



ENTREPRENEURSHIP OF YOUNG PEOPLE IN EUROPE: **CHALLENGES & SOLUTIONS**

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Executive Summary

Youth Station Association aims to improve youth's leadership skills by mobilizing young people and supporting international mobility for the achievement of the Sustainable Development Goals (SDGs). Youth Station Association research and publications working group draws on objective and reliable statistical resources with particular attention to official and recent documentation. Drawing and building on the findings of the Organization for Economic Co-operation and Development (OECD), this document provides updated observations about the scale of entrepreneurship activities by youth and the main barriers faced.

Knowing about these challenges is a key factor to first identify what the problem is and then solve it. For this reason, the report first touched upon the possible difficulties that young entrepreneurs may face before realizing their entrepreneurial ideas. Financial support is at the forefront of these challenges. Another challenge is that potential business ideas are interrupted due to limited networks. Since young entrepreneurs have less experience in business life than older people, their lack of knowledge and skills is also an obstacle to their success but at the same time the fear of failure exists at any age. In addition to all these challenges, if entrepreneurial ideas are not appreciated and supported by their environment, this situation creates a negative impact on the young entrepreneur.

At the point of leaving all these challenges and focus on their solutions, the perspective of entrepreneurial ideas becomes more realizable. First, creating a conducive environment to young entrepreneurs starts with the families and the education they receive at an early age. Furthermore, providing information and mentoring to young entrepreneurs can also contribute to conducive environment. Besides, entrepreneurial skills and ideas are developed with an education system enabling initiative and entrepreneurial culture among young people. Working as a team also helps to reduce the workload and facilitate specific progress in the area where the person is more successful.

Expanding the network has also a great importance on the solution of challenges. Curiosity and immediate environment (family, friends, relatives) of the potential entrepreneur is a crucial factor in expanding network. At the same time, professional network is based on the communication work of schools and universities, without which young people will not be able to learn about some entrepreneurship programs or events. Finally, the report shows that the European Union's funds are more effective and conclusive as regards the project's concretization of young entrepreneurship.

Entrepreneurship of Young People in Europe: Challenges & Solutions

Levent, Bülent, and Leyla Acar siblings, young entrepreneurs living in Europe, are engaged in entrepreneurial activity by designing a mobile application named Buycott for its users to make conscious and ethical consumption. The application is based on the statement of Anne Lappé, author, and educator one of the advocates of sustainable nutrition, “Every time you spend money, you are casting a vote for the kind of world you want (2003)”. Acar siblings reveal the bright ideas of young entrepreneurs with their application Buycott. Although this example among many others suggests that the entrepreneurship of young people after their studies is increasingly common, the Organization for Economic Co-operation and Development (OECD) says otherwise. A recent study reveals that young people (20-29 years old) in the European Union have a high level of interest in self-employment but only 6.5% of working youth were self-employed in 2018. Further, the number of self-employed has declined over the past decade, falling from 2.7 million in 2009 to 2.5 million in 2018 (OECD, 2019).

Given the potential of entrepreneurs to create employment and sustainable growth, promoting youth entrepreneurship and making Europe more entrepreneur-friendly has recently become a priority of the EU policy agenda (Eurofound, 2015). Additionally, the Youth Station Association addresses promoting youth entrepreneurship topic. On one hand, Youth Station Association works to increase and maintain support for youth entrepreneurship and enable young people to participate in decision-making on innovation and entrepreneurship issues. On the other hand, research has shown that among young people the wish to become an entrepreneur, and their assessment of its feasibility, is lower in the EU Member States compared to emerging economies (Eurofound, 2015). So, that is the main problem. Therefore, the questions are: what types of challenges in the topic of entrepreneurship and innovation do European youth face and what solutions can be considered to meet these challenges?

In this report, Youth Station Association highlights the challenges that young people face before setting up a business. Considering entrepreneurship as a “dynamic process that includes becoming, growing, and thriving (UNICEF, 2019)”; this report responds to the problem under a concrete and realistic approach, apart from all theoretical considerations.

1. Young people are more entrepreneurial than ever but challenges remain

Although the proportion of young people involved in self-employment varies between countries, there is generally an upward trend in young people's interest, but challenges remain. It seems important to recall the extent of these difficulties to consider a series of solutions allowing entrepreneurship among young people. These challenges can be various kinds: internal and external barriers, lack of skills and knowledge, limited business networks, and lack of funds.

