



HULT  
PRIZE



for us,

by us

The Global Youth Challenge

Solving Youth Unemployment

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## Announcement Letter from the Founder



I founded the Hult Prize in 2009 to inspire young people to change the world through business.

From the outset, we thought about changing the world by creating market-based approaches that would ensure that people everywhere have access to basic human needs in the form of clean water, food, safety, and education. The resulting impact has been amazing. We're no longer just a prize, we're a global movement—with youth on five continents leading the way and a community of more than one million people.

But I have learned something important in the past decade: satisfying basic human needs isn't the end, it's the beginning.

We've known for a long time that violent revolutions don't tend to happen in the poorest places but in places where people's lives are improving. Why? Because people—particularly young people—feel the sting of exclusion even more sharply when they live in an environment that is prospering unequally, when every day they must see and touch the barriers that are shutting them out.

For our 10th-year anniversary challenge, we are flipping the lens. The focus of the Hult Prize in 2019 will be on the source of the single most powerful thing that has driven the Prize for the past decade: YOU! The world's youth.

We are asking you to do something no more complicated and no less daunting than creating a future for each other by leveraging the power of the Hult Prize.

**The challenge for each team involved in the 10th-anniversary Hult Prize will be to build the foundations of a venture that will provide meaningful work for 10,000 youth within the next decade.**

But there's more. Because we have never been stronger as a united collective and have rapidly moved past a single winning enterprise each year, we want to follow through as a community and, as one single Hult Prize community, create meaningful work for 1,000,000 youth over the next 10 years.

That's precisely what this year's Hult Prize Challenge asks you to do.

**AHMAD ASHKAR**



“The worst thing that can happen to anybody is to get up every day and start the day believing that every one of your tomorrows will be just like yesterday.

Millions and millions of young people believe that today.”

— President William Jefferson Clinton



## 1. DEFINITION

# THE POWER OF ONE

We are challenging you to create opportunities for meaningful work for 10,000 youth. But you will need to start with just one. So what will work for that one look like?

"Meaningful work" as defined by the Hult Prize can take many forms. Two conditions of meaningful work are as follows

It must be paid and offer a minimum of 10 hours of employment per week

It must create positive social impact—"purpose."

"Another way of looking at the . . . rise in joblessness is that it represents a **failure of entrepreneurial imagination**. Why haven't smart innovators figured out ways to make money by employing the jobless?"

**-Edward Glaeser, "Secular Joblessness"**



# 2. A CRISIS OF YOUTH ENGAGEMENT

Over the past decade, more than a million young people around the world have devoted their energy, insights, and entrepreneurial commitment to finding solutions to some of the world's greatest challenges. The growth of the Hult Prize is evidence of the astonishing engagement of youth around the world in building a better future for themselves and others.

Nevertheless, while we at the Hult Prize rightly celebrate the outpouring of pragmatic empathy we have witnessed as the Prize has grown, we also have had to face a difficult reality: For every one young person with the commitment,

capabilities, and (importantly) privilege to have participated in the Hult Prize, more than 50 others lack opportunity and are fearful about the future.

See Figure 1.

Globally, youth (defined as ages 15-35) are three times as likely as adults to be unemployed.<sup>1</sup>

One in five youth globally is neither employed, engaged in formal education, or involved in training.<sup>2</sup>

What is worse is that, over the decade since we founded the Hult Prize, the global prospects for youth employment have gotten worse. The youth labor force participation rate and the youth employment-to-population ratio have both fallen in the past decade.

See Figure 2.

At the same time, we have seen a surge in economic migration among our youth, and many are taking life-threatening risks as they search for greater opportunity. For example, since 2010, the rate of migration from sub-Saharan African to Europe has doubled, with nearly a million people—overwhelmingly youth—having made the journey. During the same period, populism has surged in Europe and the United States, driven to a significant extent by aging populations in rural places and small cities that are fighting back against the economic dominance of large cities, which are siphoning off a generation of young people who are seeking opportunity.<sup>3</sup>

Lack of opportunity for the younger generation, combined with fear of change among the older generation, has created a volatile global mix.

Figure 1:

HOW YOUNG PEOPLE VIEW THEIR FUTURE EMPLOYMENT PROSPECTS, 2017

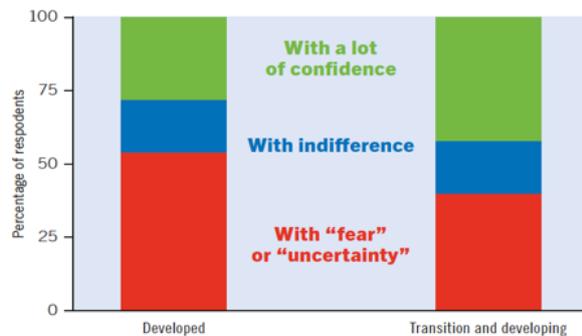
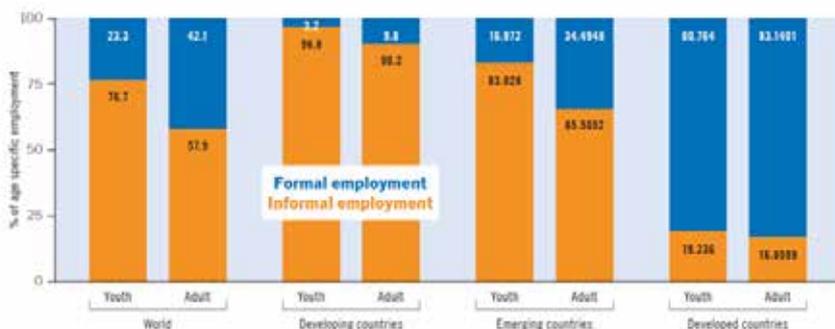


Figure 2:

YOUNG PEOPLE'S IDEAL JOB, 2017



Note: The global estimates for 2016 are based on 130 countries, representing more than 85 per cent of total employment. Source: ILO. Women and men in the informal economy: A statistical perspective (forthcoming).

<sup>1</sup> International Labor Organization (2017).

<sup>2</sup> World Economic Forum (2018).

<sup>3</sup> Auerswald and Yun (2018).



## WHAT YOU CAN CHANGE WITH YOUR VENTURE

### BARRIERS TO OBTAINING MEANINGFUL WORK

Even young people who have the skills the market demands are often excluded from meaningful work because they can't access information about relevant opportunities, or because they are excluded by degree and credentialing requirements.

