



Youth Entrepreneurship in Portugal and the UK

Final Report

Part A

Publishable Summary

- *Summary of the context and overall objectives of the action (max 2 pages)*

Despite some signs of recovery from the economic crisis, it remains very difficult for young people in Europe to find their place in the world of work. There is an increasing awareness of the negative effects associated with long-term disengagement from the labour market, for both the individuals and for society. The EU has tried to promote entrepreneurship as a strategy of integrating young people into the labour market. Accordingly, entrepreneurship is understood as a driver of job creation because it creates employment opportunities for both self-employed youth and other young people who may be hired by the newly created companies. Moreover, it may also increase innovation and raise competition - two drivers of economic growth – as young entrepreneurs are particularly responsive to new economic opportunities and trends of a globalised society. Hence, fostering youth entrepreneurship has recently become a significant priority among EU policymakers for addressing youth unemployment and economic growth. Initiatives to promote youth entrepreneurship have been focused in two main aspects: trying to develop an entrepreneurial profile among young people as a way of coping with competitive and volatile labour market and creating mechanisms that support new ventures such as grants, loans, incubators, and entrepreneurship programmes. Despite the numerous programmes and policies to promote and support entrepreneurship, there remains a lack of scientific research on youth entrepreneurship. Indeed, little is known about the experiences of young entrepreneurs and how entrepreneurship came about in their lives.

The period of early adulthood seems to be an important one for understanding the development of entrepreneurial intentions, as cross-national studies indicate that young people show greater interest in having their own business than their older counterparts. Despite an age trend of self-employment motivations, the proportion of young people interested and involved in self-employment varies largely across cultures. For instance, in Europe it tends to be higher in Southern European countries than in Scandinavian or Northern countries (Eurofound, 2015). This diversity seems to reflect not only different labour market conditions and opportunities to set up new businesses, but also the cultural values and practices towards employment and entrepreneurship. Hence, individual factors motivating self-employment seem to be intertwined with and embedded in socioeconomic and cultural factors. Indeed, entrepreneurship does not occur in a vacuum, but is influenced by the wider context in which it takes place.

Furthermore, statistics have indicated that although young people show an interest in starting up ventures, there is a big gap between intentions and realisation, and that the survival rates of young entrepreneurs is lower than their older counterparts. This suggests that young people face more barriers in the development of their entrepreneurial activities, and they also encounter greater risks. In this study we aimed to contribute for the understanding of these variations by exploring youth entrepreneurship in two economically and culturally distinct countries: Portugal and the UK. Using a transnational, interdisciplinary and multi-method approach with different actors involved in this process - young entrepreneurs and stakeholders - we looked at factors that fostered or prevented young people from becoming entrepreneurs and how these were shaped by socio-economic and factors. Indeed, mainstream entrepreneurial research has mostly relied on static approaches of entrepreneurship that focus either on macro-economic or individual level factors. In the present work we aimed to overcome this gap by considering entrepreneurship as a process that is constructed through fluid and malleable relations between the individual and his/hers context. Moreover, we aimed to look beyond the numbers and analyse how young people interpret their experiences of becoming entrepreneurs and the main challenges they face.

Hence, the main aims of the Youth Entrepreneurs (YE) projects was to improve the understanding of (a) how the process of becoming an entrepreneur was shaped by psychological, familiar, socio-economic and cultural factors (b) the motivations driving young people into self-employment (c) the main difficulties and obstacles they face in this process. Furthermore, it was intended to outline policy guidelines that could encourage and support youth entrepreneurship in both countries.

- *Work performed from the beginning of the action to the end of the period covered by the report and main results achieved so far*

In a first phase of this study we analysed data from international data sets (e.g. European Social Survey, Global Entrepreneurship Monitor) and international and national reports that considered youth entrepreneurship, in order to understand the main characteristics and trends of this phenomenon. A report with these findings can be found in the site of the project (<http://www.keele.ac.uk/youthentrepreneurs>).

In a subsequent phase, we looked for in-depth information about the processes, challenges and opportunities of becoming a youth entrepreneurship in Portugal and the UK. In order to achieve this we used a qualitative approach and performed two types of interviews:

- biographic interviews with young entrepreneurs during which they were asked to tell “their story” about how and why they became entrepreneurs;
- semi-structured interviews with stakeholders that focused on exploring the support their organizations provided, and their perceptions about young people’s needs, resources and main barriers in setting up a venture.

