks to upgrade the capacity of local suppliers and facilitate their integration into global and/or regional value chains through business links with large international or domestic companies. The programme currently operates in nine developing countries aiming to diversify and add value to their production. The programme is increasingly geared to contribute to the SDGs, leveraging the incentives and resources of larger companies to help small local suppliers to adopt environmental and labour standards and ensure the beneficial inclusion.

In Uganda, the business linkages programme was implemented in cooperation with the Uganda Investment Authority and the Empretec Centre involving 6 large domestic and foreign companies and 26 local SMEs. Following the 3-year implementation, average net margins of the SMEs more than doubled along with a 100% growth on average in employment

Endnotes

1 UNCTAD (2021). Impact of the Covid-19 pandemic on trade and development. <https://unctad.org/programme/covid-19-response/impact-on-trade-and-development-2021>



Investing in Small Businesses, Building Big Economies

A. McDonald

European Bank for Reconstruction and Development.

A vibrant small and medium-sized enterprise sector is a vital ingredient for a healthy market economy. At the European Bank for Reconstruction and Development (EBRD), we believe that creating the conditions for small businesses to thrive is fundamental for economic growth.

To achieve this goal, we have launched the Small Business Initiative, a strategic initiative integrating the tools the EBRD offers to support small enterprises. We provide loans and investments through financial

institutions and risk-sharing facilities, and we finance small businesses directly. But we don't stop there.

We also provide small enterprises with advice to help them innovate and grow and we work with policy-makers to create an environment where they can succeed. From financiers

to engineers, lawyers, and industry experts, our unique mix of skills and expertise comes together to offer solutions that really meet the needs of small businesses.



What We Offer

Access to finance remains one of the key challenges facing SMEs across our region. But it is not the only challenge.

The Small Business Initiative draws on the experience of the EBRD, gained from over two decades of working with thousands of small businesses. A fifth of the EBRD's annual Bank investment and almost half its banking projects each year are directed at such enterprises. We have also helped more than 15,000 small businesses access advisory services – nearly 2,000 a year – while our financing through partner banks has reached hundreds of thousands more. This means that €1.5 billion is channeled to over 200,000 small businesses each year.

We also understand that most small businesses sell their goods and services locally. So we work with our partners to lend in local currencies, reducing the exposure of firms and the wider financial sector to foreign exchange risk. We can now lend in over 20 currencies including Georgian lari, Mongolian tugrik and Tajik somoni.

Thanks to our strong presence on the ground, in more than 30 countries from Morocco to Mongolia, we have built a wealth of knowledge and experience with small enterprises. We bring this experience to bear, through a country-focused approach, developing new products and approaches that really work.

“SMEs matter for economic development. There is a strong entrepreneurial spirit across our region but much remains to be done to foster that spirit. Supporting

small business is at the heart of the EBRD’s mandate, and through the Small Business Initiative we can and will do more.” -- Sir Suma Chakrabarti, President, EBRD



Financing through financial institutions

We provide financing to almost 200 local banks and microfinance lenders across the region, so that they can offer more loans and new financial products for small businesses in their own markets. Our credit lines might allow banks to start reaching small enterprises for the first time or to target women entrepreneurs, local businesses adopting energy-efficient practices, or innovation-driven companies.

In the long term, we want financial institutions to continue offering these products independently. Therefore we not only provide them with credit for on-lending to SMEs, but we also offer technical assistance and expertise to help them better serve their SME clients in a sustainable way.

More than €1 billion is provided to micro, small and medium-sized businesses this way each year – crucial ‘behind-the-scenes’ work that provides a model for durable change.

Finance and advice for women in business

In 2014, an ambitious plan to support women entrepreneurs came to life. Combining €460 million in dedicated finance with advisory services for over 10,000 women-led SMEs, the Women in Business programmes offer a comprehensive package of support that promotes women’s entrepreneurship and economic growth.

Credit lines provided to local financial institutions are supplemented by technical assistance for partner banks, helping them make the adjustments necessary to better serve the women’s banking market. On

the advisory side, consultancy projects for women-led firms are combined with networking opportunities, training in key skills and mentoring from entrepreneurs around the world.

Co-financing with financial institutions

We work in tandem with local financial institutions and private equity funds, sharing the risk of financing small businesses. By engaging with financing partners, we expand access to long-term financing for medium-sized enterprises and encourage more investment in challenging markets. This enables our financing partners to keep pace with the growth of their clients.

And as other opportunities arise, we hope investors and financiers will follow our lead.

Scaling up ice-cream production in Tajikistan

The Yakhmos Group, a family-owned samosa and ice-cream producer in Khujand, northern Tajikistan, needed funding to expand their production. In the EBRD’s first ever co-financing deal with a local bank in the country, the EBRD and Bank Eskhata extended a joint long-term loan to the company to finance equipment upgrades – a loan with a longer tenor than they could have found in the market. At the same time, Yakhmos worked with a Japanese adviser on implementing best practice food safety procedures, marketing and business strategy, to ensure they were ready to grow. Within a year, turnover had increased by almost 25 per cent.

Direct financing for small businesses

Where financing opportunities for small businesses are limited and we see potential, the EBRD finances companies directly. We work closely with our clients to understand their needs and help them structure the financing in a way that makes sense for their development. We use these deals to create a demonstration effect. By developing financing products that are innovative or less well-known in these markets, we create a model for others to follow.

We often combine direct financing with business advice to the client company. This approach helps firms improve their management practices so that they can achieve international standards of corporate governance and financial transparency, improving their performance and creditworthiness.

Taking a pharmaceutical producer from local business to regional leader

Owned by two scientists-turned-entrepreneurs, Liqvor is a pharmaceutical producer from Armenia that we have helped to grow from a garage-based startup to a regional exporter. Building on an EBRD equity investment of \$500,000 in 2004 for new production lines and a \$1.5 million loan from the EBRD in 2010, Liqvor was able to raise a further \$2.9 million from local banks to support its growth. This funding success was thanks in part to the improved financial and accounting standards we helped them introduce. We also assisted the company to receive certification in good manufacturing practices – the first company to do so in the South Caucasus.

Business advice

Finance alone often cannot meet the challenges that small and medium-sized enterprises face. Businesses also need access to know-how, networks and skills to help them innovate and succeed. We provide advice to SMEs in a wide range of areas, from strategy to operations, quality management, financial reporting, energy efficiency and more. Our network of local consultants and international experts introduce the latest best practice, helping small businesses become more competitive and grow.

We also work to build strong, competitive markets for business advice that will thrive, long into the future. This means developing competent, qualified consultants and building local institutions.

Rethinking retail in Belarus

We have helped Mark Formelle, a family business in Belarus that manufactures and sells clothing, to build a strong brand strategy and increase sales by 30 percent. After working with a local consultant on branding, we connected Mark Formelle with an international adviser, who helped the business improve production efficiency and develop a new store concept, raising the market profile of the brand. The EBRD has since provided a \$4 million loan to finance expansion.

Policy dialogue

We recognize that the challenges facing small businesses are complex. For this reason, we go beyond our work with firms and financial institutions to interact with policy-makers, sharing our legal and economic expertise through policy dialogue to help improve the

business environment. This country-based engagement complements and strengthens our financing and advisory activities. It might mean undertaking a large-scale business survey, or helping to set up a registry of movable assets, or developing legal standards and principles for issues like collateral, venture capital, corporate governance, or business licensing. It might even mean designing specific capital market instruments such as covered bonds to enable SME-oriented financial institutions to obtain financing.

By lowering barriers that small businesses face and building sound institutions that support a vibrant SME sector, we promote systemic change so economies can thrive over the long term.

Making collateral less burdensome in the Slovak Republic

Reforming late can sometimes be an advantage. In 1999, the Slovak Republic was trying to catch up with its neighbors in the EU accession process. A new law on collateral was needed. This kind of reform would open up financing for smaller enterprises, which couldn't provide the high levels of collateral that local banks were seeking. The Slovak Republic came to the EBRD for support in bringing about the changes they needed.

The EBRD assisted Slovak policy-makers in putting together a new legal regime for taking security, which provided more flexibility, certainty, and transparency. This drastically reduced the cost of borrowing, for small businesses in particular. By encouraging banks to ask for less onerous terms or be more flexible in the collateral they required, businesses were able to borrow more and on better terms.

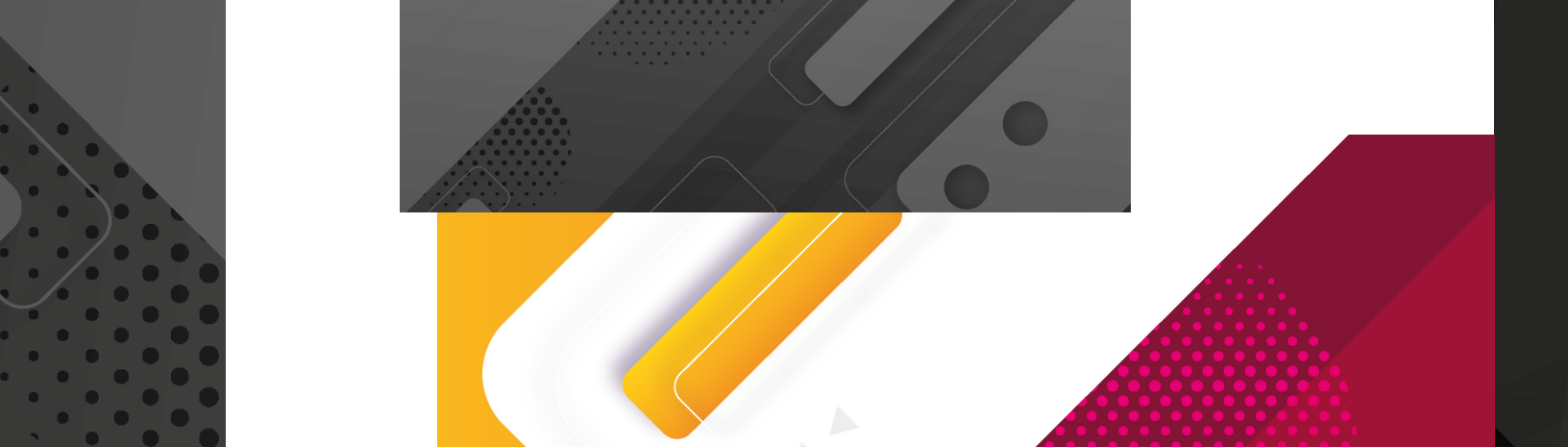
Partnership with donors

Donor support is a vital part of the EBRD's work. Donor funding and engagement allows us to provide advice alongside finance to ensure sustainable impact, and to reduce the risk of SME financing.

Under the Small Business Initiative, we are taking this partnership further, aiming to create a network of like-minded donors working together with the Bank to set strategic priorities and achieve demonstrable results. We believe this strategic dialogue with donors will bring about a larger and more flexible pool of resources to invest in small businesses and product innovation that can maximise impact. For every €1 contributed by donors to our small business activities, the EBRD invests €13 using its own capital resources, while supported clients contribute another 10 cents. This turns the original €1 into more than €14 of funding from which to generate impact. Further, thanks to the engagement of our partner financial institutions, this results in more than €100 made available to finance small businesses.

The Small Business Impact Fund

The new Small Business Impact Fund serves as our primary vehicle for bringing together donor funds to support small businesses. It is centered on three priorities: country-focused support for SMEs, aligned with the goals and strategies of partner countries; sustainability, through recurrent income streams that enable us to help more businesses; and impact, with strong monitoring and reporting standards aligned to results-based management.



Micro-, Small and Medium-Sized Enterprises (Msmes) in Developing Countries: Improving Their Resilience in the Face of the Covid-19 Pandemic

Amson Sibanda, Friedrich Soltau and Clark Ke Liu

Division for Sustainable Development Goals, United Nations Department of Economic and Social Affairs (DSDG/DESA)¹

Summary

As the economic and social impacts of the COVID-19 pandemic continue to make themselves felt across the world, micro-, small and medium-sized enterprises (MSMEs) and their employees are experiencing its effect. MSMEs are an important engine for progress towards achieving the Sustainable Development

Goals (SDGs) in developing countries. Often, most business entities in developing countries belong to the category of MSMEs, which account for significant shares of employment and gross domestic product (GDP). Under normal circumstances, MSMEs in developing countries face multiple challenges, including those

associated with informality, and limited access to mainstream finance and global value chains. COVID-19 relief measures, including stimulus measures, need to promote inclusiveness during and after the COVID-19 outbreak in order to benefit both informal and formal MSMEs. Unfortunately, the informal status of MSMEs limits their access to emergency relief measures, which renders informal MSMEs even more vulnerable to the downturn ushered in by the COVID-19 pandemic. Not only is MSME informality in developing countries an issue of business registration but its effects are felt also in the area of labour relations, particularly in cases where informal MSME employees have little or no basic social protection. While the economic and social impacts of the outbreak have been severe, policies for enhancing MSME resilience could help prevent the shock from triggering a long-term crisis, particularly a jobs crisis. The more resilient small businesses of the future will help safeguard the gains reaped through achievement of the SDGs, particularly the goals of poverty eradication and creation of decent jobs.

1. Introduction

The COVID-19 pandemic has had sweeping consequences for economic growth, employment and wages (United Nations, 2020a). The imperative of curbing the spread of the novel coronavirus has entailed a range of measures, including partial or full lockdowns of countries, people and all businesses, as well as travel restrictions. The global economy shrank by 4.3 per cent in 2020 – the largest contraction in output since the Great Depression (United Nations, 2021). Economic activity in most sectors slowed, with severe impacts on many micro-, small and medium-sized enterprises (MSMEs) and their employees.

The pandemic is a crisis of global dimensions. Most developing countries have limited fiscal space for boosting spending on social services and support to businesses. This is especially true for countries of sub-Saharan Africa, least developed countries and small island developing States. While stimulus spending per capita averaged nearly US\$ 10,000 in the developed countries, it amounted to less than US\$ 20 per capita in least developed countries (United Nations, 2021). The Economic Commission for Africa (ECA) estimates that a full lockdown of businesses and people across Africa for one month would cost the continent about 2.5 per cent of its annual gross domestic product (GDP), or about \$65.7 billion per month (United Nations, Economic Commission for Africa, 2020). In this regard, equitable access to COVID-19 vaccines is critical to economic recovery. Successful vaccine roll-out programmes in all countries will boost global economic growth, enable renewal of trade and release pent-up demand. Moreover, research suggests that not assisting developing countries in vaccinating their populations could depress growth globally, given the interlinked nature of the global economy (Çakmaklı and others, 2021). Hence, programmes such as the Access to COVID-19 Tools (ACT) Accelerator partnership, which strives to provide developing countries with pandemic resources, are critical to reducing barriers to rebuilding and recovery in developing countries.² The ACT Accelerator has secured commitments of US\$ 11 billion towards its US\$ 38 billion target (World Health Organization, 2021).

MSMEs are an important engine for progress towards achieving the SDGs in developing countries. Often, most business entities in developing countries belong to the category

of MSMEs, which account for significant shares of employment and gross domestic product (see figure I). Most MSMEs in developing countries are informal in nature. The total number of informal MSMEs is about 340 million (International Finance Corporation, 2016); and informal MSMEs are the backbone of economies across Africa (Mwanza and Benedict, 2018). The informal sector provides about 75 per cent of non-agricultural employment and 72 per

cent of overall employment in sub-Saharan Africa (International Labour Organization, 2016).

Under normal circumstances, MSMEs in developing country contexts face multiple challenges, including the challenges of informality and limited access to mainstream finance and global value chains (Asian Development Bank, 2020).

Figure I: Estimated contributions of MSMEs to employment and GDP growth in developing countries



According to International Labour Organization (ILO) estimates, there are some 800 million people who either work in microenterprises or are self-employed in sectors susceptible to COVID-19 closures, including manufacturing, accommodation and food, and the retail trade (ILO, 2020). It is estimated that micro-, small and medium-sized enterprises make up 80 per cent of the global tourism sector which employs approximately 123 million people worldwide (United Nations, 2020b). Travel restrictions have had a devastating impact

on the tourism sector, especially in small island developing States (United Nations, 2021). Unlike bigger enterprises, MSMEs lack sufficient cash reserves to weather external shocks, including interruptions in revenue inflows. An estimated 65 million firms, or 40 per cent of formal micro-, small and medium-sized enterprises in developing countries, have an unmet financing need of \$5.2 trillion every year.³ Similarly, MSMEs are less able to tap emergency credit, where it is available. Informal and unregistered enterprises are left with very

few avenues for accessing support. Further, many workers in the informal sector have low earnings, are subjected to inadequate working conditions and lack access to social protection and health insurance.

The present brief seeks to provide an overview of policy measures adopted by countries to support MSMEs in response to the COVID-19 outbreak. It draws primarily on those measures adopted by selected developing countries that may offer lessons and potential policy options for other countries faced with similar circumstances. The brief also focuses on measures that could enhance MSME resilience for building back better in the post-COVID-19 era.

2. Overview of policy measures enacted in response to the COVID-19 outbreak

The present section offers a summary of selected policy measures adopted by developing countries. A key characteristic of MSMEs in developing countries is informality, which can limit access to emergency relief measures and long-term financing and other support programmes. Many informal MSMEs are owned by women, young people, the working poor and people in vulnerable situations. With almost 1 billion people lacking a legal identity, identifying informal business owners is not merely a registration issue.⁴ Not only is MSME informality in developing countries an issue of business registration but its effects are felt also in the area of labour relations, particularly in cases where informal MSME employees have little or no basic social protection.

During the emergency response phase of the COVID-19 pandemic, countries around the world announced or put in place fiscal stimulus packages, with the

majority containing measures enacted to address liquidity pressure among MSMEs immediately following the onset of the crisis (United Nations, 2020a; International Monetary Fund, 2020). The United Nations has identified support for MSMEs and vulnerable workers in the informal economy as a component of one of the five streams of work for country-level responses to the pandemic (United Nations, 2020c).

Measures intended to benefit MSMEs can generally be categorized as follows: (a) debt relief, including deferred loan repayment and interest rate abatement; (b) emergency loans to small businesses, sometimes at concessional rates; (c) varieties of tax breaks, such as income and profit tax exemptions; and (d) regulatory measures and subsidies for social security, rent and utilities payments. Targeted measures aimed at MSMEs are combined with other policies such as extended unemployment insurance, unemployment top-ups and direct cash transfers, which work to prop up demand for MSME products and services (table 1).

Box I: China

From mid-February 2021 onward, the Government of China launched a series of policy measures to support MSMEs during the COVID-19 outbreak. The State Council encouraged commercial banks to postpone loan interest repayment by MSMEs until the end of June 2020. A US\$ 70 billion refinancing facility was launched to increase by 30 per cent the loans available to MSMEs from commercial banks in the first half of 2020. The National Development and Reform Commission launched a MSME digitization campaign whose goal, in pursuance of a digital economy, is to provide online training and services to facilitate digital transformation of MSMEs and nurture innovative business models..

is heavily influenced by the structure and composition of MSME sectors. For instance, in a region or country where the majority of enterprises operate informally at the microscale, debt relief and expanded access to credit will be of limited benefit. Direct cash transfers and other means of propping up demand will be of more use to enterprises under these conditions. Interventions such as awareness-raising and streamlined procedures influence the impact of support measures. Communication is key: MSMEs need to be made aware of the available measures, as well as of how to avail themselves of the support on offer. Unnecessarily complex rules and regulations can hamper uptake by MSMEs.

With gradual reopening of businesses starting from the latter half of 2020, MSME-supporting policies are shifting from emergency liquidity support to long-term measures for enhancing resilience. Expansion of access of MSMEs to credit and support for the pivoting of businesses have become two priorities within the context of the chronic challenges that are exacerbating the vulnerability of MSMEs during the pandemic. National Governments have increased direct loans to MSMEs with concessional terms. For example, the Central Bank of Malaysia has provided US\$ 1.25 billion in collateral-free special loans at an annual rate of 3.5 per cent to finance the working capital of MSMEs. Along the same lines, the South Africa Small Enterprise Development Agency has put in place a business growth resilience facility which finances the working capital and equipment of MSMEs, thereby enabling their continued operations and production of materials for which there is a shortage during the pandemic.

Box II: Cambodia

MSMEs accounted for over 90 per cent of all business entities, providing 70 per cent of employment and contributing 58 per cent of GDP in 2018. Most MSMEs in Cambodia are concentrated within the agriculture, manufacturing and tourism sectors. The Ministry of Commerce delivered a six-month incubation programme designed to help MSMEs adopt e-commerce models which enable expansion of sales to national and overseas markets. E-commerce has been recognized as a pillar of the country's economic recovery.

Enhanced access to credit may be expected to benefit larger or established enterprises, which can register their operations. If informal MSMEs are to fully access emergency support measures, policymakers should consider implementation of processes to fast-track approvals and to relax requirements associated with collateral and guarantees. In the current crisis situation, small businesses should not find themselves entangled in red tape. Application processes should be straightforward and eligibility criteria clearly defined and widely publicized. Given the extreme uncertainty as regards future economic prospects, small business owners may be reluctant to take on debt, even at concessional rates. There is thus an argument to be made for including a grant window for microenterprises.

