



Supporting Youth in Entrepreneurship

Summary report of a policy development seminar organised by the OECD and the European Commission, Brussels, 22nd-23rd September 2014

This seminar was part of a series of actions on inclusive entrepreneurship undertaken by the OECD Centre for Entrepreneurship, SMEs and Local Development and the European Commission Directorate General for Employment, Social Affairs and Inclusion. These actions include publication of policy briefs on youth entrepreneurship, senior entrepreneurship, social entrepreneurship, financing business start-up by social excluded groups and entrepreneurship by the disabled as well as annual reports on 'The Missing Entrepreneurs'. All these documents are available at:

<http://www.oecd.org/cfe/leed/inclusive-entrepreneurship.htm>

Actions also include youth entrepreneurship policy reviews and rapid policy assessments. The work is led by Dr Jonathan Potter and David Halabisky of the OECD.

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EXECUTIVE SUMMARY

The Organisation for Economic Co-operation and Development (OECD) and European Commission (EC) organised a seminar on public policy support for youth entrepreneurship in Brussels on 22nd and 23rd September 2014. The seminar was intended for senior policy-makers, particularly those involved in dealing with the European Social Fund. The seminar examined:

- The importance of developing youth entrepreneurship policies.
- The EU funding opportunities for youth entrepreneurship programmes.
- The ways in which obstacles to youth entrepreneurship can be addressed using specific programmes, illustrated by a number of inspiring practices.
- Key aspects of successful youth entrepreneurship programmes.

This paper provides a summary of the main messages of the seminar:

- Regarding the *rationale and opportunities for developing youth entrepreneurship policies*, youth entrepreneurship is important in addressing high unemployment (approximately twice the adult rate). Young people are more likely to prefer self-employment than adults, but at the same time their rate of self-employment is much less. This is accounted for by barriers related to lack of awareness, orientation of education and training, lack of experience, fewer financial resources, limited networks, and market barriers. These barriers can be addressed by EU programmes, notably ESF, and there are existing policies which have been proven to work. It is important to learn the lessons from existing entrepreneurship programmes.
- In developing *training, coaching and mentoring* for youth entrepreneurs it is important to develop approaches against the current context of youth in the economy and society. In training programmes there should be a focus on developing entrepreneurial mind-sets, which means changing attitudes. The knowledge required to be an entrepreneur is not only related to professional practice in running a business, but also to skills and attitudes, and to meta-qualities (for example to reflect on self-knowledge). Approaches to learning in small firms have varied over time, and these need to be taken into account. Methods of training need to be varied and can range between traditional ways of informational transfer through to interaction with peers. Formal approaches may be complemented by tacit learning with peers and networks. Monitoring and evaluation is important to increase the effectiveness of programmes.
- *Financial support* for youth entrepreneurs also needs to be segmented. Segmentation can be based on the type of enterprise (the self-employed and SMEs have different needs and there is limited growth from one category to the other); the attitude to entrepreneurship (the difference between being driven by necessity and by opportunity); and differentiation of age groups. Different age groups move from awareness (primary school) through a formative stage (secondary school) to emerging entrepreneurs (universities and post-education programmes). Financial needs develop in a similar way.
- *Entrepreneurial networks* are important in supporting entrepreneurship as sources of motivation, ideas, information, advice, business partners, employees, and customers.

Networks vary widely in their nature, from private networks (family and friends) through market networks (business collaborators) to identity-based networks (e.g. ethnic affiliation), as well as in the strength of ties between actors. Youth faces challenges in joining networks due to lack of resources, and a lack of experience in entrepreneurship and the labour market more generally. Specific challenges include making good links to the wider business community, balancing targeted network initiatives against competition between networks, and ensuring that network members have ownership of their network. Policy approaches include developing specific networks around disadvantaged groups; using networks as a vehicle for delivering training; building networks around a specific objective (for example business growth); and the development of virtual networks.

- The participants developed some consensus regarding the *key features of successful youth entrepreneurship programmes*. With regard to skills, abilities and attitudes, participants should be selected based on their motivation to set up a business rather than other characteristics (such as formal education) and learning by doing is important. Financial support should be adaptive to the context and linked to mentoring. Networks require inspirational members/mentors to motivate youth and at the same time it is important to combine people with different skill sets and profiles (though similar interests). Finally, policy design should ensure that there are clear objectives, outcomes, results and indicators so that there can be a continuous focus on lessons learned in order to give feedback for future development. Stakeholders need to have clearly defined roles to avoid duplication and disputes.

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1. Introduction

A seminar was organised by the European Commission and Organisation for Economic Co-operation and Development for senior policy-makers in European Union Member States, particularly those involved in dealing with the European Social Fund, on policy support for youth entrepreneurship in Brussels on 22nd and 23rd September 2014. The seminar examined:

- The importance of developing youth entrepreneurship policies
- The EU funding opportunities for youth entrepreneurship programmes
- The ways in which obstacles to youth entrepreneurship can be addressed using specific programmes, illustrated by a number of inspiring practices
- Key aspects of successful youth entrepreneurship programmes

This paper provides a summary of the main messages of the seminar, focusing on:

- The rationale and opportunities for developing youth entrepreneurship policies
- The key ingredients of training, coaching and mentoring for youth entrepreneurs
- The key ingredients of financial supports for youth entrepreneurs
- The key ingredients of schemes fostering entrepreneurs' networks
- The key features of successful youth entrepreneurship programmes

2. The rationale and opportunities for developing youth entrepreneurship policies

Youth entrepreneurship is important

The unemployment rate in the EU in 2013 was 10.9%. It was more than double for youth: 23.4%. This has been consistent over the last few decades, and did it change during and after the crisis. A second point to note is that there are small gender differences. For adults, the unemployment rates for men and women converged during the crisis. For youth the unemployment rates for men and women diverged since the crisis. Unemployment rates for youth and adults vary substantially across Member States. In 2013, these range from 5.4% and 7.9% for adults and youth in Germany to 27.7% and 58.3% in Greece.