This second phase constituted the main focus of the study. Before conducting the qualitative research, numerous documents were prepared for the project’s Ethic evaluation at Keele University. After its approval, the qualitative data collection was initiated, first in the UK and subsequently in Portugal. The recruitment of participants followed a similar procedure in both countries. First, the researcher explored and established contact with organizations that provided support to young entrepreneurs (e.g. entrepreneurship training programmes, business nests, incubators). Those who accepted to collaborate with the study were asked to participate in an interview and facilitate access to young entrepreneurs they supported. Hence in a subsequent phase, potential participants were sent an invitation email with an information sheet about the study. Those who were willing to participate contacted the researcher. Before all interviews, participants had the study explained to them and were asked to sign a consent form. Young entrepreneurs were reimbursed with a voucher worth £20 or 20€ (depending on the country). The interviews lasted between 45 minutes and 2 hours. They were audio recorded and transcribed verbatim. Each interview transcript was sent back to the participant for his/her approval.

In total we conducted 38 interviews in both countries: 28 to young entrepreneurs with commercial and social orientated ventures (18-33 years old) - 16 Portuguese young entrepreneurs (3 females) and 12 British entrepreneurs (4 females) - and 10 to stakeholders (5 interviews on each country). The qualitative data was collected in the Metropolitan area of Porto in Portugal, and in the North West and West Midlands of UK. These regions represent important areas of economic development and investment in both countries.

The interviews were analysed by repeated readings and identification of major themes that emerged across them.

Key Findings

The main findings of this study are organized in three sections.

- *Becoming a Young Entrepreneur: Opportunities and Challenges* – focuses on the major topics that emerged across the interviews with young entrepreneurs.
- *Pathways into youth entrepreneurship* – presents five profiles through which young people became involved in entrepreneurship.
- *Supporting youth entrepreneurship* – reports stakeholders' perspectives about fostering youth entrepreneurship and its challenges.

1. Becoming a Young Entrepreneur: Opportunities and Challenges

This section presents the major topics that emerged across the interview with young entrepreneurs

Being young: The “right time”, but bigger barriers

Being an entrepreneur at a young age was perceived in an ambivalent way, showing up both as a blessing and a curse.

On one hand, being young was “the right time” to become an entrepreneur, because of the relative freedom from major adult commitments and responsibilities, such as having a house mortgage and dependent children. This view minimized the perception of risk since less was at stake. In addition, being an entrepreneur was perceived as involving long working hours and great personal investment. This freedom from major commitments provided the sense of availability to put all of themselves into the task.

Hence, being young was seen as a time for exploring and testing possibilities, where the uncertainties and risks of entrepreneurship best fitted.

On the other hand, becoming an entrepreneur at a young age involved greater barriers and challenges. This was mainly felt in terms of difficult access to finance, having little experience from the world of work and business, and the image of inexperience passed to others, such as clients and investors.

Entrepreneurship as a co-constructed process

Numerous actors supported and influenced young peoples' process of becoming entrepreneurs, such as family, friends, business mentors, other entrepreneurs and entities involved in promoting entrepreneurship

Those who had self-employed parents (or other significant others such as family friends) saw this as an important driver of their career path. Listening to business talk at home and observing how these individuals worked and managed businesses helped shape young people's entrepreneurial interests and skills. Besides functioning as important role models, the family of origin was also seen as an important source of financial, residential and emotional support. Due to young peoples' difficulties in accessing finance, many families helped out by lending money and/or allowing them to stay home, while saving money to start up a venture. Having this "safe net" helped build young people's confidence to invest in an activity with uncertain outcomes.

Furthermore, the guidance and information provided by entities supporting entrepreneurship (e.g. start-up hubs, incubators) and by experienced business people, such as business mentors and other entrepreneurs was seen as crucial in shaping an entrepreneurial mind-set and overcoming the challenges of starting up a venture. This type of support typically included guidance in defining a business plan, information about funding opportunities and training, providing contacts and getting in network structures, facilitating communication with investors and business angels, and guidance and advice in dealing with business challenges.

Having what it takes

There was a set of personal characteristics and behaviours that tended to be shared by participants from both countries, such as a high degree of initiative, diligence and proactivity. In general, the young entrepreneurs were completely committed to the project of building up their venture. They showed a high degree of self-determination and persistence in pursuing goals, learning the necessary skills and managing risks. Entrepreneurship was seen as demanding constant effort, attention and flexibility to adjust actions and goals in face of uncertainty. This never ending process required the capacity for complete acquiescence (you have to put 'all of yourself'), resilience and the ability to cope with frustration and to delay gratification resulting from drawbacks and financial hardship.