A considerable proportion of grants are delivered through government-funded training and platforms aimed at supporting MSME business pivoting during the pandemic. As developed by the Ministry of Economy, Development and Tourism, the Digitalize your SME Programme in Chile has provided MSME entrepreneurs with training

on how to harness digital technologies to increase online sales, reduce costs and strengthen networks with customers. Under the country's digital strategy, the Malaysia Digital Economy Corporation was established to provide online business and investment solutions to MSMEs. In China, MSMEs are offered grants for the purchase of cloud technology for teleworking and videoconferencing, as well as for conducting research on the generation of innovative prevention and control techniques related to the COVID-19 pandemic. Such training programmes could accelerate the digital transformation of MSMEs, which would strengthen their long-term resilience in

a global market increasingly shaped by digital technology. Inclusiveness of scope needs to be mainstreamed in the planning and delivery of the training programmes, which should be open to both formal and informal MSMEs, particularly those owned by people in vulnerable situations.

There are a range of other measures, such as wage subsidy payments, intended to enable enterprises to retain employees. Government authorities have instituted regulatory measures, such as the placing of a moratorium on evictions for a stated period of time.

Table 1: Emergency policy responses supporting MSME resilience towards the COVID-19 outbreak


Countries	Debt relief	Emergency loans	Tax breaks and exemptions	Government subsidies
Brazil	✓	✓	✓	
Cambodia		✓	✓	
China	✓	✓	✓	✓
Chile			✓	
Iran (Islamic Republic of)	✓		✓	✓
Malaysia	✓	✓	✓	✓
Nigeria	✓	✓		
Pakistan		✓		
Rwanda	✓	✓		
South Africa	✓	✓	✓	✓

3. Conclusions and policy recommendations for improving MSME resilience

The measures outlined in this brief can serve as a point of reference for policy options designed to support MSMEs that are coping with challenges in the recovery phase of the COVID-19 outbreak, especially cash flow pressures. They could also generate further positive benefits by improving MSME

resilience towards external shocks in the medium to long term.

- Credit relief to MSMEs should be made available through expedited, diversified channels. Extension of loan guarantees to commercial banks for credit to MSMEs is a policy option that has been adopted. Central banks and regulators could put in place regulatory changes to



incentivize extension of credit to MSMEs, such as reclassifications related to how loans to such enterprises are to be accounted for. The urgency of the situation may call for central banks to guarantee a first “loss tranche” to MSMEs.

- Given the importance of microfinance providers to MSMEs, it is recommended that national Governments launch policies aimed at maintaining solvency of microfinance providers in the context of the COVID-19 outbreak. Simultaneous action will be required to bring relief to clients of microlenders.

- Many MSMEs provide goods and services to larger enterprises, which are managing cash flow by extending payments on invoices to service providers. With small cash cushions, MSMEs are at a disadvantage if payment is delayed. One option is for larger enterprises to be required to settle invoices of MSMEs in an expedited manner, as a condition for accessing relief measures. Government departments should also consider expanding access of MSMEs to public procurement opportunities.

- Women and youth entrepreneurs, many of whom own their informal MSMEs, are among the hardest hit by the COVID-19 outbreak owing to the informality of their businesses and the resultant inability to access emergency support measures. Socioeconomic assessments and response frameworks prepared by United Nations country teams address the plight of MSMEs and vulnerable workers, complementing national response strategies. To promote inclusive growth and recovery from the pandemic, stimulus packages and training programmes should be structured to benefit women and youth entrepreneurs and others who are vulnerable or marginalized.

- Policy measures designed for both the emergency response and recovery phases need to address the demands of formal and informal MSMEs. Governments could consider partnerships with the private sector and blended finance mechanisms for the upscaling of technical and financial resources. Support could be provided through non-bank lenders, which can reach informal MSMEs because unlike banks, their lending models are not based on collateral or surety.

- To survive future crises, MSMEs need support to transition to leverage the benefits provided by e-commerce, including with respect to procurement of inputs and selling. This will require concerted efforts to close the digital divide, in terms of expanding access to digital devices and the coverage of digital infrastructure, strengthening online marketing skills and reducing barriers to offline logistics activities.

The pandemic will have a prolonged effect on MSMEs and long-term policies would therefore be needed to strengthen MSME resilience. Without such policies, enterprises with marketable products and services and otherwise viable business plans will be forced to struggle to survive. When such enterprises go under, there is a loss of economic vitality, innovation and productivity. The post-pandemic world will offer new business opportunities, as related, for example, to greener technologies and the circular economy.

Governments can foster an enabling environment for MSME formalization, including by simplifying registration processes for small enterprises. There are good practices for formalization among

developing countries (United Nations Commission on International Trade Law (UNCITRAL), 2019). Access to support - as well as access to services such as training on improvement of marketing skills, product development and digitization - can serve as an incentive for business registration. A key objective should be to implement interventions that can make MSMEs more resilient and enable them to build back better and to shift to the formal economy.

Lessons learned during the emergency response can help inform policies devised for the recovery phase. For example, policymakers could consider merging credit guarantees provided during the emergency phase with funds leveraging access of MSMEs to financial resources in the long term. And as economies reopen, consistent and clearly communicated guidance on health and safety measures can assist enterprises, while also promoting the health and safety of employees and customers.

There is an opportunity for knowledge-sharing among and within developing countries on effective policy support to MSMEs. Entities of the United Nations

system, including the Department of Economic and Social Affairs of the United Nations Secretariat, can play a role in fostering South-South, North-South and triangular cooperation as a means of promoting the exchange of knowledge and skills and facilitating the transfer of technology on mutually agreed terms.⁵ At the national level, umbrella organizations, such as chambers of industry and commerce, can continue to share information on response measures with their members.

While channeling support to larger enterprises is an easier task, policymakers need both to ensure that measures targeted at MSMEs are subject to continuous review and to consider in that regard the particularities of the sector in their country. While the economic and social impact of the novel coronavirus outbreak is likely to be severe, policies for enhancing MSME resilience could help prevent the shock from triggering a long-term crisis, particularly a global economic recession and jobs crisis. More resilient micro-, small and medium-sized enterprises of the future will help safeguard the gains reaped through achievement of the SDGs.


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2 COVAX, a joint platform of GAVI, the World Health Organization (WHO) and other entities, aims towards ensuring that 2 billion doses are made available by the end of 2021 to all participating countries, regardless of income levels. See www.gavi.org/vaccineswork/covax-explained.

3 See www.worldbank.org/en/topic/sme/finance.

4 This issue illustrates the interlinkages among the SDGs, with SDG 16.9 calling for the provision of legal identity for all, including birth registrations.

5 See, for example, the project entitled “Enhancing national capacities for unleashing full potential of micro-, small and medium-sized enterprises in achieving the SDGs in developing countries”.



MSMEs: Transition to a digital world

Winslow Sargeant

Incoming Chairman of the International Council for Small Business (ICSB)

In 2021, a year after the COVID-19 global pandemic, Micro, Small, and Medium-sized Enterprises (MSMEs) are more comfortable to the reality that the traditional consumer-merchant business model has forever changed. This is seen in the way merchants and customers relate when physical interaction is not possible. The social or physical distancing guidelines, prescribed by the United States' Center for Disease Control (CDC) have been globally adopted and

implemented, which resulted in the biggest disruption of commerce in the last century. The need to limit the spread of infections from COVID-19 required taking these extreme measures. The effect of these policies on MSMEs, nevertheless, has been devastating to livelihoods and to businesses and their sustainability,

Beginning in 2020, COVID-19 accelerated the need for MSMEs to rely more heavily on broadband communication

technologies for contact-less interaction between small businesses and their clients. This new reality had the most impact on businesses in the hospitality space, which includes restaurants, tourist shops, and leisure businesses. MSMEs had to leave their brick-and-mortar presence for the digital world. The rules of this digital world required use of smart phones, interactive websites, credit cards or fin-tech systems, and reliable broadband, powered by electricity. For merchants who specialized in providing great service in their establishment, their years of knowing their customers seems to be a casualty of this Industry 4.0.

MSMEs, for many years, have been encouraged to develop their digital strategy. Many of these businesses viewed this as an option but not a necessity. COVID-19 made required digitalization to be a mainstay of every MSME. Before the pandemic, a research report, published by Deloitte, highlighted that SMEs, who embraced digitalization, were more likely to increase customer growth, better financial performance, create more jobs, and used tools to foster innovation. The benefits are manifold but, for many MSMEs, there are costs associated with having a digital presence. The simple notion of putting up a webpage was not enough to gain these benefits.

The transition to a digital world can be made more effective and sustainable if proper care and implementation are done. The following are tools that are important in this digital world

1. Use email lists to keep customers informed
2. Website that is navigable and adapted for mobile
3. Social media site with relevant content for followers
4. Search Engine Optimization (SEO) that will raise the company's profile

It should be noted that digitalization cuts across all sectors and industries. One industry that has gone through a lot of changes is farming. Innovation allows the farmer to get information from many different sources. Connectivity has also reshaped how farmers to gain market intelligence to better understand what is the demand for their produce and the going price. Similarly, farmers are able to share data with one another. These same advantages are being seen in MSMEs in the fishing industry.

COVID-19 has made us change the way we interact with MSMEs. As part of this rethink, we have learned how to (1) understand the customers' needs, (2) establishing a digital payment system in place, (3) re-organizing the supply chain for resiliency, (4) rethinking hiring and the workforce, (5) and the need for physical space.

The digital work is here and is becoming the preferred way to interact. MSMEs have made this transition, and with the help of reliable power and access to broadband, they have adapted to serve the consumer and bring innovation to the marketplace




Human Transformation: Beyond Digital Adoption

Hermawan Kartajaya
President of MarkPlus Inc.

Digital transformation has been a buzzword in the last 5 years. Along with the development of increasingly advanced technology —artificial intelligence, big data, 3D printing, blockchain, augmented reality, and so on— the trend of digitalization is slowly but surely impacting almost all lines of life.

Even though many business organizations—including small business players—just follow the euphoria, the benefits of digital transformation certainly cannot be doubted. Kaur & Bath (2019) mentions at least 4 benefits of adopting digital technology: reduced costs, increased accuracy, increased speed, and efficiency.



However, the substantial benefits do not guarantee that all organizations are willing to carry out digital transformation seriously. Before the COVID-19 pandemic, complacency inhibited digital transformation more than any other organizational barriers. A survey conducted by Fitzgerald et al. (2013) in higher education discovers that lack of urgency is the biggest single obstacle to digital transformation.

And then, all of a sudden, the world is shocked by the COVID-19 outbreak. It has disturbed many things and has forced humans to adopt new kinds of behavior. But behind the anxieties that have arisen from this pandemic, there are also blessings in disguise. One of the biggest opportunities created by the pandemic is a burning platform for digital transformation. A survey conducted in 2020 by McKinsey & Company reported that during COVID-19 digital adoption has taken a quantum leap at both the organizational and industry levels (LaBerge et al., 2020).

Beforehand, I need to clarify that the term “digital transformation” itself tends to oversimplify this phenomenon. The transformation process that occurs actually is not only in the technological aspect. It is much broader and deeper than that. Technology is only one small part.

In small businesses, transformations that have occurred due to the adoption of digital technology can be categorized into 4 major groups:

- Product transformation

Traditional products are polished or revamped to make them more digital. Digital technology is “injected” into the product to provide greater value (benefits) to customers.

- Customer management transformation

Digital technology has also changed the way small businesses connect with customers. Digital technology makes customers get new ways of getting product information, placing orders, making purchases, making payments, and even submitting complaints.

- Business model transformation

Simply put, it’s a change in how companies get their money and make spending. Digital technology does allow small business players to generate additional revenue. They can even capitalize digital technology to do business pivot (leaving the old business for a new, more profitable one).

- Structural transformation

Sometimes, digital adoption must also be followed by changes in work patterns within the company, formation of new functions, or creation of new roles. This is the transformation of the organizational structure.

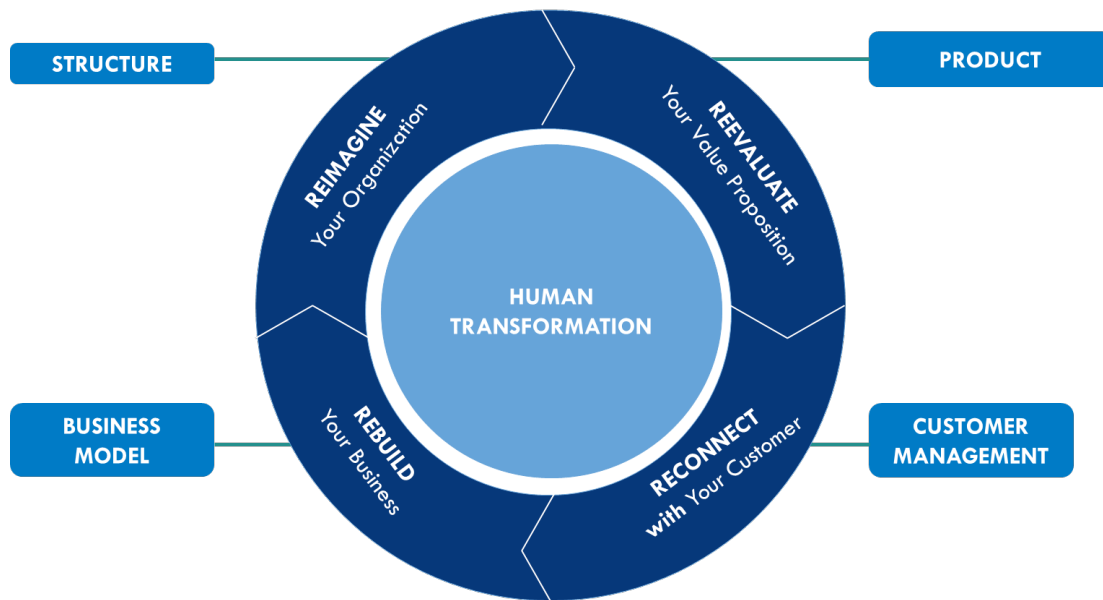


Figure 1. The Anatomy of Digital Transformation

Are all the above transformations enough? I don't think so. I believe that they only touch the "hardware" of the organization. At the core of this change process, there is the **human transformation** that touches the "software" of an organization.

Tabrizi et al. (2019) argue that digital transformation works for organizations because their leaders go back to the basics: they focus on changing the mindset of their people as well as the organizational culture before they decide what digital technology to use and how to use them. Another researcher also states that the main challenges to a company's digital transformation are not technologies, but human factors, cultural dimensions, employees' resistance to change, lack of relevant knowledge, and lack of motivation (Schwertner, 2017).

There are several important questions that small businesses need to answer to carry out the human transformation process: who, where, and what.

- Who are the digital talents you need to support the transformation?
- Where you can get them? Can you grow them internally or you need to recruit them from external sources?
- Beyond the technical skills, what mindset or attitude that you need to equip your people during the digital transformation?

By answering the questions above, hopefully, you will be better prepared to lead your business during the digital transformation. Finally, please remember what George Westerman—Principal Research Scientist in MIT Sloan—once said: "You need to lead the technology — don't let it lead you"

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Knowledge Sharing: Bridging the Gap Between Research and Practice

Jeffrey Alves

Dean and Allan P Kirby, Jr. Distinguished Professor of Free Enterprise and Entrepreneurship Emeritus & Managing Editor of Journal of the International Council for Small Business (JICSB)

Introduction

The International Council for Small Business (ICSB) was founded in 1955 and has evolved into a global leader for the sharing of knowledge related to micro, small, and medium sized enterprises (MSMEs) and entrepreneurship. Over the years the focus tended to focus more on traditional academic research and teaching with ICSB's conferences and flagship journal, the *Journal of Small Business Management (JSBM)* and less on policy and practitioners. The *Journal*

of the International Council for Small Business (JICSB) was created to bring the knowledge and conversation on advancing the sustainability and performance of MSMEs to the policy making and practitioner level. This report summarizes highlights of the many dimensions of MSME policy, economic development policy supporting MSMEs and MSME performance shared in JICSB since its launch in January 2020.

Responding to crises

To compound the challenges most MSMEs face, the COVID-19 pandemic certainly presented unexpected pitfalls that spurred both government responses of aid and unforeseen opportunities. Liquori & Pittz (2020) suggested actions that can be taken to deal with uncertainty. Schreiber (2020) summarized the responsiveness of EU policy to soften the blow to MSMEs. Sytlialou (2021) described the Australian policy response and its effect at the MSME level. Finally, Durst (2021) explored the role that crisis, in this case COVID-19, plays in accelerating stronger and more sustainable businesses in Estonia.

Sustainability and role of sustainability development goals (SDGs)

Carpentier & Braun (2020) presented the rationale for the United Nation's 2030 SDGs and demonstrate their interrelatedness, relevance to and importance for not just MSMEs but global society as a whole. The role of healthy entrepreneurship ecosystems for SDG success was discussed by Liquori & Bendickson (2020). In a special JICSB issue on sustainability Pastran, Colli & Poclaba (2021) argue that successful new businesses are characterized by sustainable entrepreneurship.

Diversity and inclusion

Equality and diversity are key elements of the SDGs and were reflected in several JICSB articles. Moritan (2020) discussed the role of women as business owners and their challenges in accessing financing. Ibanez, Guerrero & Mahto (2020) suggest that collaboration of women-led ventures leads to higher performance. Gabarret & D'Andria (2021) suggest women-dedicated

incubators improve the performance of their ventures.

Ecosystems

Liquori & Bendickson (2020) argue that healthy entrepreneurship ecosystems lead to improved SDG success while Khokhawala & Iyer (2021) posit that incubator networks can help close institutional gaps in emerging economies.

MSME policy

Schreiber (2020) and Stylianou (2021) studied the role of COVID-19 recovery policies pursued by the European Union and Australia respectively. Zecchini (2020) explored the hazards of innovation policies.

Digitalization

Digitalization is changing the way we communicate locally and globally. It is no longer a luxury. Kergroach (2020) looked at how SME digitalization is gaining momentum while Parente (2020) forecasts positive outcomes of the intersection between digitalization, consumer social responsibility and humane entrepreneurship.

Programs in action

Most of the articles in JICSB examine the links between current and forward thinking and application at the practitioner and MSME levels. McDonald, Radic, and Kato report, as practitioners, on the implementation of knowledge to improve the ecosystems of MSMEs but more importantly on the performance and sustainability of MSMEs. And Zedan's (2021) contribution emphasized the success available to educating and training the youth to prepare for small business and entrepreneurial careers.

Summary

In its first year JICSB provided a bridge between the generation of knowledge through research and the implementation of that knowledge at the practitioner and MSME levels. While the articles cited here represent clusters of thought, there were others examining topics like humane entrepreneurship (Alves & Gilroy (2021) and Parente (2020)); social entrepreneurship in China (Yu (2020)); threats linked to specific

country actions and policies (Ahmed, Mi, & Fernald (2020)); an examination of why MSMEs are failing (Crane (2020)); and the emergence of ICSB as a truly global advocate for MSMEs and broker of MSME knowledge.

With over thirty articles published to date, JICSB is bridging the gap between academic inquiry and practice at the practitioner and MSME level.

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Diversity in Intrapreneurial Workforces

Maribel Guerrero

Professor of the School of Business and Economics, Universidad del Desarrollo, Chile Newcastle Business School, Northumbria University, UK.



Workforce diversity refers to the composition of work units regarding the cultural or demographic characteristics that are salient and symbolically meaningful in the relationships among group members (DiTomaso et al., 2007, p. 474). Previous empirical studies have mainly focused on measuring diversity through demographics' workforce composition (education, age, income, and nationality) and cultural characteristics (values, beliefs, cognitions) that are not



easily noticeable to the workforce (Yadav and Lenka, 2020). In this assumption, a diversified workforce is integrated by individuals with different demographic backgrounds, generational cohorts, gender, personal income, values, and migratory status (Guerrero et al., 2019).

Workforce diversity plays a relevant role in the employees' propensity to become self-employed, intrapreneurs, or employed (Yeganegi et al., 2019). A plausible explanation is that diversity enhances the identification of opportunities, the transformation of ideas, and value creation. Surprisingly, over the past decades, the contributions of workforce diversity to innovation or/and intrapreneurial processes have been practically ignored by scholars, managers, and policymaker debates. According to Guerrero (2020), three dimensions that should be considered for a better understanding of the impact of workforce diversity on innovation and intrapreneurial processes:

- Paying attention to the organizational climate, workforce diversity matters in the perception of autonomy, rewards, and meaningful job that varies across generational cohorts (centennials, millennials, gen X, baby boomers), nationalities (immigrants, emigrants), gender differences (male, female, LGBTQ), social capital (local, diasporas, foreign) and human capital (scholar and works).
- Paying attention to the intrapreneurial and innovation processes, diversity matters in teams' abilities, values, and behavioral orientations for accomplishing multiple tensions/problems related to exploration processes (identification of opportunities) and exploitation processes

(transformation of opportunities via strategies, resources, and resources) that would be responsible for the highest organizational performance.

