

The Role of Social Entrepreneurship in Community Development. A Case Study of Social Entrepreneurship in Saudi Arabia

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ABSTRACT

Social entrepreneurship is taking shape in Saudi Arabia. The country, like most of the entire Middle East, is famous for socially innovative approaches. Saudi Arabia much supports its social norms through a conservative culture. However, the emergence of social issues grants the urge to bring more opportunities to the community. Saudi Arabia boasts immense opportunities in entrepreneurship. In 2019, Global Entrepreneurship Monitor acknowledged good options to start businesses in the country. About 76.3 percent of the population foresaw an excellent climate for business encounters. Youth unemployment in the country remains one of the challenges despite the rapid changes over the years. It is one of the significant challenges meant to be solved through social entrepreneurship. People from diverse social backgrounds remain ambitious through the government's 2030 initiative. Social entrepreneurship is mainly persuaded through vision 2030's pillars; an ambitious nation, a thriving economy, and a vibrant society. A flourishing economy best fits Saudi's vision, enhancing a wide array of social opportunities through entrepreneurship. The paper addresses the role of social entrepreneurship and community development in Saudi Arabia. There is a literature review focusing on social entrepreneurship theories aiding in the appropriate determination of the current practices in Saudi Arabia. The current status of social entrepreneurship in Saudi Arabia is also discussed.

Keywords: Social Entrepreneurship, Community Development, Society, Entrepreneurship.

Introduction

Social entrepreneurship and community development remain among the principal subjects discussed in the business world (Howaldt et al., 2015). Social entrepreneurship mainly covers those solutions meant to preserve cultural, environmental, and social norms around the living communities (Agustina et al., 2020). The approach comes from companies, groups, individuals, and start-up companies who are the central part of the entrepreneurs. Community development mainly considers various processes where people prioritize developments based on the most critical action (Alarififi, 2018, p. 1528). Mostly, this is rooted based on the fact that individuals need to access multiple aspects like business opportunities, good healthcare, justice, wealth, among others. Based on these parameters' understanding, social entrepreneurship is a contemporary issue with many advances in the social arena

(Howaldt et al., 2015). Due to the many social problems facing the world communities, social entrepreneurship remains a core pillar meant to

resolve social issues' dynamism. This is as a result of the failed charities and other governmental efforts across the globe. Social entrepreneurship in Saudi Arabia comes in light to deal with the problems of ineffectiveness and lack of sustainable social solutions. The concept realizes that through entrepreneurial activities, it mobilizes various interactions in the business space, lifting the social statuses of the individuals (Malunga et al., 2014). When such interactions come in place, they meet solutions able to create employment, among other opportunities. Saudi Arabia, like other nations around the globe, still strives to ensure they eradicate the rising chances of poverty and unemployment. Based on United Nations data, approximately 1.2 billion world's population lived in extreme poverty in 2013. Due to the diverse causes of poverty, social inequalities also turn out to be distinct. Therefore, social entrepreneurship ought to revolve around solving the communities' troubles (Maniam et al., 2018). It is incredibly challenging to solve societal issues taking into consideration the multiple needs of the people. Numerous studies continue to demonstrate the role of social entrepreneurship in community development.

Furthermore, it remains different based on people's perceptions. There emerge multiple controversies based on the true meaning of the concept (Malunga et al., 2014). There is still a lack of a clear focus based on when and where it should be employed. However, the growing interests among social researchers attempt to define the concept in a particular manner creating uniformity of the idea.

In Saudi Arabia, social entrepreneurship remains a top destination serving both the government and the entire population (Nieva, 2015). It is meant to create employment opportunities, diversification of the economy, and encouraging its growth. For long enough, Saudi Arabia's remained dependent on the large share of the oil economy (Alarifi, 2018). However, the business does not fit into the shoes of every individual. There is a need to create additional entrepreneurial avenues creating a stable economic structure benefiting the entire population. Mostly, Saudi's vision of enlarging the financial capacities through digital interventions (Alarifi, 2018). This is in line with the country's vision 2030. Social entrepreneurship in Saudi Arabia is mostly due to the rise of the internet and mobile technologies. Despite the adequate efforts by the government and other stakeholders to realize enough opportunities for Saudi Arabians, social entrepreneurship is still at its early stages. There are many dreamers but lacks enough chances of execution towards the growth of their ideas. Entrepreneurship ought to give the right impression by creating both products and services (Mercader, 2017).