One possible way to address youth unemployment is to support young people in creating their own businesses. They have the interest and potential to become self-employed. Youth are more likely to have a preference for self-employment than adults: 45% of youth prefer self-employment to employment, whereas 37% of adults prefer self-employment. Youth are also more likely to believe that self-employment is feasible: 41% of youth think that they could be self-employed within the next 5 years compared to 30% of adults who think that it is feasible.

Despite having a preference for self-employment, few youth are able to sustain themselves in self-employment. Nearly 15% of people working in the EU are self-employed. This proportion has been constant over the past decade. The self-employment rate for youth in the EU is just over 4%. As with adults, the self-employment rate has been quite constant. These data only cover youth in the labour force, i.e. those in school full-time are not counted. Youth self-employment rates vary greatly across Member States, ranging from 1.1% in Denmark to 12.5% in Italy.

Young entrepreneurs face real barriers

Young entrepreneurs face a variety of barriers

- *Lack of awareness* of potential for entrepreneurship among role models results in a lack of encouragement or even *negative social attitudes*.
- *Education and training* programmes generally do not do enough to nurture entrepreneurial attitudes and skills.
- *Lack of prior work and entrepreneurship experience* is a major determinant to business start-up and entrepreneurship performance.
- *Fewer financial resources* and difficulty obtaining external finance, including debt finance, hampers business start-up.
- *Limited business networks* and business-related social capital have consequences for business start-up and obtaining legitimacy.
- *Market barriers*, including a bias in financial markets away from supporting youth-owned businesses and 'discrimination' in product markets.

European Union funds can be used to address these barriers

The European Social Fund

Under the thematic objective 'promoting sustainable and quality employment and supporting labour mobility' there are the following relevant sections:

1. Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility;
2. Sustainable integration into the labour market of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee;
3. Self-employment, entrepreneurship and business creation including innovative micro, small and medium sized enterprises;
4. Equality between men and women in all areas, including in access to employment, career progression, reconciliation of work and private life and promotion of equal pay for equal work;
5. Adaptation of workers, enterprises and entrepreneurs to change;
6. Active and healthy ageing;
7. Modernisation of labour market institutions, such as public and private employment services, and improving the matching of labour market needs, including through actions that enhance transnational labour mobility as well as through mobility schemes and better cooperation between institutions and relevant stakeholders

The Youth Employment Initiative (YEI)

Activities supported include:

- “Encourage schools and employment services to promote and provide continued guidance on entrepreneurship and self-employment for young people.”
- “Ensure greater availability of start-up support services.”

Out of 187 ESF Operational Programmes foreseen for the current financing period, 34 cover YEI.

Given the challenges of high unemployment and increasing poverty, the focus on inclusive growth could be stronger. The Commission is also of the view that the funding allocated to education is for the moment not sufficient to implement the priorities identified. Concerning the YEI, relevant information in some OPs is rather general and could set out better how this new initiative will be delivered and if and how it will support the implementation of Youth Guarantee schemes. In some programmes the actions supported by the YEI need to be more focused on supporting employment creation. Notwithstanding the existence of a CSR on the integration of the Roma minority, some

Member States do not foresee a dedicated priority for marginalised communities, making it more difficult to assess how much funding will be allocated to this policy area.

Europe 2020 Strategy

This strategy recognises entrepreneurship and self-employment as key for achieving smart, sustainable and inclusive growth. Several flagship initiatives address entrepreneurship:

- Agenda for new skills and jobs;
- Youth on the Move – initiatives on education and employment;
- European platform against poverty and social exclusion.

Entrepreneurship 2020 Action Plan

Section 4.2.4. Unemployed, in particular young people. Given the significant number of unemployed people across Europe, entrepreneurship support schemes should be put in place to encourage business creation as a route out of unemployment. Few business development support schemes target unemployed youth specifically.

Start-up support as part of ALMPs, 2012

Despite the potential for business creation and self-employment to address the unemployment challenge, entrepreneurship support measures are not widely used in active labour market measures across the EU. In most EU countries, expenditures on start-up support incentives account for less than 2% of expenditures on active labour market policies.

The Youth Guarantee

Self-employment is a valid offer under a Youth Guarantee, if appropriate and if it is likely to lead to sustainable labour market participation. The Council Recommendation mentions incentives for self-employment and start-ups among the measures that can make the Youth Guarantee schemes a success, and rightly attaches much weight to the promotion of entrepreneurship among the young.

