Future Proofing Entrepreneurship in the Arab World

Haya Al-Dajani
Mohammed Bin Salman College of Business and Entrepreneurship, SAUDI ARABIA, haldajani@mbsc.edu.sa

Follow this and additional works at: https://journals.usek.edu.lb/aebj

Part of the Economics Commons, and the Entrepreneurial and Small Business Operations Commons

Recommended Citation
Al-Dajani, Haya (2022) "Future Proofing Entrepreneurship in the Arab World," Arab Economic and Business Journal: Vol. 14 : Iss. 1 , Article 2.
Available at: https://doi.org/10.38039/2214-4625.1002

This Research Article is brought to you for free and open access by Holy Spirit University of Kaslik Journals. It has been accepted for inclusion in Arab Economic and Business Journal by an authorized editor of Holy Spirit University of Kaslik Journals.
Future Prooﬁng Entrepreneurship in the Arab World

Haya Al-Dajani
Mohammed Bin Salman College of Business and Entrepreneurship, Saudi Arabia

Abstract

This conceptual article proposes a cooperative entrepreneurship framework with a producer cooperative enterprise start-up model to contribute to addressing the complex consequences of the social, political and economic challenges affecting the Arab world. The article argues that the adoption of a producer cooperative enterprise start-up model will contribute to future prooﬁng entrepreneurship in the Arab world, and avoid a return to a preference for public sector employment that will stiﬂe the sustainable social and economic development of the region. As such, the article contributes to bridging the gap in the literature on entrepreneurship start up support initiatives and models in the Arab world, and offers relevant considerations for cooperative entrepreneurship for social and economic development throughout the Global South.

Keywords: Adversity, Arab world, Cooperative entrepreneurship, Producer cooperative start up model

1. Introduction

Whilst the Arab world continues to deal with its social, political and economic challenges resulting in burgeoning unemployment and poverty rates, radicalization of youth, and growing socio-economic disparities, there has been a steady growth in entrepreneurship programmes to cultivate an entrepreneurial mindset and innovation, accelerate the rate of start-ups, and nurture entrepreneurial growth to combat these challenges. This is no easy feat when the violence, unrest, and instability continue in Iraq, Lebanon, Libya, Palestine, Syria, and Yemen, and when the Global Gender Gap Index 2020 reports that the ten countries with the largest gender gaps are in the Arab world and requiring 150 years at the current rate of progress to close them (The World Economic Forum, 2020).

Despite a small number of widely recognized exceptional entrepreneurial successes including Careem (acquired by Uber in 2019), Maktoob (acquired by Yahoo in 2009), and Souq (acquired by Amazon in 2017), the Arab world continues to lag behind more advanced nations as only 0.3% of all businesses here are startups (Puri-Mirza, 2021). The COVID-19 pandemic that forced millions throughout the region into lockdown in their homes between March 2020–May 2021 severely impacted upon government efforts to vitalize entrepreneurship support throughout the region, and no location within the region was immune from the closure of businesses, especially SMEs (Elsheshtawy, 2021).

To date, the majority of localized, national and international entrepreneurship programmes, as well as policies supporting entrepreneurship in the Arab world and globally, have focused predominantly upon an individualistic market-driven model of entrepreneurship, encouraging citizens to independently start up their entrepreneurial ventures (Aminova et al., 2020). Indeed, the masculine hegemonic representation of the entrepreneur as a white Anglo-Saxon man persists despite the extant diversity amongst real world entrepreneurs (Althathini et al., 2021). Such obsession with the neoliberal, market driven individualistic model of entrepreneurship has been widely criticized (Baer, 2016) as it has led to a mythical entrepreneur ﬁgure, limiting the scope of entrepreneurship, and discouraging many from engaging in entrepreneurship.

To counter this model and limitations, a cooperative entrepreneurship framework with a producer cooperative enterprise start-up model to ‘future proof’ entrepreneurship in the Arab World is presented. Cooperative entrepreneurship is deﬁned as “the establishment of a cooperative enterprise” (McDonnell et al., 2012): 5) and is a type of team-
based entrepreneurship where a new venture is created by a group of entrepreneurs rather than only one (Svendsen & Svendsen, 2004). As will be seen in this article, the cooperative entrepreneurship framework with a producer cooperative enterprise start-up model can ‘future proof’ entrepreneurship in the Arab World by enabling entrepreneurs to work collectively and democratically for the benefit of the group and community, rather than individually or in isolation, to innovate and think ‘outside the box’, and to share both the risks and the rewards, as well as the commitment and workload.