- Paying attention to the individual, diversity matters in the propensity to pursue innovations and intrapreneurial initiatives by taking advantage of his/her diversified ideas, experiences, knowledge, skills, abilities, and networks. A few studies have shown the highest contribution of a diversified workforce (women, multiple generational cohorts, and migrants) to developing intrapreneurial activities such as corporate ventures, innovation outcomes, technology transfer, and commercialization (Yeganegi et al., 2019; Guerrero et al., 2019; Guerrero, 2020; Forbes Insights). Two implications have emerged from these empirical studies:

- The first implication for organizational top/middle managers is a better understanding of diversity drivers innovation. It is a critical component of success globally because of the heterogeneous benefits from workforce groups in corporate venturing strategies. It requires updating human management practices to attract and retain talent by valuing generational diversity, socio-cultural differences, and various demographic backgrounds. Before the COVID-19 pandemic, it is was unfortunate that organizations lack attention to how different perception of organizational climate among the workforce engages innovative and entrepreneurial outcomes. Nowadays, diverse workforces represent new ways and opportunities to respond to stakeholders' needs and external shakeouts.

• The second implication for policymakers is the relevance of the United Nations' sustainable development goals related to inclusion and diversity. In this vein, policymakers should support organizational goals by incentivizing diversity and equality through innovation and entrepreneurship policy frameworks. Directly or indirectly, these actions will generate multiple benefits at an individual level (professional development and personal growth), organizational level (sustainable performance), and social level (economic and social outcomes).

As social science researchers, this type of report expects to stimulate academics from different fields to rethink more broadly about the opportunities to impact our research focus on diversity in intrapreneurial workforces (see Wickert et al., 2020). Given the unexpected exogenous events (COVID-19 pandemic), it is time to "make a difference" through our research, teaching, and interaction with socioeconomic agents to constitute impacts that "endorse a real transformation" for supporting diversity and equality.

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Bouncing Back: Small Business Resilience in the Face of a Global Pandemic

Vicki Stylianou

Group Executive Institute of Public Accountants & Board Member of the International Council for Small Business (ICSB)

The International Council for Small Business has identified small business resiliency as the number three trend for 2021.

Building long term resilience relies on many aspects including leadership, innovation, access to capital, and above all, having the right people with the right skills. Government also has a critical role to play by ensuring that the right policy settings are applied so that small businesses have a fighting chance in the wake of the COVID-19 pandemic.

In Australia, the Federal Government has introduced numerous measures since the commencement of the pandemic to assist MSMEs not just to survive but also to thrive by becoming flexible, innovative and sustainably resilient.

Human capital

The recent Federal Budget saw significant investment in developing human capital through upskilling and cross-skilling the existing workforce, especially in sectors

where there is demand and potential for job creation. This has become more critical since the steady stream of skilled migrants on which Australia is heavily reliant has become a trickle since the pandemic.

Financial capital

The Government is making it easier for small business to access financial capital. New measures will see red tape reduction by providing a temporary exemption from responsible lending obligations for lenders providing credit to existing small business customers. This will mean easier access to credit quickly and efficiently.

Is it working?

Apart from macro-reforms benefiting human capital and financial capital, there have been a series of micro-reforms aimed at small businesses at the firm level in particular industry sectors. Is the massive increase in public debt needed to underwrite these measures and reforms, actually working and helping the economy and small businesses to survive and thrive? Recent data indicates some success with increases in housing construction, business investment and capital expenditure. This indicates that policy settings, including various tax incentives, have created enough business confidence resulting in increased private sector investment, with investment growth predicted to be around 20% in the next financial year. GDP growth is also back to its pre-pandemic rate.

Bouncing back

Whilst this may all be good news; the question remains whether this is sustainable growth. As we have seen on

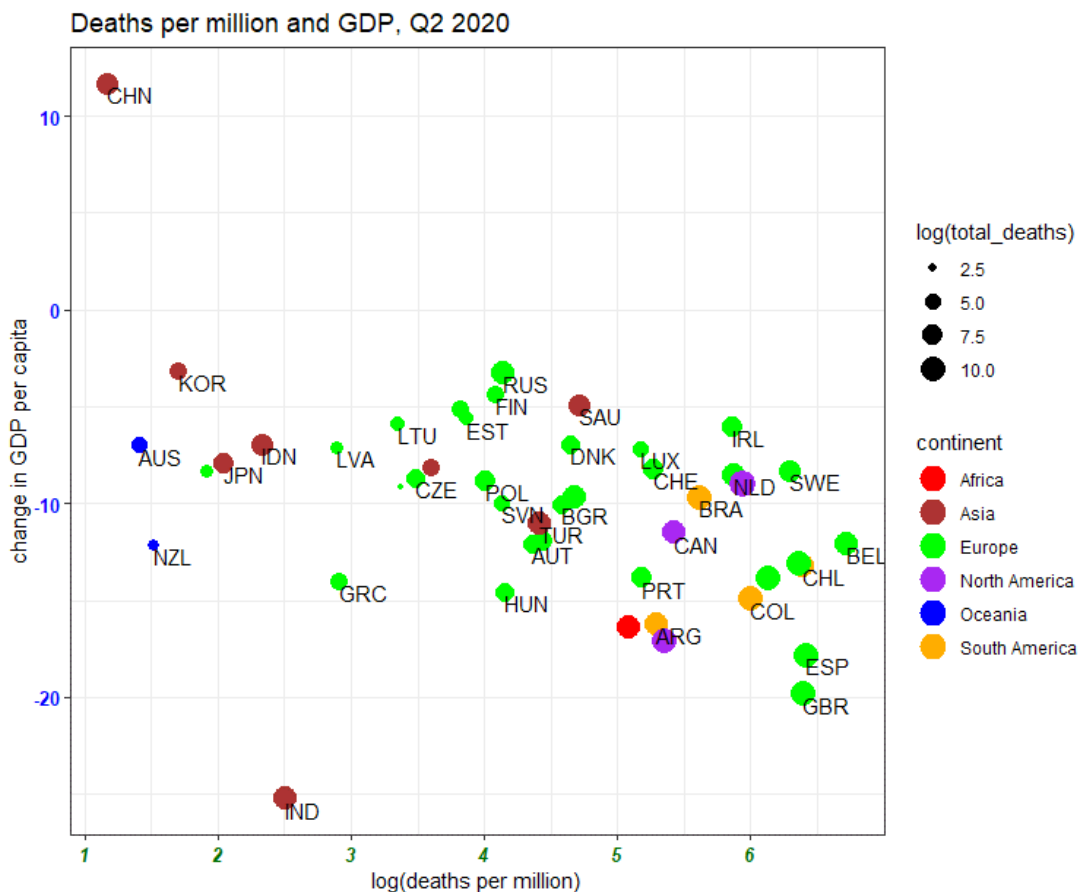
many occasions, resilience can be severely tested by lockdowns when COVID cases surge. In Australia there have been several 'snap lockdowns' in various states over the last six months. Providing they are short the economic impact is relatively 'minor' as spending and economic activity is simply delayed and bounces back quickly once the lockdown ends. Resilience is maintaining the capacity to keep bouncing back from these lockdowns.

However, just like elastic loses elasticity the more it is stretched, the same applies to MSMEs and their ability to 'snap back'. Not all MSMEs will continually survive, and government is often called upon to 'do more'.

One example of an Australian small business snapping back is StageKings which pre-pandemic was well known for building TV sets and custom stages. When the pandemic impacted their business, they pivoted to building award-winning flat-pack structures with a home furniture range. This kind of flexibility and innovation has proved instrumental in the survival of many small businesses across the globe.

Vaccinations

Business resilience also relies on containing the pandemic, so vaccination becomes critical. There has been a lot of mainstream media criticism in Australia that the vaccine rollout has been too slow with Australia currently being 110th out of 190 countries in terms of vaccinating the adult population. However, some commentators (Michael Smithson) have argued that containing COVID and saving the economy could be a false dichotomy. Refer to the table below.



Log (deaths per million) by percentage change in Q2 2020 GDP per capita.

So far only 11% of the global population has received at least one dose of vaccine. In emerging countries its 8% and 38% in developed countries; with the UK at 58% which is nearing herd immunity, the US at 51%, Europe at 36% and Australia at just 15%.

Resilience might depend on high rates of vaccination and building herd immunity around the world. In this way we can end the cycle of lockdowns and consequent economic disruption.

Sources

- Australian Bureau of Statistics
- AMP Capital
- ourworldindata.org
- covid19data.com.au

Smithson, Michael 2020, 'Data from 45 countries show containing COVID vs saving the economy is a false dichotomy', The Conversation, 26 November, <https://theconversation.com/data-from-45-countries-show-containing-covid-vs-saving-the-economy-is-a-false-dichotomy-150533> [Accessed: 30 May 2021].



Speed and Resilience of MSMEs in Global Markets

Rico Baldegger

Dean and Professor of the School of Management FR (HEG-FR), University of Applied Sciences and Arts Western Switzerland (HES-SO)

1. Introduction

In recent years the patterns of MSME innovation have focused increasingly on a dimension of economic policy and have found their way into media coverage. It has been recognized that the growth of MSMEs is essential for any national economy (Coviello and Munro, 1995): they have a strong influence and are considered the engine of economic growth in small and open economies, so-called SMOPECS (Gabriellson et al., 2008; Neubert, 2016), in both developed markets and many emerging markets (Bruque & Mayano, 2007).

Pursuing business activities in new and unknown environments is a difficult and challenging task for MSMEs. A foreign market is not simply an unseized opportunity but also means greater competition for the internationalizing MSME. In order to penetrate foreign markets, it must have some significant competitive advantage over the prevailing competition. This competitive advantage is often generated through highly innovative products and services and/or innovative processes and procedures. It can also be

argued that the internationalizing MSME is acquiring new knowledge from the foreign markets, knowledge that would not be available domestically. Thus, the timing of the internationalization process and the drivers of its success are essential.

The entrepreneurial mindset, as measured by the five dimensions of EO, is considered one of the most important drivers of internationalization success (Wales et al. 2019; Mostafa, Wheeler, & Jones, 2006; Javalgi and Todd, 2011). In a conjoint choice experiment study conducted with SME managers, (Kraus et al., 2017) the financing of international activities was added to the appropriate choice of foreign target market and international long-term reach to the proactive motives that are already inherent and measured by the EO-concept. Generally, firms gain competitive advantage through the development and implementation of new technologies (Qian, Yang and Wang, 2003). Innovation has positive effects on company performance (Rosenbusch et al., 2011), although innovation and digitization do not necessarily have a positive impact on international performance (Baldegger et. al., 2021). In this vein, the implications of omitting performance from the analysis also needs to be addressed. Performance is likely to be affected, as speed influences the capabilities being built (Kotosaka, 2013). It may well be that the majority of the surveyed firms have good reasons for their late internationalization age and their subsequently slower internationalization speeds.

Drawing on data from more than 1'500 internationalizing MSMEs collected over 10 years, we have found some interesting results for research and practice regarding timing when a company is equipped to enter a foreign market, the role of Entrepreneurial Orientation (EO), the

degree of internationalization, and MSME innovation performance (Baldegger & Wild, 2019).

2. Age at internationalization as a predictor for speed and resilience through learning capabilities

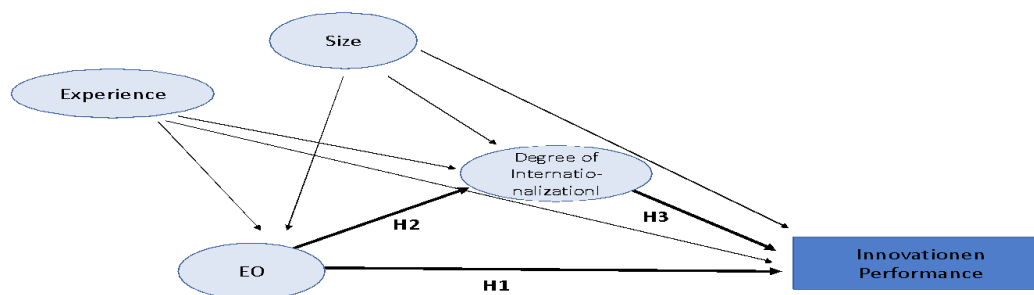
For an entrepreneur with a global vision, the key question is when the company is ready to enter a foreign market. Developing learning routines necessary for foreign markets and creating sufficient commitment among the staff needs time. In addition, older companies tend to be hindered in their learning ability and are less agile. We tested age at internationalization as a predictor for the speed at which firms enter new markets and subsequent growth in foreign sales, while controlling for size, branch and strategic posture.

Our analysis shows that the older the firms when they start to internationalize, the slower their subsequent internationalization process. By the same token, we have also observed that firms starting early are able to internationalize much faster. The faster a company internationalizes, the better learning capacities they have at their disposal and the sooner learning opportunities occur.

This impact of age at internationalization on subsequent international business affects firms not only in the short- or mid-term, but also in the long-term, i.e., over more than 30 years post-internationalization. Finally, we found evidence that age at internationalization raises the likelihood that the firm will perceive a lack of international experience among employees and managers as a major impediment to its international success. Delaying expansion abroad, and thus foregoing sources of learning and adaptation to international markets, impedes the speed

of future internationalization and hinders its success. Based on this study's insights, the negative impact of a rather late internationalization can still be felt decades later when the environment may have changed drastically. In addition, the risk of a lack of experience, perceived as a major

impediment, literally rises with every year remaining in home markets. Executives adopting a more conservative approach to internationalization, potentially delaying it, may thus very well create challenges for their successors, and even successors thereafter.



3. Innovation performance and EO

The question of the timing of the *internationalization process*¹ and the *impact of EO and degree of internationalization*,² are interrelated with the two major theoretical approaches: the sequential expansion, or gradualist approach and the international new ventures (INV) approach. In both theories, the firm's age at the time of its first cross-border activities is considered to be a key dimension.³ We analyzed the internationalization process of 1500 MSMEs in relation to the interrelation of Entrepreneurial Orientation (EO), the Degree of Internationalization (DoI) and Innovation Performance of international MSMEs.

In our study, we found that MSME Innovation Performance is significantly influenced by the Degree of Internationalization (DoI). This confirms the findings from scholars, such as Wiklund and Sheperd (2003) and Salomon & Shaver (2005), demonstrating

that an increase in international activities enhances the SMEs' innovation capacity.

Furthermore, this result gives indications of other influencing variables, whether independent or contextual. Similar to the DoI – Innovation performance relationship, the influence of Entrepreneurial Orientation (EO) on DoI was significant. Although this also supports the many scholars who found a positive relationship between these two variables (Javalgi & Todd, 2011; Jantunen et al. 2005, Thanos, Dimitratros & Sapouna, 2017), it also questions the extent to which this positive relationship needs to be further explored. Some authors mentioned a U-shaped relationship (Geringer, Beamish, & Da Costa, 1989, whereas newer streams of research have already described this relationship as being inversely U-shaped (Capar & Kotabe, 2003; Ruigrok & Wagner, 2003).

The path effect from EO on Innovation Performance, however, was reported to be significantly positive and strong. This overall effect was even reported to be inversely U-shaped. We can therefore conclude that there must be an **optimum level of EO** at which the company's innovative strength is most strongly stimulated.

Entering foreign markets is an undertaking that requires the firm to act proactively and involves an appetite for risk-taking. Only those firms who are particularly proactive and risk-taking are likely to innovate. According to our results on the general sample, an innovative, proactive and risk-taking posture leads to a higher degree of internationalization and to a better innovation performance, but the latter is influenced more by the strategic posture (meaning EO) than by the degree of internationalization (DoI).

When analyzing our results, it is important to consider that we used a new set of items to measure the MSMEs' innovation performance. Most studies measure innovation performance by the number of patents (Genc et al. 2019) or general spending in R&D in relation to the total number of employees (Hitt, Hoskisson, & Kim, 1997). In our construct, the SMEs reported their innovation performance based on a self-evaluation, comprising not just the number of new patents, but also new products, organizational changes and improvements of employees' skills. The construct therefore does not refer to objective measures but to a self-evaluation. Altogether, it can be considered more comprehensive than one of these single items.

According to our results, we can assume that **EO has a stronger impact on the**

MSMEs' innovation performance than DoI, and that this relationship is inversely U-shaped. Since firm size was reported to have a significant impact on both variables explaining Innovation Performance, we decided to test the model for both opposite types of MSMEs exclusively, namely micro- and medium-sized-firms. In analyzing these subsamples, we found that only EO has a positive effect on Innovation Performance for micro-sized firms, whereas for medium-sized firms, Innovation Performance is affected solely by DoI and not by EO. Hence, the scope and intensity of international activities affects innovation performance solely in medium-sized firms of between 50 and 249 FTEs.

The strong impact of EO on **micro-firm** innovation performance can be explained by the importance of exogenous networks created through the entrepreneurial behavior of the firm leaders. Several authors pointed out that high levels of EO among the team help create such networks and that the learning advantages through these networks stimulate innovation performance (Chesbrough, 2003; Wiklund & Sheperd, 2003; Salomon & Shaver, 2005). We can assume this to be particularly true for internationally active micro-sized firms in which the mere intensity and scope of internationalization does not seem to be essential for innovativeness. In most cases, internationalization of microenterprises is generated through exports.

Medium-sized firms, on the other hand, are able to internationalize through FDI. A wider scope and more intense collaboration with foreign partners allow the staff access to their management, and employees might benefit from the de-localization of internal business structures and foreign collaboration. A broader degree of internationalization

could allow management and employees to benefit from a wider range of knowledge. Positive effects, described as observing foreign partners (Banerjee, Prabhu, & Chandy, 2005; Genc et al. 2019) and customers (Cloodt, Hagedoorn, & Van Kranenburg, 2006), technology spillovers from knowledge transfers into and from foreign countries (Blind & Jungmittag, 2004) and the relocation of R&D to more cost-effective and productive regions (Kafourous & Buckley, 2008) weigh more heavily on their innovation performance. Our results question the extent to which a construct on SME innovation performance can be applied to internationalizing SMEs in general. More specific research on innovation performance with regard to firm size needs to be conducted to provide further insights.

4. Conclusion

With regard to their behavior in foreign markets, not all internationalizing MSMEs can be lumped together. Executive leaders and managers, as well as partners, consultants and policymakers are all advised to become aware of the different types of internationalizing MSMEs. Ultimately, they differ in terms of strategic and tactical behavior in the markets and in how they perceive and manage the problems and obstacles in international business.

If opportunities can emerge only from abroad in the long term, delaying the kick-off of international learning opportunities may have clear-cut, negative, long-term repercussions. Agglomerating this effect across the majority of MSMEs, it would be typical for countries with a small domestic market to forego substantial internationalization opportunities, the later its companies embark on their initial internationalization. Universities, business schools, industry associations,

banks, unions, and policymakers should be aware of the potential for MSMEs abroad, and of the downside of a late age at internationalization.

According to our findings, both the degree of internationalization and the strategic posture as measured by EO impact positively on the MSMEs' innovation performance. For internationally active microenterprises with up to 10 employees, however, this does not mean intensifying their international business as much as possible in order to positively impact their innovation performance. Proactive and risk-taking behavior and a strong leadership-based culture that supports innovation seem to be far more effective than a mere dispersion of foreign clients across various countries. Firm leaders need to be aware of the extent to which their strategic stance strengthens the innovative power of their company.

Innovation in internationalizing micro-sized firms is triggered by other means than within medium-sized firms. During the lifecycle of an MSME, different impulses are therefore needed to ensure innovation power. For a medium-sized MSME able to enter foreign business partnerships and to conduct foreign direct investments, keeping R&D efforts on home soil can be a hindrance for their future innovation performance.

To promote the innovative strength of their economy, policymakers should be aware of the potential of having good framework conditions for internationalizing MSMEs. Since MSMEs make up the large part of the total population of firms in many economies and employ more than half of the working population, the innovation power emanating from these companies must not be underestimated.

Endnotes

- 1 Internationalization, understood as the geographical expansion of a firm's economic activities beyond a national country's border (Matlay et al., 2006),
- 2 First, we measured the percentage of sales in foreign markets to total firm sales (Knight & Cavusgil, 2004; Lu & Beamish, 2006; McDougall & Oviatt, 1996). Second, we took stock of the number of foreign countries from which a firm is generating turnover.
- 3 Tan et al. (2007) highlight the importance of the preparation phase prior to entry in international markets and consider it to be critical for future firm performance and survival. In this period, the firm is preparing for international performance by developing necessary learning routines (Kothari et al. 2013; Carr et al. 2010) and an adequate attitudinal commitment towards internationalization (Tan et al. 2007; Meschi et al. 2017). In contrast, Autio et al. (2000) found that as firms grow older, they "develop learning impediments that hamper their ability to successfully grow in new environments" (Autio et al. 2000; p. 919).

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Wasting our time or building resilience

How MSMEs collaborating with researchers survived COVID-19

Martie-Louise Verreyne, George Feast, Rui Torres de Oliveira & Anne-Laure Mention
RMIT University, CSIRO and QUT.

Dealing with crises and disasters:

Much has been made of how resilient businesses can better deal with crises and disasters (Jiang, et al. 2019; Linnenluecke, 2017). Previously, we identified four qualities of resilient micro, small and medium enterprises (MSMEs) that enable them to survive times of uncertainty, namely proactiveness, connectedness, adaptation, and access to slack resources

and capabilities (Ford, et al. 2017). During COVID, there was a refocus on how MSMEs can build resilience and react in a resilient manner to the ensuing crises; they were especially vulnerable due to their lack of slack resources and capabilities needed to deal with the prolonged crises. But it is not all bad news, as they are also adaptive, proactive and connected.

