

Policy Paper

YOUTH AND ENTREPRENEURSHIP

How to improve the governance of support for entrepreneurship initiatives

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Abstract

For more than two decades now, entrepreneurship has been favoured by successive Moroccan policymakers. The country's demographics and economic difficulties have led to a high level of youth unemployment and the creation of revenue-generating ventures has been considered a great opportunity to facilitate youth transition to work and to enhance job creation. In the MENA region, as elsewhere, "it is the young and most productive firms that create more jobs" (World Bank MENA Development Report, 2015). Nevertheless, agriculture remains the main employer in the country (39% of the workforce), the creation of new ventures in services or production offer huge opportunities for growth and job creation.

This paper is based on the work carried out by the SAHWA Project's Moroccan team,¹ who studied young people's transitions to work and formal or informal entrepreneurship. Part of the study focused on native entrepreneurs. We have therefore been able to organise focus groups both with stakeholders supporting youth entrepreneurship and with entrepreneurs. In addition, our ethnographic work enabled us to focus on several entrepreneurs and structures that support entrepreneurship.

1. Entrepreneurship as a response to youth unemployment

The literature on entrepreneurship generally addresses three main issues, all of which play a large role in the entrepreneurial dynamics of a country. The first issue focuses on entrepreneurial orientation and spirit – the ability of the individual to take risks in a market economy by investing some funds in order to obtain future benefits. The second aspect deals with the creation of new ventures, mostly small or very small enterprises. The last is dedicated to the entrepreneurs, their character and personal traits. In this contextual part, we will look at the past public policies meant to support entrepreneurship.

According to the Office Marocain de la Propriété Industrielle et Commerciale (OMPIC), 36,689 firms were incorporated in 2015, and almost half of these were limited companies with a sole partner. One third of these were created in the Greater Casablanca area and were involved in commercial activities. But the creation rate of enterprises remains much lower than, for example, the EU average.² Despite these figures, two-thirds of the unemployed population are young people, according to the country's High Commission for Planning (Haut Commissariat au plan, HCP), and the higher the level of education, the higher the level of unemployment (HCP, November 2014). Moreover, the Atlantic axis of the country

concentrates most of the country's value and growth creation (four regions out of 12 add up to 65% of the country's GDP). As we move away from the ocean, production is mainly in agriculture and tourism. In addition, the implementation of the "Plan d'Ajustement Structurel", in a context of a growing, educated youth population, has resulted in higher levels of unemployment, particularly among those holding higher qualifications.

Morocco has attempted to address some challenges, such as youth unemployment and regional imbalances, by promoting youth entrepreneurship. The first initiative favouring youth entrepreneurship was promoted in 1987. This programme created a support fund for young entrepreneurs as well as a number of measures dedicated to facilitating both the administrative process of creating businesses and their financing. This first initiative contributed to the creation of roughly 2,000 firms and 13,000 jobs over 10 years. These results fell far short of the objective of 2,000 new ventures a year and 250,000 new jobs.

Further to this initiative, the Moukawalati programme started in 2006 and relied on the regional investment centres in the 16 main provinces in Morocco. At first dedicated to high school graduates and above, the programme has been reshaped and is therefore accessible to any Moroccan with a project, as long as they have completed their primary education. It focuses on the self-employment of graduates from 20 to 45 years old (therefore not only young graduates) starting out on the creation of their first venture. The programme assists potential entrepreneurs during the study phase (market research, business plan, technical requirements), then, during the start-up phase, and then for the first twelve months of activity. Moreover, for Moukawalati projects, financing is facilitated as the entrepreneurs can get a 10% interest-free advance and the state guarantees 85% of the loans obtained. These measures significantly facilitate entrepreneurs' access to credit. Since its inception in 2006, Moukawalati claims credit for 5,139 small enterprises and the creation of 14,117 new jobs (even though some consider these figures to be too high and that new venture creation between 2007 and 2011 was at around 2,500). Whatever the actual figures, once again this programme did not meet its expectations as the initial goal was the creation of 30,000 firms between 2007 and 2010.