1.1 Internal and external factors affecting young entrepreneurs

The social and cultural background of the families and community either supports or inhibits enterprising culture and behavior. In addition to these obstacles, fear of failure is another factor that refers to a potential brake on the success of future young entrepreneurs.

Social barriers

Young people are influenced by their families, teachers, and society. Parents and teachers, who are important role models, are often poorly informed about the demands and prospects of entrepreneurship. As a result, entrepreneurial activities are rarely encouraged and sometimes even perceived negatively by society, which constitutes an obstacle to youth entrepreneurship (OECD, 2012).

Cultural barriers

Another barrier to business creation frequently cited is culture. Cultural differences between European Union countries are seen as a significant determinant of economic and entrepreneurial development at the regional and national level (Ceptureanu, 2015).

Fear of failure

Emotions such as fear of failure have a strong influence on entrepreneurial behavior. Besides, 44.5% of youth in the EU viewed fear of failure as a barrier to entrepreneurship over the 2014-2018 period (OECD, 2019). However, it is argued among different segments of the population that young individuals are less likely to consider the social stigma of failure as a barrier to creating a business. Young people are as likely as adults to cite “fear of failure” as a barrier to entrepreneurship, which puts this issue in perspective.

1.2 Limited relevant networks

An entrepreneurial network is defined as “the sum total of relationships in which an entrepreneur participates, and which provide an important resource for his or her activities” (Galkina, 2013). The social network does not only influence the creator, but also influences how the new business emerges, develops, and is maintained over time. However, limited networks have consequences for business start-ups and obtaining legitimacy. Having a lack of experience in the field of contact, young people often start their entrepreneurial

careers at a disadvantage. The lack of a relevant network often boils down to an obstacle that is the source of failure and abandonment of the entrepreneurial project. Indeed, the current coronavirus crisis does not facilitate this making of contacts, especially as Europeans have continued their studies from their computer screens, making professional meetings almost impossible. In such an unfavorable context for networking, young entrepreneurs should keep in mind that the environment is a real network and nurtured over the long term. Anyone is potentially an investor, a supporter, a mentor, a client, a supplier.



1.3 Lack of insufficient entrepreneurial skills and knowledge

Entrepreneurship skills involve both personal and technical skills. Being a creative, innovative, and risk-taker person is not enough by one. It is also important to have the ability to plan and manage projects. In addition to this, one of the most stated barriers to a successful business is

entrepreneurship skill which is particularly difficult for youth due to their lack of work experience compared to older age cohorts (OECD, 2019). On the other hand, besides the entrepreneurship skills and ability; turning the ideas into action is a key factor. While taking an action; knowledge about the business such as knowing your market, understanding customer portfolio, and planning the process are also essential. However, young social entrepreneurs lack adequate accumulation in terms of human capital, technical knowledge, and key skills (United Nations, 2020). Therefore, the lack of entrepreneurship skills and knowledge are the barriers to run a business successfully.

1.4 Difficult access to financial resources

Even if a young entrepreneur has a great company idea, the necessary technical expertise, and other skills to make it a success; financing a business can become a big challenge most of the time. Young entrepreneurs may not have enough personal capital to start a business. Also, young entrepreneurs may not receive sufficient financial support from his or her network. In this case, alternative financial support is sought. The other option for young entrepreneurs to finance their business venture is financial institutions and banks. However, due to a lack of collateral and credit history, entrepreneurs from underrepresented and disadvantaged groups (e.g., women, youth, immigrants, and the unemployed) frequently face bigger challenges in obtaining start-up finance (OECD, 2014). According to a European Union survey, 59 percent of youth which is in the disadvantaged group see obtaining external finance as a major start-up difficulty (Figure 1).

