

Arab Countries Must Train Entrepreneurs for the Post-Oil Era

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Entrepreneurship is a crucial lever for developing countries' economic and social development. This is especially true in the Middle East and North Africa (MENA) region. MENA economies have often been based on abundant oil and natural gas supplies, but those economies are now seeking to diversify and retool as renewable energy becomes more attractive.

In this region, entrepreneurship holds the key to unlocking private initiatives, job creation, economic diversification, and the global attractiveness of Arab countries. This transition away from the oil- and gas-based economy is already underway, but much more needs to be done, especially at universities that prepare future entrepreneurs. The 2019 GUESS report^[1] shows that only 5% of United Arab Emirates college graduates want to become entrepreneurs, and only 6% in Saudi Arabia and Morocco. They believe their society does not encourage them to innovate or reward their self-employment initiatives. In fact, among young people, the main obstacles are the lack of experience, the need for capital, and their limited professional network. These challenges are even worse considering that 35% of young people have debts, according to YBI (2013).

This article discusses how a focus on entrepreneurship can bring economic and cultural benefits, how universities can improve their programs to better prepare entrepreneurs for success, and how economic policies can help even more.

The Benefits of Encouraging Entrepreneurship

Startups and small businesses can potentially create millions of new jobs in the region. In Saudi Arabia, for example, they are projected to contribute to 35% of the country's employment opportunities by 2030, as per a report by the Saudi Arabian General Investment Authority (2021). Encouraging the growth of startups across various sectors is helping Arab countries reduce their dependence on oil and gas and develop a more diversified and resilient economy, focusing on technology, renewable energy, and healthcare sectors.

According to a report by Roland Berger (2020), the MENA region has witnessed a rise in technology-driven startups, with investments in the tech sector growing at a compound annual growth rate (CAGR) of 22% between 2014 and 2019.

Entrepreneurship also attracts foreign direct investment (FDI) to the Arab economy, driving economic growth and knowledge transfer. In 2020, the MENA region witnessed a surge in venture capital investment, with FDI inflows reaching \$1 billion, as reported by Magnitt (2021). Thus, according to the Arab Region Outcome Statement (UNESCO, 2018), entrepreneurship education is considered by the United Nations as one of the essential skills for economic growth and social impact.

Helping Family Businesses Stay Competitive

Family businesses are central to economic development and job creation in Arab countries (Ghorfi, 2017). In the Middle East, they represent over 90% of companies, generate over 60% of the GDP, and employ 80% of the workforce (PWC^[2], 2016). As their countries pivot from an energy-based economy, many of these family firms must revisit their strategies and operating models.

Recruiting students with an entrepreneurship mindset can help them do that. As intrapreneurs, employees with entrepreneurial education show leadership, creativity, and the initiative to innovate and effectively support transformational changes. Entrepreneurship education can also help family businesses meet their challenges in governance, HR management, internationalization strategies, and innovation. It can help them meet the needs of highly demanding clients. By extension, too, this can help ensure that family businesses continue to attract talented workers. (Ghorfi, 2017).

Improving Perspectives for Young People

The youth unemployment rate is around 23% in the



Arab region, well above the global average of 13.7% (ILO, 2020). Young people represent only 29% of the labor force of Arab countries compared to 42% globally (UNDP, 2019). In 2020, 42% of young people in Arab countries said they had considered immigrating to another country, and this choice is irreversible for 40% of them, according to the Arab Youth Survey (2020). The main reasons for this decision are mainly linked to the economic conditions and the corruption problems their countries face.

Entrepreneurship education can give young people a positive perception of their future, alleviate their feelings of social injustice, compensate for the lack of quality jobs, and help them achieve a better quality of life. Blattman and Ralston (2015) argue that the impact of entrepreneurship education is more significant among young people than among adults. Also, it has been shown that banks will finance more young people initially trained in entrepreneurship.

Crucial for Gender Equity

In the Arab world, the stakes for women entrepreneurs are higher because they are facing cultural and societal norms that lead them to prioritize marriage and family responsibilities over starting their businesses. They also have a harder time attracting investment because of gender bias. Women have limited access to professional networks and are expected to juggle business responsibilities with household obligations.

This explains the poor performance of women's entrepreneurial initiatives in Arab countries. According to the Global Entrepreneurship Monitor (2019), the percentage of women entrepreneurs who have suspended their activities in the region is second only to Sub-Saharan Africa.

Entrepreneurship education can serve as an effective way to support women entrepreneurs. Among Arab women, 59% say that education can promote access to leadership positions in companies (AWLO^[3], 2011). However, many women hesitate to launch a startup because they lack entrepreneurial skills. Moreover, unlike men, women would find it difficult to grow their startups and reach an advanced level of development due to their need for entrepreneurship training.