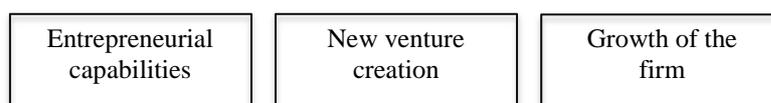
The latest major initiative, launched in 2015, is the creation of an "auto-entrepreneur" status. This targets individuals, not only young people, working alone in the industrial, commercial or services sectors, and facilitates the creation of new ventures. The annual turnover limitations are quite drastic, though: 500,000 dirhams (50,000 €) in industrial activities and 200,000 dirhams (20,000 €) in the service industry. This project is implemented by Maroc PME and Bank Al Maghrib trains some staff in some of its branches to deal with this new

type of entrepreneur. At the end of 2015, the system had been made available in 33 cities throughout the kingdom. The funds allocated to this initiative will also be used to train and support auto-entrepreneurs in the early stages of their project. The objective is the registration of 20,000 auto-entrepreneurs a year, and to support 100,000 new entrepreneurs by the end of 2020 (within five years).

2. How are entrepreneurs and their start-ups created?

There is a rich literature on the entrepreneurial process, including entrepreneurial orientations and intentions. Building on that existing literature, and on the issues at stake here, we can offer the following analysis scheme. The entrepreneurial process starts with an intention, which depends on the entrepreneurial orientation, the new venture is created, and the last step is the value creation potential of the new venture over its first years (Figure 1).

Figure 1: The entrepreneurial process within a given context (adapted from Verstraete, 2003).



The birth of a new entrepreneur, and of his or her new venture is affected by multiple, interrelated motivational factors. At the least, the project will fulfil an economic goal, whether subsistence or wealth-oriented. But the entrepreneur himself or herself is embedded within his or her psychological history, his/her culture, family and ethics (Tounés, 2003).

When evaluating a student's intentions to become an entrepreneur, researchers take into account at least the three following determinants: perceived educational support (Turker & Selçuk, 2009); perceived relational support (family and friends); and the intention-behaviour link (Fayolle & Liñán, 2014). Entrepreneurs' personality traits are mainly stable over time but they may be more or less activated by environmental pressures (Klotz & Neuban, 2015):

Contingent environmental factors also have to be taken into account, such as the business environment, networks and support for entrepreneurship structures. A comparative study carried out in Morocco (Bensghir & Reghioui, 2015) showed that the interviewed students, mainly master's students in public institutions offering classes in entrepreneurship, had a very high level of venture creation (65%), mainly in order to be more autonomous in their professional life. Most of these students had a role model in their extended family.

The public policies implemented over the years mainly address new venture creation, its financing, support for the nascent entrepreneur and the promotion of formal, as opposed to informal, creation. (i.e. at least the registration of workers in the national security system). Yet, for new ventures to last, and to potentially create new jobs, public policies should attempt to address the initial entrepreneurial intentions, as well as providing support to the development stages and value-creation processes of the new projects. Therefore, here we will highlight the two main issues we have identified. The first affects the entrepreneurial orientation/intention of the youth – of all kinds of youth – mainly through the education system, and the second is centred on the lack of coordination in support agencies and initiatives and its consequences.

3. Entrepreneurial orientation: the education system fails to do the job

“The Moroccan educative system doesn’t prepare young people in taking risks and developing an entrepreneurship activity”, the head of the Rabat office of an American NGO said during one of the focus groups organised as part of the SAHWA fieldwork. Similarly, the head of a public agency supporting entrepreneurship for deprived youths recalls, during one of the SAHWA focus groups, attending a job-seeking convention in Rabat and that “I was the only person representing entrepreneurship at that forum, and not even one young person came to me to obtain information. They were all going towards large companies or state employers”. As thoroughly explained in the literature, both on management and economics, becoming an entrepreneur is being ready to take some risks and deal with uncertainty in order to obtain future benefits. In addition, the entrepreneur needs to identify an opportunity and take initiatives and actions to make it real. The question here is not whether entrepreneurship classes or curricula appear on school programmes but is more about the ability of the educational system to value and promote initiative, creative thinking and risk taking behaviour in order to create a more “entrepreneurial culture” in the country.