Through the cooperative entrepreneurship framework with a producer cooperative enterprise start-up model proposed in this article, a reconsideration of entrepreneurship policy and practice in the Arab world is encouraged, and a contribution is made to bridging the gap in the literature on entrepreneurship start up support models in the Arab world. Addressing the limitations of the existing and employed entrepreneurship start up support models in the Arab world, and proposing contemporary alternatives fit for accelerating the region’s competitiveness will help to ‘future proof’ entrepreneurship in the Arab World, reduce the burdensome unemployment rates and avoid a return to a preference for public sector employment. Whilst the proposed framework and model and their contribution are focused upon the Arab world, other parts of the Global South facing similar challenges will also benefit from considering and contextualizing the proposed cooperative entrepreneurship framework with a producer cooperative enterprise start-up model presented in this article. Similarly, international organizations and aid agencies addressing the United National Sustainable Development Goals (SDGs), will also benefit from the consideration of the cooperative entrepreneurship framework with a producer cooperative enterprise start-up model with supporting local initiatives for social and economic development throughout the Global South.

The paper begins with defining cooperative entrepreneurship and its relevance for adverse conditions such as the consequences of the Covid-19 pandemic. Following this, the applicability of the producer cooperative enterprise start-up model to the Arab world is discussed, and the article concludes with a set of future research directions and implications for policy and practice.

2. Cooperative entrepreneurship and adversity

Despite its necessity as has been shown by the Covid-19 pandemic, planning for critical crises is expensive and fraught with political pressures (Boin, 2019). Governmental financial support (Williams et al., 2017), and administrative preparedness in dealing with the immediate adversity, the resilience of the economy, and its respective institutions for post disaster/crisis stability and policy is critical for maintaining economic prosperity (Althalathini et al., 2021). Prior to the Covid-19 pandemic and since the global economic crisis of 2008, (Cheney et al., 2014), cooperatives as strategic organizations for greater sustainable social and economic development, attracted increased academic and policy interest internationally (Reed and McMurtry 2009). Whilst some research addressed the barriers and challenges for the survival of cooperatives in the globalized context (Bretos & Marcuello, 2017), this was undertaken prior to the Covid-19 pandemic testing the economic models of the world.

Beside governmental interventions, all stakeholders within the entrepreneurship ecosystem have a critical role to play in times of adversity (Williams and Vorley, 2015), especially in encouraging rather than restraining cooperative entrepreneurship especially as cooperative entrepreneurship can aid the recovery from adversity, by contributing to the resilience of communities, regions, and economies. Although a handful of studies addressing entrepreneurship in adversity exist, these have tended to concentrate upon relative stable contexts affected by unexpected disasters (Williams and Vorley, 2017; Bishop, 2019; Brem et al., 2020; Doern, 2016). With regards to cooperative entrepreneurship in adversity, the literature review conducted did not yield any recent publications addressing this although cooperative enterprises are over 150 years old, initially emerging in 1862 during Germany’s agricultural depression, to overcome adverse financial strife (Mazzarol et al., 2014).

Given the economic, political, and social state of the Arab world at present, the strengths and advantages of cooperative entrepreneurship are more pertinent than its weaknesses or disadvantages. Within cooperative entrepreneurship, cooperative enterprises operate and compete within the same marketplace and under the same social, economic and political forces as all enterprises do. As such, their financial management, production and marketing, supply chain, operations, talent, and human resource management, amongst other business dimensions must adhere to those of any successful business (Spicer, 2021). The overarching divergence however, between cooperative enterprises and other enterprises lies in three characteristics; ownership, governance, and beneficiary (McDonnell et al., 2012).
Typically, four types of cooperative enterprises exist; consumer, producer, worker and hybrid (McDonnell et al., 2012). Within the consumer cooperative enterprise type, the consumers/customers own the enterprise and buy the goods and services offered. As such, this type of cooperative enterprise is established primarily to serve the needs of their (members) consumers/customers and provide them with goods and/or services. Producer cooperative enterprises on the other hand, are essentially unions that process and market the goods and services produced by their members (Spicer, 2021). They are owned by the producers who work collectively and pool their products, to achieve higher sales (Cross & Buccola, 2004). Producer cooperative enterprises are well suited for farmers, micro-entrepreneurs, creatives, and artisans. Worker cooperative enterprises are owned and governed democratically by their employees who are also members of the cooperative. As such, within this type of cooperative enterprise, the workers are simultaneously both employees and owners of the enterprise. Such a model helps to galvanize the creativity and commitment of the employees (Chen, 2016). The final type of cooperative enterprises is the hybrid one which combines multiple membership and ownership types such as combining both consumers and workers (McDonnell et al., 2012).