Furthermore, investors still fear exploiting local ideas making new entrepreneurs lack patience. However, the Saudi Government, among other initiatives, continue to support social entrepreneurship primarily. Saud Arabia's social entrepreneurship initiative targets individuals to work for social good. The only emerging challenge is that people with such a mindset are just a few. Saudi Arabia must continue encouraging social entrepreneurship as a suitable avenue for dealing with social issues.

Methodology

The research adopted a qualitative document analysis approach. It was meant to understand the underlying concepts, opinions, and other strategies in Saudi's social entrepreneurship practices. A review of documents was conducted from various online databases like Research Gate, Science Direct, etc. Furthermore, information was fetched from relevant websites which reflected on the current policies and strategies meant to support social entrepreneurship. The results were compiled to give a meaningful report determining social entrepreneurship's role in Saudi's community development.

Literature Review

Economic Entrepreneurship Theory

This kind of theory explains the economic factors that influence entrepreneurial patterns and behavior. The approach is deeply rooted in the classical and neoclassical economic ideas and the Austrian market process (AMP), explaining the different economic views of entrepreneurship. The classical theory explored free trade, specialization, and the competition that was in the market. The idea was developed in Britain during the industrial revolution. The classical theorists articulated the theory based on three aspects, land, capital, and labor. The neoclassical theories were formulated as a better version of the classical theory (Bolla, 2011). The neo-classical theory explained that pure exchange reflects an optimal ratio and transpires in an economic system that was closed. This was because the market players were uncontrollable and carried financial actions that were beneficial to their businesses. The Austrian Market Process (AMP) was a modified version of the neo-classical theories that explained the discussed concepts in the neoclassical. Some of the ideas that are highlighted in the AMP include the notion of profit-making.

Psychological Entrepreneurship Theory

The psychological analysis in entrepreneurship development is based on the individual's behavior towards the actions relating to entrepreneurship.

The theory focuses on examining the personality traits of an individual, which makes entrepreneurship thrive and succeed in different circumstances. Some of the characteristics that are admired in an individual and are inclined to entrepreneurship include innovativeness, risk-taking, and tolerance to ambiguity (Simpeh, 2011). The personality traits are defined to mean the stable individual character of an individual even when faced with adversity. The characteristics can be inborn or developed. Some of the entrepreneurs' features include personally driven, high level of creativity and innovativeness, high management skills, and business know-how.

Additionally, the psychological aspect of an individual is focused on satisfying the niche in society. The majority of the entrepreneurs get their ideas and innovativeness from the lack of an item in the community. They then come to fill the gap with their creativity and innovativeness.

Sociological Entrepreneurship Theory

This is the third concept of entrepreneurship that focuses on the societal definition of entrepreneurship. According to Reynolds (1991), four social contexts are used to explain entrepreneurship. The first context is a social network that is focused on building relationships and create trust in society. The concept is not concentrated on manipulating society but instead focuses on making social connections and bonds that will assist in the development of the entrepreneurship venture. The second concept is analyzing the life course stage context, which evaluates the life experiences and circumstances of the entrepreneurs that made them decide to undertake the business creativeness and innovativeness. The fourth concept is the ethnic background, which focuses on the sociological set up of the individual that undertakes the entrepreneurial actions. For example, someone from a marginalized community can work hard to overcome all obstacles to become great and successful. The fourth concept is known as population ecology, which is the social environment

of an individual. Social environment may include political stability, employees, customers, competition in the market, and availability of jobs may influence business ideas and determine how far a business venture will survive in the market.