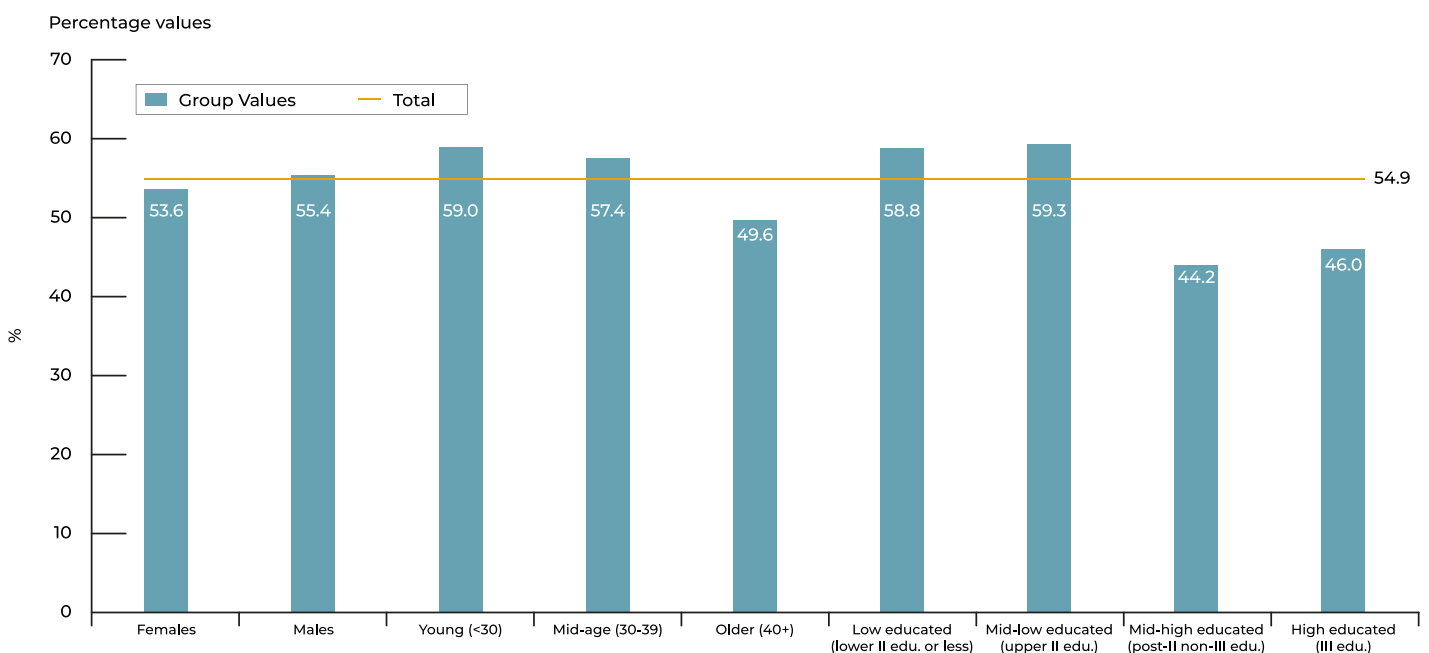


Figure 1. Percentage of entrepreneurs reporting 'obtaining finance' as a major start-up difficulty in 15 EU countries, 2005 (OECD, 2014)

So, finding a financial support for young preneurs is one of the barriers to successfully manage an enterprise.

2. Solutions are necessary to improve young people entrepreneurship

Considering the various barriers and challenges in youth entrepreneurship, Youth Station Association recommends several solutions to overcome these challenges. Solution part includes the topics of social environment, networks, entrepreneurship skills/knowledge, and finance.

2.1 Creating conducive environment to entrepreneurship

An environment in which entrepreneurs are highly appreciated will generally be more favorable to youth entrepreneurship (Ceptureanu, 2015). For example, the family attitude towards education and careers in various fields can dominate entrepreneurial mindset of the youth. A community that is concerned about the development of young people's aspirations supports youth and provides them an opportunity for self-employment. Youth entrepreneurship and innovation are also developed via a society that tolerates and allows people to make mistakes and learn from these mistakes. By correlation, fear of failure's effect on young entrepreneurs remains diminished. To create such a conducive environment for youth entrepreneurship, successful initiatives should be implemented by each European country in the following areas:

- fostering an entrepreneurial mindset and culture
- removing perceived practical and logistical barriers
- providing information, advice, coaching, and mentoring to young entrepreneurs.

There are numerous ways that training and mentoring programs can be delivered. These can range from traditional ways of information transfer (ex. classroom, distance learning, self-study) to interact with peers and key agents in the business support network.

2.2 Expanding networks

To overcome these various obstacles, the nascent entrepreneur must build a social network that facilitates or gives access to vital resources for the survival and development of his or her new business. The construction of his/her professional network starts from an already established personal network. Very close people and acquaintances form an interesting first base from which is possible to draw initial professional contacts.

- Family, teachers, other local relationships (neighbors, traders...).

Networking today works just as well on the Internet as it does in real life. A professional network is built both through real and virtual exchanges, targeting the media most likely to lead to interesting meetings:

- Business cocktails and dinners also sometimes called "networking"
- Chambers of Commerce
- Professional online social networks

To expand networks, universities should also support the development of entrepreneurship networks for young people, by informing them of certain programs such as Erasmus for young entrepreneurs. It is a pilot project initiated by the EU. It encourages networking among entrepreneurs by building on knowledge and experience from other European countries. Also, the program seeks to exchange experience and information among entrepreneurs on obstacles to start-up and develop their businesses.

