



ENTREPRENEURSHIP CLÍNICA *Generation NOW!*

New Breed Entrepreneurs

Wednesday, July 15, 2015

9:00am – 12:00pm

The Commons on Champa, 1245 Champa Street

Younger generations are reinventing countless industries through innovation and entrepreneurialism, disrupting traditional business models. This session will examine the challenges and solutions presented by independent businesses that integrate social, cultural and environmental activism by way of economic necessity and market solutions.

Objectives of the Clínica

This clínica aims to outline the growth in entrepreneurialism throughout the Western Hemisphere by addressing the incentives, infrastructure and inputs necessary to sustain this type of business model. This brief provides some background on the pertinent issues, including the framework conducive to establishing and growing start-ups, the drive of small-scale and social impact entrepreneurs and the challenges within the sector. It is not intended to provide a comprehensive review of the topic, but rather to frame the issues and questions that participants will address in the session.

The 2015 Biennial clínicas are invitation-only, custom-designed, peer-to-peer workshops professionally-facilitated by McKinsey & Company and composed of a dynamic group of diverse leaders. The unique format of the clínica creates a forum in which expert practitioners share ideas, projects and initiatives and work with other experts for the purpose of forming new collaborations and partnerships. After the designated framers deliver their introductory presentations, pre-selected respondents will start the conversation, followed by a roundtable discussion involving all participants. At the end of the three-hour session, participants will produce three or four actionable next steps that aim to solve the challenges addressed during the clínica, along with a list of requirements or requests deemed necessary to execute those steps. The action items can include ideas, partnerships, investment opportunities, programs or initiatives and can build upon frameworks already in formation or launch at the grassroots level. Following the 2015 Biennial festival, participants will receive a write-up of the clínica

session and will continue to work with their peer network to advance the desired outcomes of this clínica.

Clínica Participants

*for the most up-to-date list of participants, please visit www.biennialoftheamericas.org

Facilitator:

Partner, McKinsey & Company

Presenters:

Katia Dumont, Aspen Network of Development Entrepreneurs

Tom Higley, 10.10.10

John-Paul Maxfield, Waste Farmers

Mariano Mayer, Emprende Buenos Aires

Respondents:

Juan Pablo Escobar, Codeándo México

Valerie Fox, Independent

Jesse Grainger, Agora Partnerships

Participants:

Jeremy Bailey, Artist

Sean Campbell, Industry Denver

Alejandro Castañé, Garimpo de Soluções

Amanda Cavaleri, Capable Living

Fernando Cortes, Fundación Bolívar Davivienda

Juan Pablo Escobar, Codeándo México

Anna Ewing, Colorado Innovation Network

Malena Famá, Plataforma Federal de Juventudes de Argentina

Valerie Fox, formerly with Ryerson University Digital Media Zone

Enrique González, eatlimmo

Jesse Grainger, Agora Partnerships

Tom Higley, 10.10.10

Janet Holston, Arizona State University

Steve Katsaros, NOKERO

Alicia Lebrija Hirschfeld, Fundación Televisa

Luisa Lombera, Pixán

Adrián Magendzo, Inter-American Development Bank

Carolina Medina Gutiérrez, SokoText

Leonardo Navarro, Independent

Daniel Oxenhandler, Halloran Philanthropies and CATAPULTA

Rony Rodrigues, Box 1824

Danielle Saint-Lot, Haiti Women's Foundation

Devon Tivona, Native

Alejandro Villanueva, Fundación Televisa
Ricardo Zengin, CPA Innovation

The Nature of the Business

Many entrepreneurs in the Western Hemisphere are young business leaders looking to provide solutions to social, environmental and community issues. The demographics in the U.S. and Canada cover a wide array of industries, but technology usually plays a significant role in—and sometimes is the basis for—many start-up companies. However, entrepreneurship certainly is not limited to younger generations, as inventors, disruptors and innovators of all ages test their ideas in the market and attempt to utilize a for-profit model to solve a variety of challenges.