Anthropological Entrepreneurship Theory

Anthropological entrepreneurship theory is the fourth theory. Anthropology is defined as the study of the origin, development, customs, and beliefs of a community. It also means the cultural set up from where an individual hails from in the community. For someone to succeed in an economic venture, their cultural upbringing must be investigated to evaluate how it affects and influences their actions and attitudes towards the business's success (Bikse et al., 2015). The theory can further be termed as the cultural theory model. The theory states that cultural activities lead to the creation and innovative ideas that assist in the design and development of an idea, which aids in entrepreneurship business success. The ethnicity of an individual affects their attitude and behaviors. The race of individual stems from their culture that exhibit social, economic, ethnic, ecological, and political exhibitions of an individual. Hence, we can conclude that cultural environments can produce different attitudes that influence different entrepreneurial attitudes of individuals. The different perspectives, in turn, the type of innovation undertaken and how far the business will go in the economy.

Opportunity-Based Entrepreneurship Theory

Peter Drucker and Howard Stevenson are the theorists that developed the opportunity-based entrepreneurship theory. The theory seeks to describe the different concepts that revolve around the idea of entrepreneurship. The picture highlights that entrepreneurship does not create change but instead explores the opportunities which change in (technology, customers, and market) create. The changes that are brought by different factors in the business environment is what most entrepreneurs seek to explore and maximize to produce and innovate businesses in the market. Hence, entrepreneurs can see opportunities where ordinary

people would not know any business opportunity (Bula, 2011). Entrepreneurs are always on the lookout to identify changes in the business environment to exploit and maximize the prospects for the business's development. Stevenson (1990) further extends Drucker's concept of opportunity-based entrepreneurship to add resourcefulness in the venture. In his research, he highlighted the difference between entrepreneurial management and entrepreneurial administration. He concludes that entrepreneurial leadership seeks to explore new opportunities without regard to the currently owned stocks. The main agenda is to explore new ways and creativity focused on creating a unique business opportunity that will assist in the development of the business venture.

Resource-Based Entrepreneurship Theory

The resource-based entrepreneurship theory states that access to resources is an essential venture to opportunity-based entrepreneurship theory and new experience. This theory stresses the importance of access to financial, social, and human resources. The ability to access these resources influences their ability to act upon opportunities when identified. Hence, to explain the resource-based entrepreneurship theory, three more theories relate to the idea, which is financial, social, and human capital resources. The economic or liquidity theory refers to the ability of the entrepreneur to raise funds or to access funds that can be used in entrepreneurial ventures. Social resources refer to the social network and people's knowledge and acceptance of the products and services that an entrepreneur is willing to offer to the market. An entrepreneur that develops a robust social network creates strong bonds and relationships with the potential market. When creating the bond, trust and loyalty are formed that are used in attracting customers to the business venture. The last theory is human capital resources, which focuses on human resources that include individual technical skills, experiences, and education in dealing with the business venture that has been created. Human resource is equally an essential aspect like financial and social theory as it determines the quality and

quantity of work that is produced from the venture and their ability to satisfy the needs of the customers.

Discussion and Findings

Social Entrepreneurship in Saudi Arabia

Social entrepreneurship is an endeavor that contributes to the social wellness of a community—the concept of social entrepreneurship, an idea that is still under discussion and research. Many researchers have tried to explain and define the term social responsibility for a better understanding of the concepts that revolve around the term social entrepreneurship. According to Thompson (2002), SE is associated with business ventures that are non-profit based (Alarifi&Alrubaishi, 2018). The businesses are said to focus on the social development of the community. The SE is focused on gathering resources that are available in the community to solve and satisfy the needs of the community.