Table 1. Examples of measures to support entrepreneurship and self-employment within a Youth Guarantee scheme

| | |
|---|---|
| <p>YG recommendation 14 on entrepreneurship education Encourage schools, including vocational training centres, and employment services to promote and provide continued guidance on entrepreneurship and self-employment for young people, including through entrepreneurship courses.</p> | <ul style="list-style-type: none"> - Training of employment services' staff and teachers - Development & implementation of entrepreneurship courses in secondary education - Training for unemployed young people |
| <p>YG recommendation 19 on start-up support Make available more start up support services, and increase awareness of the possible chances and perspectives connected with self-employment, including through closer cooperation between employment services, business support and (micro)finance providers</p> | <ul style="list-style-type: none"> - Cooperation between employment services, business support and finance providers (e.g. employment fairs and networking events) - SME start-up support - Self-employment support - Training in business skills for e.g. for unemployed persons, accompanied by entrepreneurship grants |

Youth Guarantee Implementation Plans (YGIPs) have been created by all 28 Member States setting out national Youth Guarantee schemes. In 14 of these plans, entrepreneurship is integrated into the YG schemes, in 7 there is no explicit mention of entrepreneurship, and for the remaining 7 there is very limited allusion to entrepreneurship.

European Globalisation Adjustment Fund

EGF – European Globalisation Adjustment Fund – was established by the European Parliament and the Council in 2006 / operational since 2007 / renewed in 2013 for the period 2014 to 2020 – Regulation (EC) 1309/2013. Its objective is to help workers losing their jobs due to the impact of globalisation or the global financial and economic crisis to find new jobs as soon as possible and applies to cases of at least 500 redundancies over a 4-month period (including suppliers and customers affected), or at least 500 redundancies over a 9 month period, particularly in small and medium-sized enterprises (SMEs), in a NACE 2 division (sectoral definition) in one region or two contiguous regions at NUTS II level (regional definition) **By way of derogation and for a limited period only** (31 December 2017) young people who are neither in employment, nor in education or training (NEETs) can be conditionally eligible to participate in EGF funded measures. For 2014 18 applications were received from 9 member states. 1893 NEETS were targeted in 5 applications while 16 applications included measures to support entrepreneurship. Eligible measures include both tailor-made training and retraining, and special time-limited measures, such as job-search allowances.

The design of the coordinated package of personalised services should anticipate future labour market perspectives and required skills. The coordinated package should be compatible with the shift towards a resource-efficient and sustainable economy.

Table 2. Successful youth entrepreneurship projects

| Programme | Country | Target | Type of support | Impact estimate |
|--|----------------|--|---|---|
| .garage Hamburg (ongoing) | Germany | Unemployed youth under the aged of 35 | Training, finance, incubator | 83% of participants in 2000-2002 carried on in self-employment and 10% were in employment or apprenticeships. |
| First business year baskets for youth (2011-2013) | Lithuania | Youth under the age of 29 | Vouchers for BDS | Improved survival rates: 98.9% for 1 year vs. 63.3% (2012) |
| Programme for NEETs to move into self-employment (2007-2010) | Slovenia | Unemployed youth under the age of 25 | Grants; training | Improved survival rates: 85% for first 2 years |
| The Prince's Trust Youth Business Scotland | United Kingdom | "Unbankable" youth who are 18-25 years old | Finance; coaching and mentoring; training | Generated 155 additional start-ups in 2004/05 and 416 start-ups started sooner, on a larger scale, or higher quality. |

There are lessons to be learned from existing experience

Policy makers need to recognise that there will be a high rate of failures and need to accept that. But the objective is to minimise this failure rate, and at the same time minimise any displacement effects and deadweight loss. The evidence to date suggests that when designing and delivering youth entrepreneurship programmes, policymakers should pay particular attention to three considerations.

- Use strong selection criteria to select ideas and projects with the greatest chances of success. Focus selection on the project rather than the individual so that skilled youth as well as disadvantaged youth can receive support.
- Build support in stages, making more intensive support available when participants demonstrate capabilities.
- Offer complementary supports to help youth develop sustainable projects. This means providing training to provide basic skills, along with more individual support such as coaching/mentoring to support individual projects. This also means providing financing with skills development so that the support offerings reinforce each other.

Some pitfalls to avoid when designing support for youth entrepreneurship include:

- Supporting projects in excess supply industries

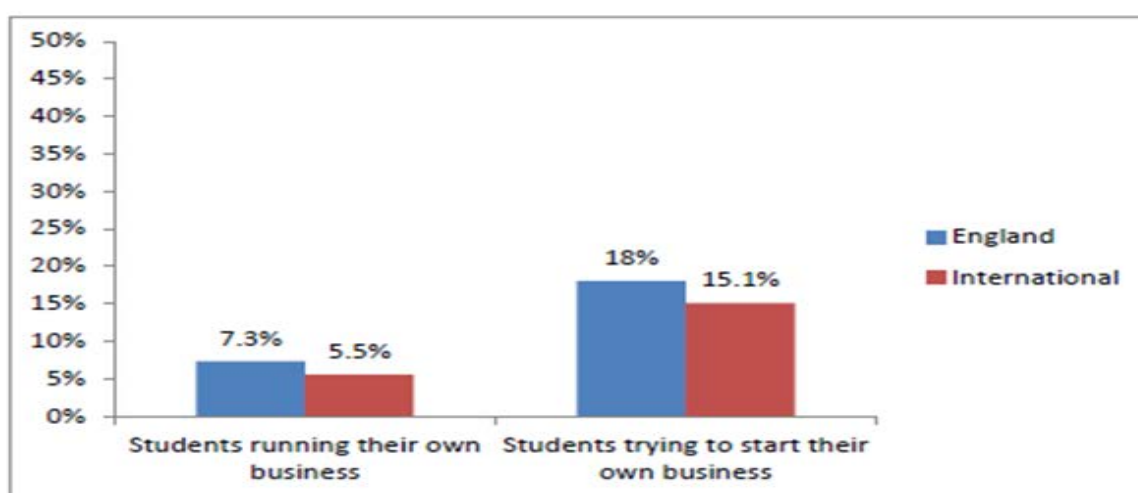
- Supporting projects with little chance of success
- Providing insufficient financial supports that cannot lead to the creation of sustainable businesses
- Providing one-shot supports that are temporary

