

A Recipe for Growing “Micropreneurs” in Palestine



By Olga Batran

Polish novelist Joanna Chmielewska believes that for a tasty soup, you need just one ingredient: a good cook. The question is: what makes a good cook? And, in our case, what makes a good entrepreneur?

Entrepreneurs are adventurous and willing to take risks, able to listen and communicate; they can lead, forecast a situation, and are ready to leave their personal comfort zone. Developing an entrepreneurial character starts in early childhood. The way parents talk to their children, the toys they buy for them, the books they read to them, the way they answer their questions, the way they are taught in kindergarten and school, the friends they make, the appreciation of their choices – these are just a few of the million blocks that build an individual's character: one that is either entrepreneurial or dependent on others.

When tertiary institutions try to “create entrepreneurs,” they act as alchemists who wish to turn iron into gold. Tertiary institutions have to deal with mature individuals with developed personalities, values, and attitudes. They can only enhance what was pre-built by their families, communities, and at least 12 years of school. Universities and colleges are the last chance for society to restructure the mindset and orient students’ personalities towards being responsible citizens and drivers of economy as either self-employers or creative employees.

Building an entrepreneurial educational institution requires fundamental reforms in teaching methods, community programs, after-class activities, and even in ways of communication between professors and students. Still the majority of graduates will prefer a well-paid, secure job. This is simply because 22-year-old youth have not accumulated enough life experience and are still afraid of rushing into a free-floating economy. Even Bill Gates, Mark Zuckerberg, Sergey



Our team of mentors working with Anoud company on optimizing the production process.

Brin, and similar entrepreneurs, young geniuses blessed with the ability to manage and take risks, had the backing of another fundamental success factor: older people with a lot of experience in running serious businesses. These true mentors supported them in structuring and commercializing their ideas.

Professional business mentors can play a similar role with Palestinian students and adult entrepreneurs. Over the past 25 years, the Center for Continuing Education (CCE) at Birzeit University has realized – through working with entrepreneurs and the local private sector – that stand-alone training has very limited results. It can be a starting point in a long journey that leads to the emergence of a new enterprise, but it can also be omitted without any noticeable effects on the end result. What really works is the right mentoring of potential start-ups. CCE tried and tested several ways of developing SMEs until it found one genuinely effective contextual model, which consists of five main components.

The Palestinian market, being a captive economy, is best fit for micro and small enterprises. The active mentoring approach is the best way to grow and sustain these businesses.

Experienced Mentors: A team of professionals, each one competent in a key business field (such as business planning, marketing, finance, operations, or IT), who have strong analytical skills and solid experience in private business. Our experience shows that this team should be available to work in-house within any organization that is willing to apply the mentoring approach for highest efficiency in service provision. External consultants hired per task and paid per day cost much more.

Process Maintenance: Diagnostic visits, performance analysis, the finding of bottlenecks, the recommendation of solutions, and support in integrating



During a visit to Sons of Arafat for Marble and Granite in Beit Furik Village near Nablus.

solutions are important elements of this approach. In contrast to other mentoring models that offer merely moral support to start-ups, we offer practical business support, e.g., arranging the inventory, optimizing production processes, developing marketing campaigns and material, developing new formulas and designs for products, restructuring and incorporating family businesses, building bookkeeping systems, etc. As one of our clients noted, "You give practical solutions to every micro problem faced by micro enterprises, but it indeed works and helps us survive!"

Continuity: Over the past years, we have realized that the mentoring service has a start date but no end date. Our mentees come back to us again and again when they face new business issues or want to expand their businesses. And we work with them even if we don't have any donor funds to cover this cost.

Otherwise, we would lose the trust of our mentees. Local micro and small enterprises cannot pay for the business development services because they rarely have cash on hand due to the specifics of the local market, which is based on deferred payments. Yet small producers have to offer good credit terms to their clients to be able to compete with bigger producers.