#### Lack of Skills

Youth with higher level skills that are better matched to current and future workplace needs have greater access to meaningful work than those who lack such skills.

#### Lack of Mobility / Geographic Inequalities / Cost of Real Estate in Cities

Geography and economics create significant barriers for youth seeking access to meaningful work, even when they have the required skills and credentials. Even in the digital age, many jobs require an in-person presence, and jobs are disproportionately concentrated in the world's largest cities. These cities are also the world's most expensive places to live, which makes it difficult for a young person to start a life where the best jobs are. Commuting to jobs in large cities is also costly and time consuming.

#### Lack of Confidence

Finally—and tragically—many youth are disconnected because they have given up on finding meaningful work even before they have really started. Early experiences have taught them that privilege or connections—not hard work and determination—lead to a better future. These are difficult experiences to overcome. Youth also may doubt their own abilities or doubt the extent to which any action they take will substantively alter their future life path.

# Why Are Millions of Youth Disconnected from Meaningful Work?

## WHAT YOU CAN'T (EASILY) CHANGE BUT SHOULD UNDERSTAND

### Poor Public Policy

Creating meaningful work for youth is a stated priority of almost every government in the world—elected or unelected, rich nation or poor nation, global North or global South. However, almost every government in the world also protects powerful incumbent firms; transfers net resources from the young to the old to support healthcare and social security programs; and enforces restrictive labor laws that favor existing workers over new entrants.

In short, almost every government in the world systematically disfavors youth. The funding that does go to “youth” is mostly directed to colleges and universities, which—for reasons we elaborate on below—are not the pathways of broad-based opportunity they are frequently said to be.<sup>4</sup> The reality then is that—notwithstanding proclamations and election speeches in country after country around the world—the median net effect of government public policy on providing access to meaningful work for youth is negative.

### Cronyism, Favoritism, and Corruption

Who wins in any given country: The best or the best connected? Those with

the ability to deliver or those with the ability to pay? Youth know the answer to this question: Where productive work is fairly rewarded, youth will direct their energy toward building the new. Where political advantage is rewarded, youth will direct their energy toward pleasing the old. And where neither is rewarded, youth will do whatever they can to get by.<sup>5</sup>

### Macro Disruptions

No one escapes war, macroeconomic collapse, or environmental devastation.

### Technological Disruption

The advance of technology over the past four centuries has fundamentally and irreversibly transformed the human experience.<sup>6</sup> That process is not over. Youth in the current generation will have to adapt to a rapidly changing world, just as youth have had to do for a dozen generations. The difference today is that youth can expect to live easily twice as long as their counterparts from just a century ago. So, over your lifetimes you and your peers will need to adapt and evolve more effectively than any generation before you. This is neither good nor bad. It just is.

<sup>4</sup> Bessen (2015); Caplan (2017).

<sup>5</sup> Baumol (1991).

<sup>6</sup> Auerswald (2017).



When drafting this year's challenge, we drew from reports by international organizations that have dedicated themselves to improving employment prospects for the world's youth for more than a decade. National corporations and governments everywhere have also placed the creation of economic opportunities for youth at the top of their agendas.

### 3. HELP IS NOT ON THE WAY

#### So why is the situation getting worse?

The reason is simple: The underlying incentive systems around the world, whether in governments, universities, or corporations, do not favor youth.

- Governments in many places are run by incumbent political and economic elites, not by democratically elected officials. With few exceptions, those elites are not young people, and they are more interested in protecting their positions of privilege than in opening up new market spaces to create opportunities for youth.<sup>7</sup>
  - Where governments are democratically elected, the political parties in power are inevitably beholden to the interests of their largest financial backers. Those financial backers are not young people, and opening up new market spaces for youth is not their likely priority.
  - Private universities are the same: While ostensibly in business to serve youth, they are functionally structured to serve the interests of their largest donors and senior faculty. Those donors and faculty are not young people. Vanity projects (stadiums, endowed chairs, and the like) take precedence over innovative investments aimed at creating large-scale opportunities for youth to engage in meaningful work.
  - Large corporations fully understand the imperative of serving youth as customers but they have little incentive to nurture youth as workers. Why train a young person who will likely walk away with the skills they have been provided at considerable cost? Corporate hiring managers likewise have little incentive to hire unproven candidates and give youth an opening in the workforce. Again, there are significant exceptions (for example, the German apprenticeship model), but large corporations in general have not had adequate incentives to create large-scale opportunities for youth—if they had, they would be doing so already.
- Good intentions have not proven sufficient to overcome misaligned incentives.
- Whatever proclamations and reports might say to the contrary, help is not on the way. Without greater creative engagement by you—today's global youth—the opportunities you seek will not be found.

<sup>7</sup> UI Haque (2017).

### 3.1. Conventional Solutions That Don't Work #1

# MORE DEGREES

At the top of the list of conventional solutions that don't work is education. More often than not, the search for education translates into increasing numbers of students entering formal higher education systems. In some countries, particularly the United States, this means incurring debt to access future opportunity; in other countries it means spending years in an often vain quest to fill one of the limited number of publicly supported openings at a domestic university, or incurring the enormous cost of studying abroad.

