ENTREPRENEURSHIP EDUCATION AND DEVELOPMENT AS AN INTEGRAL PART OF THE ENTERPRISE SYSTEM IN SAUDI ARABIA

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Abstract

The impact of entrepreneurial activity on the economies of both industrialised and developing countries has been well established and theorised in the normative literature. However, it is besides eminent that the development of entrepreneurial activities and behaviour, through facilitation of education institutions, is less understood. As an engine of economic growth, there is intense interest from policy makers and academicians towards entrepreneurship and entrepreneurship education. Many economists and politicians agree that entrepreneurship stimulates the generation of employment opportunities and wealth creation. As a result of these theorised conceptions, this paper takes a step forward and explores the role of Higher Education Institutions (HEIs) in entrepreneurship education and development in the context of Saudi Arabian economy. In doing so, the authors propose their conceptual framework that incorporates facets (based on entrepreneurship/experience and entrepreneurship education) of two theoretical frameworks. In summarising the conclusions, the authors present their research approach employed for validating their conceptual research framework.

Keywords: Enterprise System, Entrepreneurship, Saudi Arabia, SMEs, Economic Development, Higher Education Institutions.

1. INTRODUCTION

Literature highlights that the phrase ‘entrepreneur’ has been interpreted in different ways by many researchers. Say (Filion (1994) a distinguished contributor in the area of entrepreneurship, reports that an entrepreneur is the organiser of factors of production. Moreover, Say and Cantillon (Carton et al. (1998) also described the key role of entrepreneurs as the organisers of factors of production; Kirzner (Dana (2001) described it as ability to spot opportunity. On the other hand, Schumpeter (Dana 2001) views the role of entrepreneurs as that of innovator, Knight (Deakins and Freel, 2009). states it as that of risk-taker, Casson (Deakins and Freel, 2009) reports entrepreneurs as the organiser of resources and Schackle (Deakins and Freel, 2009). reports entrepreneurs as creative and imaginative. The term ‘entrepreneur’ was absent in ancient conventional economic theory. Neo-classical economic theory considers entrepreneur as someone who co-ordinates different factors of production but his role was not very important. In the recent years, the role of entrepreneurs has received greater attention through the development of Small and Medium–Sized Enterprises (SME). Cantillon (Carton et al. (1998) was the first to recognise the crucial role of the entrepreneur in economic development, founded on individual property rights.

Say (Deakins and Freel, 2009) also highlighted that entrepreneurs act as a catalyst for economic change. For Kirzner (Deakins and Freel, 2009), the entrepreneur is someone who is alert to profitable opportunities for exchange and acts as a middleman. The entrepreneur brings about change through the introduction of new technological processes or products. Casson (Deakins and Freel, 2009) also recognises that entrepreneurs have different skills as compared to others that enable them to make
judgements, to co-ordinate scarce resources and make judgemental decisions that involve the reallocation of resources. The importance of identifying entrepreneurial characteristics lies in encouraging potential entrepreneurs to start their own businesses. Although the links between entrepreneurial education and entrepreneurial activity are not at this time definitive, there is research suggesting such a linkage. Based on the assumption that the linkages must exist, there has been a dramatic increase in entrepreneurship education (Solomon, 2002; Solomon et al., 2002).

The authors attempt to outline the role of HEIs in entrepreneurship education and development as an integral part of an enterprise system in Saudi Arabia. With regards to this purpose, the authors note that education is viewed as an important determinant of selection into entrepreneurship for the individual, entrepreneurial success for the firm and rates of firm formation in a society. Theories reported in the normative literature supporting this argument include among others the human capital theory (Becker, 1975; Bosma et al., 2004; Gimeno et al., 1997). In the next section, key dimensions of entrepreneurship education are explored and the role of HEIs in entrepreneurship development is critically analysed in the context of enterprise system in Saudi Arabia. In the section thereafter, distinct variables that stimulate academic support for entrepreneurial and small business development are investigated. These variables are critically analysed underpinned by the theoretical framework of Dickson et al., (2008) and is thereby applied to the enterprise system in Saudi Arabia. This forms the basis for the development of conceptual framework, which is then discussed under the penultimate section within the context of technology transfer between Universities and SMEs in Saudi Arabia.

As the current work presented in this paper is based on conceptual analysis and at early stages of PhD research, the authors have few objectives to carry out their future research, such as: (a) review pertinent literature on aspects of entrepreneurship and entrepreneurship education, (b) examine the current situation of entrepreneurship education programmes at Saudi universities and identify the barriers to their efficient performance, (c) establish relationship between the requirements of the Entrepreneurs and the courses offered by the universities in the Saudi Arabia, and (d) determine the entrepreneurship education variables and build a conceptual model of best practices for higher education institutions in promoting entrepreneurship education to prepare university students for choosing entrepreneurship as viable future of career. It is also proposed to define implications, initiatives and recommendations as part of the development of the future knowledge base.