Connectedness means MSMEs are embedded in ecosystems and supply chains, providing timely access to information, networks to draw on for resources and capabilities, and partners, suppliers, or customers to innovate. One aspect of connectedness not often covered is how collaborative arrangements with universities and research institutes (URIs) impact MSME resilience during these times of crisis.

Past research views URI-MSME collaborations as an approach to mobilise and extend resources (Takanashi & Lee, 2019), while business often views these collaborations as an activity that drains resources and only attractive when external funding is available (Bertello, et al. 2021). When viewed against the low URI-MSME collaboration rates in Australia, where 18 per cent of businesses collaborate with other parties and only five per cent of that collaboration is with URIs (ABS, 2018), one would expect little benefit to be found in such activity during COVID.

Method:

During 2020 we collected data from 800 Australian SMEs for a large-scale survey supported by Australia's National Science Agency, the CSIRO (Verreynne, et. al, 2021). The work focussed on how URIs collaborate with MSMEs, and we spoke to 400 collaborating and 400 non-collaborating MSMEs via phone, asking them questions about their motivations, outcomes, nature, enablers and barriers to collaboration. We also asked questions about innovation, and

importantly, how MSMEs responded in the short-term and viewed the long-term effects of COVID-19 on their businesses.

Building resilience during COVID:

Our results were striking. We found that businesses that collaborated with URIs were both more innovative and better placed to deal with COVID-related challenges. At first, we suspected it was because they were better embedded in the business ecosystem, which was true but with limits as other external sources of knowledge, such as competitors, suppliers and customers, were ineffective during COVID-19. Nevertheless, MSMEs collaborating with URIs continued to accrue benefits, allowing us to conclude that URIs were a trusted source of ideas and many MSMEs focused on such collaborations despite their resource and capabilities limitations.

Not just any type of innovation:

The firms better able to cope with COVID-19 also invested more in R&D. However, not all forms of innovation were associated with better performance. It was MSMEs that engaged in more radical forms of products and services innovation that did better. Those that introduced incremental innovation fared worse, and organisational and business model innovation stopped as businesses focused on dealing with COVID-19. This supports the attention span limitation theory - in times of crisis, focussing on core products or services is preferential. It also points to the importance of URI-MSME schemes that specifically target radical, new-to-market innovations.

To conclude, while insights to business, such as the importance of collaborating with URIs and focusing on core products and services during crises, are clear, there are also policy implications from our study. We suggest that in periods of stability, policy-makers should create incentives for business-URIs collaborations, which can bolster MSMEs' resilience. Our results further highlight

the importance of absorptive capacity to fully utilise external knowledge that seems beneficial in times of crisis, pointing to the need for targeted funding efforts. Collaborations do not only provide access to knowledge, but also a process to embed MSMEs within the ecosystem, that will provide support during future crises.

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What do we know about women entrepreneurs in poverty contexts?

Susana Santos & Xaver Neumeyer

Assistant Professor of Entrepreneurship, Rowan University and University of North Carolina at Wilmington

A significant number of people worldwide live under poverty manifested in an individual's (or collective's) income, living standards, and education (Alkire & Santos, 2014). Although poverty affects nearly 46% of the world's population, the vast majority are women (World Bank, 2020). To

address such extreme poverty and reduce inequality, the United Nations introduced the Sustainable Development Goals (SDGs) (United Nations, 2015), calling for actions to end poverty (UN SDG #1 "No Poverty") as well as achieve gender equality and female empowerment (UN SDG Goal #5 "Gender Equality").

One important social and economic mechanism that can contribute to implementing these SDGs in developed and developing economies is entrepreneurship (Morris, Santos & Neumeyer, 2019). By starting formal or informal businesses, the poor create self-employment opportunities, open potential jobs for others, and bring prosperity to their communities. However, entrepreneurship requires overcoming the additional constraints imposed by the liability of poorness (Morris et al., 2020), such as the lack of access to financial institutions and to technological and digital resources (Neumeyer, Santos & Morris, 2020). Gender differences add additional layers of complexity to this picture. Entrepreneurship among poor women is different; it is multifaceted, generating an intricate pattern of outcomes for themselves, their businesses, families, and communities.

Our systematic literature review of 319 papers on poverty entrepreneurs (hip) and gender published between 1989 and 2021 (Santos & Neumeyer, forthcoming) highlights the antecedents, enabling or constraining mechanisms and conditions, and outcomes of women entrepreneurship in poverty contexts (see Figure 1):

Antecedents of women entrepreneurship in poverty contexts: What drives women in poverty to launch and grow their businesses? Women entrepreneurs in poverty are driven by push factors such as poor economic circumstances, stereotyping, discrimination, and prejudice, as well as providing for their household and support the family. Women aspire to increase personal freedom (choosing the type of work, hours of work, and with whom to work), seek security (as a reaction to major personal tragedies such as death or long-lasting unemployment), satisfaction, recognition and better work-family balance.

Gendered entrepreneurial activity in poverty: How is female-led entrepreneurial activity manifested? Poverty significantly constrains the depth and breadth of entrepreneurial opportunity identification and creation processes for women, showing that their opportunity horizon is constrained to the current context (Morris, Santos & Neumeyer, 2019). Shaped by gender segregation, gendered norms and culture-based practices, women are often forced into particular sectors and product/service categories such as clothing, food, or laundry services. Family dynamics can also play a role in the venture creation process as women typically start the businesses but eventually (have to) pass on funds to their male family members or nominate them as active business partners. Such inequities caused patriarchal structures within families to harm women's long-term financial and social empowerment.

Mechanisms of female poverty entrepreneurship: How do specific mechanisms act as enablers or constraints of women entrepreneurship in poverty? Microcredit is beneficial for women when provided through self-help groups, whose members (typically women) receive, borrow, and manage the credit and go through self-management development processes. Other enablers include infrastructures, like transportation, housing, industry-based and community-led programs. A few studies addressed policy-related aspects, focusing on narrowing the gender gap and reducing structural barriers to access industries.

Outcomes of women entrepreneurship in poverty: What are the main outcomes of female led-entrepreneurial activity? Microenterprises are critical to improving the economic conditions of women's families and households. Women entrepreneurship is also the main vehicle to empower women in economic, socio-cultural, interpersonal, psychological,

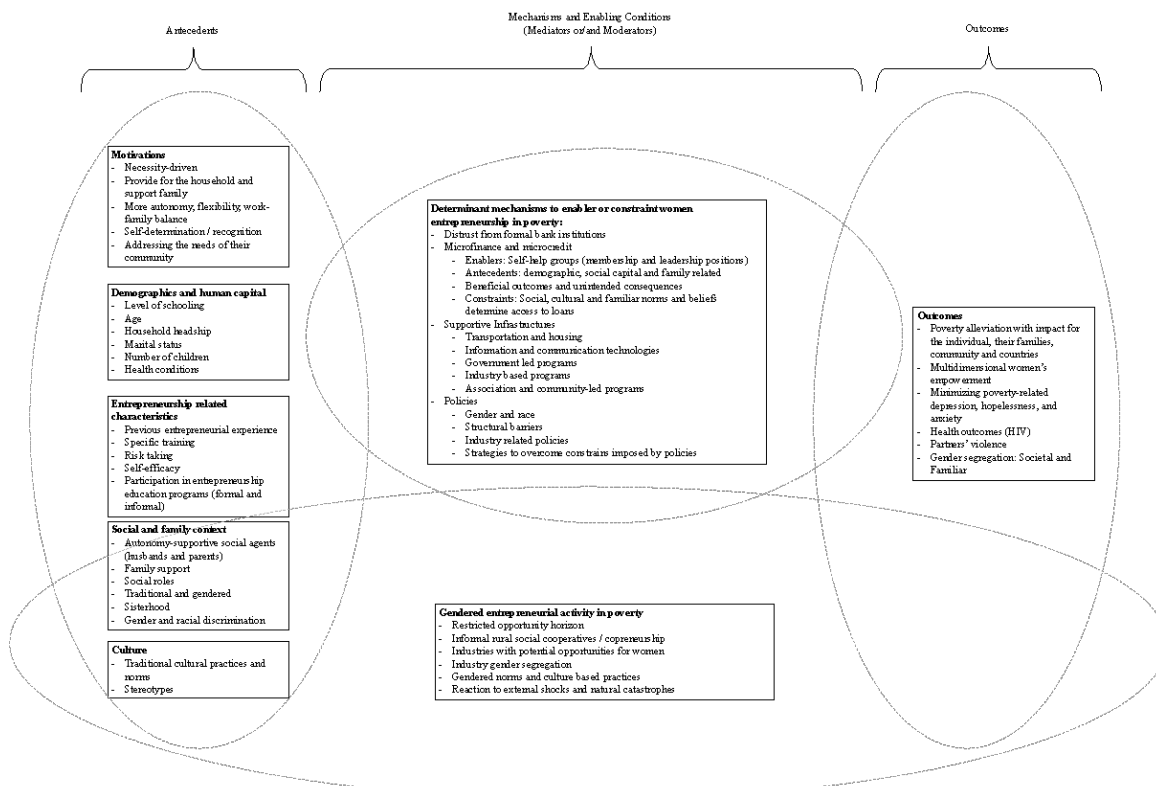
legal and political dimensions. Engaging in entrepreneurship also helps improve women's personal health and well-being (minimizing poverty-related depression, hopelessness, and anxiety) and alleviates societal gender segregation overall.

This review shows that the realities of female poverty entrepreneurs is not appropriately addressed with the typical all-size-fits-all strategies, policies, and approaches targeting poverty eradication and gender equality. Instead, policy makers need to develop more comprehensive policy responses to better account for the

multidimensional aspects of gender and poverty, rather than focusing purely on household income levels.

We believe that the strength of the academic contribution to eradicate poverty and to promote gender equality emerges not from competing approaches, disciplines, contexts, or theories but, rather, by the manifestation of integrative perspectives that fully capture the breadth and depth, the richness and complexity, of women entrepreneurship in poverty contexts. The urgency and complexity of these challenges call for all and are relevant in developing and developed nations (Morris, Santos & Neumeyer, 2020).

Figure 1. An overarching framework of women's entrepreneurship in a poverty context (adapted from Santos & Neumeyer, forthcoming)



Note: Relationship directions are not marked in this conceptual framework. Dotted ellipses represent the intersections between antecedents, mechanisms and enabling conditions, and outcomes that need to be explored in future research.

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Breaking the Status Quo: Using Environmental Scanning

Frederick Crane

Executive Professor, D'Amore McKim School of Business Northeastern University

Change is inevitable, therefore, maintaining the status quo when faced with change is never the right strategy for an MSME. The question is determining what changes are on the horizon and determining how best to respond to any such change. We have all seen what the pandemic has done to the status quo. It has rocked us, shook us and disrupted us in profound ways. And, those who attempted to maintain the status quo have suffered the most. MSMEs must anticipate change and respond to it strategically.

One thing I have taught MSMEs business founders to be are environmental scanners. Environmental scanning is the process of continually acquiring information on the external environment to identify and

interpret potential changes that may impact your business. Call it an early warning system! The goal is not to be caught blindsided and understanding that the response to such change is not going to be maintaining the status quo.

Environmental scanning is an important skill for all entrepreneurs to possess. To become a good scanner, you will have to do the following: ¹

- *Challenge assumptions and conventions – which are the foundation of the status quo.* In many cases, there are traditions, rituals, modes of thinking, and patterns of behavior in society and/or in particular industries that may have outlived their usefulness. For example, there is an

American tradition for school-age students to have a two-month summer vacation. And most people do not know why this tradition persists. Well, it is a carryover from the agrarian society when children in farming families took time off from school to help harvest the crops. Today, many educational institutions are challenging this tradition – the status quo, and this has led to entrepreneurial opportunities such as private schools offering year-long programs or innovative summer learning programs. Before the pandemic, restaurants assumed “people come here to eat and we make meals for them. That’s what we have always done” – the status quo. Few attempted to combat that status quo despite people not coming to restaurants. But one of my friends wanted to survive the pandemic so his restaurant started to make prepared meals and deliver them to people’s home – contactless. He even got into the grocery delivery business. He shook off the status quo of what a restaurant was and he is thriving while his competitors – embracing the status quo – have shuttered their businesses.

- *Adjust your reading, listening, and viewing habits.* One of the best ways to break the status quo is acquiring new information and knowledge. This means focusing on things of substance and relevance to your enterprise. Of particular importance is becoming a broad-based reader to discover societal trends that underpin human behavior that will undoubtedly change the status quo. Traditional media, for example, never assumed the status quo would be disrupted by new media (social and digital media) and the result was near fatal for traditional media. MSMEs need to make a commitment to scan for information that

will provide clues about possible emerging opportunities based on change.

- *Network with the right people.* This means staying engaged with knowledgeable and informed individuals and to remain open to learn from these people. One expert suggests that you “take a neuroscientist, sociologist, psychologist, or artist to lunch.” These people can provide insight into human behavior, how markets develop, and how consumers think and feel about their experiences in the marketplace. Networking also involves being tapped into your community to keep in touch with trends that are affecting the people who might become your customers. It is about being plugged into change that will inevitably present itself.

- *Spend time watching and talking with customers.* This is perhaps one of the most important steps in the environmental scanning process. Good environmental scanners focus their time on interacting with customers to determine their current and future needs. Successful entrepreneurs, in fact, pinpoint not only where customers are today (in terms of needs) but where they are heading in the future.

Finally, good environmental scanners not only interpret trends but also act on trends that offer the best business opportunities. This is illustrated by the Noah principle. That is, “Predicting rain doesn’t count, building arks does.” Thus, environmental scanning requires both vigilance and strategic action. Remember there will always be change and MSMEs need to recognize it and respond appropriately. And, ultimately, maintaining the status quo will not be the answer.

Endnotes

- 1 Based on an in-class lecture, delivered by Frederick G. Crane at Northeastern University, 2021.



Resilient, Self-Renewing Local Economies: The Ecosystem Mindset

Norris Krueger
Senior Research Fellow, Entrepreneurship Northwest

Hard to envision a healthy entrepreneurial ecosystem that is not resilient. Resilience offers a powerful way to look at ecosystems².

Pioneering entrepreneurship scholar Al Shapero identified entrepreneurship as the key to resilient, self-renewing local economies. To grow entrepreneurship required growing entrepreneurs which required “fertile seedbeds” which he characterized as a complex, dynamic web of actors and resources combined with a mindset that understands this³.

Understanding that ecosystems are complex adaptive (and dynamic) systems is essential⁴. But it is incredibly difficult in practice to

recognize and accept the deep implications for practice and policy which upend many of our most cherished assumptions about how local economies evolve. Too often, these implications threaten entrenched interests. The dominant business model of economic development is firmly anchored in a mindset that institutions can manage local economies. Business creation is seen as the result of intentional activity by those “in charge” of the economy.

Me: 98% of gross new jobs here come from startups and growing firms.

Economic developer: Thanks, great to know! (then returns to business attraction work.)

Similar conversations are endemic. We are speaking different languages anchored on two very different mindsets. What we perceive and understand is influenced by deep cognitive assumptions that we rarely question, just as with the entrepreneurial mindset.⁵

So what are those deep assumptions? And what do they mean for practice? The incredible insights below arose partly from the Kauffman Foundation’s ESHIP initiative to promote healthy entrepreneurial ecosystems⁶. Kauffman’s seeks to lower

barriers to entrepreneurship by supporting those entrepreneurship champions working at the grassroots to amplify and empower the voices of the entrepreneurs themselves (see 2020 MSME report⁷). An uphill battle continues for these “ecosystem builders” who are indispensable for growing Shapero’s resilient, self-renewing local economies. Table 1 offers how the **ecosystem mindset** differs on critical assumptions about local economies⁸ as these differences speak to what we all can do to promote resilient ecosystems. **What can we learn?**

Table 1. Critical Assumptions about Local Economies

<u><i>Dominant mindset...</i></u>	<u><i>Ecosystem mindset....</i></u>
Top-down	Bottom-up
Institutions	People/Liaison-animateurs
Hierarchies	Networks
Linear	Nonlinear (complex adaptive systems)
Discrete, Static	Connected, Dynamic
Intentional	Emergent

Implications for Policy and Practice

How can we build on the ecosystem mindset? Help launch and nurture micro, small and medium enterprises? Marvelous resources available for policy professionals⁹ but we must also realize that as individuals, there is so much that **we** can help with to grow MSMEs.

So what are the “ABC’s”¹⁰ of what we know about ecosystems?

Adversity – Epictetus: “Experience is not what happens to you, it is what you do with it.” How can we help entrepreneurs to take away the right lessons?

Being prepared – What resources do your MSMEs want? The pandemic proved that what we think MSMEs need is often not remotely what they want.

Crisis planning – very much a best practice for organizations, why not for local ecosystems?

Diversity – the pandemic proved the incredible value of diversity, whether industries, business models, diversified supply chains (and value chains) and especially diverse demographics. NOTE: For **all** of these ABCs, you must be proactive and even moreso for diversity and inclusion.

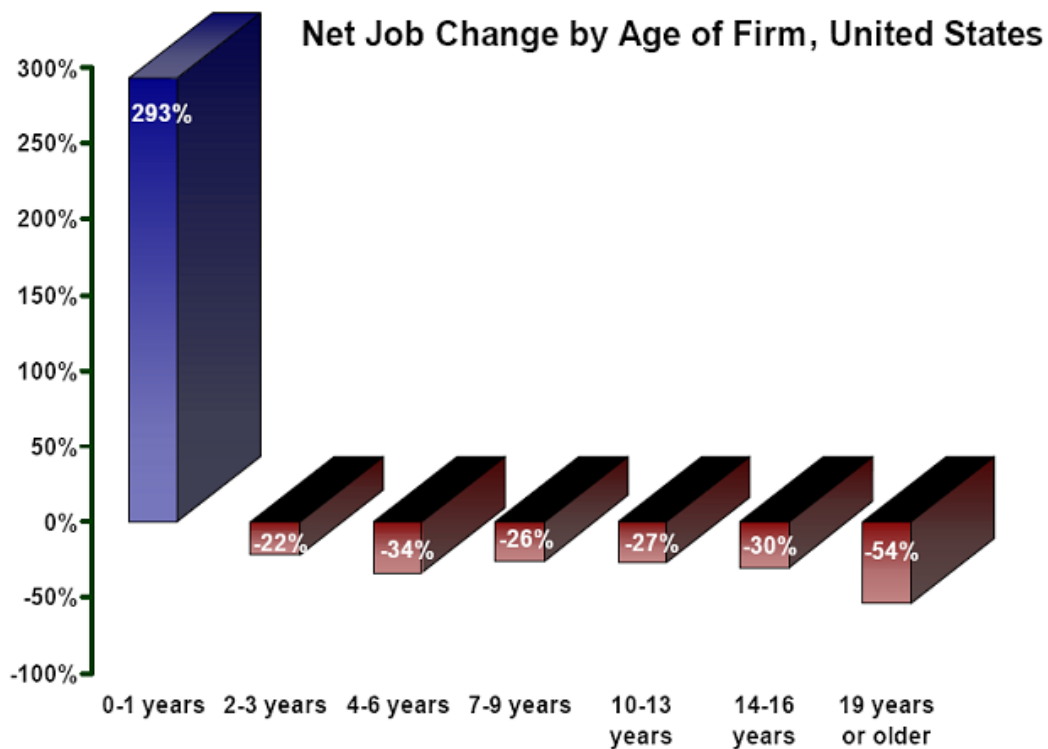
Ecosystem –Ecosystems are more than a hip buzzword. Are you training your entrepreneurs in analyzing their many stakeholders? Are you growing superconnectors?¹¹

Foresight–Are you listening to your MSMEs? Are you hearing what they actually say? Entrepreneur/MSME-only listening sessions are a must and easy to implement¹². For example, what metrics can they advise you on? What should a dashboard look like?¹³

Great Advice – the pandemic proved that GREAT advice is a key driver of MSMEs rethinking and reinventing themselves. Why not an entrepreneurial master class where you identify the very best mentors and

trainers for every aspect of entrepreneurial development?¹⁴ This applies equally to entrepreneurship education. Students are our secret weapon for ecosystem building but only if superbly trained, as shown in ICSB’s 2021 *Global Education Report*.¹⁵

Hard Data – ESHIP taught us that data is insufficient to change the mindset in economic development, but great data is imperative for ecosystem builders as a competitive advantage. In your country/ community, who is the data maven? Who has the best maps of the ecosystem¹⁶? Why not **you**? Consider Figure 1 below. Every country, every community can generate data like this.



Is your country in OECD? Read www.bit.ly/OECDdelta (why not **your** community?)