Silicon Valley and the surrounding area in California has led the way in the technology start-up world and is home to the founders of massive success stories like Facebook, Instagram, LinkedIn and Twitter. Investors and businesses continue to flock there to seek inspiration, funding and partnerships, but there are many other communities throughout the hemisphere that are emerging as alternatives to Silicon Valley. Entrepreneurs also have expanded beyond the confines of the technology industry to leverage the market for solutions to food distribution, public health and energy use.

In Latin America, over half of the workforce is employed by small businesses (5 or fewer employees). Large-scale corporations and industries make up a smaller percentage of the market, thereby relegating most employees to family-run businesses or independent operations with a small staff, limited resources and few opportunities for long-term growth. The dearth of lucrative employment opportunities is being exacerbated as the younger generation grows and seeks to enter the workforce. As such, entrepreneurship becomes an increasingly attractive and viable option, one that can create jobs and foster economic growth throughout the region.

Today's generation of entrepreneurs includes inventors, techies, "impatiens" and those who think outside the box. In Latin America, entrepreneurs include those who expect more from their government and their communities and thereby look to independent solutions to solve economic, social, environmental and community-based challenges. According to the World Bank, today's younger generation of entrepreneurs is "raised with higher expectations, less patience for the status quo, and unprecedented technological connectedness with innovators around the world". These are the people who are increasingly launching their own ventures and looking to market-based solutions to address gaps and challenges. These entrepreneurs have learned how to use market-based mechanisms to deliver products to more people and address basic infrastructural challenges like market access, promotion and communications.

The need to innovate is another driver for entrepreneurs. In developing countries, entrepreneurs are adapting technologies—or inventing their own—to reach more people and address issues in a new way. Innovation has started to permeate the more

established corporate sector as well, as businesses recognize the need to innovate to stay competitive, continue to increase productivity and attract and retain talent.

With an environment ripe for entrepreneurs and their built-in desire to solve social and environmental issues, challenges still abound. Many firms in Latin America are entrepreneurial by definition (i.e. small) but not necessarily in spirit (i.e. not particularly innovative). Moreover, the ability to scale up, increase revenue streams and develop an exit strategy are steps that not all entrepreneurs have been able to—or seek to—accomplish. And while the need to devise, market and execute an idea is paramount to a successful entrepreneurial business, it all starts with that idea and a personality to carry it through, and those big ideas are few and far between in Latin America. As Inter-American Development Bank President Alberto Moreno asks, “Where is the Messi of entrepreneurship in Latin America?”

The Necessary Tools

Disruption and Innovation

Today’s business world demands disruption and innovation to stay relevant and competitive. As Eric Ries states, today “anyone can rent the means of production, which means entrepreneurship is becoming truly democratized”. This is encouraging for small-scale start-ups but terrifying for established industries that are less flexible in reinventing structure. Ries also touts productive failure, where conservatism is discouraged and companies and employees are encouraged to try and try again, so that by experiencing failures people learn how to devise productive solutions and address challenges effectively.

Entrepreneurs need an environment where they can emerge, compete and innovate, but various structural, cultural and economic challenges can preclude those circumstances. In Latin America, the lack of innovation is stifling growth and competitiveness. According to the World Bank, there are a plethora of small businesses in the region, but many of them remain small because of a shortage of innovation and dynamism. This lack of innovation thereby harms competitiveness while slowing growth and creating a rebound on quality job creation. These challenges are further compounded by a lack of quality, specialized education and human capital, specifically resulting in a dearth of science and technology graduates and engineers. Although certain countries, like Mexico and Colombia, are ramping up their efforts to educate more students in these areas and produce qualified graduates ready for the demands of the workforce and the skills that employers increasingly demand. There also are various vocational training programs and Makers Spaces that encourage specific skill development and encourage collaboration. Additional challenges include intellectual property rights, which can be a bureaucratic nightmare across borders because of separate national laws throughout the region, thereby deterring research and development. There also is an overall lack of risk taking, both by entrepreneurs and investors, because of a cultural fear of failure. And the challenge of logistics and infrastructure, such as the numerous trade blocks,

commercial networks and poor transportation infrastructure add to the difficulty in fostering cross-border idea sharing and innovation.