3. Defining the producer cooperative enterprise start-up

Characterized by a shared democratic ownership and control model of a typical cooperative, the producer cooperative enterprise start-up model is values-driven and principles-based (Anonymous, 2021). These values and principles comprise a set of parameters that value people before capital and include equity, solidarity, democratic management and commitment to social development (Fernandez-Guadáno et al., 2020). Their goals, democratic governance, ownership and control model, are firmly embedded within the principles of sustainable social and economic development as their economic performance is focused on generating value for all their stakeholders, rather than for their shareholders (Fukukawa et al., 2007).

Unlike typical start-ups created by individual entrepreneurs, a producer cooperative start up is initiated and owned by groups of specialized producers such as artisans, creatives, makers, farmers, and digital technicians, who produce similar types of products or services. Through the producer cooperative start up, the producer members can more effectively negotiate prices for raw materials and supplies, access to larger markets, collectively market, and sell their goods and services, and obtain credit at preferential rates unavailable to individual enterprises. These benefit all members of the producer cooperative start up. As such, the producer cooperative start-up model consists of different producer members whose work and values complement those of the other members and those of the cooperative.

Examples of producer cooperative start-ups from around the world include Oceanspray which was started by three cranberry farmers in 1930 in the USA. This farmer-owned producer cooperative now has 700 fruit growing farming families as their members producing fruit for Oceanspray who then returns 100% of the profits from selling their product ranges to these 700 members. Another example is Q Artist Cooperative in Wisconsin. This is a cooperative of artist members who pay a fee to cover the costs and expenses of the gallery, participate in running the gallery, produce artwork to be displayed and sold through the gallery, and own and democratically control the gallery. A further example from the United Kingdom, is the Forest of Avon Wood Products Cooperative (Cooperatives UK., 2008). This was started by a group of enterprises and professionals working with wood from the Avon woodlands who decided that together, they could promote the woodlands, timber, and crafts more effectively and efficiently than doing so individually. The 50 members represent tree surgeons, a sawmill, designers, and wood turners, who manage their enterprises individually, and work collectively to source, market, and sell their products.

4. The producer cooperative start up model and the Arab World

Poverty remains a grand challenge for the Arab world (Abu-Ismail, 2021). According to the United Nations Development Program (UNDP) and the Arab League, at least 40% of this region’s population lives below the poverty line, and over 50% of the unemployed in most Arab nations are youth aged between 18 and 30 years of age, constituting the highest rate of youth unemployment globally. Just like regular cooperatives that play a significant role in building infrastructure and/or reviving local economies, producer cooperative start-ups are critical for poverty alleviation in the Arab world, particularly during crises and adversity.

The Global Cooperative Campaign Against Poverty, a partnership between the International
Labor Organization (ILO) and the International Cooperative Alliance (ICA), presented the cooperative enterprise as the optimal model for addressing all dimensions of poverty alleviation as summarized by the World Bank: opportunity; empowerment and security (Develtere et al., 2008). According to the American Overseas Cooperative Development Council (OCDC), cooperatives are uniquely able to address the three pathways out of poverty via transformational development; the economic pathway alleviating poverty and stimulating economic growth; the democratic pathway offering a framework for democratic participation; and the social pathway for building social capital and trust including pre and post conflict; bridging socio religious, ethnic, and political divides; and providing social services (Schram, 2007). As such, to enable and empower the growing numbers of unemployed and poor persons in the Arab world to support themselves through entrepreneurship that builds on their strengths, a people-centered producer cooperative start-up model offers many advantages over a conventional individualistic entrepreneurship model (Birchall & Ketilson, 2009). Cooperative entrepreneurship should not be confused with the cooperative unions across the Arab world which jointly established the Arab Cooperative Federation (ACF) in 1981 in Baghdad – Iraq. There are over 30,000 cooperatives in this region at present, with the majority operating within the agricultural sector (ESCWA, 2018). In many ways, Arab civil society encompassing cooperatives may be considered the ‘fifth sector’, alongside institutions of government, market, religious community and the tribal family (Polat, 2010). Cooperative entrepreneurship however is embedded within these institutions rather than operating independently alongside them.

A producer cooperative entrepreneurship model for start-ups in the Arab world will enhance entrepreneur resilience as well as their preparedness, self-efficacy, persistence, and cognitive and behavioural traits which foster the ability to adjust to new circumstances, and to contribute to long-term sustainability through innovation (Biggs et al., 2010). This is especially important during times of adversity, and for future proofing entrepreneurship during and post crises. Whilst we know that small firms are affected differently to large firms during crises, the impact of adversity and the consequential crisis management within small firms is an important yet little researched area (Herbane, 2010) which should receive significant attention resulting from the Covid-19 pandemic especially as this crisis crossed multiple boundaries between the private to the public sectors similarly to the 2008 global financial crisis.