According to the journal obtained that focuses on the SE in Saudi Arabia, it mainly focuses on the micro-small and medium-sized SEs in Saudi Arabia. The SMEs that are located in Saudi Arabia have assisted in the economic development of the country and national development and an increase in the general GDP of the country. According to 2016 statistics from the Saudi Ministry of Labour, Saudi Arabia is home to 384,808 microenterprises, 225,862 small enterprises, and 24,918 medium-sized enterprises. The literature review done on the SMEs that are available in Saudi Arabia confirms that the SMEs in the country have contributed to employment, social and political stability, competition, and innovativeness in the country (Thurik&Wennekers, 2004). The SMEs have significantly contributed to the development and anchoring of Saudi Arabia's economy to world competition. The SMEs in the country do not necessarily contribute to the SE as some of the SMEs are responsible for some of the social vices experienced where the SMEs are located. The idea and concept of SE is a new venture in the country with little research on the same. The few SMEs that

are SE are trying to meet their social responsibility to the community. The challenges that the entrepreneurs in Middle-East experience can be classified into three major concepts that are government- and policymaking-related challenges; the need for more generous support in institutional, operational, and financial areas; and the lack of cultural and social awareness and acknowledgment of the importance of their work (Buckner et al., 2012).

Community Development in Saudi Arabia

According to the United Nations (UN), community development is defined as the process in which the people in a community come to work together to achieve a common goal related to the development of the society. Some of the activities that relate to community development include protection of human rights, economic activities, political activities and stability, social development, education, etc. Saudi Arabia is a country located in the Middle East, with the major religion being Muslim. Hence, most of their community development activities are based on the Muslim religion guideline. The activities of the community are according to the sharia laws and holy Quran.

The Kingdom of Saudi Arabia has witnessed tremendous community development in one generation. The result is attributed to the positive contribution of the country's government. The government committed itself in terms of resources and strategies that have assisted the country in increasing their general economic, political, and social wellbeing of the country. The life expectancy of the people in the country has improved from 52.7 years in 1997 to 70.2 years in 2015. The improvement in life expectancy is attributed to the building of medical facilities that serve the country's people. The health system has increased, which provides quality health services to the people of the country. When a nation has healthy people, even their production level in work increases, a factor that has assisted the government in achieving some of its economic goals as the nation has healthy working people. The infant mortality rate in the

country has also reduced from 292 in 1000 children born in 1997 to 13 death in 1000 children born in 2015. The government's improvement in educating women of a child running age on the importance of maternal health before giving birth. The women are provided with health care procedures and medicines when they are pregnant and appropriate medicine given to them once they are born. Improved healthcare services have increased the infant mortality rate in the country.

Adult literacy in Saudi Arabia is also a factor that has contributed to the development of adults that are educated. Few countries can achieve high levels of literate adults like Saudi Arabia. The ministry of education in the country is dedicated to educating adults unable to learn while young. The increased levels of educated adults have assisted the government in acquiring people that are learned and with technical skills to be used in the economic and business activities of the country. The development and increase in the Gross Domestic Product and Per Capita of the country have increased (UN may report, 2017). Saudi Arabia is a country that is commonly known for the production and exportation of oil. When other countries are experiencing losses due to the fluctuation of oil prices globally, the government has devised strategies that allow it not to incur significant economic losses. For this reason, the GDP of the country has improved from a \$42 billion GDP in 1970 to an astounding \$753.8 billion in 2014, which is evidence of the Saudi success story.

The general community development of the country has been attributed to both the government and the citizens of the country. The government has provided resources that have contributed to society's well-being by providing adequate healthcare services, education o every member of the organization, and policies that allow different businesses to thrive. With the aid of the Islamic religion, societal morality is kept in check with the religious practices and expectations of the faith. Therefore, the country experiences little to no crimes and social vices, and those that are caught in

social vices are heavily punished under Islamic laws. The political scene of the country is stable as the country's leadership is based on the selection of kings to rule the kingdoms in the country. The cohesion of social factors, economic and political scenes has assisted in the community development of the country.