3. The key ingredients of training coaching and mentoring for youth entrepreneurs

Contextualising Youth Entrepreneurship

In considering approaches we have to appreciate the current context of youth in the economy and society. Firstly, the heterogeneity of the youth population is important: their background, experiences, motivations, education levels and ambitions. In reality, the youth population are in work; education; or unemployed and interventions need to be sensitive to these different conditions. However, aggregate surveys show that in relation to the youth population as a whole, a gap exists between their entrepreneurial *intentions* and *action* (e.g. *EuroFlashBarometer*). This suggests that a case can be made for research and policy interventions to help youth realise their intentions. Other evidence also shows that graduates are already running businesses, although this is a minority activity (Figure 1)

Figure 1. Levels of entrepreneurship engagement by the youth population



Source: University students: GUESSS data 2014

Secondly, the promotion of youth enterprise is not a new phenomenon and has existed for over 50 years at local national and international levels (e.g. Young Enterprise). Unfortunately, there are insufficient, independent and rigorous evaluations of these programmes. Nevertheless, the literature on enterprise education and youth enterprise is extensive. This literature suggests that the success of interventions relies on appropriately *targeted programmes* and *methods* of delivery. These should be developed in relation to the needs of specific groups of the population after identifying their characteristics. Hence, the *demographics of the target population* should be taken into account when designing entrepreneurship training and mentoring programmes and their content and delivery methods. This infers a fine-grain level of segmentation within the youth population.

In understanding the level of segmentation of the youth marketplace for entrepreneurship training programmes, the evidence we have suggests the following patterns:

- Gender: young males are more likely to be enthusiastic than females
- Age ~: the evidence suggests that older youth are more interested in starting a business than younger youth

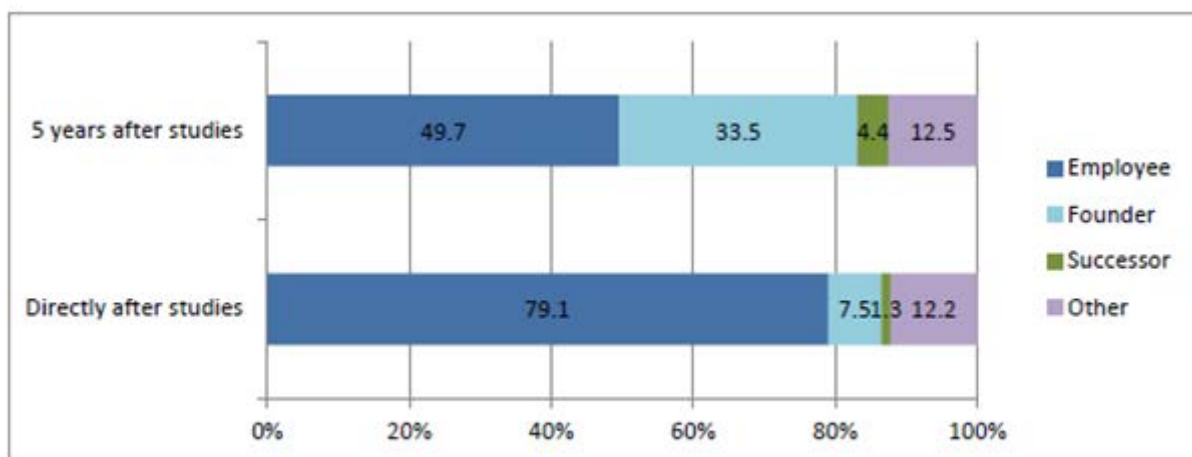
- Experiences and cultural differences: a strong positive relationship exists between parental activity in entrepreneurship and their off-spring.
- Education levels: the more educated a person, the more likely they will start and succeed in running their own business

We also have to bear in mind that the economic experiences of younger people vary: some are not in education, employment or on training schemes (NEETS), whilst others continue with their further, vocational and higher education.

Collectively, these different contexts and experiences will shape the entrepreneurial intentions and capabilities of younger people. This can lead to the argument that there is no ready-made ‘blueprint’ for the content and delivery of youth entrepreneurship programmes.

Surveys of the intentions of younger people tend to show a gap between their entrepreneurial intentions and business start-up. Hence, there may be an *a priori* case for policy interventions. What evidence we do have also shows that younger people should not be grouped together. The evidence shows that it is the older younger people who are more likely to want to enter employee employment and then after a period then start their own enterprise (see Figure 2).