Are you ready to start growing resilient, self-renewing local economies? Embrace

the ecosystem mindset and get to work. I stand ready to help as do the world’s leading ecosystem builders (some of whom are writing in this report). **Call on us!**

Endnotes

- 1 Senior Research Fellow, College of Doctoral Studies, UOPX; Adjunct professor, UNC Greensboro; phone: +1 208 440 3747; email norris.krueger@gmail.com (happy to connect on Twitter, Facebook, LinkedIn)
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- 6 www.bit.ly/ESHIPgoals; <https://www.kauffman.org/resources/state-of-entrepreneurship-addresses/2017-state-of-entrepreneurship-address/>
- 7 https://bit.ly/UN_MSME2020 (pp. 55-58).
- 8 Not just local economies, of course – these ideas are proven to work at regional and national level
- 9 I heartily recommend all of these: OECD: https://bit.ly/OECD_IntComp; Right to Start: <http://bit.ly/Right2Start> ; Center for American Entrepreneurship: <http://bit.ly/CAEpolicy2021>; Rise of the Rest: <http://bit.ly/ROTRecosys21>
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- 12 <https://www.slideshare.net/norriskrueger/copenhagen-ecosystem-workshop>
- 13 <https://www.bit.ly/EcoSys> (starting point for an entrepreneur-centric dashboard)
- 14 e.g., Who is your very best at, say, developing/testing MVPs? Assemble a local 'dream team'!
- 15 Krueger, N. (2021). From Instructors to Educators, from Pupils to Learners: an Entrepreneurship Education Manifesto, ICSB Global Education Report, pp. 19-27. ICSB May 2021.
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Dark Side Effects of Entrepreneurship Education and Advocacy During Global Pandemic

Eric Ligouri and Cesar Bandera
Professor and Rohrer Chair of Entrepreneurship of Rowan University,
Associate Professor New Jersey Institute of Technology

Policy makers and researchers distinguish between those who are entrepreneurs out of necessity from those who chose to be entrepreneurs. The former are typically considered Kirznerian (opportunity-based) and the latter Schumpeterian (innovation-based). Type of entrepreneurship also correlates with type of economy as defined by the Global Entrepreneurship Monitor (factor, efficiency, and innovation-driven; cf., Acs et al., 2008; Reynolds et al., 1999; Reynolds and Hechavarria, 2016; Ferreira,

Fayolle, Fernandes, & Raposo, 2017), and with policies that promote innovation-driven entrepreneurship and economies (cf., Groth et al., 2015; Solomon et al., 2021).

The pandemic has blurred the distinction between types of entrepreneurship. By necessity, SMEs have had to innovate to survive in a disrupted environment (Liguori & Pittz, 2020). Unlike Schumpeterian entrepreneurship that traditionally begins with innovation and ends with market



disruption, the last year we witnessed necessity-based innovation that began with a market disruption (Liñán & Jaén, 2020), and the end of the status quo.

Will the status quo return once the pandemic concludes, or are there enduring lessons for SMEs to learn? In the U.S., despite significant percentages of the population now being vaccinated, the daily COVID-19 infection rates drastically decreasing, and so many signs of optimism existing, a labor shortage now exists which is causing some MSMEs to operate at limited capacity and others to close completely. Causes of this shortage vary, with some contending it is due to the continued existence of extended unemployment benefits, others contending it is because wages are too low and need to be increased, and some data also suggesting it is because the populous is reevaluating their work preferences and may not want to perform many of the tasks they did prior to the pandemic (cf., Long, 2021; Parker et al., 2021).

Under the pandemic, we also witness unintended consequences of the status quo. Our well-intentioned entrepreneurship advocacy and pedagogy, in some cases, caused harm to practitioners and their respective ecosystems – not because they failed to follow our instructions, but because our instructions were at times wrong and they followed them precisely. A recent Delphi study on the ‘dark side’ of entrepreneurship with an international panel of thought leaders yielded a consensus of unintended consequences in entrepreneurship policy and education (Bandera et al., 2020).

These consequences include the illusion of expertise and low risk, achievement versus fulfillment, and new venture creation versus the creation of social value and an entrepreneurial mindset. At the institutional level, these consequences often appear as conflicting goals including students pursuing entrepreneurial endeavors instead of graduating or obtaining work experience, and practitioners who are not teachable. While the pandemic may have highlighted these unintended consequences, they were always there, and educators must take note of the limitations to existing pedagogical approaches.

The Delphi panel also converged on recommendations for policy makers and educators. These recommendations include the evangelism of a holistic picture of entrepreneurship and the value of entrepreneurship competencies both in the new venture domain and in the job market. Entrepreneurship education is very much a rapidly growing field, with its demand far outpacing the educator’s ability to validate their outcomes, so additional research support and training assessment is requisite.

For better or for worse, discovery and disruption go hand-in-hand. The pandemic forced the discovery and adoption of constructive behaviors, some of which will remain after the pandemic concludes. As SMEs take stock of the lessons learned during the pandemic, will they retain behaviors that lead them from the dark side of entrepreneurship, and can our advocacy guide them correctly?

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Social Entrepreneurship as a Discipline at Undergraduate Level in the Public Universities in Africa

Moses Ngoze

Senior Lecturer; Research Fellow of the Technical University of Mombasa

Social Entrepreneurship is a distinct form of entrepreneurial endeavour that places an explicit focus on creating social value for key stakeholders (Nason, Bacq & Gras, 2017). Creation of well-known organizations supporting marginalized entrepreneurs (e.g., Grameen Bank, Honey Care Africa etc) reflects the growing interest in social entrepreneurship. Once considered

incongruous with firms' economic imperatives, elements of social value have increasingly become core to a wide variety of business models. The same authors further opine that the features of Social Entrepreneurship are adopting a mission to create and sustain social value (not just private value); exploring and recognizing opportunities to create better social value

for their clients; employing innovation in creating/ or distributing social value; acting boldly without being limited by resources currently in hand; firms weighing social and financial returns of their investments; and incorporating earned income strategies to build and maintain sustainability.

Social Entrepreneurship thus, can take the form of a process as well as a discipline (Kuratko, 2016). As a process it involves the initiating of an enterprise in the face of the community and as a discipline it takes the form of a subject or a course which is taught at higher institutions of learning such as universities, colleges and others. The essence of this paper therefore is to explore the curriculum of Social Entrepreneurship in a public university in Kenya. Specifically, it will establish the course purpose and rationale, prerequisite of the course, course objectives, course content, teaching and learning methodologies, course assessment, major references of the course.

The first part of the curriculum is the course purpose and rationale. According to the Kenya's Commission for Higher Education (2009), this part provides the essence of the course and the reason why the course should be taught to the targeted students. Consequently, the purpose and rationale of Social Entrepreneurship at undergraduate level is to introduce learners to the social entrepreneurship skills, knowledge and attitudes that will enable them run and manage social enterprises successfully. Social entrepreneurs find innovative and creative ways to solve a diverse range of environmental and social problems through a business lens.

Prerequisite is the second section which specifically identifies the prior courses required to be covered by the student in the previous semester or academic years before learning the course. Before studying Social Entrepreneurship, the student should have learnt Philosophy of Entrepreneurship

and Entrepreneurial Behaviour.

The third part is course objectives. The course objectives provide the goals or the essence of the course to the learners. In specific terms, it enables the achievement of course goals at the end of the course. Thereupon for this course of Social Entrepreneurship, at the end it the students should be able to: 1) Demonstrate the importance of social entrepreneurship in the business environment; 2) Distinguish between business entrepreneurs and social entrepreneurs; 3) Examine who would be a social entrepreneur; 4) Discuss the challenges of social enterprise; and 5) Apply the knowledge and skills acquired in real life situation.

The course content being the fourth part of the curriculum shows the topics to be covered in the course. The topics in Social Entrepreneurship are 1) Definition of Social Entrepreneurship, social enterprise, roles of social entrepreneurs in society; 2) Opportunity Recognition and Evaluation in social entrepreneurship; 3) Involving other stakeholders in the enterprise; 4) Social responsibilities, planning for acquisition and use of external and internal resources, monitoring progress toward goals, ensuring sustainability; 5) Managing Conflicts and Ensuring Teamwork and Cooperation, disaster management hygiene, safety, and ecology; 6) Foreign Investment, licensing, researching foreign markets, and international threats and risks; and 7) Case studies in contemporary issues in social entrepreneurship (Honey Care Africa, Grameen Bank- Muhammad Yunus, Green Belt Movement- Wangari Maathai, Rattansi Trust- Rattansi, United Nation, Red Cross).

The fifth part of the curriculum is the teaching and learning methodologies. This part entails the methods used in teaching and learning Social Entrepreneurship. Consequently, the teaching and learning methodologies applicable in Social

Entrepreneurship include group/ class discussion; case studies; role plays; small group exercises; discovery learning; question and answer; brainstorming; field/ industrial visits/ excursions; business games simulations; project based learning; self-directed learning; demonstration; gallery walk; mass media; peer learning; and lecturette.

The course assessment is the sixth part of the curriculum. The part describes the evaluation techniques used. The techniques used are continuous assessment tests (CATs); projects; and the end of the semester exams.

The final part of the curriculum is the reference section. The references exist into two namely the textbooks and the journals. The textbooks and journals are further divided into two in each case, core textbooks and journals and supplementary textbooks and journals. The core textbooks used are: 1) Chahine, T. (2016). *Introduction to Social Entrepreneurship, 1st Edition*. Boca Raton, FL, USA: CRC Press (ISBN-13: 978-1498717045); 2) Guo, C. & Bielefeld, W. (2014). *Social Entrepreneurship*. Hoboken, NJ, USA: John Wiley & Sons (ISBN-13: 978-1-118-35648-7); and 3) Kickal, J. & Lynons, T. (2012). *Understanding Social Entrepreneurship: The Relentless Pursuit of Mission in an Ever-Changing*

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In sum, Social Entrepreneurship is a discipline since it can be taught and learned to become a carrier for many. Thus, there is need to have a curriculum that will enable student to understand and appreciate it as a carrier in the society to bring bread on the table.

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Artificial Intelligence and Entrepreneurship: a New Approach

Adnane Maalaoui, Bao Diep, Lea Kiwan and Cherine Zgaya-Bouzouita
IPAG Business School.

Because it creates a wide range of new products and services, artificial intelligence is the very type of technology favouring not only entrepreneurship but also new generations of entrepreneurs.

Artificial intelligence is actually a term encompassing a wide range of intertwining technologies. Machine learning is based on mathematical and statistical models designed to render computers capable of learning thanks to “training data” in order to make predictions or decisions without being programmed by humans to do so. Deep learning is machine learning method consisting of creating several machine

learning layers, the decisions made by the first layer serving as input for the following decisions. Deep learning architectures such as deep neural networks, deep belief networks, recurrent neural networks and convolutional neural networks have been applied to other artificial intelligence fields including computer vision, speech recognition, natural language processing, audio recognition, social network filtering, machine translation, etc. Engineering, life sciences, business, arts, security, and even politics, all use artificial intelligence under one form or another. Artificial intelligence technology is virtually limitless. As such,

artificial intelligence products are ensured to grab a larger share of the marketplace. J. Boycott provided seven examples spanning from finance, medicine to law to the showing how artificial intelligence can disrupt almost all industries. According to International Data Corporation, the artificial intelligence market is worth 47 billion Euros in 2020.

But artificial intelligence also changes radically the way businesses are run. Kiran Patel listed seven ways artificial intelligence can bring added value to existing businesses: i) enhance efficiency; ii) increase productivity; iii) improve customer experience; iv) reduce the instances of error; v) boost creativity. However, too few companies have so far adopted artificial intelligence. According to a poll made in 2016 by Forrester Research, the main reasons explaining this reluctance are lack of business case (42%). Worse, because of the increasing number of tasks artificial intelligence can perform in place of and better than humans, artificial intelligence is increasingly viewed as a threat rather than an opportunity, including youth who is presumably considered as more acquainted with artificial intelligence than their elders. In a study made by Young Enterprise on young people's view of artificial intelligence, when asked if robots were likely to make it harder or easier to get a job, or if there would be no noticeable change, 59% of respondents said that they thought it would be harder to get a job that a robot could also do, as young people would still be lacking basic work skills such as teamwork and problem solving to enable them to stand out as better suited for the role than a robot. Only 8% said they anticipated there being no change. Regarding the impact of artificial intelligence on the job market, 76% of the young people questioned think that artificial intelligence will lead to fewer jobs,

10% that there will be more jobs and 14% that there will be no change. These figures are close to the ones collected by a survey undertaken by CSA Research on French people's perception of artificial intelligence according to which artificial intelligence will positively impact the health sector (70%), the automotive industry (69%), home automation (53%) along with alleviating administrative burdens (65%).

A large majority of respondents (85%) agree to consider that artificial intelligence is an internet-like revolution (85%) that is happening right now while they have mixed opinions regarding the opportunities and threats it will bring in with 52% of the respondents thinking that their work cannot be taken over by a machine and 48% having an opposite view.

The truth may nevertheless go much beyond one's best hopes and worst fears. There is virtually no job that will not be affected by artificial intelligence. Think of physicians whose part of the expertise relies on the connexion between what they see in their patients and what they have learnt from their studies, experience, and continuous training. The advent of artificial intelligence will make them compete against machines whose billion-time greater memorisation and analysis capacity may limit their future role to comfort their patients and symbolically sign prescriptions produced by artificial intelligence. Let's take another job example about which one would have thought that human experience is irreplaceable: selection of puppies to become guide dogs about which it has been proven that artificial intelligence has increased to success of ratio from 36 to...

100% and decreased at the same time the price of a guide dog from 150 000 to 50 000 euros making them three times more affordable.

Because it requires access to big data – the term is being increasingly replaced by ‘full data, signalling a change in the paradigm in this sector as well – the economy that is being shaped by artificial intelligence calls into question the liberal model based upon competition and relatively adjustment of supply to demand. Corporations that are highly innovative or possess the power to invest in technologies, data, and high-potential people, rapidly become monopolistic or oligopolistic in sectors that leave little place to smaller players. A study carried out by Google in 2017 shows that size differences in databases leave to large spread in the quality of trained artificial intelligence.

To face the challenges posed by artificial intelligence while exploiting the opportunities it brings in, entrepreneurs need their business models to the digital revolution. Ever heightening entry barriers can be brought down by innovation. It took less than five year to WhatsApp to grab large market shares from traditional operators. Another example of these new economic models is the ‘experience industry’, which did not exist just a few years ago and is now booming. Bringing together the entire leisure industry, from tourism to the various forms of cultural activities, its advent signals the transition from a society of product consumption to a society of sensation and memory consumption. This transition from industrial capitalism to cultural capitalism will require entrepreneurs to invent new economic models. It is (was?) easier to put a price on material goods that cannot be

owned by one person, physical or moral, at a time. Their materiality allows their exchange to obey a logic which, all in all, is relatively simple, that of ownership. In the digital age, exchanges are immersed in a world of networks, feedback loops, connectivity and interactivity in which the boundaries between the material and the immaterial are blurred. While the digital economy has the potential to transform any exchange of goods into an exchange of access, it is also capable of transforming all individual and collective experiences and relationships into commodities, radically changing the very essence of human societies. Entrepreneurs need to invent business models resting on novel entrepreneurial concepts such as cooperation, that is, creation of ecosystems where competition goes hand in hand with cooperation, as exemplified by Apple and Samsung which direct competitors in the smartphone market and while Samsung is Apple’s screen provider. The artificial intelligence-based economy has shifted from incremental to disruptive innovations that are not longer created by traditional corporations but highly inventive enterprises or ecosystems. Up to 70% of the companies listed on the New York stock exchange were recently created by self-made people and this ratio keeps on increasing. Foresight strategists agree that most of the jobs created by artificial intelligence are not yet known and so are business models and enterprises. These jobs will require competences rather skills, among them, adaptability, flexibility, agility, in other words learning capacity and even more importantly appetite. To paraphrase the futurologist Alvin Toffler, “successful entrepreneurs of the twenty-first century will not be the ones who know but the ones who are keen to learn, unlearn and relearn”.



The Future Won't Be the Same as it Was Prior to Covid-19: Some Thoughts on the Impact of the Pandemic from Rafaela

Ruben Ascuá

The National University of Rafaela, Argentina and UNRAF KHub.

The coronavirus crisis is a world-changing phenomenon. As the pandemic continues to spread throughout the region, countries are facing the worst economic recession since the 1950's when national accounts statistics began to be produced. This complex external environment, coupled with the much-needed measures to contain the pandemic, has led to a slump in economic activity throughout Latin America, with a contraction of -7.7% in 2020, although a positive growth rate of 3.7% is expected in 2021, which according to ECLAC will not be

enough to recover the pre-pandemic levels of economic activity of the coronavirus. In the case of Argentina, a 9.9% drop in GDP was experienced in 2020, with a recovery of between 5 and 6% expected in 2021.

ECLAC conducted a mapping of policies, regulations, and programs in Latin America in support of MSMEs in the context of the COVID-19 pandemic, which was carried out between March and November 2020, identifying a set of measures in the nine selected countries of the region (Argentina,

Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Uruguay). On this basis, a set of 180 measures were identified, classified into four areas, according to their general objectives: liquidity, employment, support for production, and financing¹.

ECLAC conducted a mapping of policies, regulations, and programs in Latin America to support MSMEs in the context of the COVID-19 pandemic between March and November 2020, identifying a set of measures in the nine selected countries of the region (Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Uruguay). Based on this, a set of 180 measures were identified, classified into four areas, according to their general objectives: liquidity, employment, support for production, and financing.

In terms of ECLAC, the countries' agendas inevitably differ, but there are common aspects that could be favorable areas for more intense and sustained collaboration based on reciprocal exchange and assistance.

In the productive programs, three areas are of particular relevance in terms of economic reactivation:

- Support for the incorporation of digital technologies.
- Stimulus for the formalization of companies.
- Biosecurity Protocols Considering a scenario of probable co-existence with the virus for the long term, the design and implementation of technical standards that guarantee safe production is an essential condition for economic reactivation.

¹ https://www.cepal.org/sites/default/files/publication/files/46743/S2100104_es.pdf

The implementation of public policy programs in this emergency presents unprecedented challenges, given that we are in uncharted territory and that the policy responses are still evolving, the authorities

are facing significant implementation challenges. For instance, governments may not be able to reach vulnerable households through traditional transfers in places that lack comprehensive social assistance systems and where informality is prevalent. In addition, it is more complicated to reach smaller enterprises and those in the informal sector. Given the high level of informality in the region, countries should use all available registers and possible methods to reach smaller enterprises and informal workers.

As our digital and local lives expand and our physical and global lives contract, this radical change due to COVID-19 will both create and destroy value. Creativity and dynamism will still be highly valued, but new vectors will reshape value creation. The crisis is likely to accelerate the fragmentation of the global economy. Until a vaccine is found and widely applied, travel restrictions will remain. Even after that, local resilience will be prized for global efficiency.

It is also to be expected that much of the business value of companies will be absorbed by extraordinary financial support and destroyed by the loss of cash flow. In addition, higher indebtedness will increase the risk of financial inadequacy and affect the ability to grow.

Here are some characteristics that can be anticipated post-covid²:

1. Resilience and efficiency: even as the constraints of isolation begin to ease, companies will need to figure out how to operate in new ways. In short, resilience: the ability to absorb a shock, and come out of it better than the competition: will be the key to survival and positive evolution in the long run.

2. The rise of the free-contact economy in three areas in particular: digital commerce, Telemedicine, and automation. While the growth of automation was already occurring before COVID-19. At the end of 2017, the McKinsey Global Institute estimated that by

2030 in 60% of all current jobs more than 30% of their key tasks will be automated, which will affect about 800 million jobs worldwide within 10 years. According to the Brookings Institute, over the three recessions that have occurred in the last 30 years, the pace of automation increased during each one. Indeed, it is possible to imagine a business world, from the factory floor to the end consumer: one in which human contact will be minimized, but not eliminated. For many people, returning to “normal” will include a return to the business premises and kiosks typical in much of the developing world, all of which are not about to be replaced by cashless ² McKinsey View Reference ³ hypermarkets. At the same time, patients with complex needs will still want to see their doctors in person, and many jobs are not automatable. Despite these particularities, the trend is clear and probably irreversible.

3. Changes in industry structures. One of the key questions facing business leaders is whether their industry will recover from the economic crisis posed by the virus, or suffer lasting post-pandemic damage. The answer to this question likely lies in an assessment of where industries stand concerning the challenges the crisis has posed. For example, those that have proven to be less resilient may find it difficult to regain their pre - COVID-19 status on their feet. In the automotive sector, for example, companies have relied on a global value chain based on just-in-time; which is challenged in this crisis and will therefore be under pressure to change.

For millennials and Generation Z (those born between 1980 and 2012), this crisis represents the biggest disruption they have faced. Their attitudes may change profoundly and in ways that are difficult to predict. The tourism, travel, and lodging-related sectors may see their businesses subject to radical changes. Concerns about the possibility of further “black swan”

events could change how consumers approach offers that raise the level of financial security (more save more and less consumption). The list of questions about how consumers will behave after COVID-19 is long and difficult to answer.

4. Finding ways to overcome: If necessity is the mother of invention, there could be some positive effects of the coronavirus crisis. One could be the death of distance, individuals, communities, businesses, and governments are learning new ways to connect (almost everyone has a story of the grandfather who finally learned to use Zoom, Skype, or FaceTime).

¿A POSSIBLE NEXT NORMAL?

A next NORMAL is to understand that the decisions made during the crisis lead to lower prosperity, slower growth, growing inequality, heavy government bureaucracies, and more closed borders; but at the same time, it could be that the decisions made during this crisis lead to an explosion of innovation and productivity, more resilient industries, smarter governments at all levels and the emergence of a reconnected world.

In three areas in particular: e-commerce and digitization of activities (including in government), telemedicine and automation: the COVID-19 pandemic is a decisive inflection point to take advantage of.

