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The Butterfly Effect for MSMEs

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Can Small Changes in Entrepreneurship Lead to New Global Outcomes?

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

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

The Individual. Today, more than ever, individual entrepreneurs are launching enterprises that are disrupting major corporations and scaring many others with the speed and ferocity of a tornado! Creative ideas that defy traditional business models upend what corporations think as a smart and safe business strategy. Social Entrepreneurs are a new form of angels appearing everywhere. The Individual with empathy, vision and strong drive is a powerful butterfly. Incubation of Innovation by Institutions. Universities and research organizations have traditionally focused on developing basic scientific knowledge. Today, however, there is a growing emphasis on applications of knowledge, that is, “I”nnovation. And not only has the focus on innovation increased, it has shifted from simply generating patents to providing a setting in which innovative ideas are “incubated,” that is, provided with development resources that may result in practical and marketable innovative products and processes. Institutional policies and commitment to incubation of entrepreneurial innovation are, however, far from widespread, despite the potential for producing economic growth. How will institutions engage to produce the next internet butterfly mega Google Company effect?

Innovations in Investments. Beginning in the 1990s, banks and financial institutions In the U.S., Europe, Asia, and elsewhere created innovative new products and established entrepreneurial ventures to market them. In the U.S. loans were made to individuals who wanted better homes and better lives. A great number of these loans were, however, almost certain to fail because the borrower did not have the resources needed to maintain payments, especially when the housing market collapsed and the economy nearly collapsed along with it. Even worse, these loans were packaged as “securities” and sold to investors as “collateralized debt obligations” or CDOs. A small initial (and generally desirable) cause, the desire of individuals to own homes, has already produced massive (and negative) outcomes, namely loss of those homes and institutional failures. Some innovations that are not well thought through can have disastrous world-wide effects. The desire of the individual to own a house resulted in the largest financial collapse of the financial institution. Will the U.S. government or one of its agencies discover and carry out some small action that might reverse these changes? Can the individual still pursue their dreams of prosperity and have a positive world economic effect? Can the butterfly help the world economy?



Innovation and Entrepreneurship. The last two examples illustrate an important question, that is, what role should national and international policy play with regard to innovation and entrepreneurship. There are, of course, various more specific questions, such as, “What is the role of national and international policy in

driving and supporting the sort of innovation and entrepreneurship needed to spur economic growth and development?” That is a question of particular relevance given the global economic crisis of 2008 and the continued potential for future economic crises.

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

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

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

An Idea can change the World.

Sincerely,

Dr. Ayman El Tarabishy

Executive Director of the International Council for Small Business (ICSB)



About the Author:



Dr. Ayman El Tarabishy is the executive director of the International Council for Small Business (ICSB), the oldest and largest non-profit organization across the globe devoted to advancing small business research and practices. ICSB is a coalition of more than a dozen national organizations across the globe and represented in over eighty countries.

He is also the deputy chair and teaching professor of the Department of Management at the George Washington University School of Business.

Dr. El Tarabishy has been recognized by the United Nations and the Permanent Mission of Argentina to the United Nations for creating a United Nations International Name Day dedicated to Micro-, Small and Medium-sized Enterprises. June 27 from now on is the official United Nations International Name Day dedicated to Micro-, Small and Medium-sized Enterprises ([MSME Day](#)).

The United Nations International Name Days are designated on specific days, to mark particular events or topics in order to promote, through awareness and actions, the objectives of the Organization. Dr. El Tarabishy managed through his novel idea to work closely with the Permanent Mission of Argentina to propose through a UN resolution a United Nations International Name Day dedicated to MSMEs. The United Nations General Assembly approved the resolution proposed by Permanent Mission of Argentina and by 54 countries representing 5.5 billion people as co-signers of the resolution.

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The ICSB Gazette is a weekly edition of a key topic that ICSB will showcase. The content is varied from research, practice, policy, and education. The editors of the ICSB Gazette is Mr. Kyle Lyon, ICSB Junior Project Manager and Mr. Skye Blanks, ICSB Junior Project Manager He will be soliciting ideas and articles from ICSB members world-wide.



Skye Blanks

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ICSB Executive Director

Comment:

This ICSB Gazette issue is featuring, ICSB Executive Director, Dr. Ayman El Tarabishy

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