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Today I want to speak of two issues that are intimately related but are not often seen that way. These are youth unemployment and entrepreneurial innovation.

At the beginning of the 21st century there were more than one billion young people between the ages of 15 and 24, just under 20 percent of the world population but more than 40 percent of the unemployed. At least 85 percent of these young unemployed people lived in developing countries.

A recent UN World Youth Report pointed out that the solution to youth unemployment is typically seen as centered on education and social integration. But this strategy may simply result in increased numbers of qualified and willing potential employees who have no jobs. A more direct approach is to promote economic growth and consequent new job creation. Entrepreneurship activity is clearly one the most important factors of macroeconomic and job growth worldwide.

Economic growth in general and job creation in particular depend on small and medium size businesses (SMEs). The mission of the International Council for Small Business—ICSB—is to facilitate economic development and job creation, internationally. ICSB encourages and actively supports the development and success of all new small and medium sized business firms, through collaboration in research and practical applications and by providing the means for productive contacts among researchers and practitioners.

Theory tells us and research confirms that lasting economic development as well as the degree of job creation needed to address problems of youth unemployment depends on more than just starting up another grocery store or another shop that makes signs to order. The real engine of GDP growth—and new jobs—is *innovation*. And crucial to innovation is the role of the *entrepreneur*. Successful entrepreneurial enterprises create more—and better—jobs for young people. The job creation outcome of entrepreneurial action and innovation is well documented worldwide ever since David Birch of MIT did the first empirical study of the primary predictor of job creation. (Birch, 1979. *The Job Generation Process*). In 2009, Professor Zoltan Acs of George Mason University duplicated this study showing that older entrepreneurial firms often become the “gazelle” firms that ramp up employment. So,



entrepreneurial development policy will also create jobs by focusing on high potential but slowly existing firms.

Many think, incorrectly, that entrepreneurship is all about opening a new business, a shop selling shoes or repairing engines. Starting up such small businesses—and sometimes growing them into larger firms—is important, but high potential entrepreneurs generate economic growth and development on a much larger scale. They create new industries, like Bill Gates or Steve Jobs. Like Ted Turner, they fuel the process of what the European economist Joseph Schumpeter called “creative destruction.” Twenty-four hour cable television, an innovation due in good part to Turner’s efforts, has all but destroyed the old three-network TV model in the United States—but has created a whole new industry based on the delivery of massive amounts of information and entertainment by means of cable and satellite. This innovation has had effects worldwide, as people anywhere who have a satellite TV downlink can attest to. However, this one-way linkage has, with the advent of worldwide internet access, expanded even further as a two-way interaction capable of connecting individuals and groups anywhere almost instantaneously. This has enabled still further expansion of the process of innovation.

These entrepreneurs in high growth industries substantially change not only the word economy but also change the daily life of citizens. Entrepreneurial innovation activity has and will continue to introduce monumental changes in the day-to-day lives of human beings. Leaders everywhere must be encouraged to revisit this history. Top level – not subsidiary - government and private sector strategies should include processes, education and training to invigorate entrepreneurship and innovation to solve the critical importance of solving the youth unemployment and general job scarcity crisis.

ICSB is purposively at the forefront of stimulating entrepreneurship and innovation mindsets among leaders in both government and the private sectors worldwide. Our tagline is “promoting entrepreneurship worldwide”. The goal is to harness human energy through entrepreneurship and innovation toward constructive rather than destructive global actions.

In the 21st century a new and innovative approach to the process of innovation has emerged, an approach called “open innovation.” In the 19th and 20th centuries innovations were seen primarily as products and processes to be guarded, lest they be stolen and copied by competitors. Patents and copyrights gave some protection, but sometimes the innovation was seen as so important that its basic nature must be kept secret. This process of “closed innovation” sees maintaining control as a central concern. However, control and secrecy now hinder rather than protect innovation. Individuals and organizations are no longer isolated; through the internet we now have the ability to communicate



instantly with almost anyone anywhere. Entrepreneurial firms now engage in a far broader and more extensive search for innovative ideas and products than in the past. But open innovation also means that firms not only seek and use outside knowledge but, at the same time, make at least some of their internal knowledge and expertise available to outsiders. That is, firms can benefit not only by reaching out to obtain and develop in their own ways the innovative ideas they get from others but can also profit by sharing their own innovative ideas, even with competitors. Open innovation can even lead to mutually profitable collaborations between competing firms that spur increased economic and job growth.

Throughout the world economy there is concern with finding new ways of economic growth in order to provide good jobs for the large proportion of unemployed youth in less-developed sectors. But without entrepreneurial innovation, economic growth is at best a slow process—far too slow to meet the needs of less-developed countries for growth and job creation that will effectively address the issue of youth unemployment. Entrepreneurial innovation drives growth, and open innovation has the potential to dramatically increase GDP growth and economic development by accelerating the effects of innovation.

Through its support for research, application, and international linkages among scholars, entrepreneurs, and business developers ICSB is committed to facilitating economic development, including job creation through entrepreneurial innovation. By raising awareness of how to use new innovation processes such as open innovation, ICSB aims to further expand the effects of entrepreneurship on GDP growth and job creation. This will be a key theme of the 2010 ICSB World Conference, to be held in June in Cincinnati, Ohio.

ICSB stands for the proposition that connecting the unlimited human energy and creativity toward constructive job creation is the primary path to true world peace.