Stakeholders attending the focus group organised as part of the SAHWA fieldwork, some of them working alongside schools and universities, consider that even when entrepreneurship classes are taught, professors and teachers lack the necessary skills, knowledge, experience or even motivation to animate the classes. Very often, “they are disconnected from reality” and there are very few links, if any, between educational structures and small and medium-sized entrepreneurs. In the higher education system, working for multinationals is considered to be

the best option, “one teacher advised an award-winning student in entrepreneurship not to pursue his project but to go and work for a large international firm” explained one of the stakeholders during the course of the SAHWA focus group.

But it seems that the failure of the Moroccan education system to inspire and motivate potential and nascent entrepreneurs goes deeper. The educational system as a whole is described by the stakeholders during the SAHWA focus group as being “too rigid, too theoretical, disconnected from real-life and unable to implement different teaching methods and material”. The young entrepreneurs share a similar view on the system.

Similarly, nascent entrepreneurs, interviewed throughout the SAHWA fieldwork, are very critical towards the educational system. According to them, the system is too rigid and does not favour entrepreneurial or out-of-the way thinking or behaviour. As they explained during the second SAHWA focus group, “learning by heart is what a student is asked to do, but school, up to university, is not connected at all to the real world”. Some experiments in business schools, such as the PROLIB project at HEM, fall short of improving the entrepreneurial culture of young, educated students, and they keep on favouring salary-based job opportunities, as explained by a HEM professor.

In addition to personal development and monitoring issues, young entrepreneurs seem to suffer from a deficit in communicational competencies. Stakeholders and young entrepreneurs pointed out that many young entrepreneurs did not manage to explain their ideas clearly in front of stakeholders. “You can have the best idea in the world, but if you don’t know how to transmit it, you fail [...] Many entrepreneurs I saw have significant difficulties presenting their projects to audiences. Also, they don’t feel confident and at ease when they must communicate their ideas; they have too many difficulties to speak without losing their nerve”, explained a stakeholder during the focus group. Part of his job is to regularly attend young entrepreneurs’ presentations

This problem of communication supposedly results from the issue of language in Morocco. “The Arabization law led Moroccans to be lost when they have to talk because they use French and Arabic.³ Besides, the new generations, with the help of the Internet, add English. So the use of three languages led Moroccans to be torn. It’s maybe positive, but this also brings more difficulties to communicate clearly” explained an NGO head during the SAHWA focus group. The nascent entrepreneurs attending universities also pointed out that most of the students could not communicate efficiently in a professional environment, no matter which

language was used. Sami, a student at the computer science university in Rabat, interviewed several times during the SAHWA fieldwork, explained: “my colleagues are unable to speak French properly, sometimes even the professors do not master the language and have a primary school level. For me, attending a private primary school at first, so that I would learn the languages properly, has been a life changer and I consider that it is the most decisive decision my parents took for my education”. Here, let us just make clear that the question here is not political. Both the young people involved and the stakeholders believe that not being able to share and present their ideas in French or English prevents young people from going through with their entrepreneurial projects if they have any.

- ⇒ The education system as a whole does not favour initiative or creative thinking, let alone entrepreneurship.
- ⇒ Foreign languages – French or English – should be reinforced.

4. An enormous number of actors are involved in the support for youth entrepreneurship; their lack of coordination does not help create value

An incredible experience to start with...

Part of the SAHWA Ethnographic Fieldwork was to organise a focus group with different key players in youth entrepreneurship support in Morocco. We were able to bring together NGOs and private and public actors. Obviously, most of these people did not know each other. As the head of public structure dedicated to supporting young socially deprived entrepreneurs stated: “I have heard of your initiatives, but I did not really know your work. This gathering is unique and should be repeated for us, together, to make a change”.