2. ENTREPRENEURSHIP EDUCATION AND ENTERPRISE SYSTEM

Literature highlights a considerable range of quality of studies surveyed and it is clear from these studies that the empirical research on education for entrepreneurship is still in the exploratory stage. In this regard, Filion (1994) suggests that “high school is the most determinant level in the development of young people’s entrepreneurial potential”. Figure 1 illustrates the key dimensions of the entrepreneurship education and training as HEIs as drivers of Economic Growth; Basic and Higher Education & Research; Business, Technical and Support Services; and Executive Development and Learning by Doing. The related literature is reviewed to analyse the four key dimensions of entrepreneurship education as depicted in Figure 1.
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Results from a survey conducted by Hood and Young (1993) of 100 chief executives in entrepreneurial firms indicate that marketing is the most important content area, leadership is the most critical skill and creativity is the most important of the mentality areas. Respondents from the survey conducted by Hood and Young (1993) also believed that while personality traits are difficult to influence, the vast majority of knowledge required by entrepreneurs can be taught. These results provide a basis for designing entrepreneurship courses and programs. Knight (1991) is the only one to deal with this content. He proposes a framework and methodology for teaching entrepreneurship that includes the following elements: opportunity identification, strategy development, resource acquisition and implementation. Knight (1991) suggests that these elements of entrepreneurship apply at the group, organisation, industry and society levels as well as at the individual level, and that a framework for teaching entrepreneurship should be extended to include these dimensions.

Knight (1991) further suggests the inclusion of functional exposure and start-up strategies. He also concluded with an illustration of the proposed course based on an existing course taught at the University of Western Ontario. Other researchers such as McMullan and Long (1987), McMullan, W. E. and Gillin, L. M. (1998) and Plaschka and Welsch (1990), in presenting their discussions on curriculum, emphasise that curricula of entrepreneurship programs have to be differentiated from traditional management education programs. For McMullan and Long (1987), stage of venture development should form the basis for this distinction. In addition, they argue that entrepreneurship education should include skill-building courses such as negotiation, leadership and creative thinking and exposure to technological innovation and new product development. Vesper and McMullan (1988) also argue for skill-building courses in addition to knowledge-based courses pertaining to entrepreneurship. However, they also identify two key differences between the entrepreneurship program and the traditional management program: the ability to detect and exploit business opportunities more quickly and the ability to plan in greater detail and project farther into the future (Gorman et al., 1997).

Saudi economy is based entirely on the oil, which must be drained of in one day; the population of Saudi nationals is expected to reach 25, 81 million by 2024. The Kingdom of Saudi Arabia is interested in developing and supporting SMEs since the Fourth Development Plan and in particular, the Seventh plan 1999-2004, paid special attention to the SME sector. The Eighth Development Plan 2005-2009, which emphasized the role of SMEs in achieving the objectives of the Saudi development plans, however, enabling SMEs to achieve such goals requires addressing constraints on their activities. Entrepreneurs and small business generally have limited resources in terms of working capital, management skills, marketing skills, financial managerial, human resources, modern technology, training and strategic planning and else. In Saudi Arabia, the most important constraints
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are time consuming procedures and delays, in addition to difficulty of obtaining funds from finance institutions, and administrative constraints, such as lack of skilled labor and competent management, low-quality operations and failure to keep up with modern work techniques (Eighth Development Plan, 2005-2009 p. 127).

Moreover, unemployment is one among the major problems of the Saudi economy, especially among the youth and the graduate. Graduates’ preference for employment than going for self-employment and the current university systems that promote rote learning are believed to be among the several contributing factors to the current problem (Wang and Wong, 2004). Saudi government considers entrepreneurship development as a possible solution to the problem of graduate unemployment. Many economists and politicians agree that entrepreneurship stimulates the generation of employment opportunities and wealth creation (Dana, 2001; Garavan and O'Cinneide, 1994; Kong, 1996). Given the vital role of entrepreneurship as an accelerator of economic growth, there is an intense interest from policy makers and academics in stimulating economic growth through entrepreneurship, including entrepreneurship education (Gorman et al., 1997). As a result, many universities internationally are currently offering entrepreneurship as a taught subject (Kolvereid and Moen, 1997). Academic interest in entrepreneurship has grown to a great extent. In the United State, There are more 2200 courses in entrepreneurship education offered at 1600 colleges and universities. The numbers of students taking entrepreneurial courses are also on the rise (Candida et al., 2003). In addition, these courses are not only offered by business schools at the undergraduate and graduate levels, but they are also offered in other colleges, such as college of engineering and information technology (Garavan and O'Cinneide, 1994; Leitch and Harrison, 1999).