Field Work (full immersion): Anyone willing to work as a mentor in Palestine should be ready to travel to the remote villages where there are no paved roads, be stuck for hours at Israeli checkpoints, spend long hours in dingy production shops, drink tea mixed with flies on a cornfield, answer phone calls from mentees 24 hours a day, and act as a lawyer on behalf of a client, in addition to other endless challenges. Of course, seeing our mentees sell their new products or build new factories, we

the feasibility, fine-tuning the business elements, and setting up the operations; and **owners of micro and small enterprises**, who usually come to us when their business is about to go bankrupt.

Whereas larger enterprises provide about 4,500 jobs, the small and micro businesses employ more than 127,000 Palestinians.¹ When a small enterprise closes, this affects a whole family for the long run (usually micro and small businesses are family-owned, providing jobs to all family members). In most cases, they are established via bank loans that must be repaid independently, whether or not a business survives. The vast majority of such enterprises are started by poorly educated people who simply have no other employment opportunities. It is indeed an extremely challenging task for local micro and small businesses to survive in the local complex context, as these enterprises have very little space for maneuvering.

Palestine has a small population divided

CCE mentors in a field visit.



admit, is well worth all the effort!

The Right Types of Mentees: In our experience, the mentoring approach works best with two categories of entrepreneurs: **youth**, as potential entrepreneurs who are mainly looking for moral support, encouraging them to start their own venture combined with professional assistance in structuring and modeling a business idea, analyzing



THE MENTORING PROCESS



into two separate enclaves (in 2015, it was estimated at 1.8 million in Gaza and 2.86 million in the West Bankⁱⁱ), each representing a micro market of relatively small valueⁱⁱⁱ with less than one million potential customers.^{iv} In such a micro market, it is economically unfeasible to create many large enterprises unless there is a strong potential for export. However, the export potential of Palestinian products is limited due to high production costs, including the high cost of utilities, transportation, and especially

labor – as compared to neighboring countries,^v a situation that can hardly be improved unless Palestine has full control over its own economy and borders.

Thus, micro enterprises remain the best feasible business model in Palestine. The challenges faced by this large economic sector are unique, and the active mentoring approach is the best way to grow and sustain these businesses.

Olga Batran is currently the director of the Consulting Unit at Birzeit University Center for Continuing Education. She holds an Executive MBA from Kellogg Business School/Northwestern University/US. Since 2008, Olga has been leading a CCE team of experts working on the development of the local private sector.

ⁱ Palestinian Central Bureau of Statistics (PCBS), *Number of operating establishments in the Private Sector, Non Governmental Organization Sector and Governmental Companies in Palestine by Main Economic Activity and Employment Size Group, 2012*.

ⁱⁱ Estimates, published in 2015, based on the last census conducted by the PCBS in 2007, available at <http://www.pcbs.gov.ps/site/512/default.aspx?tabID=512&lang=en&ItemID=1441&mid=3171&wversion=Staging>.

ⁱⁱⁱ Household final consumption expenditure, which includes the market value of all goods and services purchased by all households, is estimated by the World Bank at US\$ 12.25 billion in Palestine compared, for example, to US\$ 27.90 billion in Jordan (with a population of 4.68 million in West Bank and Gaza and 6.7 million in Jordan, respectively), <http://data.worldbank.org/indicator/NE.CON.PRVT.CD>.

^{iv} For rough estimations of the market size, the simplest way is to base estimations on the number of people who have a job: having a source of income, they are potential customers. We can get a similar result if we take the total population aged 20+ years old minus the number of people living in extreme poverty. According to the Palestinian Central Bureau of Statistics Labour Force Survey (2014), 804,600 of the Palestinians in West Bank and 444,500 in Gaza Strip had a job (roughly 45 percent of the population aged 15 years and above, surprisingly similar in both locations). But in the West Bank 17.8 percent of people lived in poverty and 7.8 percent in deep poverty, while for the Gaza Strip, the numbers were 38.8 percent and 21.1 percent, respectively.

^v World Bank, *Growth in a Future Palestinian State*, available at <http://siteresources.worldbank.org/INTWESTBANKGAZA/Resources/WBGrowthstudypresentation.pdf>.