Youth entrepreneurship in Morocco is nowadays promoted by all: government, NGOs, private companies through their foundations (such as the Attijariwafabank Foundation or Banque Populaire), and private actors such as crowdfunding platforms. It is seen as a promising and durable answer to youth unemployment, women’s exclusion and economic dynamics and growth. Considering all these issues, the support programmes for youth entrepreneurship may have different goals: social, economic or both. Hence, a great number of structures are involved. But as Abdelkabar stated, “there are a lot of lies in the promotion of entrepreneurship. Administrative steps are much easier than before, but finding financing to start with remains a nightmare”.

In an attempt to evaluate the Moukawalati program, Boussetta et al. (2013) highlight the fact that entrepreneurs are discouraged from entering the programme because of the number of institutions involved. Even though this programme was conceived as a unique-teller one, potential entrepreneurs have to deal with the national agency for unemployment (ANAPEC), with the regional centres for investment (CRI) for administrative procedures, and with the banks for financial issues.

The experience of the 21-year-old entrepreneurs from Sale, is very enlightening from this standpoint. Their project began through the Injaz Al Magrib experience in the high school. Two students, a young man and a young woman decided to go further with the project. They were supported by Injaz to participate in international competitions, they started building up a network, as a female, the young woman got an opportunity to be supported by an American programme to empower female entrepreneurs and provide them with mentoring and expert support, and then they were able to obtain some personal loans from an entrepreneurs' association. Both of them spend so much time getting ready for these hearings and presentations that they asked one of their friends to help them with the business.

Moreover, in rural areas or at lower levels of education, young potential entrepreneurs are unaware of any of the support plans available. Many field surveys in the country showed that young people, especially if they dropped out of school, are mainly interested in auto-entrepreneurship and in leading very small units with limited costs. The young people interviewed in the cultural market of Bab el Had in Rabat during the SAHWA Ethnographic Fieldwork confirmed these surveys. These young people are more inclined to set up their businesses in the informal environment, partly because they cannot obtain the bank financing they would need to set up a formal business (Fernando Do Solo), and maybe also because of a relative defiance vis-à-vis the national management structures (Ksikes, SAHWA Focused Ethnography, 2016).

- ⇒ The lack of coordination and therefore transparency in the structures supporting youth entrepreneurship tends to reinforce the lack of confidence the potential and/or nascent entrepreneurs may have in the institutions.
- ⇒ Public policies have so far facilitated the administrative steps of new venture creation, but nascent youth entrepreneurs still have to struggle to find financing and support.

5. Policy implications

5.1. Enhance the entrepreneurial orientation of our youth

The entrepreneurial orientation of young people starts at school and even primary school, especially in a country where the majority of young people do not attend secondary school (according to SAHWA Background Paper 01, 2015, only around 38% of young people attend secondary education, versus 97% for primary school). On average, young Moroccans attend school for 4.7 years and a lot of kids drop out even before the end of primary school.

- ⇒ Incorporate basic entrepreneurial skills into primary and secondary education: apart from the importance of properly mastering the necessary business languages, i.e. Arabic, French and English, the education system should integrate creative and oral-based methods. These cannot be exclusively used in the private school system. Young students could learn to get used to speaking in front of people. In term of public policies, such a shift requires a deep change in primary school teacher training and the constant reminder of the issues at stake.
- ⇒ But the lion's share should be implemented in secondary school and universities. Our work showed that experiences such as Injaz Al Maghrib, working with the Ministry of Education, may succeed, even though the numbers are small. And the schools could open up to entrepreneurs in all regions to reinforce role modelling and for entrepreneurship to be considered a viable alternative.
- ⇒ If and when entrepreneurship is taught, the focus should be on inspiring potential future entrepreneurs. The lack of confidence in the country's structures and institutions could be fought through inspiring role models and coaches coming to share their histories, even if they are sometimes challenging. The Enactus NGO manages to do this for those attending their programme. It "removes the fear and changes us", explained one of the young entrepreneurs.
- ⇒ Aim at equal opportunities for all young entrepreneurs: reinforce the entrepreneurial orientation of all categories of young people, including women and the rural population. Young female entrepreneurs have to struggle even more than their male counterparts to convince their relational support network (friends, families, educators) that entrepreneurship is a path to be considered. Role models have already proven, in different economic environments, their importance and impact. In Spain and the United Kingdom, the confederation of small and medium-sized companies organise a competition to select the "Best SME of the year". Such events, when supported by

government agencies and promoted regionally, could help create role models beyond the “current system of privileges for connected firms” (World Bank MENA Development Report, 2015).