The fast growth of entrepreneurship education is an evidence that those who attended entrepreneurship courses have a higher attitude to venture into new business than those who attended other courses (Galloway and Brown, 2002; Klofsten 2000). In addition, formal entrepreneurial education has been found to affect the attitudes of university students towards entrepreneurship as a career option (Hansemak 1998). Therefore, in Saudi Arabia, expectation has been placed upon entrepreneurship education that will play a leading role in developing and producing more entrepreneurially inclined students. The role of entrepreneurship education has been considered to the implementation of entrepreneurship education. Universities, in this regard, have been urged to promote entrepreneurial spirit among students through a series of education programmes and courses in entrepreneurship.

3. SIGNIFICANCE OF ENTREPRENEURSHIP EDUCATION AND DEVELOPMENT

Many countries are recognising the importance of entrepreneurship to national economic growth. There is a lack of research linking education to growth in entrepreneurship in regard to the creation of entrepreneurs among university students (Peterman and Kennedy 2003). Although links between entrepreneurial education and successful entrepreneurial activity are not definitive, there is research suggesting such a link. Based on the assumption that these links must exist, there has been a dramatic increase in entrepreneurship education throughout the developed economies (Solomon et al., 2002). Yet Dickson et al., (2008) argue that the authors of two meta-analyses of past research (van der Sluis et al., 2004, 2005) appear to contradict the prevailing assumptions as well as challenging several studies reporting positive relationships between education and entrepreneurship. Nevertheless, education is viewed as an important determinant of selection into entrepreneurship for the individual, as well as for entrepreneurial success for the firm and rates of the establishment of new firms in the economy.

There are several other reasons which encouraged our interest toward entrepreneurship and SME s: a) SMEs represent nearly (95%) of the whole number of enterprises in Saudi Arabia, where majority of them are family businesses, b) A absence of clear strategic to define the definition for entrepreneurship and SMEs in Saudi Arabia and c) A need for increased research of entrepreneurship education outside the USA. Most importantly, the results of the study could provide useful insights into the state of entrepreneurship education for policy makers in universities and government in Saudi in order to
overcome the graduate unemployment problem. The outcomes from this research are expected to have policy implications for the future development of entrepreneurship programmes for young people, especially students at universities in order to increase students’ participation in business in the future.

4. THEORETICAL FRAMEWORK

The theoretical framework presented in this paper is based on two validated theoretical frameworks proposed by Dickson et al. (2008) and Pittaway and Cope (2007). In analysing the framework by Dickson et al., (2008), the authors state that this framework examines the impact of acquired variables such as experience and education (as reported in Sørensen and Chang, 2006) on career outcomes and is built upon the assumption that education can serve both as a determinant of decision choice as well as providing benefits to specific ventures. On the other hand, the framework proposed by Pittaway and Cope (2007) focuses on the role of government or other quasi-government policies in promoting entrepreneurship education and the general enterprise infrastructure and its role in promoting and supporting new ventures in high technology firms and SMEs. Figure 2 illustrates the theoretical framework based on the incorporation of the above frameworks.

Theoretical Framework

![Diagram of theoretical framework]

**Figure 2: Theoretical Framework – Entrepreneurship Education & Development**

Theoretical framework in Figure 2 is discussed in detail hereunder. According to Dickson et al., (2008) several theories have been applied in linking education both to entrepreneurial selection and
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outcomes include signalling theory (van der Sluis et al., 2004), outsider assistance theory (Chrisman and McMullan, 2004) and knowledge spillover theory (Audretsch and Lehmann, 2005). Moreover, institutional theory which assumes that firms are embedded in country-specific institutional arrangements, including systems of education (Lynskiy, 2004) has been applied to explain differences in both the rates of innovation and entrepreneurship at the societal or country level. Bechard and Gregoire (2002) also report, based on their review of entrepreneurship education research, that just over 60 percent of all such research was principally underpinned by academic theories, furthermore, over 20 percent built upon social theories and about 10 percent relied on technical theories to support proposed linkages. Among other theories two of them often used are Bandura’s “Social Learning Theory” (Human et al., 2005) and “Action Learning Theory” (Leitch and Harrison, 1999). Bandura’s theory provides a framework involving five steps necessary for learning that includes skill and attitude assessment, skill and attitude learning, behavioural guidelines and action steps, skill and attitude analysis and skill practice. The model of action learning was first proposed by Revans (1971). The model focuses on learning by reflecting on actions that solve real organisational problems. While these are only two of many theoretical frameworks utilised, that support for hypothesizing a relationship between entrepreneurial education and various entrepreneurial outcomes is the impact of such education on attitudes, skill development and behaviour.