The benefits of the producer cooperative entrepreneurship model for start ups in the Arab world are plentiful and culminate in a shift from a ‘beneficiary’ of an entrepreneurship start up programme to a ‘founder’ of a cooperative start up with enhanced resources due to the shared ownership. This shift is especially important for marginalized producers reliant upon for-profit and non-profit organizations that contract them as and when needed, especially for products and services operating in saturated markets. Indeed, the adoption of the cooperative start up enterprise model will help to legitimize and legalize many of the micro and individual enterprises currently operating within the informal sectors of the region by formalizing and registering their cooperative start-ups. The producer cooperative start-up enterprise model will also alleviate the burdens of individual entrepreneurship as the risks (and rewards), workloads, and responsibilities are shared and therefore allowing more time to dedicate to the family/tribe, social obligations, and other interests. Most importantly, the producer cooperative start-up model can contribute to minimizing radicalization of youth, and maximizing community cohesion, accountability, and embeddedness.

5. Implications for policy and practice

Whilst the proposed producer cooperative start-up enterprise model may result in a lower number of start ups as individuals jointly rather than independently launch their enterprises, the longevity and sustainability of the cooperative start-ups will far outweigh the individual ones. In the long run, this is the required outcome for future proofing entrepreneurship in the Arab world as it will contribute to social and economic sustainable development. Imagine for example, a group of artisans or food producers or tutors jointly co-owning an enterprise start up and working collaboratively to start and grow their shared enterprise instead of such individuals working independently in saturated markets and/or relying on production for non-profit and non-governmental organizations. Whilst the producer cooperative start-up enterprise model may be a ‘no brainer’ for some of us in the Arab world especially with regards to financing, impact, and sustainability, it is a departure from mainstream approaches to fostering, supporting and nurturing entrepreneurship, and thus requires substantial policy development and
planning, promotion, training, financing, implementation, and of course research.

6. Future research directions

Within entrepreneurship research, the relevance of ‘place’ (Stam, 2007) to global economic and social development, both as a central theme and analytic approach (Berg, 1997; Hanson, 2009; Welter, 2011) is increasingly recognized. We concur with (Welter, 2011: 144) that place – the where and when dimensions of context ‘is important for understanding when, how, and why entrepreneurship happens and who becomes involved’ (Barca, 2009). Principal dimensions of a ‘place-based approach’ are highly relevant to analyzing cooperative entrepreneurship in the Arab world, especially within adverse contexts in this region. The first dimension is acknowledging the importance of geographical context as a key feature of the broader socio-economic environment and how it interacts with locality. The second dimension is the role of localized ‘knowledge in policy intervention: Who knows what to do, where and when’ (Barca, 2012: 139).

Increasingly, there is recognition within the entrepreneurship literature that entrepreneurs [agents], place [context], and the relationship between them, are not static nor uni-directional but rather dynamic, iterative, interactive and co-productive (Al-Dajani et al., 2019). As such, the place where the cooperative entrepreneurship occurs and the producer cooperative start-ups are initiated, must be structured and experienced within its unique context characterized by cultural and institutional challenges and opportunities that determine entrepreneurial success and failure (Mason & Brown, 2014). To explore this phenomenon, a focus upon the Arab world as the ‘place’ is critical as it remains under-researched within cooperative entrepreneurship scholarship. In doing so we recognize the commonalities and similarities between cooperative entrepreneurship across the region and acknowledge the heterogeneity and diversity within the region’s economies and their opportunities and challenges for adopting the producer cooperative start up enterprise model.

Beyond place and contextualization of cooperative entrepreneurship research in the Arab world, a further research avenue must focus upon the cooperative entrepreneurs of the Arab world. Doing so through an intersectionality and positionality approach will complete the puzzle of who, what, how, where and when of cooperative entrepreneurship in the Arab world, and its impact for social and economic sustainable development.

7. Conclusion

Cooperative entrepreneurship offers multiple benefits to all stakeholders involved and especially the co-owners and their communities especially as the cooperative enterprise will survive long after its individual co-owners. From a democratic and social justice perspective, cooperative enterprises and the producer cooperative start up model help to future proof entrepreneurship in the Arab world by rebalancing power and allowing marginalized people to participate fully in the economy, creating a shared prosperity through co-ownership. The proposal in this conceptual article will be viewed by many as an extreme departure from mainstream tried and tested approaches to fostering, supporting and nurturing entrepreneurship. However, mainstream approaches have not been especially successful in fostering start-ups nor accelerating their growth particularly amongst marginalized and poor populations in the Arab world. As such, the initiation of a dialogue between stakeholders within the entrepreneurship ecosystems of the Arab world, about cooperative entrepreneurship and the producer cooperative start up model will enhance thinking ‘out of the box’ and innovating to create a more effective approach to entrepreneurship to address the persistent challenges in the region.

Conflicts of interest

There is no conflict of interest.

References