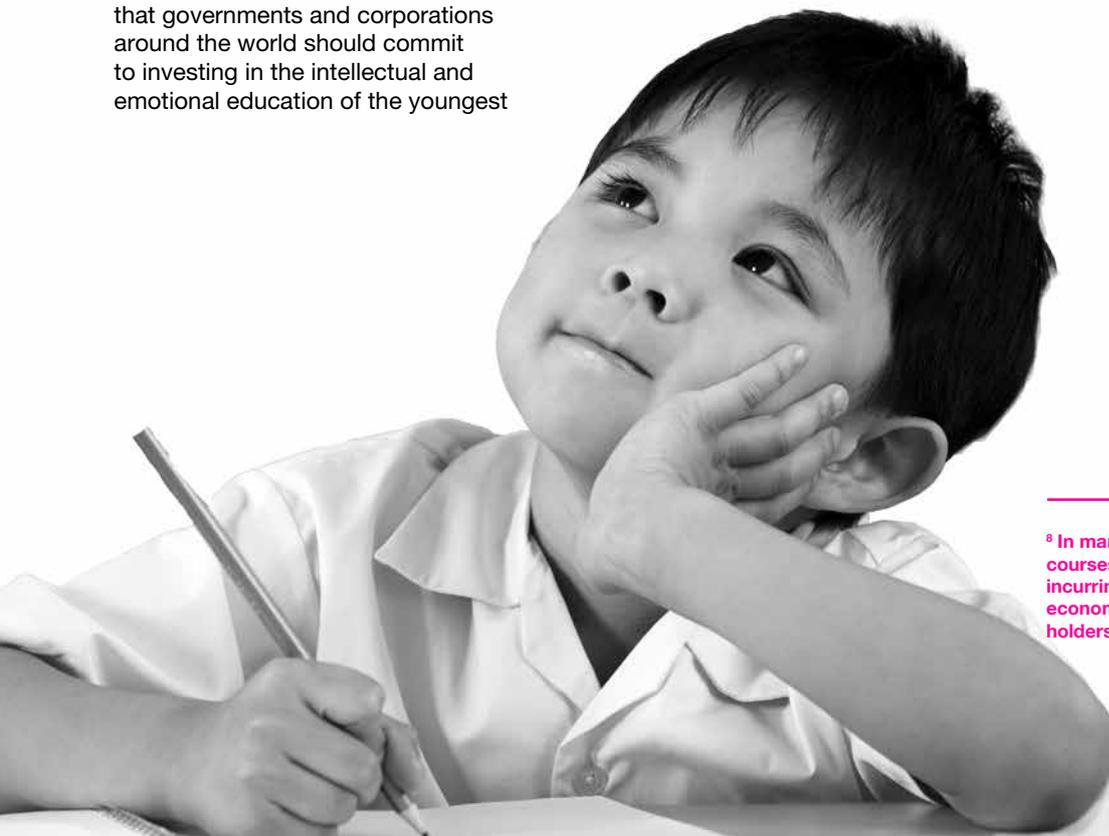
An alternate vision of education would be to transform the primary school system so that it can prepare children to enter the workplaces of the future.

Decades of reliance on the first solution—seeking a formal higher ed degree that often is disconnected from the experience of work—has not universally improved young people's economic prospects. Instead, it has created a new and growing category worldwide: unemployed degree holders.<sup>8</sup>

As for the second category, improving primary school education is obviously a good idea! We at the Hult Prize believe that governments and corporations around the world should commit to investing in the intellectual and emotional education of the youngest

humans, ages zero to three years old, at 100 times current levels (which is 100 times next-to-nothing). But improving primary school education will not help the millions of young people around the world who are already despairing and disconnected. Advocacy for one category of societal initiatives—however worthy—must not be an excuse for failing to address the most pressing need of today's youth: opportunities to engage in meaningful work.

Neither growing the higher education industry nor improving primary school education are answers to today's global youth opportunity challenge.




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<sup>8</sup> In many cases, those who begin such courses of study do not finish, thereby incurring debt but never receiving the economic rewards reserved for degree holders. For more, see Caplan (2017).

## 3.2. Conventional Solutions That Don't Work #2

# SUBSIDIZED PUBLIC SECTOR “JOBS”

The solution to the challenge of youth employment worldwide is not government-subsidized checks of any type. It is a massive, business-led increase in opportunities to do meaningful work.

Another approach that doesn't work is mistaking a government-subsidized paycheck for a value-creating job. This is what happens when government creates subsidized work opportunities for youth that are disconnected from the real economy. All this creates is the illusion of a solution. Sure, the “beneficiaries” of such programs temporarily receive paychecks, but because they do not learn market-relevant skills, they are not long-term prospects for economic self-sufficiency. Nothing has changed for them, except now they are older and have lost valuable time they should have been using to develop their capacities.<sup>9</sup>

The same holds for Universal Basic Income and other income-support schemes. While often represented as a visionary solution to the problem of income inequality, these schemes really represent an abdication of responsibility for doing the hard work of building new ventures that will provide meaningful work to all members of society, including youth.



<sup>9</sup> Card et al. (2010).



### 3.3. Conventional Solutions That Don't Work #3



# CHASING THE AMERICAN (OR EUROPEAN) DREAM

The desperation among today's youth in still-poor countries continues to be great.

Even if rich countries were moving in the direction of more open borders—which, sadly, most are not—migration would still leave millions of youth behind in the countries of their birth.

Enthusiasm for one social good (in this case, increased migratory freedom) must not be an excuse for failing to address the challenge of creating meaningful work opportunities for youth in their countries of birth.

Following the end of World War II, millions of ambitious people in poor countries around the world shared a singular dream: to begin a new life in the United States. Two of the three lead authors of this case are the children of parents who came to the United States in that era, and our parents' dreams were fulfilled: They were able to raise their families in America, and they prospered.

The desperation among today's youth in still-poor countries continues to be great. The perceived gains from migration are so significant that millions of young people every year undertake long and perilous journeys in the hope of grabbing onto the bottom rung of

ladders of opportunity in the United States and Europe.

The Hult Prize is well aware that, from a historical standpoint, the benefits of open borders and increased voluntary migration are indisputable.<sup>10</sup> But this year's Hult Prize Challenge—like all that have come before—is about the future, not the past. In the past, rich countries grew economically and poor countries stagnated. We are now well into the second decade in which the opposite has been true: once-poor countries are growing economically and rich countries are stagnating. To move, for example, from Ghana to the United States is to move toward an immediate chance at greater wealth, to be sure, but is it a move in the direction of greater future opportunity? For today's youth, that is not so clear.<sup>11</sup>

<sup>10</sup> Clemens (2010).

<sup>11</sup> Conversely, nativist actions undertaken by rich / aging countries are dangerously self-destructive, and follow from a misunderstanding of both the sources of prosperity in the long run and of the realities of global demographics.

## 3.4. Conventional Solutions That Don't Work #4

# BUILDING MORE ACCELERATORS AND INCUBATORS

While the accelerators and incubators that have popped up around the world may be adept at catalyzing the energy of some of the mostly highly skilled, best-connected young people in the world, they alone are not the solution to the global challenge of providing meaningful work opportunities for today's youth.

