High-Growth Entrepreneurship in the MENA Region

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ABSTRACT

The development in the Middle East and North Africa (MENA) region is experiencing a crucial stage. How the region addresses the employment needs of its rapidly increasing population of young people will determine whether the MENA region will become one characterized by stable, knowledge-based economies that have dynamic working middle class. Entrepreneurship is considered vital to drive this transition of the region. However, not all types of entrepreneurship can contribute equally to increased economic growth and job creation. For these reasons, entrepreneurship literature shows a renewed focus on high-growth entrepreneurship. Increased high-growth entrepreneurship is expected to not only spur job growth but also act as a significant source of innovation and new investments. This article explores the entrepreneurial ecosystem of the MENA region. The chapter discusses various challenges and provides specific recommendations to boost high-growth entrepreneurship in the MENA region.

KEYWORDS

Business, Development, Investment, Job Creation, Knowledge-Based Economies

1. INTRODUCTION

The increasing size and energy of youth population around the globe poses serious challenges for governments especially in developing countries. If immediate actions are not taken to utilize the energy of this youth population to create economic activities at home, economies abroad can use this population for their advantage. To capitalize on this potential, the Middle East and North Africa (MENA) region must greatly increase its rate of job creation in the coming decade. The key element to drive this job creation is a business environment which supports entrepreneurs to start new ventures easily and boost economic activity. In order to provide such an environment, governments, Non-Government Organizations (NGOs), and business leaders must first identify the motivations behind entrepreneurs in order to create a healthy and supportive entrepreneurial ecosystem.

The objective of this article is to explore these challenges and opportunities and provide recommendations to boost entrepreneurial activities in the MENA region. Following the Introduction, Section 2 will explore the current state of entrepreneurship in the MENA region. Section 3 analyzes the entrepreneurial ecosystem in the MENA region to identify various challenges and opportunities for fostering entrepreneurship. Section 4 explores high-growth entrepreneurship, while Section 5 offers specific recommendations to improve the entrepreneurial ecosystem and accelerate entrepreneurship. Concluding remarks are provided in Section 6.
2. CURRENT STATE OF ENTREPRENEURSHIP

A full 60% of the MENA region’s population is under the age of 25, making it one of the world’s youngest workforces. It is expected that more than 100 million young people will be joining this workforce by 2020 (World Economic Forum, 2015). Such a large and motivated young workforce can drive growth and prosperity for the entire MENA region. According to a 2015 survey, more than 60% of people wanted to start their own business (Al-Masri, 2016). This situation presents both opportunities and challenges. Unemployment is still an obstacle to the region's development. The MENA region continues to show by far the highest youth unemployment rates – 28.2 and 30.5 per cent, respectively, in 2014 – and rates have continued to worsen since 2012, particularly for young women (International Labor Organization, 2015). According to an estimate, governments in the MENA region had to create 100 million jobs until 2020 in order to meet the alarming unemployment numbers (Albawaba, 2015). The consequences of not doing so could be severe. It would not only result in slowed regional growth but also loss of promising youth to migration. Social unrest is yet another danger.

To accelerate job creation in the MENA region, an entrepreneurial environment is necessary. Besides employing their owners, new businesses can provide significant spillover benefits for the economy. Once nurtured into small and medium-sized enterprises (SMEs), these new businesses can significantly contribute to increase the employment and gross domestic product (GDP).

The regional leaders must address many issues to foster entrepreneurship in the MENA region. Some of the pressing issues include identification of promising industries for entrepreneurship, support initiatives for identified industries, role of established entrepreneurs, the education system, the media, the venture capital firms, and the country’s culture in encouraging prospective entrepreneurs to start their own ventures. Although the level of early-stage entrepreneurial activity in MENA region is low, the region is rich with innovative ideas and emerging markets and is in a position to produce the next generation of successful leading entrepreneurs (Mervyn, 2015).

Most entrepreneurs are involved in necessity business such as shops and farms. These type of businesses employ their owners and lack other opportunities. These businesses usually lack aspiration to grow beyond the needs of their owners. The regional leaders need to focus on innovative entrepreneurs who could use their knowledge and finances to develop new markets. These kinds of entrepreneurial projects can provide the positive spillover effects of increased employment and economic growth.

Some governments in the MENA region have already started targeted initiatives to boost entrepreneurship. Qatar developed its Science and Technology Park to offer support to young innovative minds in developing their ideas. Once young people earned their respective degrees, they can then work in Qatar or advance their skills in other institutions like Qatar Science and Technology Park. The SANAD program in Oman is an initiative to promote entrepreneurship among young people by providing loans and expertise to new graduates. Know about Business (KAB) is another initiative by the Omani government under the auspices of the International Labor Organization (ILO) which focuses on the management training of entrepreneurs to develop their entrepreneurial attitude (Matriano & Sugaku, 2015).

However, the successes of the region’s startups should not be underestimated. According to Wamda, a regional accelerator platform, more than a dozen startups – including Bayt, Careem, MarkaVIP, Namshi, News Group, Propertyfinder, and Wadi.com – now have estimated valuations above US$100 million. Souq.com, a 3,000-employee company founded in 2005, is poised to be the region’s first “unicorn,” with a valuation above $1 billion. Yet the regional environment is far from being conducive to entrepreneurship. Wars, terrorism, and political turbulence are plaguing the MENA regions. Besides these factors lack of adequate risk capital, talent, or infrastructure are some other deep-rooted structural problems (Mahroum, 2016).
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