2.3 Actions to be taken for entrepreneurship skills and knowledge

The entrepreneurial skills and knowledge of the person who realizes the project play an essential role in carrying out a project. For this reason, the following points can be considered to develop knowledge and skills in the field of entrepreneurship.



- *Participate in multifaceted programs:* Studies show that when training programs combine with vocational training, finance, and mentoring; they have a greater influence on entrepreneurial consequences of youth (Kluve, Jochen, et al., 2017).

- *Education:* The better-educated person is more likely to establish and succeed in running his or her own business (OECD, 2014). For this reason, receiving a good education is key to improve the entrepreneurial ambitions and capabilities of young people.

• *Start entrepreneurship education early:* Although it is unclear entrepreneurship education for secondary and tertiary students translates into long-term entrepreneurial activity or income, it has a positive effect on entrepreneurial skills and intentions (UNICEF, 2019).

• *Work with a team:* Young entrepreneurs and their teams can see the big picture through teamwork skills. An entrepreneur may see the situation from one angle, others in the team have different perspectives. On the other hand, since each person's area of expertise may differ; the business can be successfully managed by assembling a team. Also, as shown in Figure 2, youth (18-30 years old) are slightly more likely to start a business in teams. Between 2014 and 2018, 21.2% of the new youth entrepreneurs in the European Union stated that they were working in teams.

competitions in France organized by students. It puts in competition various start-up projects upstream of their creation or created for less than 24 months with an activity on the French territory. This association distributes nearly 350,000 Euros among the winners.

• *Benefitting from Micro-Funding Programs of Non-Governmental Organizations:* Microfinance provided by non-governmental organizations (NGOs) is a viable option to address young entrepreneurs' demand for money. Also, young entrepreneurs can find the opportunity to get to know the NGOs they are interested in. Youth Station Association provides micro-funding for promising entrepreneurial projects to help young people realize their ideas.

• *European Union (EU) Funding:* Accessible to all types of businesses, regardless of size or

Percent of nascent entrepreneurs, 2014-18

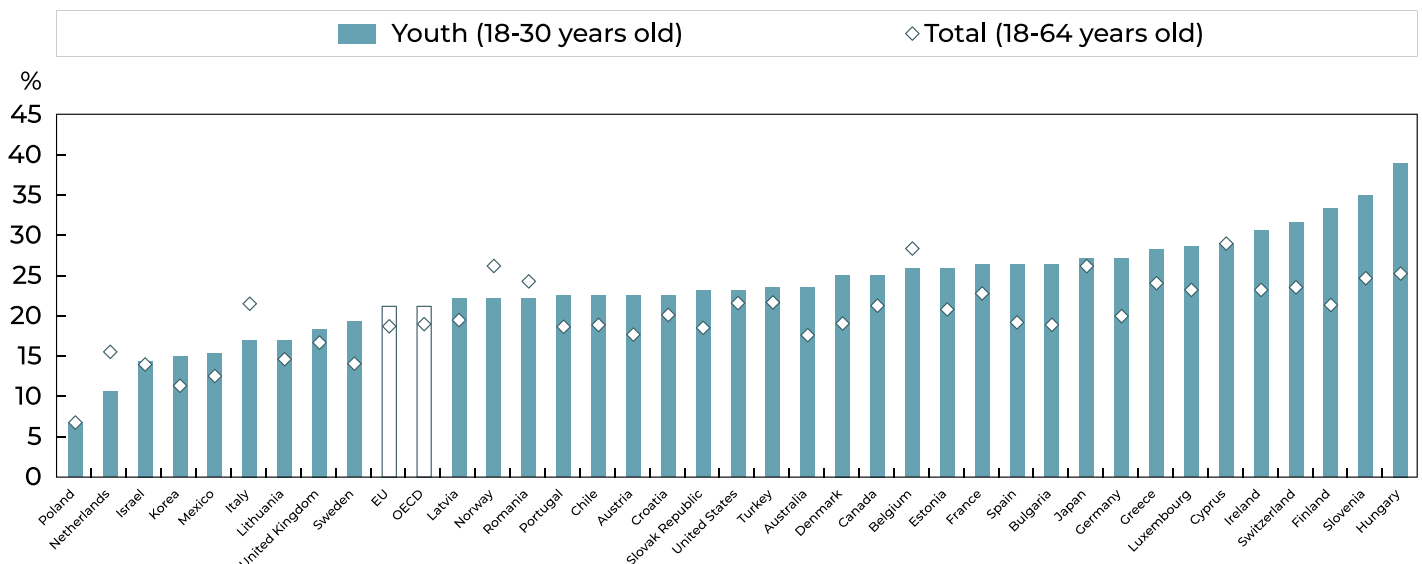


Figure 2. Percentage of entrepreneurs reporting 'starting a business in teams' from different countries, 2014-2018 (OECD, 2019)