Globally, among the sectors most affected by the coronavirus and the least economically resilient include construction real estate activities, tourism, trade, and retail services, which are very sensitive to the overall health of the economy, so that further prolonged recovery, combined with relatively low resilience, could lead to significant vulnerability further down the road.

It is not only small businesses, such as restaurants and hotels, that are hard hit. Small businesses in education, health, and social care services are also affected. Many

private sector educational facilities, early childhood education centers, sports classes, and art schools, where physical distancing would be a challenge, could become vulnerable.

Correspondingly, small businesses in the healthcare sector, including ambulatory care (such as dentists' offices) and small private practices that patients may be reluctant to visit in person, are also heavily impacted.

Within retail, for example, three -quarters of clothing stores reported a large negative impact on their business during 2020, but only one -third of food and beverage stores did so. This disparity likely reflects differences in which businesses were classified as essential and therefore allowed to continue operating.

Within the industry, the impact of the pandemic on the textile and apparel retailing industry is strongest among small businesses (71% report a large negative impact). Among equipment and appliance manufacturers, however, only one-fifth report a large negative impact ³.

As for Argentina, if we consider the latest data from the Special Report presented by the UIA⁴ "Impact of Covid on Companies IV" ⁵, they show the recovery of part of the income of the country. The report shows the recovery of part of the productive framework, based on the authorization of activities and the strict compliance with sanitary protocols in industrial establishments.

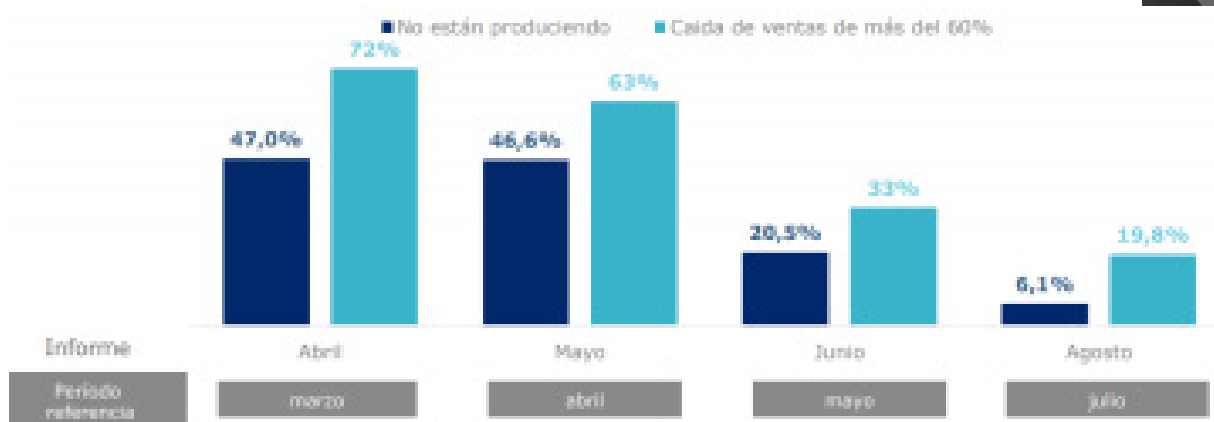
Out of the total of 743 companies surveyed, 32% were in July 20 20 producing at the same level or with increases compared to the pre-pandemic period. During July, 6% of companies continued with their production paralyzed and 62% of establishments were operating with a drop of more than 25%.

³ <https://www.mckinsey.com/featured-insights/americas/which-small-businesses-are-most-vulnerable-to-covid-19-and-when#>

⁴ UIA (Spanish acronym): Argentine Industrial Union www.uia.org.ar

⁵ Special Report "Impact of Covid on Companies IV" (August 2020): <https://uia.org.ar/centro-de-estudios/3685/informe-especial-impacto-del-covid-en-empresas-v-noviembre-2020/#!>

Figure 1: Comparative Results – UIA Surveys (Share of total in %)



Source: Extracted from Special Report " Covid Impacton Companies IV" (August 2020).

Thirty-two percent of companies reported sales in July 2020 equal to or greater than before the pandemic, but 46% of companies still faced sales declines of more than 30% and another 22% reported declines of up to 30%. It should be noted that various financial and operational problems were observed, as well as increases in costs associated with sanitary protocols (transportation of personnel, tests, licenses, among others). In response to the drop in sales revenues and problems in the payment chain, companies increased their stock of debts. Once again, there were significant arrears in different items such as taxes (31% of companies with arrears), financial commitments (21%), payments to suppliers (16%), and service fees (12%).

Even though in general the rate of default on these payments was lower than that recorded in previous surveys, the data indicate a greater delay in the payment of salaries (8% of companies were unable to pay them, compared to 3% recorded in the previous survey). To this was added the difficulty in the payment of the half bonus, with 17%⁶ of companies unable to pay it. This increase coincides with a lower incidence of ATP, which reached 42% of companies, compared to 63% recorded in the previous reports.

Regarding Rafaela, the host city of UNRaf (National University of Rafaela) and K-Hub ICSB, the new conditions brought about by the pandemic demonstrated the need to give continuity and deepen the digital transformations that were already manifesting themselves globally, in the country, and particularly in the city. While before the pandemic the advantages of advancing in the digitalization process were generally associated with reducing production costs, increasing productivity, opening new markets, or developing new products, as of March 2020 this became an unavoidable necessity to continue

producing, selling, and marketing within the framework of the prevention measures adopted by the government, whether municipal, provincial or national.

⁶ ATP (Spanish acronym): Labor and Production Assistance Program.

In this scenario of important transformations in the organization of companies, three case studies of SMEs located in the city of Rafaela were carried out. These are companies with an important trajectory in the metal-mechanic sector of the city of Rafaela⁷ (with at least 20 years of activity) and with a similar number of personnel: between 21 and 50 employees.

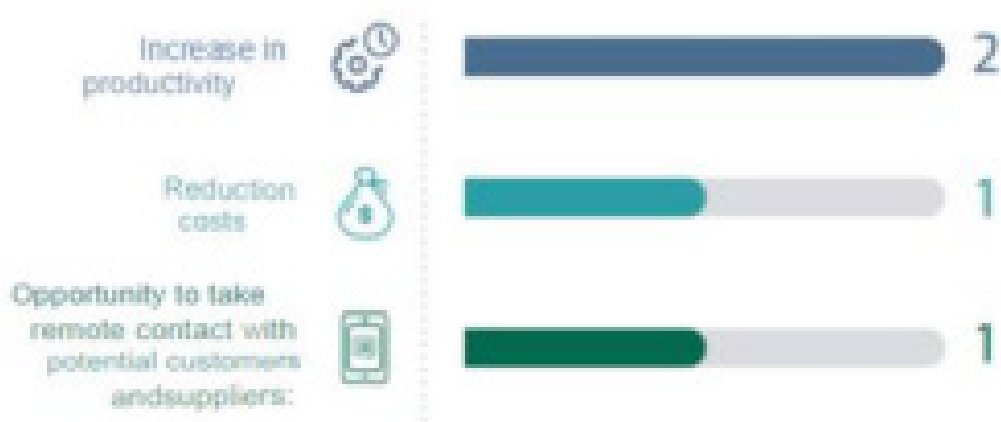
By focusing the analysis on three companies in the metal-mechanical sector, it was observed that all of them recognized that they were undergoing a process of digital transformation and that this process deepened during the pandemic. The importance of information and communication technologies became evident mainly at the time of having to readjust activities as a result of the measures implemented by governments to manage the pandemic. In this sense, the digital transformation process of the surveyed companies allowed them to modify their ways of working, selling, and communicating with customers and suppliers.

In this regard, and comparison with the period before the beginning of the pandemic, the companies had to implement new communication channels, both within the companies and in their links with customers and suppliers, mainly through the use of communication tools and various digital platforms. They refer, specifically, to the increased use of platforms such as Google Meet and Mercado Libre, social networks such as Facebook, LinkedIn, and Instagram, and internal applications of the companies

themselves for the organization and control of their activities. The changes experienced as a result of the pandemic also reinforce the recognition of the importance and the

need to deepen the digital transformation processes, especially in anticipation of the future.

Figure 2: What benefits do you think you have found in the digital transformation process?



Source: Extracted from the Study: Diagnosis of technological and non-technological needs of SMEs in Rafaela : the case of metal-metalurgical companies during the COVID - 19 pandemic.

⁷Analysis: Diagnosis of technological and non-technological needs of Rafaela's SMEs: the case of metal-metallurgical companies during the COVID-19 pandemic. Available at: <https://www.unraf.edu.ar/index.php/repositorio-biblioteca/1788-biblioteca-necesidades-tecnologicas-2>

Before the onset of the pandemic, two of the three companies surveyed believed that digital transformation could generate new business opportunities, and two of the companies perceived themselves to be in a nascent stage of digital transformation. On the other hand, after the pandemic, the three companies consider that the digital transformation could generate new business opportunities, they estimate that the impact of the technological development processes in the industry will be very important, and all of them perceive themselves in an intermediate stage of digital transformation. The importance of digital

transformation processes is also evident in the fact that companies recognize the need to have personnel trained in the use and management of digital technologies, and in the fact that companies allocate part of the budget to digitalization activities. The recognition of the advantages of the development and good management of digital technologies is evidenced by the interest of companies to implement training programs for their staff, and the intention to increase the budget for this area in a near future.

In synthesis, it can be concluded that in the post-pandemic era a greater dose of individual responsibility, institutional commitment, and social belonging is needed, a process in which SMEs have a relevant role to play.



Contribution by FCJE-UFRO as ICSB KHub-Chile

UFRO KHub

The Faculty of Law and Business of the Universidad de La Frontera (Temuco, Chile) or FCJE-UFRO, given its acronym in Spanish, is a home for almost 1,000 students and staff. Its mission is to train excellent professionals and postgraduates, as well as to contribute to research and development in juridical and business sciences. Its values are academic quality, global vision, entrepreneurship, and social responsibility (www.fcje.ufro.cl).

The FCJE-UFRO consists of two academic departments: Department of Law and Department of Management and Economics. It further organizes the undergraduate studies through two schools -Law School and Business School- which run three undergraduate programs -Law, Business Administration, and Public Accounting and Auditing. It hosts a Master's in Business Administration program (MBA-UFRO) which engages through "learning by doing" and places emphasis on networking.

Undergraduate students at FCJE-UFRO Business program closely engage with their milieu and prospective labor market through their respective undergraduate program's obligatory requirements for study internships, extracurricular activities, and graduation internship whereby students work full-time for four months in an organization, usually an MSME, as part of their graduation work. In 2020, 51 % of students continued as fully employed by their respective internship organizations. The Law program is unique in the South of Chile because of its focus on administrative-legal aspects of organizations, such as civil, commercial, corporate, finance and intellectual property law, as well as other fields relevant to public and private organizations. Moreover, students of any of UFRO's programs may choose the Minor in Entrepreneurship, which is a complementary certificate program.

Further, the Business Clinic (CEAM) is a flagship initiative by FCJE-UFRO aimed at delivering services to the MSMEs of the region of La Araucanía. The cornerstone of Business Clinic's activities are undergraduate student volunteers. Both a community outreach and undergraduate education linking program the Business Clinic of FCJE-UFRO serves the 47,000 large MSME community of La Araucanía. Since 2016, close to 800 MSMEs have been impacted by its services.

The Law Clinic, albeit being relatively new initiative of the FCJE-UFRO, is an important program purposed with aiding on the matters of Insolvency Law and Consumer Protection Law. Both areas are of essence in everyday business operations (finance management, client servicing), even more so in the context of the COVID-19 Pandemic.

The FCJE-UFRO impacts through serving our students and stakeholders who come mainly from this region. La Araucanía is a "world treasure" and one of priority ecoregions for biodiversity conservation given its cultural and natural characteristics: it is the territory of the Indigenous Mapuche Culture, as well as of the abundance of endemic species of plants and animals. La Araucanía is known for its mountains and volcanoes, and the only temperate rainforest in South America and the 3rd largest in the world.

Further, a key partner for the FCJE-UFRO in its community outreach initiatives is UFRO's own business incubator and accelerator program titled **IncubatecUFRO** that has been around for almost two decades. It is the best incubator in Chile 2014, 2015 y 2017 as declared by the CORFO. In 2018, it was named Latam's Best and World's 8th Best accelerator-incubator by UBI Global en World Incubation Summit 2018. The students of FCJE-UFRO contribute to this business incubator-accelerator through a robust internship program and collaboration with CEAM.

Linking education, community, and research, being a ICSB KHub, is even more important for the FCJE-UFRO considering that the MSMEs of La Araucanía mostly belong to agriculture, aquiculture, general commerce, construction, gastronomy and tourism sectors. Meanwhile, education, digital technologies, transport and renewable energy sectors are of growing importance. Total of 67 % of MSMEs are providers to the public sector whose spending in our region reached USD 572.199.243 in 2020. Regional MSMEs are main providers of goods and services to the privately owned big business in lumber, pulp and furniture sectors. Finally, on average throughout La Araucanía 12 % of MSMEs owned by the indigenous Mapuche people.

Research activities whose results benefit MSMEs are multiple. A group of academics from the Department of Management and Economics and undergraduate students leads the **Ibero-American Observatory of MSMEs in Chile**¹. The observatory has the task of providing information for decision-making in the areas of finance and strategy of MSMEs in Ibero-American countries.

International team funded by the National Research and Development Agency of Chile created **knowledge which helps agrifood exporting SMEs take business decisions in the situations of crisis caused by the COVID19 Pandemic**². Implications of this research project (ANID-COVID0364) for policy are extensive because the project was implemented in close collaboration with ProChile, government agency which foment exports. For their decision-making SMEs of emerging economies may rely on the market trends highlighted through this project.

Further, UFRO supports different relevant initiatives led by researchers from the FCJE. First, project **DIUFRO EP20-0079 “Financial inclusion (exclusion) in Latin America: Diagnosis of the current state and main determinants”**³ constitutes a study of access to various financial services by MSMEs.

Second, project **DIUFRO DFP20-0038 “Multi-scale model to improve resilience of MSMEs and local communities to disasters”** has close MSME focus with due regard to the communities which these businesses contribute to and draw their strength from⁴. This project initially looked to study the MSME owner-manager experiences of the Social Uprising but had to expand to include their experiences of the COVID19 Pandemic.

Likewise, GEM Chile is a project led by the Universidad del Desarrollo on the national scale and by FCJE-UFRO on the regional scale. La Araucanía’s entrepreneurial ecosystem has been overcoming challenges posed by vulnerability caused by structural barriers and historic debt. The **longitudinal Global Entrepreneurship Monitor (GEM)** study produces knowledge valuable to policymakers, as well as MSMEs looking to influence the former.

All in all, the FCJE-UFRO is achieving its objective to foster regional and national social-economic development by way of local, regional, national and international alliances, and robust package of initiatives in support of thousands MSMEs, a motor of sustainable development in Chile and around the world.

Endnotes

1 For more information contact observatorio.mipyme@ufrontera.cl, or visit <http://faedpyme.upct.it> is/.

2 Principal researcher: Dra. Valeska Geldres Weiss, valeska.geldres@ufrontera.cl

3 Principal researcher: Dra. Paulina Sanhueza Martínez, paulina.sanhueza@ufrontera.cl.

4 Principal researcher: Ieva Zebryte: ieva.zebryte@ufrontera.cl.



Small Business and the Pandemic

National Federation of International Business.

The small business economy is emerging from the COVID-19 pandemic, an event that seismically shifted the economic foundation for many small firms. COVID-19 and subsequent government actions, suspending or severely limiting business activity, required quick operational adjustments by owners to keep their business from permanent closure. Some businesses were allowed to operate with modifications while others were forced to shut down completely. Sales was the single biggest problem for 1-in-5 small businesses in the spring of 2020.¹ In the months that followed, states navigated how to open their economies with varying degrees of success. Small businesses responded, adjusting to the changing regulatory environment to remain competitive and connect with their customers.

The challenges and stress of navigating business conditions on the ground have

been and continue to be immense for small business owners during the pandemic. For some small business owners, the situation remains dire while others are largely back to full operations. The vaccine is now largely available with nearly two-thirds of the adult population having received at least one vaccination.² In response to the vaccine rollout, cities and states are further lifting business restrictions, allowing more small businesses to operate at full capacity. However, many small businesses are now facing a new set of challenges, namely labor shortages and supply chain disruptions. The aftershocks of the pandemic and government interventions will continue, likely through 2022.

The NFIB Research Center captured much of the small business experience during the various stages of the pandemic through two regularly released survey publications. The Covid-19 Small Business Survey series

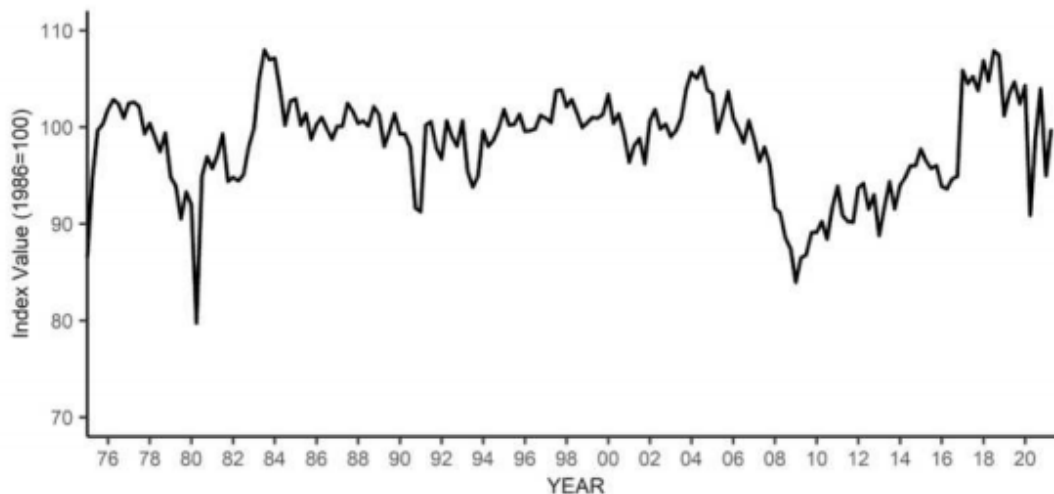
assessed the impact of the health crisis on small business operations, economic conditions, and the utilization of targeted small business loan and tax credit programs. The first of the series was published in early March 2020, with subsequent publications approximately every 3-6 weeks. The Center's Small Business Economic Trends (SBET) survey is a monthly assessment of the U.S. small-business economy and its near-term prospects. The SBET publication series was created in 1973.

The economic downturn for small businesses was swift with the Index of Small

Business Optimism falling precipitously from February through April as governments restricted business operations to curb the rapid spread of the virus.³ The first two editions of NFIB's Covid-19 Small Business Survey, released March 10, 2020 and March 20, 2020, highlights the rapid deterioration of economic conditions due to Covid-19 and related government actions over the course of 10 days. By March 20th, 76 percent of small businesses were negatively impacted by the outbreak of the coronavirus, a dramatic escalation from just under one-quarter of small businesses reporting the same March 10-11.

OPTIMISM INDEX

Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)



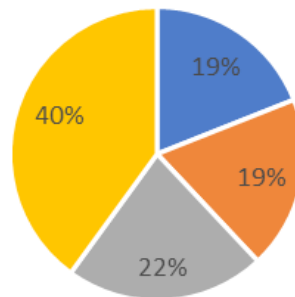
The federal government's primary financial support mechanism to help small business was the establishment of the Paychecks Protection Program (PPP). The PPP program was created to support small business payrolls and to a lesser degree, business expenses through the pandemic. The program experienced extensive modifications and expansions over the 13 months it was available to qualified businesses. Roughly three-quarters of small employer businesses received a PPP loan and about half of those who received a first PPP loan, received a second one. Of those

who participated in the program in 2020, two-thirds of them found the program very helpful in supporting business operations.⁴ The program provided much needed stability in the small business sector. Since the beginning of the pandemic, economic activity has been a rollercoaster with GDP falling 30 percent in the second quarter of 2020, rising 33 percent in the third quarter, and moderating to a strong 6 percent growth rate in the first quarter of 2021. As the economy continues to stabilize and find its footing, small businesses will be better situated to plan and grow their business.

Today, while some small businesses are still impacted by government restrictions and shifts in consumer spending to varying degrees, many are now desperately trying to fill open positions as demand increases and the economy improves. Almost half of small business owners (48%) currently have an open position they are currently unable to fill, a 48-year survey record high reading.⁵ Labor quality is the main business problem for over one-quarter of NFIB members,

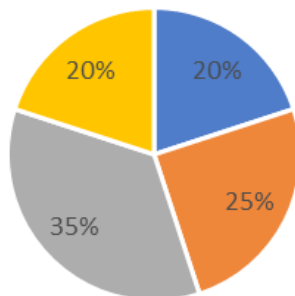
limiting small business growth potential. The Bureau of Labor Statistics (BLS) reported that the overall number of U.S. job openings in April reached a series record high at 9.3 million.⁶ However, as government support programs end and more of the population is vaccinated, the labor shortage should ease considerably over the next 12 months with more of the population reentering the workforce.

Is your business currently experiencing a staffing shortage?



- Significant staffing shortage
- Moderate staffing shortage
- Mild staffing shortage
- No staffing shortage

If yes, is your staffing shortage causing lost sales opportunities?