5.2. Improve the coordination of support for youth entrepreneurship

In Morocco, the question of youth entrepreneurship is both a social and an economic issue. As such, the initiatives may target some socially deprived groups of young people or focus on an economic strategy. As shown in our discussion section, both these approaches, if not properly coordinated, may become inefficient.

More than the creation of new structures or provisions, public policies should actually aim at coordinating the actions of the actors already present in the Moroccan ecosystem and at building up an entrepreneurship educational programme (catering for the needs of different school levels) that should inspire and build young people’s confidence in their future and the economic potential of the country. At the same time, such a programme should be able to fight against informal subsistence creation so it can be replaced by formal opportunity venture creation.

- ⇒ Such a national education to entrepreneurship programme should be implemented by the Ministries of Education, Higher Education, Youth and Sports, and Industry and Commerce. A national agency could centralise all actions and policies, at all levels, to improve coordination and the focused use of resources. All stakeholders should participate in such an agency (NGOs, public and private support for entrepreneurship, entrepreneurs’ confederations, etc.).
- ⇒ Government agencies, such as Maroc PME, and youth agencies should promote regional and/or local gatherings of all structures involved in supporting youth entrepreneurship. Partnerships could therefore be signed between public and private structures, and potential entrepreneurs could therefore deal with only one institution and benefit from several means of support. In order to be able to address the needs of most potential entrepreneurs, it seems important that these partnerships are signed both at national and local levels. For example, the social agency promoting entrepreneurship for young socially deprived entrepreneurs could work with the mentoring association for women. Both structures will provide different types of support, in line with their skills and competencies.

- ⇒ Co-working and crowdfunding platforms could be associated with other public programmes in order to tackle issues of financing and office or production spaces.
- ⇒ Moreover, most programmes promoting youth entrepreneurship target educated youth, even though only 38% of secondary school age Moroccans are enrolled in secondary education. Therefore, social agencies promoting self-employment should try to work alongside organisations dedicated to entrepreneurship in order to benefit from their skills and abilities, and thereby encourage the growth of new competencies within the less educated youth. This could help reduce the weight of informal venture creation and, as such, increase the job creation prospects of such ventures.

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Endnotes

1. The research leading to these results has received funding from the European Community's Seventh Framework Programme FP7/2007-2013 under GA n°613174 for the SAHWA Project (www.sahwa.eu).
2. The latest available Moroccan birth rates date back to 2008. In industry the creation rates vary from 5.6% to 7.9% (http://www.finances.gov.ma/depf/SitePages/publications/en_catalogue/etudes/2008_demo_entreprises.pdf), when the average for the EU is around 9.8% (http://ec.europa.eu/eurostat/statistics-explained/index.php/Structural_business_statistics_at_regional_level/fr).
3. In the late seventies, there was an important change in the Moroccan educational system. The language for technical courses such as mathematics, biology, chemistry and physics was changed from French to Arabic.



Researching
Arab Mediterranean Youth:
Towards a New Social Contract



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The SAHWA Project (“Researching Arab Mediterranean Youth: Towards a New Social Contract”) is a FP-7 interdisciplinary cooperative research project led by the Barcelona Centre for International Affairs (CIDOB) and funded by the European Commission. It brings together fifteen partners from Europe and Southern and Eastern Mediterranean countries to research youth prospects and perspectives in a context of multiple social, economic and political transitions in five Arab countries (Morocco, Algeria, Tunisia, Egypt and Lebanon). The project expands over 2014-2016 and has a total budget of €3.1 million. The thematic axes around which the project will revolve are education, employment and social inclusion, political mobilisation and participation, culture and values, international migration and mobility, gender, comparative experiences in other transition contexts and public policies and international cooperation.

