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# **OPPORTUNITIES AND CHALLENGES IN PROMOTING YOUTH ENTREPRENEURSHIP IN MONTENEGRO**

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## ***Abstract***

*The support for youth entrepreneurship in Montenegro is strong. The focus of the entrepreneurship programme at the faculty of economics at University of Montenegro is mostly on youth. There are several other organisations such as The Montenegrin American Youth Alumni Association (MAYAA), and The United Nations Development Programme (UNDP), which also organize a variety of presentations and workshops for students to pursue entrepreneurship. Recently one Montenegrin student's business plan, a proposal for the establishment of the Centre for Professional Rehabilitation and Employment of Persons with Disabilities, won the national competition in Montenegro, and was ultimately named the winner of the overall Europe-wide competition. However, the analysis shows that although in the areas of youth participation, significant progress has been made in the last several years, youth entrepreneurship programme in Montenegro is still in its early phase of development and needs strong sustainable commitment, assuring the development and efficient functioning of various youth participation mechanisms at the local, regional and national level. It is also essential to*

*continue to standardize and support youth work, youth information and non-formal business education of young people. Surveys show that young people in Montenegro believe they have much to offer and can significantly contribute to all areas of the society's development. However, their potential remains greatly unused due to the certain obstacles that they face. There are needs for encouragement of the youth informing them about how to participate in all aspects of society. This study is focused on investigation of the analysis of the opportunities and challenges that youth entrepreneurs face in contributing to all areas of the development in Montenegro. A quality research of several successful young entrepreneurs will be presented.*

**Key words:** *entrepreneurship, youth, Montenegro*

## 1. INTRODUCTION

Montenegro lies in southeast Europe on the central part of the Balkan Peninsula on the coast of the southern Adriatic Sea. Montenegro borders Croatia and Bosnia Herzegovina to the west, Serbia to the north, Albania to the east and Italy over the sea. Montenegro covers a territory of 13,812 square km with 300 km of seacoast border. The geographic position of the country provides favorable conditions for specific economic activities, above all tourism.

In Montenegro, the structure of 6 539 enterprises, which submitted their balance sheets, small enterprises are dominant and present 96.5%, while the large enterprises present only 0.8%. The number of medium enterprises is also low, they represent only 2.7% of the sample. 20 enterprises or 37.95% within 53 large enterprises have positive business result during the recent years. This percent is 41.5% within the group of medium and 20.8% within the group of small enterprises. (COMMENT 7, 2001)

More than half of all registered enterprises have trade as their main sector of activity. The other dominant sectors are industry, construction, transport and communications. Tourism, although declared to be of strategic importance for the development of Montenegro, accounts for only 6.6% of all enterprises. (COMMENT 4, 2001)

Analysis of the population (15+) of Montenegro in 2010 survey (Ipsos, 2011) shows 48.8% male and 51.2% female. From this number 57.3% of male are employed and 42.7% of female are employed. The survey also shows that 54.5% male are unemployed and if employed persons are observed, it is noticeable that women have higher level of education than male population: 31.4% of the employed women have tertiary (college or university) education, while just 21% of male population have the same level of education. However, the percentage of male citizens who, after primary school, gained appropriate professional education is

double that of the female. The male Self-employed is 21.3% almost double of female at 8.9%. This is indicative of much less opportunity for the female entrepreneurs. Nevertheless, this fast and emerging economy shows promising opportunities for youth entrepreneurs. However the country faces a high youth unemployment rate.

Literature on entrepreneurship has extensively noted the differences between 'necessity' and 'opportunity (productive)' entrepreneurship (Baumol, 1990). Necessity entrepreneurship has been widespread, but opportunity entrepreneurship has been relatively scarce (Rogerson, 2001). While opportunity entrepreneurship has a significantly positive effect on development, necessity entrepreneurship has almost none. This study tries to understand whether entrepreneurship is the preferred career choice among young Montenegrin youth or whether they prefer and desire to become entrepreneurs due to the lack of other opportunities. Put differently, the research endeavored to find out if young people are less or more committed to entrepreneurship than adult entrepreneurs. The study on 'Opportunities and Challenges to Youth Entrepreneurship: Perspectives of Young Entrepreneurs in Montenegro looks into several factors in business development by young people and highlights how in addition to the business environment, other factors namely positive community and family attitudes and culture of entrepreneurship as well as skills and motivation of entrepreneurs are critical for fostering productive youth entrepreneurship in the country.