During the past decade, the Hult Prize has been part of an explosion of initiatives around the world to support entrepreneurs and entrepreneurship. The boom in accelerator and incubator spaces is part of this explosion. The

Hult Prize runs the largest impact-centered accelerator globally at its castle north of London. Team members and mentors alike report that participating in the accelerator is an amazing experience. So we do believe that our own accelerator and many others are contributing in substantive ways to solving urgent societal challenges.<sup>12</sup>

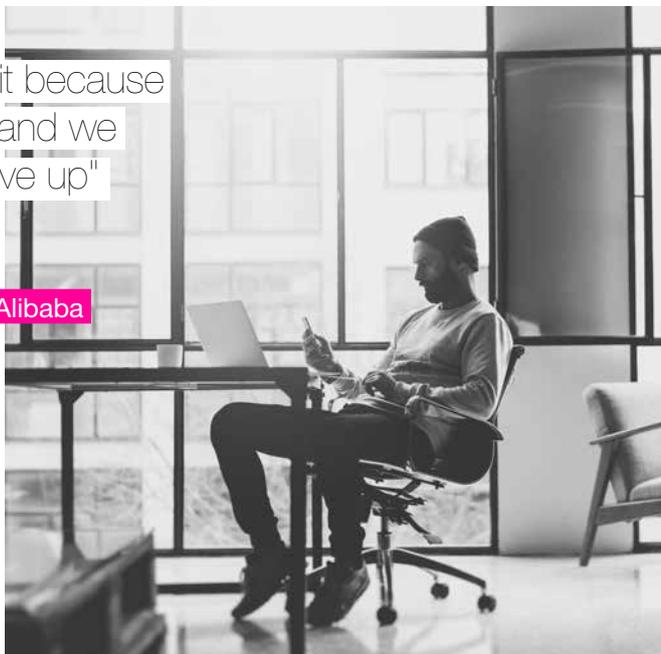
However, we also know that our approach alone is not enough when it comes to creating global opportunities for meaningful work for today's youth. That is exactly why we are launching this year's challenge: no matter how many incubators and accelerators we build on existing models (including ours), they will not answer the call of this year's Hult Prize Challenge.

Why not? For one thing, accelerators and incubators are overwhelmingly located in cities, whereas many of the world's most disconnected youth live in rural places. For another, they are primarily focused on a digital version of "tech." In general, accelerators and incubators today reach and serve those who are already the most likely to find meaningful, stable work. Of course they can be useful if they seed companies that address the youth challenge head-on, but it's companies that will make the difference—companies like the ones you will create, lead, and grow.

<sup>12</sup> Qian, Mulas, and Lerner (2018).

"We will make it because we are young and we never, never give up"

—Jack Ma  
to a group of early Alibaba employees, 1999



4.

# FOR US, By US

## HERE'S WHERE YOU COME IN

Addressing the global youth challenge means starting anew. New ideas. New business models. New technologies. New mindsets.

For the Hult Prize 2019, we're not just looking for companies. We're looking for new ways to organize society that will create large-scale opportunities for youth to engage in meaningful work.



**LEARNING**

not education



**MATCHING**

not subsidies



**SOURCING**

not migration



**CREATING**

not incubating

Your venture can be of any type, in any industry. As in previous years, you will need to envision and launch a business that can scale up—specifically, by growing to have a large-scale positive impact on society.

Unlike previous years, however, your venture will also need to scale out to provide meaningful work for 10,000 youth. Your impact will be greatest if you have a plausible strategy to reach disconnected youth—that is, those currently not in the workforce, in formal educational programs, or receiving training.

To succeed in this challenge, you need first to understand the barriers youth face in connecting to meaningful work and then, most importantly, to come up with strategies to overcome those barriers—thereby enabling youth to create value for themselves and others. In this section, we describe some strategies for overcoming barriers that include an array of potential businesses.

Our approach in illustrating these categories is briefly to tell the stories of some of the great opportunity-creating companies of the past half-century. But keep in mind that these examples represent the best of the past 50 years, while you are creating the future. Furthermore, these stories—and the categories they describe—are illustrative, not exhaustive. For you, the point is not to design companies that replicate the examples below. You instead should use these examples to spark new ideas about how to embed the creation of meaningful work in your respective business models.

We invite you—indeed, encourage you—to paint outside the lines and come up with strategies that go beyond the categories described hereafter.

Talk to your peers. Learn from others. Use your imagination. Then make your mark with a novel business model that has the potential to make a real difference.

## 4.1. Learning: Creating pathways to meaningful work through improved skills

Companies in this category have built learning into their business models, and many have taken the extra steps needed to bring neglected talent into the workforce.

In the early 1960s, a young Swedish man named Bertil Hult traveled to England for the first time. As a dyslexic, school had always been a challenge for him, but he was surprised by how effortlessly he picked up English in England.

Bertil became convinced that traditional classroom-based teaching was not always the most effective. In 1965, at the age of 24, he decided to start a small company called Europeiska Ferieskolan (European Holiday School)—EF for short—that combined language learning with travel abroad. He called the program Språkresor, or Language Travel, and it provided one of the world's first hands-on learning experiences outside the classroom.

Experiential learning has been the philosophy behind every EF program for more than 50 years, and today it is a cornerstone of modern education. This simple but effective way to learn helped EF become world's largest learning organization.<sup>13</sup>

EF helped to support job creation by overcoming a significant barrier to employment in the globalized world of the past half-century: a lack of English-language ability. During its history, EF has directly impacted the lives of the hundreds of thousands youth who have participated in its programs, while also creating comparable numbers of opportunities for meaningful work for youth.

Pakistani entrepreneur Seema Aziz also built her business on a foundation of training and learning, but in her case it was her own employees who benefited. When Aziz cofounded Bareeze, a clothing company, with her brother in a basement market in Lahore, Pakistan was exporting no fashion brands, nor had it produced any successful woman entrepreneurs. Neither of these facts kept Aziz, then 28, from getting started on a path to break both of these precedents. Bareeze initially provided work for women in underdeveloped areas that they could do at home. As



their skills improved, they trained other women to meet the growing demand for Bareeze's high fashion cotton clothing.<sup>14</sup>

The key thing to understand about these two stories is that they illustrate opportunities for work-relevant learning, not "education."

What is the difference? Students "receive" an education that is delivered and certified by others. But learning? That is what we do on our own or with others. For youth to develop the skills required for the 21st-century workplace, they may not need more "education" but they will certainly need to learn.

An array of ventures is seeing this opportunity. In the past decade, companies like General Assembly and Galvanize have challenged traditional learning models by offering practical short courses that focus on expanding professional options. While these companies have focused on software and coding skills, the principle behind their success is a general one. Other companies have been forced to offer training at scale in order to meet their specialized needs. Marriott International (founded by J. W. Marriott at the age of 27, nearly a century ago), for example,

runs a full-fledged post-graduate training program to staff its global hospitality empire. Starbucks does the same, to great effect.