Although there was great awareness about the risk of failing, the young entrepreneurs were not hindered by it. Indeed failure was perceived as part of the process of becoming an entrepreneur and as a learning strategy that would take them closer to success.

Young entrepreneurs had a representation about how the “ideal entrepreneur” should be and their personal strengths and limitations. In general, participants tended to be optimistic and to have positive self-beliefs about their personal abilities and resources to succeed.

Why become an entrepreneur?

There was a diversity of motivations driving young people into entrepreneurship. A common reason pointed out was the opportunity to get out of a labour market that was seen as unable to deliver self-fulfilment. Hence, becoming an entrepreneur was perceived as a chance to realize ideas, to create, to explore and expose skills, and to define a life style and work ethic that was in accordance with personal values, such as a better compatibility of leisure time and career, and the opportunity to help others and contribute to change. Linked to this was also the prospect of freedom and control by being one owns boss. Furthermore, establishing a venture appealed for the challenge it represented and the potential financial rewards. Besides the quest for self-fulfilment and independence, self-employment was also driven by the need to get in the world of work and create a source of income. For some participants, this need for an alternative professional path emerged after experiencing numerous failed attempts to get in the labour market and negative work experiences. Hence, entrepreneurship showed up as providing some sense of control over a labour market that was experienced as uncertain and precarious.

Employment as a strategy

Part of the participants had another economic activity while establishing a venture, such as a full/part-time job or freelancing activities. The decision to have a parallel activity was mainly used to guarantee a standard of living and some financial security while testing and developing the business, or to have an opportunity to develop skills and gain knowledge about aspects of the business they aimed to invest in. Some participants used both strategies simultaneously. This revealed that young entrepreneurs tended to be cautious and strategic in the way they approached entrepreneurship.

Cultural differences across the interviews

Some differences emerged across the interviews with Portuguese and UK participants. In general, Portuguese participants were more likely to point out contextual/external factors fostering or hindering entrepreneurship, while UK participants focused more on individual/internal ones. Portuguese participants were more likely to stress out socioeconomic factors in their choice of becoming entrepreneurs, which seems to be associated with the severity of the economic crises in the country and the emergence of policies focused in promoting entrepreneurship as a way of tackling young people's high unemployment rates. Participants talked about the influence of a national agenda, where entrepreneurship showed up as the new buzzword for boosting the economy. Despite the high investment in promoting entrepreneurial activities and mindset, Portuguese young entrepreneurs were also more likely to perceive difficulties in setting up a business - particularly financial ones, as well as negative social attitudes towards stepping out from conventional employment paths. Although UK participants also shared the perception that the labour market offered few and limited opportunities, they were more likely to see entrepreneurship driven by individual reasons. Furthermore, capital was not perceived as assuming such a determinant role setting up a business as in the Portuguese case.

Some cultural differences also showed up in terms of perceptions of family support. While feeling supported by the family of origin was important in the process of becoming an entrepreneur for participants of both countries, this support was manifested in different ways. In general, UK parents embraced and accepted their child's career choice, providing support when required. In the Portuguese case, parents tended to assume a more opinionated and interfering role. Some showed reservations about their child's entrepreneurial choice because of the investment made in credentials for a professional career, they perceived as more secure and socially valorised. Hence, Portuguese parents appeared to be more risk averse and less likely to support an alternative path.

2. Pathways into youth entrepreneurship

Becoming an entrepreneur was experienced in a heterogeneous way across the participants of both countries. Although there was a diversity of paths and reasons through which entrepreneurship came about, it was possible to identify five general profiles of youth entrepreneurship. These profiles were defined taking into consideration three main aspects: *"The call"* to become an entrepreneur (i.e. when and how entrepreneurial intentions emerged), *"the journey"* from education or employment to self-employment; and *"the goal"* or main motivations driving young people to entrepreneurship. The five profiles that emerged from our interviews do not claim to be

representative of youth entrepreneurship, nor the characterization to be tight (young entrepreneurs might present characteristics from several profiles). We use these profiles to exemplify the diversity of pathways through which young people became in entrepreneurship in two distinct contexts.