In addition this paper will enhance our understanding of the complex employment challenge facing Montenegrin youth and stimulate discussion on how to address this key development issue. Given the disadvantages young entrepreneurs face compared to their adult counterparts, they are on average likely to spend more time than the adults dealing with taxes and regulations. They are also more easily discouraged. The range of barriers that youth need to overcome on their way to entrepreneurship tends to be more extensive than for adult entrepreneurs (Schoof, 2006). The study could be a building block for strategies, policies and programs for sustainable livelihoods of Montenegrin youth, in particular job creation and entrepreneurship.

Montenegrin youth as everywhere in Europe face a major youth employment challenge, as evidenced by a high youth unemployment rate. At the same time, policymakers have been increasingly recognizing entrepreneurship as a key driver of economic development by fostering growth, technology adoption and innovation as well as poverty alleviation. In this paper, entrepreneurship is defined to be 'resources and process whereby individuals utilize opportunities in the market through the creation of new business firms' (Naude, 2010).

## **2. METODOLOGY**

The research procedures involved the development of six case studies of successful young people between 20-30 years old engaged in business, and that

have been identified as youth entrepreneurs. The process for the development of theory from case study research was used as a guide to the study. Each of the eight steps she advocates was followed, along with the principles of case study design and analysis recommended by (Yin 1989). Documentary and verbal data was collected with a case study protocol to provide consistency of focus across the six cases. While interviews, observations, and archival sources are particularly common, inductive researchers are not confined to these choices. This study utilizes five carefully designed areas with research question for interview and quality research. Six cases were studied through careful analysis of the answers given through interviews, and their qualitative responses provided the basis on which we deduce our research findings.

The study is carefully carried out by interviewing six case study discussions with young entrepreneurs and some graduate students of entrepreneurship at the University of Montenegro.

Young Montenegrins are drawn to entrepreneurship out of both desire for change and opportunity to realize their vision and contribute to their country and community. While well-recognized constraints in the business environment (e.g., access to credit, property rights) undoubtedly play an important role, other factors such as positive family and friends support and education for entrepreneurship are also critical for fostering youth entrepreneurship. Implications for policies point to the need to foster more support training and technical assistance for youth beyond the nascent stage of their businesses to ensure higher perseverance and ‘graduation’ to higher value activities; to develop new and innovative sources of finance taking into account specific characteristics (higher risk, innovativeness, use of ICT) of youth; and Improve the regulatory environment, including transparency and accountability.

Table 1

## List of Cases and their description

CASE 1	<i>Young entrepreneur has launched the production of handmade dresses for small and big princesses. She has a bachelor degree in banking and finance and has experience in marketing. She has worked in the financial sector. She has had the desire to change her life and align her business and family obligations in a different and creative way. She has succeeded in a mother and daughter business and expanded the business with serious potential.</i>
CASE 2	<i>An IT company with great enthusiasm and creative energy is lead by a young entrepreneur. His team consists of talented and experienced strategists, managers, designers and engineers who are intensely curious and passionate for their design and technology. We enjoy real simple, functional and beautiful projects with which they are very proud of our clients and us. In the end, creativity is our playground and our inspiration.</i>
CASE 3	<i>Company founder a young entrepreneur is a mechanical engineer. His company is a young trading company in private ownership. The main activity is trade equipment and installers in the construction industry, primarily for heating, air</i>