The Role of Government

Governments are necessary players in the entrepreneurialism network as the creators and providers of platforms that allow citizens to solve their own problems. Pro-entrepreneurship public policy can contribute to these platforms and help entrepreneurs get started. Governments also hold the data that the public needs to create solutions, and public officials need to provide public access to that data as well as the tools and information necessary for entrepreneurs and businesses to turn that data into solutions. The impact investing sector, which contributes greatly to entrepreneurship throughout the hemisphere, also partners frequently with the public sector in order to provide more effective financing solutions and opportunities.

Supportive Networks

There are various organizations and networks that allow entrepreneurs to convene, learn from each other, share ideas and foster growth. Non-governmental organizations like the Aspen Network for Development Entrepreneurs (ANDE) create member networks that provide support services to small and growing businesses. Startup Chile has created a global network of entrepreneurs through accelerator and mentorship programs. Organizations like Toniic serve impact investors by connecting them with entrepreneurs.

Accelerators and incubators support entrepreneurs throughout their various stages of development. Accelerators work with start-up companies for three or four months to provide guidance for quick growth. Accelerators also frequently offer start-up capital and thereby require a small ownership percentage in the company. The programs are structured and meant to prepare entrepreneurs to be able to raise more capital. Randall Kempner with ANDE and Dr. Peter Roberts with Emory University's Social Enterprise Initiative recently questioned the effectiveness of accelerators in a piece in the Wall Street Journal. They called into question the definition of accelerators, what they do and what they are supposed to accelerate. Because of a lack of data, particularly in non-technological industries, it is too early and difficult to determine if accelerators are good or bad. ANDE and Emory University's Social Enterprise @ Goizueta Center (SE@G) are creating the Entrepreneurship Acceleration Research Initiative (EARI) and the Impact of Entrepreneurship Database program to attempt to answer some of these questions. For now, accelerators have shown to be helpful for entrepreneurs in developing countries where philanthropic sources are scarce or nonexistent. But more data is needed, and experts need to track over time the companies that are both accepted into and rejected by accelerators to determine their effectiveness.

Incubators work with businesses for a much longer period than accelerators, i.e. one year or more. The intention is to provide mentorship with the ultimate goal of long-term success for the company. Incubators often are funded through grant programs, and since they do not provide start-up capital they also do not take equity in the companies that they incubate.

Makers Spaces create environments for collaboration and inspiration among entrepreneurs. They foster a network of members, offer mentorship services and provide access to basic prototyping equipment, e-learning platforms and shared working spaces.

Fostering an Entrepreneurial Environment

Starting and maintaining a business is hard, no matter the geographic location or the economic drivers leading one to become an entrepreneur. Finding seed money or start-up capital is a significant first hurdle to overcome. While expanding access to physical capital is an important step in fortifying the infant stage of small businesses, so is expanding access to mentors and networks of cohorts to foster dialogue and collaboration.

A growing network of impact investors and impact funds are seeking opportunities in double- and triple-bottom line investments and thereby contributing to the entrepreneurial space. These investors, fund managers, philanthropic organizations and foundations are increasing their scope to include entrepreneurial initiatives that support environmental and social causes and produce an additional type of return on traditional investments. With organizations like Toniic connecting the supply and demand side of entrepreneurship and impact investing, opportunities to procure finance for entrepreneurial businesses will continue to grow.

Expanding access to inputs, such as equipment for inventors, and prototyping equipment in Makers Spaces and Fab Labs is crucial for entrepreneurs to be able to test and perfect their product before bringing it to market. In many parts of the Western Hemisphere, adequate equipment, machinery and inputs are rarely available locally. The process of prototyping abroad by shipping a product back and forth between test phases is uneconomical and impractical. Creating a network of databases that track available equipment and manufacturing partnerships would streamline this piece of the early stage of business start-ups.

