

Enabling Entrepreneurs for the Future

Cultivating and Growing Innovation in the Arab World – In partnership with and support through The Dow Chemical Company.

Moderated by:

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The Arab region today possesses a unique, enormous and untapped resource that is vital for its future economic development: its youth. With the youngest demographic structure, the fastest growing labour force, and the lowest economic dependency ratio* in the world, Arab countries own an enviable "demographic gift". Yet this blessing may quickly turn into a curse if pressing socio-economic challenges persist, particularly the staggeringly high youth unemployment rate.

It is therefore crucial for Arab governments to strengthen their existing collaboration with the business sector and with civil society to create an additional 100 million new jobs by 2020, or risk facing

an increasingly frustrated and restless generation. These collective employment efforts must focus on harnessing the talents, energies and intellectual capital of young Arabs through promoting a culture of innovation and entrepreneurship in the region. They should also focus on expanding the small and medium enterprise (SME) sector as the main employer of the region's workforce and its economic growth engine.

These goals are difficult but not impossible to achieve, provided that the following institutional barriers are overcome:

Education: The quality of education in Arab countries remains weak and in urgent need of reform. Most schools still focus on rote learning without sufficiently encouraging critical thinking and creativity. The resulting products are public sector oriented graduates without the requisite work-readiness knowledge, training and skills to compete in a global economy, and – increasingly – even in the local job market.

Training: Opportunities for practical and sector-specific entrepreneurship training are virtually non-existent or too costly for Arab youth. There are also few initiatives

* The ratio of the economically active population between 15 and 64 to the economically dependent population. It is considered a "demographic gift" when the former ratio is high since the percentage of dependents (children and the elderly) is low and the taxable economic activity is high.

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which match successful business mentors with entrepreneurs in urgent need of specialized guidance and linkages to business networks to succeed as start-ups or to mature into SMEs.

Policy: In most Arab countries, the process of registering a venture is bureaucratic and requires the payment of numerous taxes and fees (including hidden fees). This makes setting up a business too time consuming and costly for many would be entrepreneurs who opt to either remain unregistered and invisible in the informal sector, or to compete with thousands of other graduates for the limited number of “safe” government positions instead.

Funding: Despite the high level of liquidity and capital flows into the region, particularly in GCC countries, financial institutions such as banks remain unwilling to provide seed and early stage capital to “risky” new ventures. The problem is more acute, where such capital is needed the most: by cash-strapped Arab women and youth with limited or no access to assets or collateral. With such limited equity investment options many entrepreneurs are forced to turn to their personal social networks for the needed funds—a risky and inconsistent option.

Innovation: Although rising, the number of registered patents and published scientific research in the region remains disappointingly low reflecting the very limited amount of public, and private sector research and development (R&D) expenditure. There

is also a constant mismatch between R&D work at higher education and research institutions and the specialized ideation and innovation requirements of many businesses. This inhibits entrepreneurs’ ability to create and grow innovative capital - generating endeavours, channelling them instead to start “me too” ventures, even in the technologically advanced Dot Com sector.

To address the deciding factors mentioned above, YAL, in partnership with the Arab Business Angels Network (ABAN), DIFC’s Centre of Excellence (CoE) and Larta Institute has developed a program to stimulate entrepreneurship in the Arab world.

Key features of the program would be:

- » Become the focal point for the cultivation of an environment where knowledge, resources and connections with the world of business and business know-how are presented to young entrepreneurs.
- » Seed a continuing cycle of innovation, creativity and employment for youth in the region;
- » Serve as a primary platform where the mentoring, adopting, socializing and networking of young entrepreneurs from both emerging and more established companies (start-ups and early-stage companies) in the region, can be accomplished, through its membership;
- » Help re-brand the “Arab” brand by serving up quality ideas and opportunities to a global audience, thus increasing prospects for Arab entrepreneurs, and attract investors, partners and customers to the region;

- » Focus attention and interest of policymakers and stakeholders in the region on the problems and opportunities associated with innovation and entrepreneurship, with a view to mitigating the problems and optimizing the opportunities.

Young Arab Leaders launches PILOT PROGRAM 2008-2009

Based on all these observations, YAL is embarking on a pilot program towards creating Arab entrepreneurs comparable to the best in the world. This pilot is being sponsored by The Dow Chemical Company for a period of 2 years. This will cover three pilot countries - UAE, Egypt and Jordan. Coordination of the program and activities will occur through a central Secretariat based at YAL headquarters in Dubai, UAE.

The program, as outlined by the task force, is organized around three components.

- A. Outreach, Identification and Selection: Includes identification and selection of candidates for the program (10 candidates (Entrepreneurs) for the pilot program).

The Secretariat, working through member chapters and other organizations, will invite applications to the program. Applications will be invited from several industry sectors where critical mass, compelling interest or competitive

advantage are present (ICT, Energy, Agriculture, Multimedia, Art and Design).

Applications will be assessed via a selection committee based on their merits, with qualification criteria. A special effort will be made to solicit, and include, women entrepreneurs. A secondary screen will be employed to consider the suitability of the candidate/s for seed (angel) equity funding.

If a candidate is considered to require additional support, or it is determined that equity funding is not an option or a prerequisite for his/her success, the candidate is referred to the Capacity-Building component of the program.

- B. Entrepreneurship Capacity Building: This component includes skills training and assessment, both general, via a series of "Immersive Training Workshops" and lectures of an applied nature, and specific, applicable to the individual candidates in the development of a "Commercialization Roadmap" for each candidate.

The immersive training sessions, will be customized to the extent required given the stage and mix of the selected candidates. While specific courses are to be determined, such subjects as Competitive Analysis, Marketing and Communications, Governance, Partner Identification and Selection and others will be covered.

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Attention will be paid to global skills development, which is useful for companies of all sizes and kinds, regardless of whether their principal (or initial) markets are within or outside the region.

A Commercialization Roadmap for each candidate will be devised that will establish a sequence of tasks for the completion of R&D (where applicable), transitioning the technology into production, and then into the market; the identification of critical path tasking and milestones.

A subset of this component is a series of general lectures and workshops ("The Entrepreneurial Environment"), on a rotating basis. This series will be open to entrepreneurs throughout the region (including those not selected for the program as well as future prospects). This series could be deployed via distance-learning methods to a widespread audience of prospective entrepreneurs.

- C. Entrepreneurial Linkages: This component provides for the matching of a candidate with a Company Role Model and Mentor, which will serve as the incubator for the candidate entrepreneur for an extended period - "Al-Mathal al A'Aala".

Based on the Commercialization Roadmap, the Company Role Model will expose the candidate entrepreneur to the business know-how and access to knowledge, information and practical counsel critical to their success. The YAL Secretariat, working through the Task Force, member chapters

and partner organizations, will recruit Company Role Models operating in the same – or closely-related – sectors as those in which the candidate entrepreneur operates.

Completing the circular nature of the program, candidates moving through this critical phase will be further assessed as to their suitability for angel or other equity funding.

References

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