The Relationship Between Social Entrepreneurship and Community Development in Saudi Arabia

Social entrepreneurship is mainly focused on serving the interests of the community. The activities that are carried out by the social entrepreneurs are geared towards the general wellbeing of society. The entrepreneurs may create or innovate something to make the lives of everyone better than the previous experience. An example of social entrepreneurship activity includes research on better medicines or the generation of a vaccine against a particular disease. The relationship between social entrepreneurship and community development in Saudi Arabia consists of the creation of awareness in expectant mothers on the best way to take care of their pregnancies and to avoid infant mortality. Social entrepreneurship has helped educate adults, which has increased the number of educated people in society. An educated society contributes to the development of society using the knowledge which they have. The knowledge and skills obtained are used in the generation of income and financial decisions that assist in the increase of the GDP and national per capita income.

The Role of Social Entrepreneurship in Community Development

Social entrepreneurship involves entrepreneurial activities that are generally beneficial to the community and society. The role of social entrepreneurship in community development can be divided into three, which relate to the community's development. The three areas are highlighted as the social sector, the economic sector, and the environmental sector. The SE in the social sector can be in developing a better education curriculum,

sanitization, health care systems, and relational wellbeing of individuals in the society (Khatiwada, 2014). The SE can also be focused on building personal skills for individuals through capacity building to training women that have volunteered in the health sector, leadership training, skills training in the health sector, and training on matters of family, sex, and sanitization in the community. In the economic sector, the SE can provide better ways to manage finances and how businesses can minimize costs and maximize profits. The SE can also offer more opportunities for the employment of people and the creation of wealth to society to reduce the level of poverty and raise living standards. The last part of SE's role in community development is the environment sector. SE can innovate and create better ways to handle industrial wastes. Handling industrial wastes ensures that the community is kept free from pollution like noise, water pollution, and air pollution. When all roles are carried out efficiently, then the organization can develop productively.

Challenges of Social Entrepreneurship

The challenges that mainly affects social entrepreneurship mostly come from the fact that most of the ventures are geared towards the development of the community. SE is focused on the things and activities that affect the development of the community. For this reason, the SE venture is hard to receive investors and funding for the social experience. The acceptance of the business venture to other people is also problematic since it rarely generates income. Many investors want businesses that will bring revenue to them, which the SE does not provide, making it hard for investors to provide funding. The SE ventures require a long process of verification before the government licenses them. Specific requirements are put in place by the government for the SE to meet for them to receive licensing, which are hard to accomplish (Sivathanu&Bhise, 2013). Maintaining products is another challenge for the SE as they do not necessarily operate and comply with the set standards of the government as they do not receive enough capital to continue with their businesses.

Inadequate capital for the SE means that it is hard for the ventures to maintain the employees. Scarce capital means that the employees are paid minimum wages or payment is delayed or hard to make. The other challenge is competition from business entrepreneurship. The business entrepreneurship ventures have an advantage over the SEs due to adequate funding from the investors and the provision of products and services that meet the customers' needs, thus creating competition. Promoting awareness of SEs is a challenge as many people are ignorant of such ventures. Also, acquiring new technologies is challenging as many researchers and investors are unwilling to invest in areas that do not generate income for their investments.

Conclusion

Social entrepreneurship is an essential part of Saudi Arabia's social world. It significantly contributes to the entire wellbeing of the people by granting them a wide array of opportunities. Social entrepreneurship goes beyond just solving social problems unaddressed by the public and private sectors. However, despite the vast array of options brought by social entrepreneurship, the lack of empirical evidence still hinders when and how it should be applied. Social entrepreneurship remains a great promise in Saudi Arabia, especially for the vibrant youth (Alarifi, 2018, p. 1528). The initiative requires more support from the able Saudi Arabian government. Appropriate regulations ought to be brought to the table, spelling out clear guidelines and policies towards promoting social entrepreneurship. Saudi Arabia being predominantly Islamic, which supports the rich giving the poor. These cultural norms are integrated into the modern world through social entrepreneurship. The spread of social entrepreneurs promotes diversities in the business space absorbing creations of multiple kinds.

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