	<i>conditioning, water supply and sewage. The satisfaction of the customers is imperative for their business. The main vision and mission of the company is to become a reliable partner to all their customers and together with them to develop and nurture close and intense relationship.</i>
CASE 4	<i>The goal of this start up is to provide integrated health food of organic origin, in the territory of Montenegro. Through the site this young entrepreneur has developed he is promoting the organic products but also healthy lifestyles through raising awareness of its importance. Website connects farmers from Montenegro through the presentation of their offers, and currently on the site presents 120 different products from 15 different manufacturers mainly from rural areas of Montenegro. The motto is: "give and you give yourself and loved ones healthy foods and go back to nature and its fruits in unmodified form.</i>
CASE 5	<i>Founder of this company is a young graduate economist. The agency he started is engaged in providing services through facilities that best suit the needs of both the tenant and the lessor. Landlords are expect to showcase their properties to a number of potential tenants. The company is responsible for the right match. When choosing a property for the clients they always follow specific needs and requirements in the offer.</i>
CASE 6	<i>Young man after finishing his studies in finance and banking in Italy, where he played basketball decided to shape his career in accordance with his wishes. He started a family business. He had a clear goal with an ambitious vision. He has since represented brands such Michelin, Continental, Pirelli, Bridgestone, Goodyear, Michelin, Bridgestone, Falcon, Riken, Kingstar, Zeta, Solideal and Galaxy in his business. They are committed to quality and build loyal customers.</i>

### 3. RESULT AND DISCUSSION

The study highlights that young entrepreneurs are often not familiar with conditions they need to meet in order to start a business or obtain a loan. They are also not aware of all the supporting institutions and services available to them. A well-targeted training could help in this regard. Given the high perception of corruption and limited access to finance, the importance of reforms aiming at increased transparency and accountability, also in provision of financial services, cannot be overemphasized. Experiences of other countries emphasize the need to implement integrated reform packages rather than individual measures. Understanding the opportunities and constraints to youth entrepreneurship in different settings is thus critical for driving and successfully implementing this policy.

Traditionally and culturally Montenegrin youth are encouraged to look for employments in public or private sectors which in recent times making it even more challenging for graduating youth to find employment in the public sector or in established private firms. The emergence of youth entrepreneurship as a viable livelihood option is thus high on the policy agenda in most of European countries, making this study timely.



Table 5

## Challenges to access the finance

	<i>CASE1</i>	<i>CASE2</i>	<i>CASE3</i>	<i>CASE4</i>	<i>CASE5</i>	<i>CASE6</i>
<b>BANK</b>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>
<b>Personal</b>	<i>Savings &amp; parents</i>	<i>Family &amp; friends</i>	<i>&amp; Personal</i>	<i>No funding</i>	<i>Friend</i>	<i>Savings &amp; friends</i>

Table 6

## Support services

	<i>CASE1</i>	<i>CASE2</i>	<i>CASE3</i>	<i>CASE4</i>	<i>CASE5</i>	<i>CASE6</i>
<b>Government</b>	<i>No</i>	<i>Yes</i>	<i>Yes</i>	<i>No</i>	<i>No</i>	<i>No</i>
<b>NGO</b>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>

#### 4. CONCLUSIONS

The study highlighted that young entrepreneurs are often not familiar with conditions they need to meet in order to start a business or obtain a loan. They are often driven by their desires to make a change or become more independent. They are also not aware of all the supporting institutions and services available to them. A well-targeted training could help in this regard. Given the limited access to finance, the importance of reforms aiming at increased transparency and accountability, also in provision of financial services, cannot be overemphasized. Experiences of other countries emphasize the need to implement integrated reform packages rather than individual measures. Understanding the opportunities and constraints to youth entrepreneurship in different settings is thus critical for driving and successfully implementing this policy.

In this research, entrepreneurship is defined to be 'resources and process whereby individuals utilize opportunities in the market through the creation of new business firms' (Naude, 2010). Entrepreneurship often promotes social identity of youth by giving them a stronger sense of community where they are valued as well as of 'meaning' and 'belonging' (White and Kenyon, 2000). In sum, this examines the opportunities and to entrepreneurship as seen by young entrepreneurs in constraints Montenegro.

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