Assessing the Entrepreneurship Ecosystem to Stimulate Entrepreneurial Activities in GCC Countries

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1. Introduction

Gulf Cooperation Council (GCC) includes six countries; namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates. These countries are endowed by oil and gas which made them amongst the richest countries in the world. Nevertheless, their economies are highly dependent on oil and gas extraction activities, which made their economies, are vulnerable to economic fluctuation as a result of uncertainty of oil and gas prices.

Reducing the dependence on oil and gas is inevitable in order to stabilize the economy and to achieve sustainable economic development. This implies increasing the share of non-hydrocarbon sector in gross domestic product (GDP) which can be achieved through diversifying the economy. The GCC countries are concerned to achieve economic diversification through setting specific policies and programs to stimulate investment in non-hydro-carbon sector. Furthermore, GCC governments therein paid more attention to increase the role of private sector investments through different means as a tool to increase the private sector contribution in GDP. In this context, stimulating private sector drew the attention towards the importance of Small and Medium Enterprises (SMEs) and Entrepreneurship for developing private sector which requires specific policies, plans and implementation programs.

SMEs and Entrepreneurship stimulation requires assessing their determinants and learning from the experiences of developed countries which succeeded in accelerating SMEs and Entrepreneurship through developing a comprehensive ecosystem. This ecosystem captures various determinants of entrepreneurship activities on the microeconomics and macroeconomics...
levels. Many developing countries including GCC countries are working to modernize their entrepreneurship ecosystem taking into account best practices in developed countries. The recent sharp decline in the oil prices negatively affects the economies of GCC countries which requires accelerating the reform process of entrepreneurship ecosystem, in order to encourage entrepreneurial activities. Accordingly assessment of entrepreneurship ecosystem in GCC is inevitable, in order to identify the areas of strengths and weaknesses which address the following research question “How do GCC countries develop effective entrepreneurship ecosystems to encourage Entrepreneurial activities?

Answering this research question requires the following steps: (i) reviewing the scholarly works related to entrepreneurship ecosystem and identifying the best practices for developing an effective ecosystem, (ii) defining the entrepreneurship ecosystem in GCC countries through mapping the current ecosystems, (iii) identifying weakness and strengths areas of entrepreneurship ecosystem in GCC countries, and (iv) analysis and recommendations for reforming entrepreneurship ecosystem in GCC countries. In doing so, this study is going to chive the following objectives; (i) identifying and mapping entrepreneurship ecosystem in GCC Countries, (ii) assessing the elements of ecosystem in each country according to benchmark criteria, (iii) providing specific recommendations to develop an effective entrepreneurship ecosystem. In doing so, the qualitative research mythology is going to be used through conducting the following steps; (i) mapping entrepreneurship ecosystem through deskwork and interviews of number of entrepreneurship stakeholders in GCC countries, (ii) assessing the pillars of entrepreneurship ecosystem through; the feedback from different stakeholders, benchmark of specific determinants in accordance with best practices indicators, and (iii) the feedback obtained from personal interview of stakeholders.
The remaining sections of this paper proceeds as follows; section two is reviews the scholarly works related to entrepreneurship ecosystem, section three is mapping of entrepreneurship ecosystem in GCC countries, section four assesses the elements of ecosystem in each country based on benchmark, section five is the analysis and policy recommendations.

1. Literature Review

Stimulating entrepreneurial activities requires identifying the entrepreneurship ecosystem, and assessing its components, in order to reform inefficiency areas. In doing so, it is important to define and to determine the determinants of ecosystem and review the scholarly work related to entrepreneurship ecosystem worldwide in general and GCC in particular. The concept of entrepreneurship ecosystem refers to the individual and institutional elements which either supports or hinders the entrepreneur’s choice to start the venture and result in success or failure. Building a healthy entrepreneurship ecosystem and assessing various determinants is necessary to create a venture friendly environment. On the other hand, development of individual entrepreneurs requires involving informal professional training workshops along with informal mentoring from experts who act as a major guide towards the path of success.

The determinants of entrepreneurship ecosystem can be grouped in four categories, which are; (i) individual characteristics and skills, (ii) institutional and regularity determinants, (iii) financial determinants and (iv) culture determinants. This classification is derived from a number of approached which have been used to study the entrepreneurship ecosystem (Manimala & Wasdani, 2015). In this context, a study that carried out by Aspen Network of Development Entrepreneurs reviewed different approaches of the entrepreneurship ecosystem which used by
various institutions such as organization of economic cooperation and development, World Economic Forum (WEF), World Bank (doing business report), etc (Entrepreneurs, 2013).

The World Bank doing business report focus on focus on government regulations and related enforcement which is being reflected in terms of time, cost and number of procedures that required in different level of business life cycle. Such factors have been included in the environmental enablers of WEF model of entrepreneurship ecosystem.

Many scholars examine the determinants of entrepreneurship ecosystem through carrying out specific study about one or more factors that are included in the entrepreneurship ecosystem, such as education, finance, government regulation and etc. with regard to the impact of entrepreneurship education, Covered and Moen (1997) carried out study to assess the impact of education on entrepreneurial activities. They found out that the graduates with formal entrepreneurial study are more likely to start new businesses and have stronger entrepreneurial intentions than other graduates (Kolvereid, 1997).

Access to finance is a critical challenge to many entrepreneurs in most countries around the world. Thus financial resources are viewed as the most important factor in the success of business perceived by small and medium enterprises (SMEs) ((Kraemer-Eis & Lang, 2012; Mahmoud Jasra, 2011). On the contrary, Most startups fail due to insufficient funding (Abushaban, 2014). Obstacles to access finance include lack of collateral security, poor business plans, lack of knowledge and lack of financial deposit (Chimucheka, 2013). According to ("Accelerating Entrepreneurship in the Arab World," 2011) MENA region’s financial enablers are still underdeveloped. A study by World Bank, examining the levels of loan lending to SMEs in MENA, found that the share of loans given to smaller firms was the lowest in the world.
According to Roberto Rocha, senior advisor, World Bank mentions “The share of SME loans among total bank loans is just two per cent in the GCC”. Among most MENA regions bank lending tends to be directed towards financing the activities of large established corporations (Nasr & Pearce, 2012)

Environmental enablers are an important determinant in the entrepreneurship ecosystem since it includes government regulations and cultural factors. Therefore creating a friendly business environment is an important factor to entrepreneurship growth and SME development. Pedrosa-Garcia (2013) addresses the imrpotance of timing and scoli-political factors issues in desigining specific policy regarding SMEs the timing isss (Pedrosa-Garcia, 2013). Most developing countries like Brazil, Malaysia, Saudi Arabia and Nigeria have history of establishing policies intended to uplift entrepreneurship (Oni. O, 2012). On the other hand, not all government initiatives are successful. Overbearing bureaucratic procedures, corruption, insufficient and ineffectual infrastructural facilities leads to poor policy operation.

The scholarly works related to entrepreneurship ecosystem focuses on specific elements of the ecosystem and there is not a comprehensive assessment to its pillars in GCC countries. Furthermore, the WEF study in 2011 did not identify the methodology which being used to assessing the entrepreneurship ecosystem in Arab Countries. Therefore, this paper aims to contribute the scholarly work through using qualitative research mythology to assess the entrepreneurship ecosystem in GCC countries. This will include using the following, (i) mapping the entrepreneurship ecosystem, (ii) structures interviews, and (iii) using secondary data. This will enable us to analyze the weaknesses and strengths of the pillars of the ecosystem which are (i) personal enablers, financial enablers, (iii) business enablers, and (iv) environmental enablers.
References