Figure 2. Career intentions: 5 years and immediately after studies



Source: University students GUESSS data 2014

Key features of training and mentoring programmes: content and curriculum

Content

In considering the content and curriculum the following areas should be considered. There should be a focus on developing *entrepreneurial mind-sets* (such as recognising and acting on an opportunity). Hence, training should encourage *attitudinal changes*. Training approaches should include learning by doing, experimentation and being prepared to accept failure and learn from it.

The practice of effective small business ownership and entrepreneurship includes a variety of different qualities. These include:

- Possessing the knowledge and professional practice to run a business: (e.g. competency development finance). The literature suggests that students for example need to possess different ‘resource logics’ of other entrepreneurs (Politis et al., 2013).
- Skills and attitudes: behavioural (e.g. leadership technical). Younger people may have the determination and enthusiasm to run a business but do they have the appropriate skills-set and leadership qualities? Hence programmes should take this into consideration.
- Meta-qualities: (e.g. ability to reflect on self-knowledge, collect new knowledge). How do younger people differ from other groups of the population?

When seeking to enhance skills and competencies, particular attention should be given to

- Enhancing the means to practise entrepreneurship (raising the ability to *mobilise resources*) and filling gaps in *social and financial capital*. These are particular issues for younger people, given their shorter periods of time in work.
- Identification of wider cultural and social networks. Socio-economic-cultural contexts are important, e.g. Females, minority groups, low-income, high income localities. These will add further complexity to the development of training and mentoring programmes for younger people.

Attention to Learning styles

A further factor to consider in the development and delivery of training and mentoring programmes for younger people is how people learn. Approaches to learning in small firms have shown different trends over the last decades (Figure 3)

Table 3. Trends in learning in small firms: 1980 onwards

| | |
|--|---|
| <p>Behaviour – the person</p> <p>Whole person development – what should the entrepreneur know? (e.g. traits) Is there a recipe to be taught? - <i>1980s</i></p> | <p>Competences – the tasks</p> <p>What the entrepreneur should be able to do? What can they do?</p> <p>Output based functional analysis - <i>1990s</i></p> |
| <p>Manager in role</p> <p>Focused within the organisation and their community. Tacit understandings, input of others; group learning <i>Current</i></p> | <p>Manager in role – the situated learner</p> <p>Focused on individuals in context and their ability to critically reflect- situated learning <i>2000s</i></p> |

Source: adapted from Thorpe et al 2007

It can be seen that, over time, there has been a variety of different learning approaches in business and management, starting in the top-left quadrant of Figure 3. Initially, attempts focused on

identifying the specific psychological *characteristics* of entrepreneurs and working out recipes for personal development based on these. This was then developed into a focus on the *skills* of the entrepreneur to be able to function and perform effectively. Third, thinking moved onto the ability of entrepreneurs to *reflect* on what they know and reflect on this to learn within this context. Finally, and latterly there is an emphasis on learning within the *community* and undertaking group rather than individual learning. Of course, this is a broader context within which learning can take place but the point is not to ignore learning theories and current practice when developing programmes for younger people.

Methods of training and mentoring

There are numerous ways in which training and mentoring programmes can be delivered. These can range from traditional ways of information transfer (Classroom; distance learning; self-study) through to interaction with peers and key agents in the business support network. These actual methods of delivery may be associated with different types of learning. For example:

- *Behavioural and human capital development* may be enhanced through role plays and problem solving exercises.
- *Meta-qualities* such as confidence and leadership may be developed through action learning sets; developing the ability of learning to learn; and identifying self-weaknesses for subsequent development.

Formal approaches need also to be complemented by tacit learning with peers and networks. These may involve, for example:

- *Partnership involvement*: meetings with financiers, banks, landlords, incubators, trade and professional organisations
- *Mentoring* with peers – young people who have actually started and run a business
- *Face-to-face* interaction effective
- Connecting youth with *knowledge networks*

Although there are many learning theories, care needs to be taken when interpreting these to specific situations and groups of the population. For younger people, a body of literature exists on their training gaps are, how their entrepreneurial potential may be measured, programme contents and how this should be best delivered. However, this knowledge base is not perfect and is constantly changing with the latest ideas and modes of delivery (e.g. Royal Society of Arts, 2013; Valero et al., 2014).

Conclusions

It is broadly understood that a gap exists between the entrepreneurial intentions and action amongst young people. In considering training and mentoring for youth entrepreneurs, there is a need to identify the specific requirements of youth entrepreneurs and the objectives of the intervention. These need to be tailored programmes, and sensitised to the context – the geographic and environmental situation - and to the desired outcomes of the intervention. The paper also emphasises the need for a segmentation of the youth enterprise market based on a range of factors. The use of real

examples from peers should be encouraged within the content of the curriculum but nonetheless the method of delivery should be linked with existing learning theories and prior experiences.

Furthermore, monitoring and evaluation are essential parts of the process. Currently there is a lack of objective evidence on the effectiveness of interventions and programmes, and therefore it is important to feed into new programmes to increase their effectiveness.