Finally, a few new ventures have created exceptional companies that find talent in neglected populations:

### Falafel Inc.

(created in response to the 2017 Hult Prize Challenge by prize founder Ahmad Ashkar) is actively seeking to employ refugees in its expanding chain of restaurants;

### Specialisterne

(founded in Denmark by Thorkil Sonne in 2004) creates jobs for autistic adults in the IT industry;<sup>15</sup>

### Greyston Bakery

(founded in Yonkers, New York, by Tetsugen Bernard Glassman in 1982) has taken the seemingly radical but ultimately commonsense approach of hiring anybody, regardless of their background, and then giving the new hires the opportunity to demonstrate their capabilities at work, on the job, rather than on paper or in an interview.

<sup>13</sup> For more, see <https://www.ef.com/sa/about-us/our-history/>. The Hult family is the sponsor of the Hult Prize.

<sup>14</sup> Aziz (2012).

<sup>15</sup> Wareham and Sonne (2008).

## 4.2. Matching: Connecting buyers and sellers on multi-sided platforms

Companies in this category are “multi-sided platforms”—eBay being among the first—that bring together a large number of buyers and sellers in a marketplace of one-on-one transactions.

These platforms, which typically include mechanisms for tracking reputations and resolving disputes, have been applied widely by the following companies, all founded by youth:

**Retail:** Amazon Marketplace, Alibaba, eBay

**Transportation:** Uber, Careem, Lyft

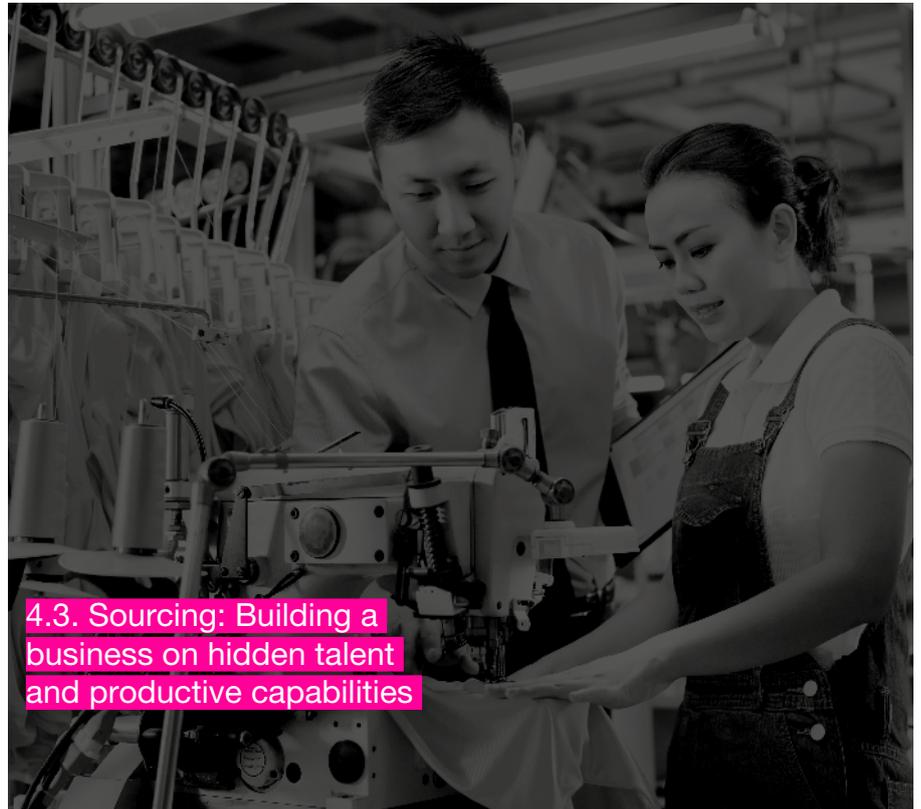
**Job Matching:** Rozee.pk, Monster.com, Skillist, cut-e

**Arts and Design:** Etsy, 99 Designs, YouNow

During a long weekend at the end of the summer of 1995, Pierre Omidyar decided to write a program to match buyers and sellers in online auctions. He called the site AuctionWeb. Then 28 years old, Omidyar saw the site as a hobby. One of the first sales on the site was a broken laser pointer that Omidyar listed at \$1. To Omidyar’s astonishment, the item sold for \$14.83. Omidyar sent an email to the winning bidder to make sure he understood that the laser pointer was broken. In his response the buyer explained, “I’m a collector of broken laser pointers.”

Omidyar realized he was on to something. Within a few months the site, now called eBay, had become a phenomenon. By midsummer 1996, the site had brought in more than \$7 million in revenue. Omidyar quit his job to build his new company.

Beyond creating a place to find obscure items like broken laser pointers, eBay created a way for people with passions of any type to reach customers with similar passions. This has led to the creation of meaningful work on a large scale. In the United States alone, eBay hosts 6 million sellers. Small businesses that are built around their presence on eBay employ 690,000 people, and more than one-third of them say they are located in small towns or rural areas.<sup>16</sup>



## 4.3. Sourcing: Building a business on hidden talent and productive capabilities

Companies in this category have used technology to overcome distance by digitizing work, increasing the efficiency of supply chains, and identifying talent through competitions.

Recent examples include Andela (co-founded by Christina Sass, Iyinoluwa Aboyeji, Nadayar Enegesi, Ian Carnevale, Jeremy Johnson, and Brice Nkengsa in 2013); and Jana (founded by Nathan Eagle).

Ma Yun, universally known as “Jack Ma,” was born in 1964 in Hangzhou, China, into a family of modest means. Scrawny but unafraid, Ma learned to find opportunity where he could. When President Richard Nixon visited China in 1972, tourists suddenly descended on Ma’s hometown. Ma took advantage of the situation by offering tours of his hometown in exchange for English lessons.

After high school, Ma wanted to go to college, but he twice failed the entrance exam. On a third try he made it, gaining entry to the Hangzhou Teachers Institute. After graduating he set about applying for any job he could get. He eventually found work teaching English at a local university, earning \$12 per month.