Where Today's Entrepreneurship Education Falls Short

Several Arab schools and universities have offered training programs related to entrepreneurship by leveraging not only courses and degrees (Bachelor, Master) but also summer programs, continuing education seminars, etc. Universities such as the American University in Cairo (AUC), UAEU (United Arab Emirates University), and USEK (The Holy Spirit University of Kaslik) offer entrepreneurship minors within the framework of a bachelor's degree. USEK has also created an Innovation and Entrepreneurship Center to support the Lebanese community's entrepreneurial initiatives (startup launch, project development, etc.). The Suliman S. Olayan School of Business of the American University of Beirut has launched an initiative to offer entrepreneurs training and coaching through its accelerator. The AUC School of Business has set up a Venture Lab to provide mentoring and acceleration services. Finally, ESCA École de Management in Casablanca, Morocco, has developed a master's level course dedicated to entrepreneurship. The school also settled an incubator within its Entrepreneurship and Innovation Hub to prepare its students for their startup's acceleration phase.

While these programs should be applauded, much more needs to be done, in two main areas. First, more universities and schools should offer attractive, innovative, and effective programs to meet the students' expectations. Secondly, Arab countries should further support entrepreneurs through effective training and funding initiatives.

How Entrepreneurship Education Can be Improved

Universities and schools in Arab countries must adopt a Teaching Through Entrepreneurship approach that provides knowledge (Teaching about Entrepreneurship), develops key associated skills (Teaching for Entrepreneurship), and mobilizes an experiential learning process that immerses students in an entrepreneurial activity. Here are steps they should take:

1. **Improve teaching quality.** Teaching faculty usually lack a favorable spirit towards entrepreneurship and practical experience running a business. Consequently, Arab universities should attract more faculty specializing in entrepreneurship. They should also encourage faculty members to have a

positive view of entrepreneurship, and invite entrepreneurs to campus as role models for the students.

2. **Attend to context.** We need more research on entrepreneurship in the Arab world to understand this region's specificities and identify the best-fit practices to promote entrepreneurial initiatives in these countries.
3. **Partner for greater impact.** The training provided in Arab universities and schools remains poorly connected to businesses and the entrepreneurial ecosystem. Thus, more partnerships with startups, incubators, and accelerators should be developed to provide students with real experience and embed them in the environment they will be exploring as entrepreneurs. On the one hand, this will help them understand the opportunities and the constraints they need to face. On the other hand, this connectivity to the entrepreneurship ecosystem will allow them to identify institutional agents (professional associations, government agencies, incubators, accelerators, etc.), mechanisms and policies (financial support from the government, business angels, etc.), and business networks to help them launch and sustain their startups.
4. **Measure effectiveness.** Schools need clear measures to assess their entrepreneurial program's impact on behavior and entrepreneurial projects launched. In fact, universities need to track their graduates' entrepreneurial journeys better to assess their success (growth rate, fundraising, etc.), evaluate their satisfaction with the competencies they acquired, and determine the adjustments to make for future cohorts.
5. **Leverage experiential learning.** The prevailing pedagogies at many Arab universities do not encourage creativity, initiative, risk-taking, or self-confidence. To promote the entrepreneurial spirit, schools and universities should provide learning activities in real situations, experimentation (prototypes, test-learn, simulation, etc.), and competitions. More experiential learning activities should be embedded in the programs, such as case studies, internships, innovation labs, capstone projects, design thinking workshops, simulations, Business Games, Hackathons, conferences and meetings with entrepreneurs,

use of incubators and accelerators, etc.

6. **Broaden the perspective.** Entrepreneurship programs should also encompass community projects and initiatives for self-employment. They should leverage technology developments and business breakthroughs to create national and regional champions. This will help bolster national growth strategies and contribute to the global competitiveness of Arab countries.

Creating a Better Environment for Entrepreneurs

Along with improving entrepreneurship education, Arab countries must also create coherent ecosystems, including financing programs, an adapted taxation policy, regional development plans, public projects, efficient incubators and accelerators, etc. As specified by the report of the CESE (Economic, Social and Environmental Council) in Morocco, "*Releasing energies also means releasing economic initiative and entrepreneurship and allowing talents to express themselves to develop their creativity and to realize their potential.*"

It is important to provide startups with sufficient and necessary financing solutions. Arab countries must facilitate access to capital through public agencies such as the Tamwilcom (CCG in Morocco), which aims to guarantee loans granted by banks to entrepreneurs through various programs (Damane Intelak, Damane Capital Risque, Innov Idea, InnovStart, etc.). In Saudi Arabia, an agency called Monsha'at, has also been created to give startups access to capital. Arab countries would also benefit from integrating entrepreneurship into public policies.

Finally, Arab countries should encourage research and development that help them reap the benefits of entrepreneurship and innovation. These countries' investment levels are still very low in R&D (less than 1% of GDP for R&D), which explains the low number of patents. A government-run agency that promotes entrepreneurship should make it easier for various players (universities, companies, institutional agents, etc.) to work together effectively. Arab countries must also multiply incubators and accelerators to provide young entrepreneurs with the best support and incentive services.

Learn More

To learn more about the ideas in this article, check out the following book chapter, [which is available at this link](https://link.springer.com/chapter/10.1007/978-3-030-88447-5_6) (https://link.springer.com/chapter/10.1007/978-3-030-88447-5_6).

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http://guesssurvey.org/resources/nat_2018/GUESSS_Report_2018_UAE.pdf

[2] Price Waterhouse Coopers

[3] Arab Women Leadership Outlook