The classic pathway

In this profile young people's interviews followed a narrative often portrayed in biographic reports of successful entrepreneurs. For this reason we denominated this profile as the classic pathway. Most entrepreneurs from this profile revealed from a young age an ability to lead, to negotiate and to generate money. Their transition from education to professional life was defined by a clear wish to become entrepreneurs and look for business opportunities. Young entrepreneurs from this profile were ambitious, had clear future goals, and thrived for new challenges. They shared career values of independence and autonomy, and were driven by the prospect of financial and personal success. In sum, entrepreneurship for these participants showed up as a manifestation of their personal characteristics. Therefore, more than a process of "becoming", entrepreneurship was perceived as a way of "being". In this study all these participants were male and had one or more commercial businesses.

The start-up pathway

This profile was mainly composed by young entrepreneurs involved in innovative start-ups with a technological background. In these narratives the intention to become an entrepreneur usually showed up through work experience in a start-up, or by the influence of teachers, peers and organized talks and events about innovation and entrepreneurship. Participants from this profile were driven by the "start-up dream" of high financial and psychological rewards by applying their "brain power" and skills in creating innovative products. Their pathway into the world of innovative start-ups was usually supported by structures such as hubs, incubators and university technological parks, where they (usually teams of two or more young entrepreneurs) developed and tested for the viability of a product. One of the biggest challenges these entrepreneurs faced was attracting enough investment (e.g. from investors, business angels, prizes) to sustain and make their start-up grow. Due to high failure rates, start-ups and networks tended to be seen as temporary and transitional projects.

The Alternative pathway

In this profile self-employment shows up as a way of engaging in meaningful work, usually after experiencing negative/non-satisfying employment experiences or by volunteering work. In general, young people from this path aimed for a way out of conforming to conventional working practices or to contribute to social change. Although strongly committed to their ventures, these projects could be open to revision due to the perception of “mission accomplished”, or due to the realization that the project no longer was in accordance to their personal goals.

In this study this profile was composed by both social and commercial entrepreneurs.

The accidental pathway

Some participants perceived that becoming an entrepreneur was accidental or the result of serendipity. Young entrepreneurs from this profile did not initially contemplate self-employment as professional path for them. They usually got “caught in the process” by suggestion of others or by realization of a particular skill that could generate money. Hence, in these pathways there is a detour from participant’s initial professional plans, usually when confronted with situations of unemployment or non-satisfying work experiences. These participants are driven by the belief in their “product”(or skill), as way of securing a way of life.

The necessity pathway

In this path becoming an entrepreneurship emerged by the need to get in the world of work and find a source of income after unsuccessful attempts through employment. Although these participants were pushed into self-employment by the lack of employment perspectives, they also saw it as an opportunity to define meaningful work and to develop projects within their scoop of interests and educational credentials. This path tended to be experienced as more challenging and fragmented than the others.

Table 1. Pathways into youth entrepreneurship profiles

	Classical	Start-up	Alternative	Accidental	Necessity
The call	Early business abilities and interest.	Information about the world of start-ups (work experience, teachers, seminars)	Volunteering work and/or disappointment with standardized employment	Suggestion of other or recognition of personal talent/skill	Realization of need to find a source of income
The journey	Defined by a clear intention to be an entrepreneur.	Standardized and supported path (e.g. hubs, incubators), but	Mixed paths. Self-employment emerges as a	Self-employment not initially planned. Caught	Numerous failed attempts to get in the world of work

	More or less linear path from education/employment to entrepreneurship	volatile due to high risk of failing.	way of defining a life style or helping others.	in the process after positive experience.	through employment. Realization of lack of alternatives.
The goal	Personal and financial success	Innovation and quick success	Sense of purpose and life-style	Exposure of product/skill	Survival

3. Supporting youth entrepreneurship: Stakeholders' perceptions

This section reports on the main findings of the interviews with key figures of entities supporting youth entrepreneurship. Some entities focused on supporting a specific group of young people (e.g. unemployed, students) or a specific type of venture (e.g. social, technological), while others provided more general support to young people. The type of support provided was diverse and ranged from integrated programme that enclosed a package of support (e.g. training, mentoring, space to develop product/business, grants) to one specific type of support.

Types of support provided:

- Space (e.g. hubs, incubators, business nests, co-working space)
- Training and education programs (e.g. entrepreneurship academies, accelerators, start-up schools)
- Information and guidance (mentoring, contacts, consultancy)
- Organization of events (conferences, workshops, networking) e
- Finance (Grants, loans, investors)

Barriers and needs

Both Portuguese and UK stakeholders acknowledged that many young people looking for their support felt **unprepared and lacked self-confidence** about how to establish and run a business. Although bridging these gaps is one of the main missions of these entities, they also pointed out that these feelings put many young people away from self-employment. It was considered that the education system fails to explore self-employment as a potential route into the labour market. As a consequence, young people are not encouraged to contemplate this possibility and prepare for it.