- Significant lost sales opportunities
- Moderate lost sales opportunities
- Mild lost sales opportunities
- No lost sales opportunities

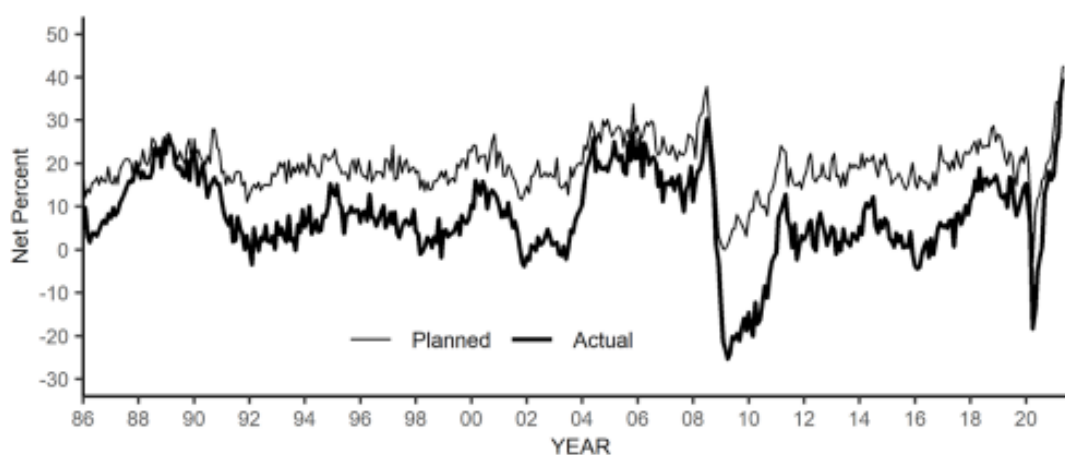
Source: NFIB Covid-19 Small Business Survey, April 23-28, 2021

But the labor shortage is just one challenge. Supply chain disruptions are also the cause of much stress among small business owners. Inventories shortages of materials or final goods are also hampering growth in the small business sector. Disruptions are widespread, involving a range of materials and products including lumber, computer chips, steel, and food products.

The labor shortage and supply chain disruptions are likely temporary issues for the most part. But when small business owners will see some relief is not clear. Until then, owners are absorbing various cost increases in part through higher selling prices, currently being raised at a record rate. Inflation is hitting Main Street, but again, likely temporary.

PRICES

Actual Last Three Months and Planned Next Three Months
January 1986 to May 2021
(Seasonally Adjusted)



Source: NFIB Small Business Economic Trends Survey Series

While the Covid-19 small business recovery is unlike any recovery preceding it, small businesses continue their most important role as the R & D of the U.S. economy. Small businesses will continue to close and open, contract and expand, reinventing themselves and taking advantage of opportunities that will generate jobs, and economic stability, and growth. Covid-19 related economic

challenges will likely continue for the near term. Large government programs need to unwind, supply chain disruptions will normalize, and more of the population will reenter the workforce. Covid-19 and related government actions altered the small business sector, but small businesses are resilient and will continue to do their job as the R & D of the U.S. economy.

Endnotes

1 William C. Dunkelberg and Holly Wade, NFIB Small Business Economic Trends, NFIB Research Center, April 2020.

2 <https://covid.cdc.gov/covid-data-tracker/#datatracker-home>

3 William C. Dunkelberg and Holly Wade, NFIB Small Business Economic Trends, NFIB Research Center, April 2020.

4 <https://assets.nfib.com/nfibcom/Covid-19-7-Write-up-and-Questionnaire-5-29-2020-WEB.pdf>

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6 <https://www.bls.gov/jlt/>



Learning from Marginalized Entrepreneurs: The Emerging Phenomenon of Transitional Entrepreneurship

Robert J. Pidduck, Ph.D.

Assistant Professor of Entrepreneurship. Director - Hudgins Transitional Entrepreneurship Lab. Old Dominion University, Strome School of Business

Daniel Clark, Ph.D.

Assistant Professor. IE University, Department of Entrepreneurship

Marginalization of individuals, usually because of their membership in a certain community, is a scourge seen the world over. Marginalized individuals live with reduced access to mainstream advancement and opportunity, they are frequently discriminated against, the victims of violence and insecurity, or excluded from

mainstream society. A frequent question is how to address either marginalization itself or to raise up individuals victimized through marginalization.

Entrepreneurship is an inspirational vehicle for growth and prosperity the world over, as despite hardship, stories of enterprising

individuals launching ventures in the midst of adversity abound. Indeed, a thriving entrepreneurial mindset and supportive ecosystem is often noted for its potential in raising the prospects of poor and underdeveloped regions (Morris & Tucker, 2021; Pidduck, Clark, & Lumpkin, 2021), and of marginalized and underserved people (e.g., Bradford, 2014). The promise of civic wealth creation through entrepreneurial activity is particularly valuable among groups and in communities that traditionally lack the capital and resources available in more privileged contexts (Lumpkin & Bacq, 2019; Lumpkin et al., 2018). As such, entrepreneurship may indeed be a concerted path to address marginalization. However, knowledge both theoretical and practical, surrounding venturing with respect to marginalized individuals operating within unique environments, constraints and supports, and sociocultural dynamics, has remained highly fragmented (e.g., Pidduck & Clark, 2021).

Transitional entrepreneurs are *actors socially, institutionally, or resourcefully marginalized by virtue of community membership pursuing new ventures as a vehicle for positional advancement* (Pidduck & Clark, 2021). These individuals use entrepreneurship to address their own individual marginalization, to advance their own and their family's prospects, and act as inspiration to other marginalized individuals in their communities.

Currently, we know a lot about how individuals venture within specific marginalized communities—e.g., race-based (Bradford, 2014), gender specific (Minitti, 2010), sexual preference-based (Galloway, 2007), immigrant entrepreneurship (Kloosterman & Rath, 2001), and ex-convicts (Irankunda et al., 2020)—or contexts—e.g., social enclaves (Pessar, 1995), disadvantaged geographies (Zhang et al., 2010), or certain social classes or castes (Tucker &

Croom, 2021). This work has been very good at identifying unique community based contextual factors, but less good at identifying generalizable learnings to help all marginalized individuals, not just those in a given community; as much extant research tends to reside within specific research silos with little cross-pollination to other groups of transitional entrepreneurs.

Indeed, many of the endemic problems experienced by transitional entrepreneurs share common threads—such as, comparably poor access to key resources, discrimination, identity issues, and cultural ostracization, among others. However, our accumulated knowledge of these issues, and thus the ability to build on them in systematic ways, is limited; Indeed, it is our expectation and hope that moving forward researchers will both (a) look for insights from the experiences of more types of transitional entrepreneurs, and (b) conduct studies across groups of transitional entrepreneurs to synthesize commonalities.

Part of the challenge seen so far, is that there are conceptual and peripheral similarities between research into transitional entrepreneurs and other subfields, such as, social entrepreneurship and institutional entrepreneurship, to name a few. For example, the burgeoning field of social entrepreneurship certainly includes the study of marginalized individuals (Alvord et al., 2004), yet there are critical distinctions between the two fields. However, transitional entrepreneurship does not exclude social good as a byproduct, but the primary goal and guiding phenomena is the elevation of the primary entrepreneurial actor from a marginalized position. This area of study, is concerned *with how, why, and when entrepreneurial actors from a given marginalized group may discover, enact, evaluate, or exploit opportunities because or in light of their marginalized position/s* (Pidduck & Clark, 2021).

Finally, it is important to note, that the goal of generalizing across marginalized populations is not to minimize the importance of studying these fields independently. Such a tactic was employed by certain groups to deemphasize the “Black Lives Matter” movement by recasting it as “All Lives Matter” (Edgar & Johnson, 2018). We seek to draw attention to the common themes, demonstrate the potential of sharing learnings, and call for additional research in both management and public policy domains that crosses marginalized groups. We believe that both goals—understanding issues within specific marginalized groups and collectively across groups—is valuable and attainable without sacrificing one in the name of the other. It is with this aim in mind that we seek to shed some much-warranted light on this emerging phenomenon of transitional entrepreneurship.

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CONCLUSION


Looking Back

2018 Highlighted in the 2018 MSME Day Report was the significance of ‘R.U.D.E’ (Rapidly changing; Uncertain; Dynamic; and Engaging) environments. The trends for MSMEs at the time surrounded protecting company assets from cyberattacks, lack of access to capital, attracting a competitive workforce, and differentiation from competitors. RUDE environments continue to illustrate ever-changing demographics as well as economic, technological, political, and social factors, all of which make environments unpredictable.

The year 2018 primed the world for not knowing what comes next and how this makes room for disruption when the time comes. Educating entrepreneurs on how to navigate this type of environment is critical. The connection between staying relevant in uncertain times and holistic entrepreneurial education is ensuring that what is taught is valuable for both today and tomorrow.

2019 The 2019 Report, the last of the pre-COVID analyses, mapped out trends that are still relevant today. The growing impact of young people (ages 10 to 24) on the economy, the United Nations Sustainable Development Goals, increased digitization, and globalization must all still be considered in business decisions today. MSMEs Day 2020 would then go on to take the aforementioned trends and apply them to life post-COVID.

2020 In 2020, the many worldwide tragedies—and subsequent social implications—raised the barometer for how companies operated. Rather than business-as-usual, these global events created a reality where businesses were inclined to operate in a human-centered way. There was further emphasis on creating sustainable, vibrant economic ecosystems within a wide range of communities. Forging entrepreneurship to build social and economic value within these communities was equally as important as building up tools to finance these ventures. From fintech to financial products within established banks, the disbursement of these funds helped create opportunity.



Present Today, in 2021, the world is witnessing the results of this belief in entrepreneurial systems come into fruition. MSMEs are choosing to work with uncertainty rather than against it. Towards the end of 2020, individuals were starting new businesses at the fastest rate since 2007. Across the globe, similar trends were occurring. As MSMEs have adapted to unprecedented scenarios, they have come up with unprecedented solutions. This report honors the innovation, perseverance, and recovery of the individuals impacted by the events of this past year.

The reality of entrepreneurship is that it requires hard work, sacrifice, and patience. It can take a toll on your emotions, your finances, and your relationships. However, as evidenced by the startup boom of 2020 and 2021, society is continuing to endure these repercussions amidst the backdrop of a global pandemic.

ICSB predicts that the businesses born out of the calamities of last year that achieve lasting success will be the ones that operate under sustainable, inclusive, human-oriented practices. We are already beginning to see the shift towards collaboration rather than competition as we work to combat the consequences of climate change. Furthermore, the world will continue to see the fourth Industrial Revolution, marked by digital technologies such as blockchain, AI, and automation. As there is no one-size fits all solution for these unrivaled technologies, everyone must come together to find creative answers that mitigate the challenges that are bound to arise.

Much time, research, and analysis has gone into the pages of this report. ICSB hopes that our collective efforts initiate conversation to shift our economic systems to act out of ethics and empathy, rather than increasing capital gains, bettering humanity and the planet as a result.



The Importance MSME Day June 27

On April 6, 2017, the United Nations General Assembly adopted a resolution recognizing the crucial role Micro-, Small and Medium-Sized Enterprises (MSMEs) play in achieving the 2030 Agenda for Sustainable Development. Resolution (A/71/279) designates June 27 as “Micro-, Small and Medium-Sized Enterprises Day”. With support from ICSB, the Permanent Mission of Argentina to the UN authored the resolution that was presented to and negotiated with all UN member states.



The resolution was co-sponsored by 54 member states, representing over 5 billion people. Since the adoption of the 2030 UN Sustainable Development Goals Agenda, all countries have been working for its implementation, which aims to ensure that every actor can contribute in the best possible way.

ICSB SPANISH REPORTS

Por **primera vez** en la historia de **ICSB** se realiza una edición especial con **artículos** en idioma **español**.

En la actualidad, hay **más de 570 millones** de **hispanoparlantes**, siendo el **segundo idioma del mundo** en cantidad de hablantes nativos.

Teniendo en cuenta la **diversidad** de **productos y servicios** a **escala global**, se vuelve imperiosa una comunicación que

se exprese en el **idioma** que conocemos y en el que trabajamos a diario en cada una de nuestras empresas y proyectos.

Es por ello que esta iniciativa de **acercar** conocimiento en **español** sobre el ecosistema emprendedor y las **PyMEs** se vuelve una herramienta valiosa.

Prof. Analia Pastran
Coordinadora de la sección ICSB en español
Directora ejecutiva de Smartly, Emprendedorismo Social en ODS



La Generación de Empleo que Necesitamos Post COVID-19

Analia Pastran & Evangelina Colli

Directora Ejecutiva y Directora de Localización de ODS de Smartly, Emprendedorismo Social en ODS.

Vivimos en una época de grandes desafíos a nivel global como el COVID-19 y la crisis de Cambio Climático, y ese contexto nos pone en una carrera contra el tiempo para poder revertir las desigualdades sociales, las inequidades económicas y los desastres naturales.

El Acuerdo de París sobre Acción por el Clima y Transformar nuestro mundo: la Agenda 2030 para el Desarrollo Sostenible son dos hitos importantes alcanzados por los Estados en 2015, que especifican las acciones que cada uno de nosotros, en todo el mundo, debemos realizar para lograr un futuro más igualitario e inclusivo, mientras

disfrutamos del crecimiento económico, con una fuerte protección del ambiente.

La Agenda 2030 es el nuevo contrato social. Los ODS son para las políticas públicas como los hashtags en las redes sociales, nos proveen de un lenguaje común para conectarnos de forma global de manera más rápida e inteligentemente.

Los Objetivos de Desarrollo Sostenible proporcionan la hoja de ruta global para las necesidades empresariales, de innovación y tecnología (Naciones Unidas, 2018). Por ello, tal como señala ONU Hábitat es importante desarrollar una Economía Urbana donde

los principales esfuerzos se centren en la promoción de estrategias y políticas urbanas que fortalezcan la capacidad de las ciudades para desplegar todo su potencial como impulsoras del desarrollo económico, y de la creación de riqueza y empleo.

En este contexto, el rol de la Campaña Urbana Mundial de ONU Hábitat para consolidar la agenda urbana al más alto nivel en políticas de desarrollo cobra especial relevancia. Smartly es Partner y miembro de la Comisión Directiva de dicha plataforma y desde ese espacio, propone entender que **el emprendedor es una consecuencia virtuosa de las políticas de Estado que brindan posibilidades para habitar y desarrollarse, sea en uno o múltiples lugares.**

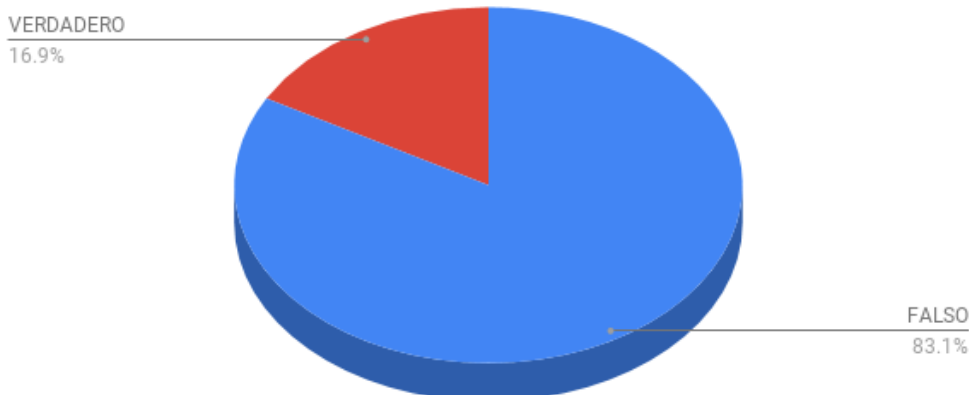
Es importante instalar la idea de que mi negocio, mi hábitat, está integrado al ecosistema en el cual convivo, y en ese sentido pensar un negocio sostenible que

supere el índice de supervivencia para alcanzar de forma resiliente el desarrollo sostenible.

Desde Smartly generamos una encuesta global sobre localización de ODS en el Emprendedorismo y su integración urbana (<https://www.insmartly.com/emprendedores-sostenibles>) donde se involucra a los emprendedores/as a pensar si la urbanización de su ciudad le sirve a su negocio, con el fin de validar el grado de conocimiento e importancia que la agenda internacional tiene en el desarrollo cotidiano del emprendimiento para la generación de empleo y trabajo.

Respecto al ODS 9 “Industria, Innovación e Infraestructura”, el 16.9% de los emprendedores sostenibles afirmaron incluirlo en sus actividades, mientras que el 83.1% respondieron negativamente.

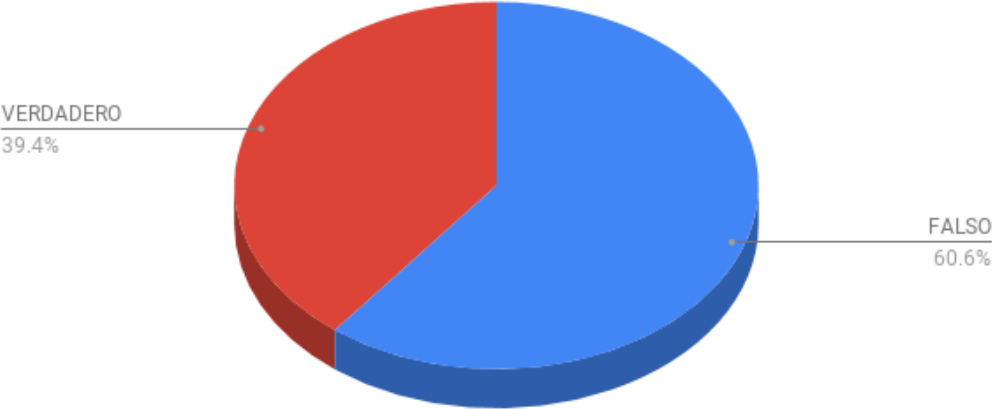
ODS 9 “Industria, Innovación e Infraestructura”



Por otro lado, con respecto al ODS 11 “Ciudades y Comunidades Sostenibles” respondieron afirmativamente el 39.4%,

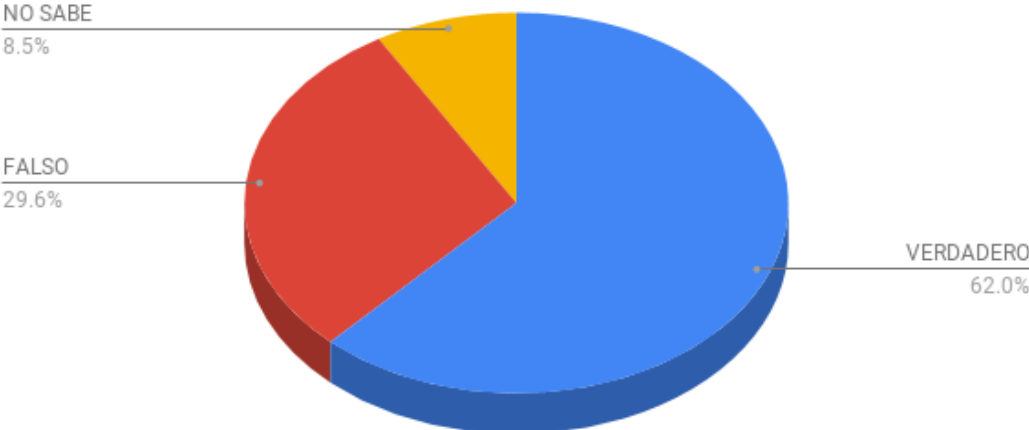
mientras que 60.6% de los emprendedores sostenibles respondieron que no lo implementan.

ODS 11 "Ciudades y Comunidades Sostenibles"



Como parte de la encuesta se hallaba presente la siguiente pregunta: "¿La urbanización de su ciudad le sirve a su negocio?" A la cual el 62% respondió afirmativamente.

"¿La urbanización de su ciudad le sirve a su negocio?"



- De la encuesta realizada podemos señalar que en el ámbito de emprendedores sostenibles más de la mitad afirma desconocer el ODS 9 que aborda los tópicos que posibilitarían su desarrollo empresarial.

- En el caso del ODS 11 más de la mitad de los emprendedores encuestados dice no implementarlo o contribuir a su localización. No obstante, cuando se les preguntó si la urbanización beneficia a su ciudad una mayoría significativa respondió afirmativamente.

Los ODS son la guía de acción para optimizar los recursos y el tiempo. Si los emprendedores tuvieran un mayor conocimiento de los ODS podrían desarrollar y potenciar su idea/negocio en un ámbito donde se garantice el ecosistema emprendedor. También les permitiría cabildear e incidir ante el Estado para que institucionalice estas prácticas a través de políticas públicas y legislación al respecto.