2.4 Finding Financial Support

Youth Station Association recommends financial solutions for both young entrepreneurs and relevant institutions/organizations.

For Young Entrepreneurs

Young people seeking to fund a business start-up often have limited options to raise capital. If they have only just left school, they are unlikely to have savings. In this regard, alternative ways to help to find financial support for young entrepreneurs living in Europe are listed below.

• *Attending Competitions:* If the university or city has a small business/start-up plan competition to award cash prizes, participating in these competitions and earning start-up capital is a good start. For instance, "Total Edhec Entreprendre" is one of the national start-up

industry. Even financial investment does not get, the entrepreneur has a right to get credit feedback from credit institutions. Considering the feedback, the entrepreneur understands better the financial situation and improves prospects of obtaining funding in the future. Some current EU funds are listed below:

- The Youth Employment Initiative (YEI)
- The Youth Guarantee
- European Structural and Investment Funds
- European Investment Bank / European Investment Fund

For Institutions and Organizations

Institutions and organizations can allocate budgets for young entrepreneurs. Thus, the institutions and organizations have an opportunity:

- to better promote their aims and domains
- to expand their perspectives via entrepreneurial ideas of youth
- to extend their working fields by focusing on different topics with innovative ideas of youth.

So, investing in the ideas of youth is a win-win relation. New ideas also bring breakthroughs to the institution and the organization itself.

Conclusion

This report includes a dual approach for both the young entrepreneurs and the authorities to take care of youth entrepreneurs' development. While young entrepreneurs aim to start a business with their innovative ideas, they face challenges in terms of socio-cultural backgrounds, network, entrepreneurial skills, knowledge, and finance. Youth Station Association touched on the possibility to turn the challenges into a positive direction. For this reason, solutions to the problems are also mentioned in this report. Solutions include:

- providing an enabling environment for youth entrepreneurship
- expanding professional networks through institutions, social networks, and Chambers of Commerce
- developing entrepreneurship knowledge/skills through teamwork and education
- benefiting from European Union and Non-governmental Organizations' funds to find financial resources.

Reflecting the ideas of the Youth Station Association, these solutions are important steps to be taken to popularize entrepreneurship among youth. It should be emphasized that the solutions should be followed not only by young entrepreneurs but also by relevant authorities and organizations. Thus, solutions will be more effective if efforts are made at the institutional level.

In addition to the priority recommendations that the report develops in the previous content, it would be beneficial for each country to have its practical guide dedicated to young entrepreneurs. To alleviate the fear of failure, this guide would direct those concerned by considering the market situation, the skills to be acquired for entrepreneurship, administrative procedures, etc. Apart from the practical guide, forums or events organized at the European level develop the professional network. Forums and events support professional meetings to listen to the success stories of entrepreneurs or the testimonies of young people who have succeeded in their field. This type of event has the feature of bringing together young people from various backgrounds

and remains a significant source of motivation under a common goal: entrepreneurship. Entrepreneurship encompasses drive and innovation that affect positive change. Therefore, it is more frequent to see certain large groups advocating the entrepreneurship of their employees. In particular, the LVMH, Chanel, and L'Occitane groups are dedicated to female entrepreneurship, supporting them in their projects with a social or environmental impact. Young entrepreneurs can also contribute to the projects of large groups in their fields of interest.

Although this report focuses on the challenges and solutions of young people entering entrepreneurship in Europe, there are also other challenges and topics to search for such as the macroeconomic approach of youth unemployment, policy adjustments, marketplace, gender, and insufficient training in youth entrepreneurship. Youth Station Association touched upon the points that it believes to be considerable because of the major interest in the promising entrepreneurship sector for young people. Furthermore, the gains that European economies can derive from this are undoubtedly considerable. Finally, youth entrepreneurship is a developed sector, but there is still a long way to go before further promoting this area.

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