Fear of failure, risk aversion and other **social attitudes towards entrepreneurship** (e.g. entrepreneurship cannot be learned –it is only for special people; entrepreneurs exploit people) were also pointed out as hindering young people's interest into self-employment, particularly when shared by influential figures such as family members, teachers and career advisors.

Young entrepreneurs are a **diverse group that should not be supported in a uniform way**. One limitation of existing support was the absence of solutions for certain types of entrepreneurs. For example, young people who are driven into self-employment by necessity tend to look for a quick economic solution for their situation. However, establishing a business is a process that takes time and is financially difficult in early stages. As a consequence, necessity driven entrepreneurs struggle to cope with these challenges and many end up withdrawing from the process. Moreover, social entrepreneurship entails specific challenges since ventures intent to be non-profit (although sustainable) but do not enjoy any different legislation or tax scheme. It is also more challenging for these entrepreneurs to have access to finance or to find investors.

Another problem pointed out was **unrealistic views about what it means to be an entrepreneur**. This was associated with success stories transmitted in the media which show an easy path into successful life style,

Available support

In general, Portuguese stakeholders had a more positive view about the extent and adequacy of the instruments available to support youth entrepreneurship. They recognised that a big national investment was made in promoting entrepreneurship during the last years, and that a cultural change has been taking place where being an entrepreneur has become a more appealing, particularly for educated young people.

Stakeholders from the UK pointed out a decline in public investment supporting entrepreneurship, which has been gradually replaced by the private sector. As a result there is a lack of policies that aim to target youth entrepreneurship in an integrated way.

Progress beyond the state of the art and expected potential impact (including the socio-economic impact and the wider societal implications of the action so far)

In this study we verified:

- There is a gap between discourse and practice. Although young people's stories are embedded in meta-narratives of entrepreneurship, their experiences tend to be more complex and diverse, going beyond what usually is said and disseminated.
- Youth entrepreneurship is a heterogeneous and complex experience. There is a diversity of paths that may shape young people's entry into entrepreneurship, as well as multiplicity of meanings and identities associated with being an entrepreneur. This diversity is also associated with distinct challenges and needs.
- Entrepreneurship was not necessarily the result of personal characteristics and abilities, but also came about in response to a labour market that was perceived as difficult to reach or unable to deliver self-fulfilment
- Young adulthood was seen as the ideal time to explore and test for business possibilities, since there was less at stake.
- Overall Portuguese and UK participants shared more similarities than differences in the motivations and process of becoming an entrepreneur. Nevertheless, context was relevant in shaping how young people felt supported and limited in their actions. For example, Portuguese participants felt that the political investment made in promoting entrepreneurship clashed with family and social attitudes towards alternative professional paths. In the UK there was an overall perception of greater freedom of choice in defining professional paths.
- Youth entrepreneurship is paradoxical. It is about:
 - being young as the "right time", but also facing greater barriers;
 - becoming independent but needing support;
 - having freedom but never being able to "switch off";
 - taking control over an uncertain labour market, but investing in an activity characterized by high risk

As result, the

- ▶ Entrepreneurship is a heterogeneous phenomenon and needs to be addressed from a variety of angles and perspectives. There is a need for a more nuanced view that considers the distinct needs and challenges of particular types of entrepreneurs.

- ▶ Programmes supporting youth entrepreneurship should provide a comprehensive range of different forms of support to reflect the diversity of experiences and pathways. This support needs to be spread over a relatively long time span to be fully effective, as the first years of any enterprise are usually the most crucial.
- ▶ Young people do recognise entrepreneurship as an alternative to working as an employee but their reasons for doing so vary. While some are entering entrepreneurship because of difficulties in finding paid employment, others embrace entrepreneurship because it provides an alternative life style and orientation to work. Supporting entrepreneurship as a viable alternative way of making a living and life style, rather than a reaction to limited labour market opportunities may engage more young people.
- ▶ Supporting youth entrepreneurship needs to be understood as a long-term strategy: the policies put in place are more likely to produce both tangible (new companies) and intangible results (changes in the general attitude of the young towards self-employment) in the medium to long term.
- ▶ Although, entrepreneurship should not be seen as a mass solution for youth unemployment, it is a path that needs to be further acknowledged and explored, particularly in the education system. In order to do so, policies fostering youth entrepreneurship (e.g. training) should also target professionals working with this population (e.g. teachers, career advisors).