Para eso establecimos una iniciativa innovadora, la Red de Parlamentos Locales en ODS, para empoderar al ámbito legislativo en su relación con la ciudadanía al conectar sus iniciativas a una agenda global utilizando como marco los 17 ODS y creando legislación urbana con localización de los ODS. A través de este programa Smartly impulsa y genera legislación urbana para la reactivación económica post pandemia:

- Ordenanza en Turismo Sostenible
- Sol y Playa - Mar del Plata, Argentina:
Esta legislación propone la promoción e

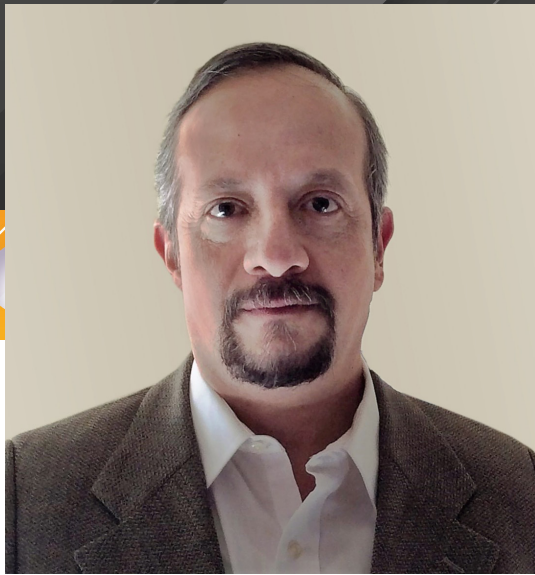
implementación del Turismo Sostenible como una nueva herramienta para la reconstrucción del sector y mitigar los efectos ya producidos por el Cambio Climático y COVID-19.

- Emprendedores Sostenibles - América Latina: desarrollo de políticas públicas, legislación e indicadores que promuevan el ecosistema empresarial sostenible en la región y que permitan a los emprendedores sostenibles cabildear e incidir eficazmente en los gobiernos.

A su vez, fomentamos en las Escuelas de Negocios incorporar esta nueva forma de emprendimiento sostenible en sus bibliografías, currícula, programas, etc a través de la Edición Especial sobre Emprendedorismo Sostenible del Journal of the International Council for Small Business de la editorial Taylor & Francis.

Desde Smartly promovemos la legislación urbana como el mecanismo que garantiza la institucionalización de las políticas públicas a mediano y largo plazo más allá de la alternancia democrática. Al integrar la voz de los actores facilita el consenso previo a la sanción de la norma ya que permite identificar los actores nuevos y emergentes que produce la innovación y el emprendedorismo social en ODS.





Las Pequeñas y Medianas Empresa en América Latina: Pandemia y Resiliencia

Francisco Navarrete
Profesor de la Universidad del Valle de Atemajac (UNIVA).

Esta pandemia ocasionada por el virus del COVID-19 nos ha impactado como humanidad como ninguna otra en los últimos 100 años. No estábamos preparados para contenerla, ni económicamente, ni en aspectos de salud, y ni en aspectos de relaciones interpersonales.

Llevamos 15 meses bajo esta situación, y aunque ya se tiene una vacuna para prevenir los contagios, aún estamos lejos de superarla. Los contagios y muertes diarias, se han reducido, pero no han cesado; los programas de vacunación a nivel mundial no llegan de forma equitativa a todos los países, por lo que los expertos indican que todavía

este año 2021 nos veremos obligados a seguir bajo estas restricciones de pandemia.

Esto no fue ajeno a la actividad económica, ha habido un impacto tremendo en todas las economías de los países del mundo, con crecimientos negativos de su PIB, que ha orillado a los gobiernos a desarrollar una serie de políticas públicas de apoyo a la misma, a través de inyección de dinero fresco, que se han ido implementando a través de este año. Algunos frutos ya se comienzan a ver.

En particular, esta pandemia azotó muy fuerte a las pequeñas y medianas empresas

(PYME), principalmente a los países denominados emergentes. Las razones principales es que son altamente vulnerables, no tienen un soporte financiero estable a largo plazo, carecen de crédito barato, su gestión es muy limitada, y por lo regular sus clientes también son personas afectadas económicamente por esta situación, lo que su poder adquisitivo se vio reducido y no se desarrolló actividad económica constante.

Las PYME en los países de Latinoamérica fueron de las más afectadas. Bajo estas mismas características, operando principalmente bajo un esquema de empresa informal, aunadas a gobiernos frágiles, en términos económicos, combinado con problemas sociales y políticos, no propiciaron que hubiera una plataforma emergente para reducir el impacto de la pandemia, ocasionando una serie de cierres empresariales, y por consiguiente un despido masivo de trabajadores.

Algunos ejemplos de cómo ha sido esta situación de pandemia en ciertos países de Latinoamérica, que pudieran ser representativos de la región. Por ejemplo, en Argentina durante el 2020 cerraron más de 90 mil empresas, la mayoría PYME, de un total de 762 mil registradas, representando un poco más de 185 mil empleos perdidos. Solamente en la capital, Buenos Aires, cerraron un poco más de 22 mil empresas, y en el microcentro porteño cerró el 50% de los negocios, alrededor de 500.

En Colombia, se estima que hubo un cierre de más de 509 mil empresas, la mayoría también PYME, representando el 9% del total de las empresas. Esto generó 1.1 millones de desempleados, tanto en el sector formal como informal, impactando alrededor del 13% del total del empleo.

Para México, de las 4.9 millones de empresas registradas en el 2020 (99% PYME), cerraron un poco más de un millón, es decir, el 20%

del total, generando así que unos 12 millones de personas se quedaron sin trabajo.

A pesar de este embate, los empresarios de Latinoamérica, principalmente los pertenecientes a las PYME, caracterizados especialmente por su gran empuje, toma de riesgos, compromiso social y una gran orientación emprendedora, en lugar de rendirse ante tanta adversidad, la mayoría ha tratado de revertir esta situación. Tratando de salvar su empresa y el empleo de sus trabajadores. Planteando distintas alternativas de negocio, y que en muchos casos sin apoyos gubernamentales federales ni regionales.

Ejemplos hay muchos, citaremos los más recurrentes que hemos observado en este año. 1) desde reducir la planta laboral a dos o tres empleados, incluyendo el propio dueño, pero no desaparecer el negocio, hasta llegar a estabilizar el mercado y su demanda, y volver a contratar empleados, 2) orientar su negocio con apoyo de Tecnologías de la Información, a través de enfocar sus servicios (principalmente negocios de comercio y alimentos) con entrega a domicilio, implementando tecnologías como el *Chatbot o Apps*, y así conservar más del 50% de sus ventas, y 3) la diversificación de productos/servicios y horarios de atención, lo que los hizo más dinámicos y así estar presentes con sus clientes en cualquier momento que éstos requieran de sus productos/servicios.

Aunque aún es temprano de hacer balance de resultados, hemos podido observar que el empresario PYME en esta región, tiene esa versatilidad para salir adelante y no rendirse. Una resiliencia muy grande, que, a pesar de estos embates económicos tan fuertes, no han perdido la confianza en sí mismos, sus empleados y su negocio y que los hará seguir adelante.



Resiliencia: Una Virtud Emprendedora

Ricardo Alvarez
Profesor en CETYS Graduate School of Business

Me gusta entender al emprendimiento como la creación de empresas, y por empresa me refiero no solamente a iniciar un negocio, sino a realizar una tarea nueva y retadora, incurrir en una acción innovadora, o cuestionar y buscar mejorar o cambiar el estado de las cosas sin conocer su desenlace futuro. Seguramente desde siempre han existido personas que en algún momento de sus vidas decidieron correr el riesgo y aventurarse en una empresa. Que enfrentaron adversidades, resolvieron contingencias, perseveraron y por fortuna, salieron victoriosos. Es decir, mostraron resiliencia, tesón y fueron valientes.

Imaginen la empresa en la que literalmente se embarcó de Cristobal Colón cuando se propuso encontrar una nueva ruta a las Indias, toda vez que el Imperio Turco-Otomano dominaba las vías comerciales entre Europa y Asia en el siglo XV. ¿Qué le habrá platicado a los reyes Isabel I de Castilla y Fernando de Aragón para convencerlos de invertir? ¿Cuál habrá sido su certeza de encontrar una nueva ruta al Oriente, navegando hacia Occidente? ¿Cómo convencer a los escépticos y garantizar a su tripulación que la tierra era redonda, cuando todos sabían que era plana? ¿Cuántos miedos y cuántas incertezas? Seguramente muchos; pero los hechos habrían de demostrar que aún presumiendo una muerte segura, zarparon, se aventuraron y triunfaron.

Algunos historiadores citan la antigua Mesopotamia, llamada “la cuna de la civilización” y de las culturas Sumeria, Acadia, Babilónica, Asiria y Persa, como el origen mismo del emprendimiento, enraizado en las actividades comerciales de los mercaderes. El término “emprendedor” es una derivación del verbo en francés del siglo XIII “*entreprendre*”, cuyo significado es “asumir o comprometerse en algo”, y que se presume fue utilizada por el economista franco-irlandés Richard Cantillon en 1730, en su *Ensayo sobre el Comercio en General*, para referirse a aquel que asumía el riesgo de una negociación de intercambio, sin estar seguro de obtener una ganancia. Para Cantillon, la sociedad se dividía entre los que ganaban un ingreso seguro fijo y aquellos quienes no lo tenían. Los emprendedores pertenecían al segundo grupo, quienes al ver una oportunidad, asumían el riesgo de invertir su dinero en bienes a un precio cierto (costo), y especulaban con los beneficios futuros que dicho bien podría representarles al venderlo a un precio mayor (plusvalía). Conforme estos mercaderes y aventureros fueron conociendo mejor a sus clientes, pudieron anticipar sus preferencias, moderar la demanda y dar equilibrio al mercado. De emprendedores se convirtieron en empresarios.

Reflexionando en lo anterior, quien decide emprender una empresa lo hace desde una perspectiva de mutuo beneficio, entre quien oferta y demanda y en donde el éxito se sustenta en la satisfacción de las partes. Luego entonces, emprendedor es aquel que se compromete en realizar las acciones necesarias para aliviar una insatisfacción, dando su palabra en garantía aún sin estar seguro de poder hacerlo. Su convicción y optimismo responden más a una forma de ser y actuar, a una serie de creencias, valores y comportamientos congruentes: creer, confiar, hacer y lograr.

Sin duda alguna toda empresa conlleva riesgos, y no conozco a un solo emprendedor y empresario que no desee lo mejor para su negocio, que no quiera verlo crecer y prosperar e incluso, en el peor de los escenarios, ser capaz de mantenerlo operando sin perder. Pero la realidad es que el futuro es incierto y que los fracasos suceden. Nadie puede objetivamente controlar lo que va a suceder mañana, pero la confianza en las propias capacidades, la prevalencia de una visión futura, el aprendizaje de los errores y el esfuerzo cotidiano para cumplir las expectativas creadas, suponen la posibilidad del éxito.

Las oportunidades se dan para quienes tienen la buena suerte de estar preparados, y que reúnen las competencias para aprovecharlas. Entonces debemos aprender a caernos, a levantarnos y a mantenernos. Necesitamos acostumbrarnos a enfrentar situaciones adversas y a resolver problemas, con serenidad y optimismo. No debemos ser temerarios, sino valientes y proactivos. No esperemos resultados diferentes haciendo lo mismo, es necesario transformarnos y romper con dogmas y paradigmas que nos impiden re-emprender.

¿Qué tal si creamos espacios y encausamos a nuestros equipos y colaboradores a pensar de manera diferente? ¿Cómo afrontar contingencias y aprender de nuestros errores y fracasos, reconociéndonos humanos y perfectibles? Si queremos ser capaces de emprender empresas, de crear soluciones innovadoras, de transformar nuestro entorno y trascender, entonces empecemos a hacer lo que antes no nos hubiésemos atrevido. Quitémonos los miedos y cultivemos nuestra capacidad para vencer cualquier impedimento. Si la resiliencia es una virtud, entonces desarrollémosla.



Hacia la Universidad Emprendedora

María Fernanda Andrés
Directora de Negocios de Aceleradora Litoral.

Actualmente, la sociedad exige a las universidades mayor involucramiento en el proceso de desarrollo económico y social del territorio. Esto ha dado lugar a una nueva consideración de la institución, aquella que combine e integre las actividades tradicionales con la contribución al desarrollo económico y social. Esta nueva consideración de sus funciones como emprendedora requiere un rediseño de su estrategia global, a fin de que le permita afrontar los retos que le impone su nuevo rol

en la sociedad. La promoción y difusión de la cultura emprendedora dentro de sí misma y en todos sus niveles (docencia, investigación y extensión), se muestra como pieza clave para promover la contribución económica y social de una manera realmente eficaz.

Para ello, habrá que tener en cuenta una serie de actividades específicas (que involucren habilidades y actitudes) que permitan a las personas afrontar creativamente el entorno cambiante. Se trata, en definitiva, de un

conjunto de actitudes y valores que hacen de los emprendedores protagonistas de su futuro, en una sociedad del conocimiento orientada a un progreso sostenible y cohesionado. En su doble función, social y económica, la educación y la formación requieren un papel fundamental a la hora de garantizar que todas las personas adquieran las competencias necesarias para adaptarse con flexibilidad a estos cambios.

El desafío de la política pública actual no es solo desarrollar las capacidades emprendedoras de las personas que asisten a las universidades para graduarse y obtener un título, sino que en un sentido amplio del concepto, las “Universidades Emprendedoras” son agentes clave para el desarrollo socioeconómico de sus territorios.

Para innovar, las pymes y los emprendedores deben poseer una gama de capacidades internas que se puedan desarrollar desde la universidad para impulsar la productividad. Los desajustes de habilidades son una razón fundamental de inactividad entre los jóvenes que enfrentan dificultades en la transición de la escuela al trabajo (OCDE, 2013). Para muchas pymes y emprendedores, el principal problema es tener acceso a las capacidades que puedan acelerar su comprensión de cómo superar problemas, errores y fracasos, reduciendo costos, creando nuevas oportunidades y promoviendo el crecimiento.

Existe una profunda riqueza en cómo cada institución satisface las necesidades de su territorio y la idiosincrasia de su población.

Las raíces culturales, tecnológicas o académicas están impulsando ecosistemas emprendedores en los que las universidades se convierten en actores centrales, y este espacio se ve claramente en actividades vinculadas a municipios, cámaras empresariales, cooperativas o espacios de desarrollo local.

Algunos autores, como Audretsch (2014) argumentan que el papel de las universidades va más allá de generar transferencia de tecnología (a través de, por ejemplo, patentes, spin-offs y start-ups) y abarca roles más amplios como contribuir y proporcionar liderazgo para crear pensamiento emprendedor, acciones, instituciones y capital emprendedor. Sin embargo, que las universidades piensen y actúen de manera emprendedora es un desafío, agravado por la falta de definición o consenso sobre lo que es una universidad emprendedora (Fayolle & Redford, 2014).

La universidad emprendedora es aquella que se capacita en competencias personales para desempeñarse en un mundo cada vez más dinámico, facilitando además metodologías ágiles para planificar, fallar y aprender lo más rápido posible. Podría definirse como el punto de encuentro para acumular capital social y redes de apoyo, buscando emparejar oportunidades, compartiendo agendas. Este tipo de universidad diseña dispositivos educativos que fomentan la creatividad y el emprendimiento. Brinda a los estudiantes la asistencia técnica necesaria para quienes quieren emprender una empresa y abre sus puertas a modelos positivos que fomentan el emprendimiento.

El entorno externo de incertidumbre y complejidad ha requerido que las universidades se vuelvan más emprendedoras para responder a las demandas externas de una manera flexible e innovadora. Como el concepto de universidad emprendedora aún está en evolución es necesario ampliar los estudios más allá de una universidad tradicional.

Es relevante indicar que el concepto clave de la universidad emprendedora se centra en la idea de que las universidades se conviertan en protagonistas del ecosistema emprendedor y actúen en la generación, aplicación y explotación del conocimiento para promover el desarrollo económico, social, cultural y ambiental de su región.

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De la Motivación Emprendedora a la Resiliencia

Inés Gabarret

Profesora e investigadora de ESSCA School of Management y
Universidad Paris-Saclay.

El impulso dado por los gobiernos a la creación de empresas (principalmente como remedio contra el desempleo) y los cambios en el ámbito laboral (como las reestructuraciones, fusiones, y otros) debilitan la percepción de valor de la carrera tradicional. En este contexto, la creación de empresa se presenta como una alternativa a la carrera salarial. Esta

vía implica movimiento y cambio para el individuo. Este movimiento se basa en motivaciones y rara vez ocurre por accidente. El éxito de una creación de empresa requiere también una voluntad sostenida ejercida en el tiempo. Para entender la creación de empresa, hablaremos del concepto de motivación emprendedora.

Podemos empezar por definir la motivación como una energía que lleva a la acción. Se ha estudiado mucho en el contexto de la gestión de recursos humanos, muy relacionada con el concepto de satisfacción en el trabajo. Existe una cierta identificación entre los conceptos de motivación y satisfacción laboral. La motivación también se ha definido como extrínseca, si responde a un estímulo externo, o intrínseca, en el caso de una búsqueda de interés personal. El estudio de la motivación empresarial sigue un enfoque principalmente económico. Los economistas se preguntan por qué una persona va a iniciar un negocio en lugar de buscar un trabajo. Y la respuesta dada a esta pregunta es principalmente de orden económico: sea la falta de empleo (necesidad), sea la posibilidad de incrementar sus ganancias (oportunidad).

A lo largo del tiempo, este enfoque se ha ido completando con otros factores no económicos como la insatisfacción (en el caso del emprendedor por necesidad) o el deseo de independencia (para el emprendedor por oportunidad).

El enfoque necesidad / oportunidad es ampliamente utilizado en los estudios académicos sobre la motivación empresarial, y también en la aplicación de políticas públicas. De este modo, se espera que las empresas creadas por necesidad no generen empleo y tengan menor crecimiento, mientras que aquellas creadas por oportunidad tendrían mejores resultados.

Si bien este enfoque motivacional necesidad / oportunidad ha funcionado durante mucho tiempo, hoy en día, la pluralidad de perfiles emprendedores nos obliga a cuestionarnos nuevamente sobre los factores motivacionales. Los resultados de varios estudios llevados a cabo sobre los nuevos perfiles de emprendedores (jóvenes, mujeres, emprendedores sociales, etc.) permiten comprender la motivación como una construcción compleja y en constante evolución.

La motivación empresarial es, por tanto, un tema complejo. Sin embargo, más allá de esta complejidad, ciertos elementos aparecen regularmente: (1) la importancia de una recompensa monetaria extrínseca; (2) la necesidad de una recompensa intrínseca por realizar una tarea; (3) la búsqueda de libertad e independencia; y (4) pérdida de empleo. La literatura específica que los individuos se convierten en empresarios por múltiples razones, y que los motivos no económicos compiten fuertemente con los motivos económicos.

La motivación emprendedora se forma mediante combinaciones de factores internos y externos, económicos y no económicos, que serán específicos a cada individuo. La motivación no es estática. Si bien se la puede estudiar en un momento dado, resulta más lógico considerarla como un proceso.

Siendo que la motivación se considera, por definición, como una energía que conduce a la acción, ella debe estar

presente constantemente para que el emprendedor pueda llevar a cabo su proyecto empresarial. Ella cambia y se transforma con el tiempo y con los encuentros permitiendo al emprendedor conectar su pensamiento y sus emociones con sus acciones, de manera iterativa y constante. El proceso motivacional parece así renovarse después de cada problema o falla, y de esta manera, estaría ligado al proceso de resiliencia.

La resiliencia es la capacidad de recuperarse frente a la adversidad. Ella se ha usado para comprender cómo las organizaciones superan los eventos inesperados, abruptos y adversos. La resiliencia también se ha estudiado en el campo del emprendimiento. En la literatura sobre emprendimiento, la resiliencia se considera una emoción positiva vinculada a la autoconfianza y la autoeficacia. Forma parte del capital psicológico junto con el optimismo, la autoconfianza y la esperanza. El capital

psicológico es complementario al capital humano y social. Los emprendedores resilientes son optimistas y encuentran formas de afrontar la adversidad, mientras que las personas menos resilientes se desaniman fácilmente.

La resiliencia se ha estudiado principalmente en el caso de emprendedores en serie que crean un nuevo negocio tras el fracaso del anterior. Se estudia solo al final del proceso, mientras que la motivación se estudia solo al principio. Sin embargo, el emprendedor se encontrará con problemas a lo largo de toda la vida de la empresa. Los imprevistos y los peligros encontrados afectarán sus estados emocionales, lo que puede debilitar su motivación. La pérdida de motivación puede ser una causa de fracaso empresarial. La relación entre motivación, resiliencia y satisfacción es un aspecto importante del éxito no sólo de la creación de empresa, sino también del proceso de desarrollo y crecimiento de ésta.





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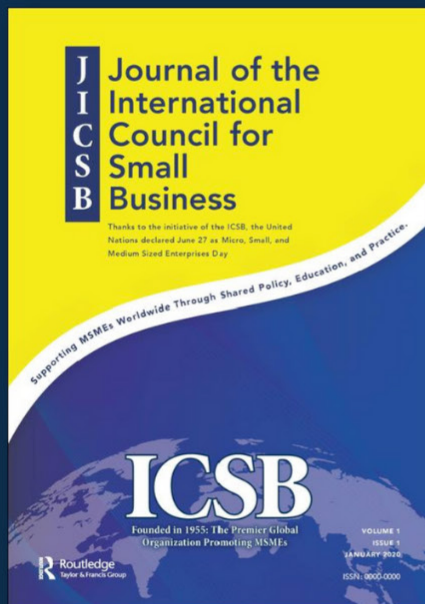
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