It would appear that there is sufficient evidence to suggest that the level of educational attainment by entrepreneurs is significantly and positively associated with entrepreneurial performance. The evidence linking education to selection into entrepreneurship is more ambiguous and differs in important ways across countries. When individual countries are considered, particularly developed economies, there does appear to be a positive relationship between the level of education of an individual and the probability of selection into entrepreneurship but this relationship is not linear in nature. Individuals with at least some college education appear to be the more likely to select into entrepreneurship than more highly educated individuals (Dickson et al., 2008).

Pittaway and Cope (2007) identify two areas, i.e., the role of government or other quasi-government policies in promoting entrepreneurship education and the general enterprise infrastructure and its role in promoting and supporting graduate-led new ventures particularly in high technology firms and SMEs. They consider this theme within the entrepreneurship education domain as a systemic output. Their thematic framework highlights a number of factors and themes within the institutional environment that will influence an individual institution’s capabilities and approaches. They describe these factors as the ‘university enterprise context’. They include the enterprise infrastructure, the supply of faculty and the institution’s commercialisation policies. These contextual factors may have an indirect bearing on the form, nature and efficacy of an individual institution’s approach. Other contextual factors, which are viewed as important in this thematic framework, are those that can be considered to exist at the interface between an institution and other organizations. These themes include: academic enterprise; outreach activities; student–entrepreneur interactions; and, management development activities. These contextual factors can be described as the indirect inputs into entrepreneurship education. The next level of analysis identified by the thematic framework is the programme context focused on the development of specific forms of education such as discussions and debates over appropriate pedagogy; the role of extracurricular activities; the extent to which departmental philosophies and student vocations influence the form and nature of entrepreneurship education; the level of student orientation and the extent to which it can be changed; and, the level of capability that students exhibit. Research within the level of the programme context can best be described as analysing the direct inputs into entrepreneurship education.

The final category of themes are those focused on ‘activity’ highlighted here as student enterprise, graduate enterprise and graduate employment. Although the level of analysis can come in a range of forms, for example the individual, the firms created and the activity, they have in common a focus on the direct outputs from the HEI. This category of themes, therefore, includes studies of demand for graduates, and demand for graduate skills, research on the employment of graduates by SMEs, studies exploring graduate careers, and research on the formation of graduate-led ventures. What these themes
highlight is a need to understand what entrepreneurship education is trying to achieve. There are two distinct forms of output: first, to enhance graduate employability and second, to encourage graduate enterprise (Pittaway and Cope, 2007).

5. CONCLUSION AND FURTHER RESEARCH WORK

The importance of SMEs in economic growth has made them a central element in much recent policymaking. Of particular interest have been policies designed to promote and facilitate the operation of the innovation process within SMEs, and there has been substantial expansion of this kind of effort. Despite this interest, the knowledge base about how SMEs actually undertake innovative activities remains limited (Hoffman et al., 1998). Even though Hoffman et al., (1998) and others underpinned the above statement in the context of the UK, this is equally applicable to the Saudi Arabian context. The governments have begun in most countries of the world now, legislation policies and regulations which support and develop SMEs (Carter and Jones-Evans, 2006). For example, the UK has a ministry for small firms as well as the government established the Small Business Service (SBS) which collects evidence, analyses the needs of the SMEs sector, and it is working with the academic researchers at University as well as with private sector research. (David Kirby, 2004) In the China government, the SME Promotion Law provides a framework for government support for SME development and ensures that government establishes systems to support small and medium-sized enterprises at local government level (Andrew Atheron, 2003 and 2006). In Saudi Arabia, the regulatory framework for SMEs has not been yet determined. There is no specific entity responsible for organizing affairs, support and development, but the government of Saudi Arabia has adopted several measures and initiatives to support and develop the SMEs including founding the Saudi General Investment Authority (SAGIA), the Saudi Industrial Development Fund (SIDF) sponsors SMEs, and Saudi commercial Banks provide loans to SME’s (Eighth Development Plan, 2005-2009).

Proposing our theoretical framework based on the works of Dickson et al., (2008) and Pittaway and Cope (2007) recommendations are made for strengthening the role of Saudi universities in further development of a vibrant and sustainable, technology-based enterprise system that specifically addresses the needs of small businesses. Moreover, the research approach that will be utilised is based on interviews and surveys with the stakeholders such as academicians, administrative and support staff, students, small business owners, government officials and managers in HEIs in Saudi Arabia. The authors in this point are sought to be aware of any change in data collection environment such as change in the interview time or cancellation of meeting. Moreover, the authors will also prepare timetable of data collection to organise the data collection process. This timetable will contain dates, time, interview length and location. It is proposed to use the theories of economic development and theories of entrepreneurship in the proposed research as base theories.
REFERENCES

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