Further reading

Politis, Diamanto, Joakim Winborg, and Åsa Lindholm Dahlstrand. (2012) "Exploring the resource logic of student entrepreneurs." *International Small Business Journal*, Sept; vol. 30: pp. 659-68. <http://isb.sagepub.com/content/by/year>

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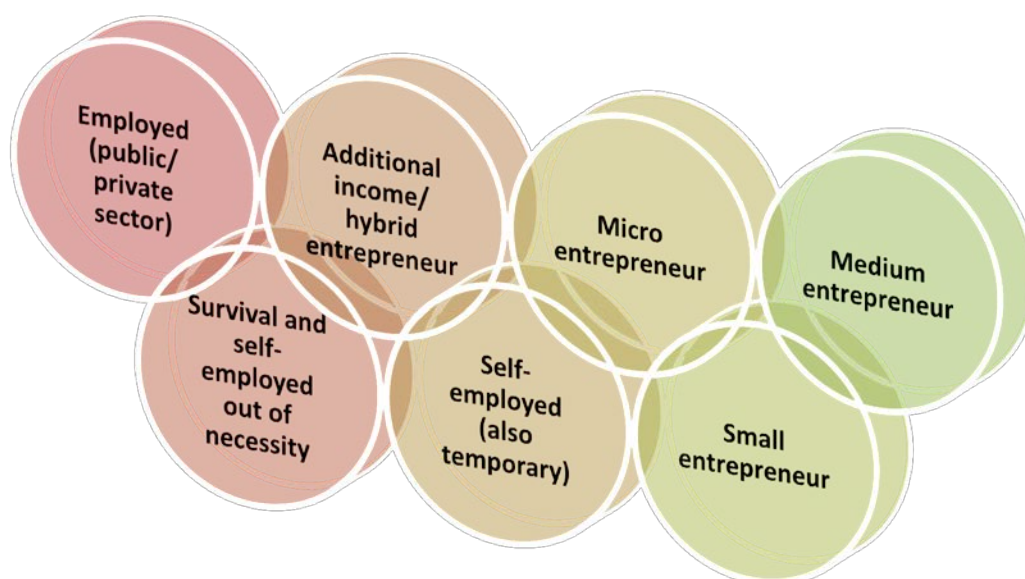
4. Addressing issues related to finance

Capacity determines the type of enterprises to be set up

Youth do not necessarily start small or marginal economic activities. The activity they can set up depends on their talents, their resource base, entrepreneurial capabilities as well as their aspirations. It can range from survival activities to generate some additional income, to self-employment, micro-enterprises and small or medium enterprises. Not all financial services are adequate for each of those types. Making a clear distinction between the various economic activities is required to effectively make use of financial services.

The following classification has been widely accepted over the past decades

Figure 3. Classification of income-generating activities and types of business



Source: Based on classification by Farbmann and Lessik (Gosses, Molenaar, 1989)

This classification should be seen as a continuum since there are always some overlaps between categories. However, evidence suggests that graduation from self-employed, micro to small or medium enterprise level hardly exists.

People do not necessarily dedicate all their time to one single activity for the rest of their life. They may operate as small entrepreneur for a number of years, and then opt to become formally employed or may even choose to combine self-employment with work. Such *hybrid and mixed forms* are used ever more frequently. For youth these hybrid and mixed forms may offer new opportunities provided support programmes are geared to them and policies allow such way of operating.

Enterprising attitude and entrepreneurship

When talking about enterprise development and entrepreneurship it is relevant to consider whether the enterprise is set up out of necessity or to exploit an opportunity. There are three distinct options:

- **Necessity driven entrepreneurs:** individuals who have no access to formal, wage employment or with relatively low social security benefits who decide to engage in income generating activities to survive and thus become “entrepreneurs” to sustain their livelihood by necessity rather than choice;
- **Opportunity driven entrepreneurs:** people who decide to exploit an opportunity and engage in self-employment or enterprises, start their own business, having a clear plan to do so and pursue the idea (and eventually continue, stop or sell at attractive prices); and
- **Growth oriented entrepreneurs:** individuals with clear entrepreneurial talents, and capabilities who decide deliberately to start and develop a business with relatively high capital accumulation or job creation potential- often with great innovation capacity and clear market orientation.

These different groups have different financial requirements and opportunities.

Differentiation of youth groups

Youth can be categorized into groups based on age:

- the formative stage of pre-entrepreneurship (15-19 years),
- the growth stage of budding entrepreneurs (20-25 years), and
- the prime stage of emergent entrepreneurs (26-29 years) e.g. the moment to start seriously with a business.

Additionally, the age category of 10- 15 years, can be added, labelling this as the *awareness stage* of entrepreneurship.

Training and related business development

Each group of youth requires a specific approach in training for and/or about entrepreneurship and corresponding finance. Within such training programmes the type of businesses to be set up either for training and learning (or indeed intended to become viable sustainable businesses) differ as well.

Figure 4. Approaches to training



Approaches at different stages

The following table illustrates different approaches to finance at different youth stages.