By the mid-1990s, after a visit to the United States, Ma became fascinated by the Internet. Over time, however, he was surprised at the under-representation of Chinese brands on this new and powerful medium. After

creating a pair of Internet-related startups that failed, Ma (then 33 years old) had a new idea: to create a platform that would allow customers in the United States to buy directly from Chinese companies. Alibaba was born. Over the next two decades, Alibaba helped power China’s return to prominence in the global economy, eventually becoming the world’s largest online marketplace.<sup>17</sup>

Like eBay, Alibaba linked buyers and sellers on an online marketplace, but the motivation for Alibaba was different: Alibaba focused on surfacing productive capabilities that had previously been hidden.

In India, nearly two decades before the founding of Alibaba, a group of seven software engineers whose average age was 28 launched a company called Infosys. Capitalizing on India’s massive but underutilized pool of technical talent, Infosys contributed to an economic transformation in India, just as Alibaba did later in China, by surfacing previously hidden productive capabilities.

<sup>16</sup> eBay (2016).

<sup>17</sup> Clark and Stone (2017).

#### 4.4. Creating

## COMPANIES IN THIS CATEGORY CREATE MEANINGFUL WORK BY INSPIRING, EDUCATING, AND SUPPORTING ENTREPRENEURS.

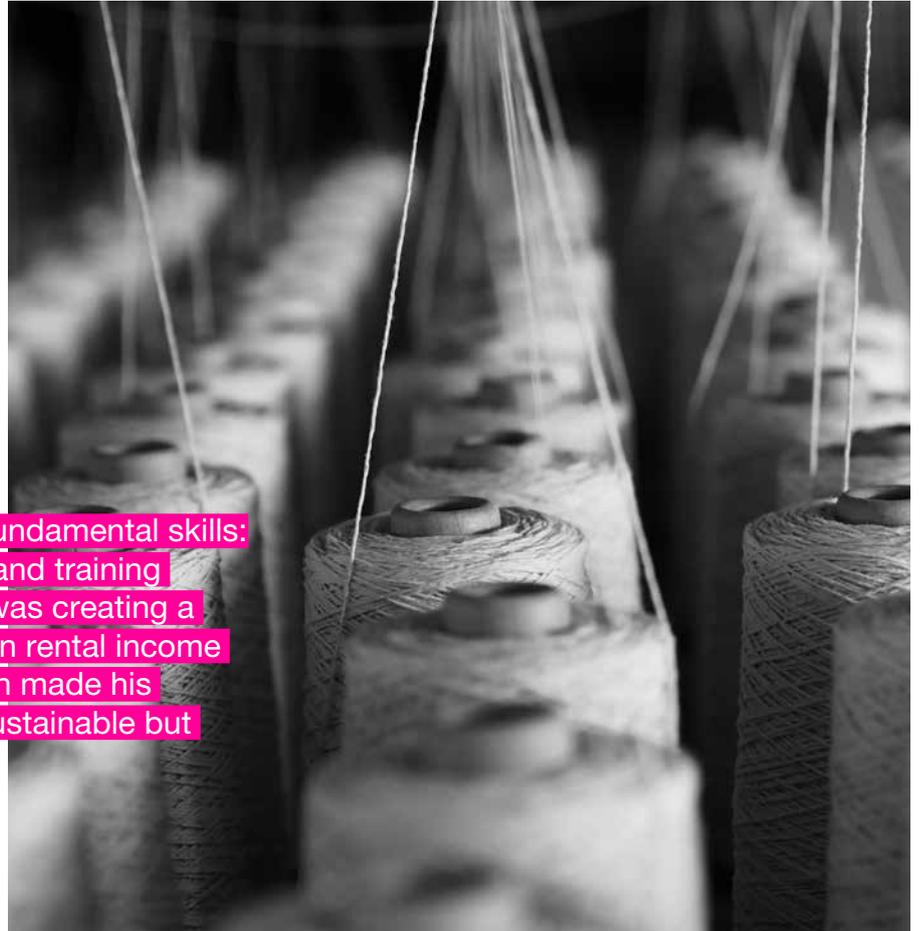
People everywhere are familiar with the McDonald's restaurant chain. Fewer people know that the person who built the McDonald's empire was not named "McDonald" at all; his name was "Kroc"—Ray Kroc, to be specific. And, until a movie was made about the history of McDonald's, even fewer people knew that the Speedee Service fast food system for which McDonald's became known was created by two brothers who were, in fact, named McDonald.

**Kroc's success rested on two fundamental skills: The first was finding, inspiring, and training franchise owners. The second was creating a business model based largely on rental income from franchised locations, which made his franchising operation not just sustainable but highly profitable.**

So who was Ray Kroc, and why has history recognized him as the de facto founder of McDonald's? Unlike most of the founders we feature in this "For Us, By Us" challenge document, Kroc was not young when he founded his company. He was a 52-year-old milkshake machine salesman when he first visited the original McDonald's in 1954. Seeing that restaurant produce hamburgers and serve customers at an unheard-of pace, Kroc immediately saw the potential of the highly organized system the McDonald brothers had developed. It was unlike anything that existed at the time.

Kroc's success rested on two fundamental skills: The first was finding, inspiring, and training franchise owners. The second was creating a business model based largely on rental income from franchised locations, which made his franchising operation not just sustainable but highly profitable.

To break it down further, the original McDonald's restaurant created by



Richard and Maurice McDonald in San Bernardino, California, was a *restaurant*. It was in the business of selling hamburgers, French fries, and soda. In contrast, the McDonald's that Ray Kroc built into a global empire is an entrepreneurship university combined with a property management company. Moreover, the fact that McDonald's entrepreneurship trainees—the franchisees—learn their skills and earn their revenue by selling hamburgers is not the company's fundamental differentiator. The real skill is in turning employees into business owners and, for some, into entrepreneurs.