Creating opportunities for technical education and closing the talent gap are additional challenges in fostering a productive entrepreneurial environment. Schools and training programs should inspire and educate inventors and innovators with technical engineering skills *and* business skills. Through partnerships with technical institutes, universities can intertwine the two disciplines at a fundamental level and produce graduates who have both specific technical skills and business know-how. Teaching innovators, disruptors and inventors how to bring their products to market and how to pitch to investors is crucial.

An enabling environment is one of the most fundamental pieces of a successful entrepreneurial environment. By allowing entrepreneurs to innovate, compete, share and learn, they can increase productivity and economic growth and create quality jobs. This

encourages creativity and diversifies the business environment. Creating market access for entrepreneurs will educate them about how to bring products to market and how to address market gaps. Entrepreneurs and inventors need to recognize the demands of the market and learn how to price their product, how to collect and use customer feedback and how to market their products. Organizations like the Unreasonable Institute have training programs and workshops for entrepreneurs on subjects like this, as well as how to raise capital and other tools for early-stage entrepreneurs. Finally, both entrepreneurs and impact investors need an exit strategy.

Challenge Questions

Policy makers, entrepreneurs and investors need to address the existing gaps in the entrepreneurial ecosystem in order to continue to foster innovation and create solutions for social, environmental and community challenges. Access to capital, mentorship services and exit strategies are some of the most significant gaps and challenges that exist in the ecosystem today, but various organizations and networks are working to close those gaps and encourage small businesses to continue to innovate and provide market-based solutions that benefit from private sector involvement. Many questions still abound in the field as business owners and investors attempt to navigate this new independent business model.

- What are the challenges faced by new breed entrepreneurs in integrating social and cultural interests into today's reinvented business models?
- Where are the gaps in the start-up infrastructure and how can they be filled? How do those challenges differ by country and how can resources be leveraged across borders?
- How effective are governments, accelerators, incubators and entrepreneurial networks in encouraging collaboration, providing mentoring and fostering growth?
- How can we differentiate between the different challenges faced by the unique requirements of each sector and accommodate accordingly?
- What are the most effective ways to connect entrepreneurs with impact investors and other sources of capital?

Sources and Recommended Reading

Agora Partnerships: <http://agorapartnerships.org/>.

Aspen Network of Development Entrepreneurs: <http://www.aspeninstitute.org/policy-work/aspen-network-development-entrepreneurs>.

Chui, Michael, "Disruptive Entrepreneurs: An Interview with Eric Ries", McKinsey Global Institute, April 2014, http://www.mckinsey.com/insights/high_tech_telecoms_internet/disruptive_entrepreneurs_an_interview_with_eric_ries.

Kempner, Randall and Peter Roberts, "Aren't Accelerators Great? Maybe...", Wall Street Journal, April 10, 2015, <http://blogs.wsj.com/accelerators/2015/04/10/randall-kempner-and-peter-roberts-arent-accelerators-great-maybe/>.

Lederman, Daniel, Julián Messina, Samuel Pienknagura and Jamele Rigolini, "Latin American Entrepreneurs: Many Firms But Little Innovation", World Bank Latin American and Caribbean Studies, 2014, <http://www.worldbank.org/content/dam/Worldbank/document/LAC/LatinAmericanEntrepreneurs.pdf>.

Pan, Alexander, "Creating an Ecosystem for Innovation: How to Support Entrepreneurial Inventors in Developing Economies", The Aspen Journal of Ideas, January/February 2015, <http://aspen.us/journal/editions/januaryfebruary-2015/creating-ecosystem-innovation-how-support-entrepreneurial>.

Startup Canada: <http://www.startupcan.ca/>.

Start-Up Chile: <http://www.startupchile.org/>.

Toniic: <http://www.toniic.com/>.