Table 4. Examples of financing at different stages

| Age | Focus | Educational actor | Finance for youth | Finance for support programmes | Examples |
|--------------|--|---|--|--|---|
| 9-14 | <i>Awareness</i> stage on entrepreneurship and work | Primary school | Stimulating savings; small funds to play with businesses in training | Teachers' training, curriculum development, kick off funds, awareness campaigns | CYFI, Aflatoun |
| 15-19 | <i>Formative</i> stage of pre-entrepreneurship and enterprising attitude | Secondary school/ pre VTC | Stimulating enterprising and entrepreneurship | Training and lending | Jong Ondernemen |
| 20-25 | <i>Budding</i> – preparing for entrepreneurship | VTC, Polytechnics. Universities | Business lending linked to training | Loans funds, teachers' training BDS services | BEST-Ethiopia |
| 25-29 | <i>Emerging</i> as (growth) entrepreneur | Universities, post education programmes | Loan guarantees, participations | Business creation programmes, loan-guarantee funds, youth investment funds, BDS | Caballero factory – The Netherlands |
| 18-30 | <i>Unemployed youth</i> | Post education/ youth training programmes | Lending, micro finance | Funding for loan fund, guarantees to cover losses, financing set up of schemes including ToT | Dream start – Belgium/ Crea Jeunes - France |

When dealing with financing of (youth) entrepreneurship programmes the following dilemmas need to be faced

- Do it yourself vs. specialized financing entity

- Eligibility vs. Selection
- Assisting vs. Helping (and to what point?)
- Supervision vs. Collection (in case of BDS / Business advisory services)
- Moral responsibility vs. Desired success (leave the entrepreneurs free to take his/her own decisions)
- Integrated approach vs. complementing services
- Including the business development costs in the Financing costs or not
- Special programmes vs. Mainstreaming

Lessons learned

So far the following lessons learned are worthwhile to take into consideration

- Selection at the beginning of an enterprise development programme pays off
- Age and job placement – invest in job placement when dealing with very young persons and only at a later stage consider setting up their enterprises
- Prepare youth but in a phased way: interest, awareness, entrepreneurship training, implementation skills
- A phased approach – during classes and after start: savings first vs. lending/investing later
- Financial education (do not overstress financing!) comes first
- There is hardly any graduation from self-employment into small or medium enterprises; each segment requires its own approach
- Mainstreaming pays off; start with dedicated programmes but be sure that they are incorporated later into main programmes – avoid segregation

5. Key issues related to networking

The role and nature of entrepreneurial networks

Entrepreneurial networks have a number of different roles in supporting entrepreneurship, including:

- **Acquiring motivation:** Shape entrepreneurial motivations through the norms of the local environment. Develop perceived desirability and feasibility through network interactions.
- **Opportunity perception:** Acquire personalised information to generate business ideas through personal, educational and professional experience.
- **Idea validation:** Test ideas through discussions with network contacts.
- **Resource identification:** Identify and access resources (i.e. partners, suppliers, customers, employees, financing, ideas) for business launch and development.
- **Negotiating to get into business:** Build relationships to secure resources, customers, employees, suppliers and distributors.
- **Business survival and growth:** Access resources to launch and grow businesses (i.e. including potential partners, suppliers, customers, employees, advice, information and ideas).

Networks are groups of actors with a relationship or tie that connects them. They are bound by connections based on reciprocity, where network members draw on network resources, as well as contributing to them. Central to this notion is an element of social interaction. While social relationships are important in everyone's life, these interactions are especially important for entrepreneurs because entrepreneurs are a product of their social environment. Entrepreneurial networks are a source of motivation, ideas, information, advice, business partners, employees and customers. Entrepreneurs' networks can exist in several environments, including:

- Private networks, which are composed of spouses, parents, other family and friends;
- Workplace networks, which are composed of work colleagues, business partners and co-starters and business mentors;
- Market networks, which are composed of business collaborators, competitors, suppliers and customers;
- International networks, which are composed of business collaborators, competitors, suppliers and customers from another country and in another country; and,
- Professional networks, which are composed of business professionals (e.g. lawyers, accountants), financiers (e.g. banks, investors) and other sources of information and support (e.g. researchers, business advisory services).
- Identity-based networks are based on ethnic affiliation, cultural and linguistic commonalities, age and gender, which mobilises certain social groups' small resources to establish their local, national and transnational networks and businesses.

It is difficult to clearly distinguish between personal and business networks for an entrepreneur. Often there is substantial overlap between these two networks and separating them is rather artificial. Instead, it makes sense to consider the overall social network of the entrepreneur, and examine the nature of each tie within it.

Key characteristics

Networks vary in the strength of ties between actors. Strong ties are those actors that entrepreneurs interact with at least twice per week and who are considered to be “close” to the entrepreneur. Most entrepreneurs tend to have quite small strong tie networks, but these actors are willing to do a great deal for each other. Their greater knowledge of one another’s situation enhances the “fit” and relevance of the information, support, services and resources interchanged. Held together by bonds of loyalty, trust and affection, strong ties are typically very important to entrepreneurs who are in the process of setting up a business and have special difficulties in accessing needed inputs for their venture through market mechanisms. One of the drawbacks of a strong tie network is that the actors can be rather homogenous since people have a strong social tendency to group closely together with those who are very much like them. Therefore, these networks can lack diversity in their reach, resources and (shared) perceptions.

In contrast, entrepreneurs use weak tie contacts less frequently. Interaction with these contacts occurs less than twice per week, but more than once a year. Weak tie contacts may take the form of instrumental commercial relationships, such as those between supplier and client, as well as between competing firms at the same level in a given value chain. Entrepreneurs typically consider these contacts to be acquaintances (rather than friends), and this lower level of interaction results in lower expected benefits from this relationship. Although weak tie contacts may lack the insight and commitment to perceive and relay positive network outcomes to their entrepreneurial acquaintances, their greater number, and wider diversity, provides an enhanced “reach” into parts of the socio-economic environment not directly accessible by the entrepreneur.