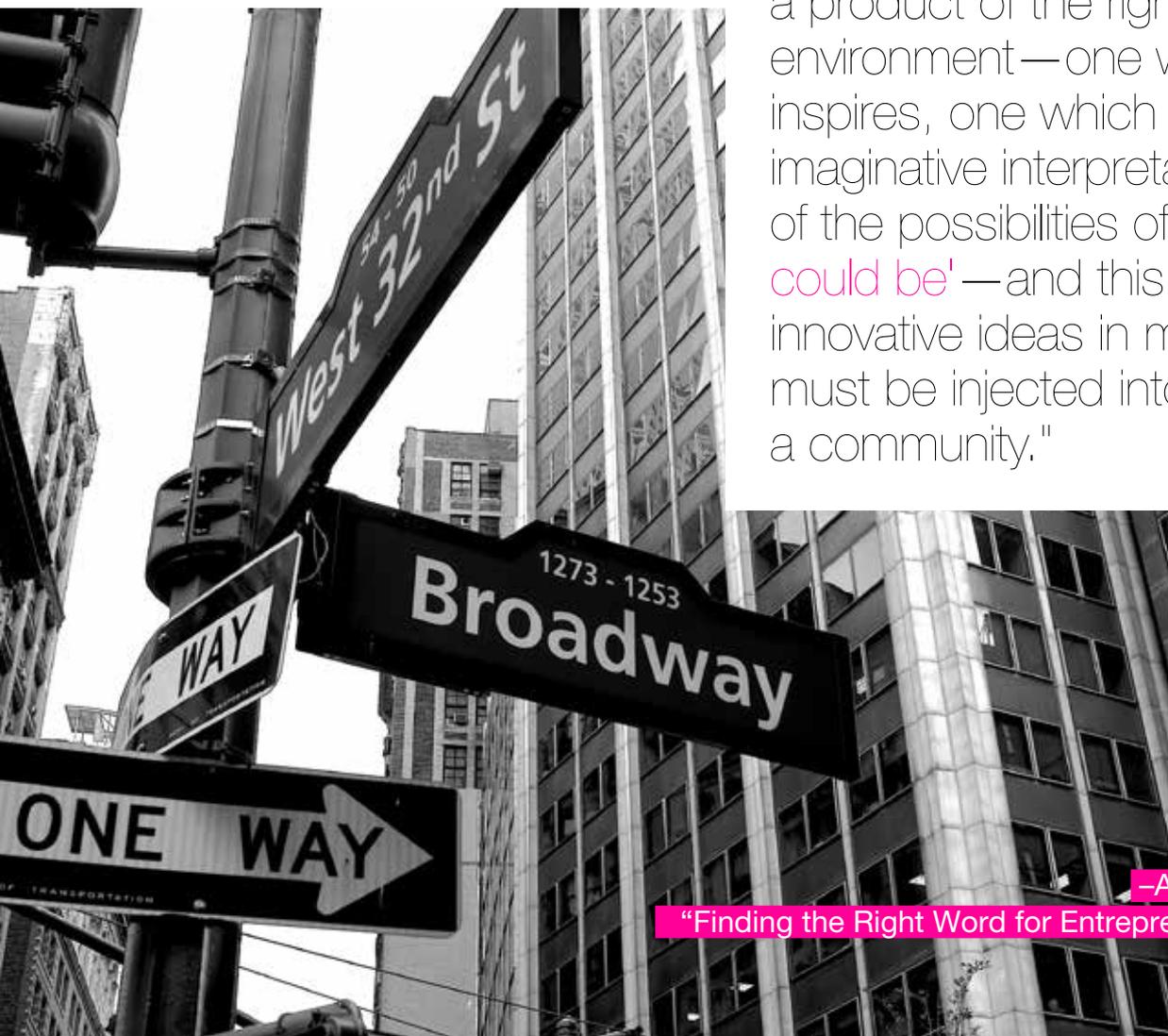
Seema Aziz, whose strategy we described above, also built her business by franchising. She explains: "With our third and fourth stores, we had completely broken away from

the traditional [Pakistani retail textiles] business model; we started the concept of franchising with our store in Rawalpindi. We quickly created another store in Lahore and then Islamabad, and by then we were on our way to becoming the first textile chain in the country."

Other highly successful companies have nurtured entrepreneurial capabilities and supported the development of entrepreneurs on a large scale by providing financing. Kickstarter, founded by Perry Chen at the age of 33 in 2009, has enabled 133,000 projects to raise a total of \$3.3 billion to date. Indiegogo, cofounded by Slava Rubin, Danae Ringelmann, and Eric Schell in 2007 when the three cofounders were all under 29 years old, has allowed 800,000 creatives and entrepreneurs to raise \$1.5 billion.

# "IF THERE'S ANYTHING I'VE LEARNED ABOUT ENTREPRENEURSHIP, IT'S THAT ENTREPRENEURS ARE NOT BORN.

They are almost exclusively a product of the right environment—one which inspires, one which nurtures imaginative interpretations of the possibilities of 'what could be'—and this current of innovative ideas in most cases must be injected into a community."



—Arnest Sebbumba,

"Finding the Right Word for Entrepreneur in Luganda"



5.

# THE 1.2 BILLION FACES OF “YOUTH”

*As you envision and build your companies in response to this year's challenge, you need to keep in mind the greatly varied experience of the 1.2 billion people who comprise today's global youth population. Ask yourself:*

- For which young people is my venture designed?
- Where do they live?
- What are their capacities, needs, and aspirations?
- How do I know the answers to any of the above questions?

Of the many economic, geographic, and cultural dividing lines that separate youth in the world today, we propose that you consider two in particular as your design and build your venture:

(1) the demographic environment of the countries in which the youth live, and (2) their access to, and level of, formal education.

## 5.1. Demographics

# A TALE OF TWO REALITIES

*In ascending market countries, youth are abundant but economically excluded. In these countries, a formal job is an all-too-rare luxury.*



Youth are increasingly scarce in aging countries, but they face the challenge of economic marginalization, due to the lengthening of retirement and the intensified use of technology. In short, the 20th-century “job” is a vanishing necessity.

In the United States, Europe, and East Asia, as well as in a growing number of places around the globe, native-born young people are a diminishing share of the overall population. This recent but growing phenomenon of youth scarcity is due to a combination of sustained low birthrates and the overall aging of the population. The Hult Prize uses the term “aging nations” to refer to countries in this category.

In contrast, on the African continent and a diminishing number of places elsewhere, youth populations are growing rapidly, both in total and as

a share of the overall population. This growth is due primarily to historically high (though declining) birthrates.<sup>18</sup> Many of these countries are also experiencing relatively high levels of economic growth. The Hult Prize refers to countries in this category as “ascending market countries” or, simply, “ascending markets.”<sup>19</sup>

The application of principles of undergraduate economics might lead you to believe that youth in aging nations (where they are becoming increasingly scarce) are better off than youth in ascending markets (where they are becoming increasingly abundant). The reasoning is that, with fewer young people to compete for a given set of jobs, young people in aging societies have greater economic opportunities.

However, as suggested by the names we have given the countries in these two categories, this simple reasoning leads to a more accurate conclusion: Young people in both aging countries and in ascending countries face the challenge of disconnection from the world of work, but for different reasons.



