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**Article**

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**Opportunities and challenges in promoting youth entrepreneurship in  
Montenegro**

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**Abstract**

**Purpose** – The purpose of this paper is to examine the opportunities and challenges that youth entrepreneurs are facing in Montenegro, considering all aspects of youth participation in the development of the country. A quality research of several successful young entrepreneurs is presented.

**Design/methodology/approach** – Several successful young entrepreneurs were interviewed. The principles of case study design and method were followed. Data collection involved both macro and micro level analysis of interviews and direct observation.

**Findings** – 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 stages 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 untapped due to certain obstacles that they face. There are needs for encouraging programs to inform youth about the value of their participation in all aspects of society.

**Research limitations/implications** – The main limitations were access to a greater number of successful young entrepreneurs making the analysis more descriptive and conclusive.

**Originality/value** – The paper supports understanding of the complex employment challenges and opportunities facing youth and stimulates discussion on how to address this key development issue.

**Keywords:** Entrepreneurship, Youth, Montenegro, Business, Employment

**JEL Classification:** M13, M31, O40

## **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 favourable conditions for specific economic activities, above all tourism.

In Montenegro, small enterprises are dominant and present 96.5% of the total of 6539 firms. The large enterprises present only 0.8% of the total. The number of medium enterprises is also low; they represent only 2.7% of the sample. During the recent years only 20 enterprises or 37.95% of 53 large enterprises have positive business result. This percentage 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. Although tourism is declared to be of strategic importance for the development of Montenegro, it 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. Male employment is 57.3% of the male population and female employment is 42.7% of the female population. The percentage of male citizens who, after primary school, gain appropriate professional education is double of the female. The male self-employed population is 21.3% almost double of female population 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 whether male or female.

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.

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 the Montenegrin youth or whether they prefer and desire to become entrepreneurs due to the lack of other opportunities. Put it differently, the research endeavoured 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 that 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.

This paper will also enhance understanding of the complex employment challenges facing Montenegrin youth and will 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 the 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. Methodology**

The research procedures involved the development of six case studies of successful young people between 20-30 years old engaged in business. Interviewing these young entrepreneurs who were graduates of the entrepreneurship course at the University of Montenegro were carried out separately and with focussed well-designed research questions.

The process for the development of theory from case study research was used as a guide to the study. Each of the eight steps advocated by theory was followed, along with the principles of case study design and analysis recommended by Yin (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. Their qualitative responses provided the basis on which the research findings were analysed.

Young Montenegrins are drawn to entrepreneurship out of both desire for change and an opportunity to realize their vision to contribute to their country and the community.

**Table 1: List of Cases and their description**

CASE 1	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 excellent potential for future.
CASE 2	An IT company with great enthusiasm and creative energy is led 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.
CASE 3	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 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.
CASE 4	The goal of this start up is to provide integrated health food of organic origin, in the territory of Montenegro. Through the website 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 website 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.
CASE 5	Founder of this company is a young graduate of economy. 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 expected 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.
CASE 6	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 building loyal customers.

While well recognised 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.

**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 available institutions and services. In this regards, a well-targeted entrepreneurial training is needed. 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. In recent times it has become even more challenging for youth graduates 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.

Recognizing the complexity of factors that drive youth entrepreneurship and the multi-disciplinary nature of the topic, this research focuses on five distinct, but interlinked approaches, first is the values and factors that have motivated or de-motivated the young entrepreneurs. The second approach is the social and cultural attitude to start up. Then the study focuses on the constraint in the business environment and the restrictions on financial supports. Finally, the most important area of support services is examined. The paper provides new insights into the aspirations of young entrepreneurs in Montenegro. All cases are distinctly analyzed and the approaches are described in the following tables.

**Table 2: Entrepreneurs values and factors that encouraged (motivated) or discouraged (demotivated) them to start the business**

	CASE 1	CASE 2	CASE 3	CASE 4	CASE 5	CASE 6
<b>Motivated</b>	Desire for change	Independence	Desire for change	Independence	Independence	Desire for change
<b>De-motivated</b>	Finance& regulations					

**Table 3: Social & cultural attitude to start up**

	CASE 1	CASE 2	CASE 3	CASE 4	CASE 5	CASE 6
<b>Cultural</b>	No support	No support	No support	No support	No support	No support
<b>Social</b>	Family support	Family& friends support	Family support	Family support	Family& friends support	Family& friends Support

**Table 4: Constraints in the business environment**

	CASE 1	CASE 2	CASE 3	CASE 4	CASE 5	CASE 6
<b>Marketing</b>	Difficult	Difficult	Difficult	Difficult	Difficult	Difficult
<b>Regulations</b>	complex	complex	complex	complex	complex	complex

**Table 5: Challenges to access the finance**

	CASE 1	CASE 2	CASE 3	CASE 4	CASE 5	CASE 6
<b>BANK</b>	None	None	None	None	None	None
<b>Personal</b>	Savings&parents	Family & friends	Personal	No funding	Friend	Savings & friends

**Table 6: Support services**

	CASE 1	CASE 2	CASE 3	CASE 4	CASE 5	CASE 6
<b>Government</b>	No	Yes	Yes	No	No	No
<b>NGO</b>	Yes	Yes	Yes	Yes	Yes	Yes

Inconsistencies among the preferences of young entrepreneurs are directed or for independence (primarily from their parents), or to create their own destiny in terms of a different approach to creating career of the previous which was characterized approach of "security" (work in the government sector).

All respondents had positive experiences regarding the support of their families and/or friends, which is a major positive impulse to young entrepreneurs. It is a positive experience that testifies about changes that the Montenegrin society is facing, but also the potential for development in the future should be used. On the other hand, all respondents were unanimous in their assessment that the cultural prerequisites for the development of entrepreneurship among young people are very difficult and additionally complicated by bureaucratic constraints.

Respondents identified that there are major operational obstacles not for starting up but for running a business, especially in are of administrative paper work and complex tax regulations systems. although Montenegrin market is small, its mechanisms are not sufficiently developed, which is why all the respondents have experienced problems related to the appearance on the market and maintaining communication with final users customers.

Almost all respondents agreed that the biggest obstacle to the development of entrepreneurship among young people, the lack of good quality sources of financing. The availability of bank credit is very poor and in cases when there are credit lines, these are burdened by bureaucratic and other barriers. On the other hand, most of them alleged that they set up the business did not need a larger

amount of capital, and they were guarded in their savings or from family / friends.

Respondents agreed that the procedure for the establishment of the company's simple and affirmative influences on the development of entrepreneurship among young people. However, believe that along this, the government can further improve the environment by improving the support system for young people (especially in the field of non-formal education) to better overcome the obstacles that young entrepreneurs are facing during the first years of starting up a business. Young entrepreneurs in Montenegro are satisfied with the support provided by the NGO sector.

#### **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 entrepreneurial training is needed to advance the development of the youth 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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