The formality of networks is also important because it influences how relationships are initiated and managed. Informal (“soft”) networks are comprised of family, friends and acquaintances developed by the individual entrepreneur’s life course. Formal (“hard”) networks are those mediated through established institutions and organisations, such as chambers of commerce, trade associations, local policy initiatives, and alumni associations. Formal networks can also include social groups, such as sport clubs, religious or political bodies.

While both informal and formal networks are likely to be important to the entrepreneur, formal structures, although often more professional and focused, frequently appear off-putting and bureaucratic to entrepreneurs, particularly if they are geared towards providing business start-up support. For example, entrepreneurs and small business owner managers have a history of shunning and avoiding enterprise and business development agencies. Formal networks that are brokered through these organisations are found to be less rich than network connections that develop “naturally”.

Challenges for youth

The principle challenges for youth who are considering business start-up and self-employment area lack of assets, including financial, human and social capital, low credit ratings, and a lack of experience in entrepreneurship and in the labour market more generally. One consequence of this lack of capital and experience is that young people have limited networks and often struggle to build legitimacy among financiers, suppliers and customers.

Central to the challenge that young people face when seeking to build a network is that they have very little to offer to the network. This reduces the likelihood of other entrepreneurs accepting young entrepreneurs into their networks and supporting them since there is little to gain.

As a result, the key issues in building entrepreneurial networks are as follows:

- Ensuring that networks of entrepreneurs from under-represented and disadvantaged groups are well-linked with the wider business community to maximise the available pool of resources and to minimise the risk of a “group mentality” that reinforces the disadvantage.
- Balancing the provision of targeted networking initiatives against the creation of an overabundance of competing networks.
- Ensuring that network members demonstrate ownership of the network, which can be achieved by using existing community structures. This is particularly important for public networking supports because the only way to achieve an impact is to ensure that entrepreneurs from under-represented and disadvantaged groups use the resources that are made available to them.

The main policy approaches

Public policy initiatives that support the development of networks for entrepreneurs from under-represented and disadvantaged groups often focus on bringing entrepreneurs from a common background together to build linkages among them and with the business community (e.g. Be-Win in Italy). The strength of this approach is that the entrepreneurs easily identify with each other given their common background, which quickly builds trust among network members. The downside is that since network members have a similar background, they may not have a lot to offer each other because they likely have similar challenges with respect to their start-ups.

Another common approach for public policy is to use networks as a vehicle for delivering training and other business development services. Examples of this approach include Mature Entrepreneur in Poland. While this approach also focusses on building a network of entrepreneurs with a similar background, it is much more focussed on delivering targeted business development support than networking initiatives. Policy makers need to exercise caution with this approach because it presupposes that the entrepreneurs need a certain type of support. If the entrepreneurs do not need and/or want this support, they are excluded from the network. Moreover, these networks are not always sustainable when the binding factor is a training course, for example.

It is also possible to build networks to support a specific objective (e.g. business growth). In this case, meetings and events include workshops and other offerings to support network objectives. The strength of this approach is that it is very valuable for network members as there is a close tie with targeted business development support. Its weakness is that it can be resource intensive given the integration of business development support and a selective entry process. An example is Going for Growth (Ireland) which targets women entrepreneurs.

Finally, it is possible to develop virtual networks. Online networks eliminate physical distances between entrepreneurs. Although face-to-face contact in online networks is not possible, online networks share some of the key characteristics of traditional networks. This includes, for example, connections built on trust and reciprocal relationships. The effectiveness of online networks is unknown but these low-cost structures can potentially deliver many of the benefits of traditional networks.

6. Key features of a successful youth entrepreneurship programme

At the end of the seminar, participants discussed the key features of a successful youth entrepreneurship programme and developed the following points:

Skills, abilities, attitudes

- Participants should be selected based on their motivation to set up a business rather than other characteristics;
- Segmentation can be based on background of participants and their aims (e.g. size of project);
- Formal educational background is not helpful in determining success;
- Even when actions do not result in actual start-ups, they should at least result in participants knowing whether they are *able* to start a business;
- Learning by doing is important;
- Youth organisations should be involved in designing the programme;
- There should be training for trainers/mentors/coaches.

Financial support

- Financial support should be adaptive to the context (person etc);
- Financial support should be linked with mentoring, though this should be adapted to specific circumstances;
- The system should be sufficiently flexible to give diversified financial support linked to the specific needs of the company: e.g. start-up seed capital, loans for companies for growth etc, subsidies for technological development;
- Finance is not a substitute for having both a good idea and a good person running it;
- Both clients and suppliers need to understand financing and financial management.

Networking

- Networks need inspirational members/mentors to motivate youth;
- It is important to combine people with different skills sets/profiles (though similar interests);
- There should be a link with professional support;
- Good communication matters;
- The network needs clear aims and connection with other structures as well as a vision for the future (after the project)

Policy design and delivery

- There should be dialogue with target group and stakeholders;
- Clear objectives/outcomes/results/indicators are essential – and this should include mind-set change even if it cannot be measured during the project;
- Stakeholders should have clearly defined roles to avoid duplication and disputes;
- Invest in ongoing monitoring and evaluation to allow for fine tuning;
- Continuous focus on lessons learned to give feedback for future development e.g. limitations, resources, timelines;
- Active learning from pilot projects run in different countries.