<sup>18</sup> The demographic transition is a nearly universally observed social phenomenon that is characterized by a correlation between declining birthrates and increasing wealth in nations.

<sup>19</sup> Our definition of “ascending markets” is data-based. An ascending market country is one with above-replacement-rate fertility and real GDP growth rate of greater than 2% (with an adjustment for commodity price volatility). The major ascending market countries, by population, are India, Indonesia, Pakistan, Nigeria, Bangladesh, Mexico, Ethiopia, Philippines, Egypt, Congo (Democratic Republic of the), and Burma.

### 5.1.1. Ascending Market Countries

Youth in ascending market countries benefit from domestic dynamism and rapid economic growth.

On the African continent in particular, change is occurring at a rapid pace. However, measured national growth does not always reflect increasing opportunities for work. In particular in countries where economic growth has been driven primarily by the extraction of natural resources and loan-fueled spending on large infrastructure projects, youth have generally remained on the economic margins, even as GDP has surged.

In contrast, youth have been carried along by economic growth to a much greater extent in countries where growth has been driven more evenly by increasing volumes of exchange in consumer goods, manufacturing, and services.<sup>20</sup> Additionally, in ascending market countries, a great deal of economic activity is “informal”—that is, it sits outside of government regulatory structures.<sup>21</sup>

For millions of youth on the African continent, the net effect of these factors has been a constant struggle to gain a foothold in the workplace. The African Development Bank reports that “two-thirds of non-student youth [on the African continent] . . . are unemployed, discouraged, or only vulnerably employed.”<sup>22</sup> Furthermore, “40% of people who join rebel movements are motivated by lack of economic opportunity” and “over 3,500 deaths [occurred] among migrants [from ascending market countries on the African continent to aging countries in Europe] attempting to cross the Mediterranean Sea in 2015 alone.”



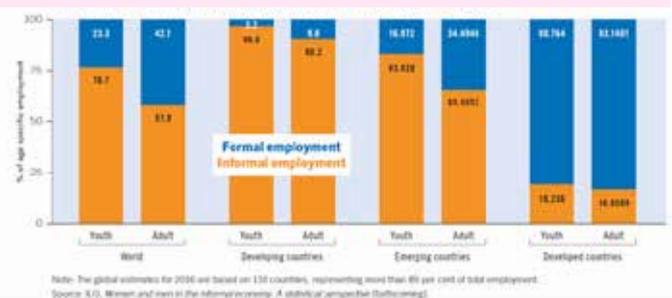
### 5.1.2. Aging Countries

Youth in aging countries have a different set of problems.

On the one hand, they generally can feel fortunate that they have been born into relative prosperity.

On the other hand, they live in places where economic growth is generally slow or (in cases of recession) negative. Furthermore, they face significant competition in the workforce—largely from seniors who have chosen to stay in the workforce and from the automation/digitization of work.

Figure 3: SHARE OF YOUTH IN FORMAL AND INFORMAL EMPLOYMENT 2016



<sup>20</sup> This is bad for youth, because the employment opportunities that exist are relatively less secure than in countries where most economic activity is undertaken by companies that are formally registered with the government; however, high levels of informal economic activity are also good for youth, because it's easier to get started in the workforce when the average business is less constrained by labor laws that favor age and experience.

<sup>21</sup> African Development Bank et al. (2012), Baah-Boateng (2016).

<sup>22</sup> The International Labor Organization defines an unemployed person as “a person who has attained the minimum age of employment (e.g. 15 years), and in a reference week was ‘without work’, ‘available for work’ and ‘actively seeking work’” (ILO, 1982).

## 5.2. Levels of Formal Education

# MORE IS NOT (NECESSARILY) BETTER

A chronic problem in ascending economies is that college graduates struggle to find employment opportunities that match their level of education

*For decades now, labor economists have argued—and policy-makers have believed—that going to college is the pathway to a better future.*

This argument was never as solid as advertised (as very few studies considered the large fraction of students who start college but do not complete it) and is increasingly outdated. More “education” is not necessarily better for all, or even most, youth.

The overwhelming majority of you who are responding to this year’s Hult Prize Challenge have completed a college degree. Many of you are in the process of earning a master’s degree or even a PhD. Globally, of course, you are in the minority among young people. Fewer than 40% of youth around the world have completed upper-level secondary education; the vast majority of youth who are 18 and above have never attended college.

This distinction is important. In some ways, those who have gone to college—in particular those who have earned a college degree—have significant advantages over their peers in the job market. The International Labor Organization reports that, in middle-income countries, the transition time to a first job for those who have completed a college degree is one-fourth that of those who have only a primary school education. In low-income countries, the

transition time to a first job for degree holders is one-half that of those who have only a primary school education.

Transition times are only part of the story, however. A chronic problem in ascending economies is that college graduates struggle to find employment opportunities that match their level of education. One survey of the relationship between educational attainment and work outcomes in 28 low- and middle-income countries found that 15% of all young job holders were “overqualified” for the work they were doing. The results also revealed significant differences between countries.

In low-income countries with very few college graduates, such as Bangladesh, Cambodia, Malawi, and Uganda, research identified fewer than 5% of job holders as overqualified; in contrast, in middle-income countries with much larger proportions of college graduates, more than one-fifth of young job holders were overqualified for the work they were doing.



6.

# GETTING TO WORK

*This is the most significant, and the most demanding, Hult Prize Challenge yet. It is open ended but highly constrained.*

One you get started you will realize the enormous challenge of creating 10,000 youth jobs. The reality is that your peers will be searching for millions of such opportunities over the next decade.

That is why your participation in this challenge is so important. This year more than ever, the Hult Prize is not about one team hugging each other at the United Nations when they learn they have been awarded \$1 million to build their company. That moment will happen. The global accelerator will

happen, too, and the 50 companies that participate will see their businesses grow in astonishing ways during their six weeks at the Hult castle north of London.

But the goal of this year's challenge goes well beyond these experiences. The goal is to engage your energies and those of every single participant as part of a global youth movement that will not take "no" for an answer, that will not quit.

**With this challenge, the Hult Prize team is no longer leading a generation toward change.**

**THIS TIME,  
IT'S YOUR TURN.**

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The Hult Prize Foundation has compiled research for this case from known and credible sources. The authors have attempted to use accurate information as much as dynamic data can be accurately measured and reported. The authors explicitly disclaim to the extent permitted by law responsibility for the accuracy, content, or availability of information located throughout this case or for any damage incurred owing to use of the information contained therein.

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