

# Addressing the Need for a Proper Legal Environment to Support Entrepreneurship in Saudi Arabia

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## Abstract

Many studies have discussed the impact of entrepreneurial environment on the economies of developed countries. In this context, the legal environment, has been given attention. However, in developing countries, research in this area is insufficient. Furthermore, the few researchers who have discussed the legal environment in the context of the entrepreneurial environment have focused on how the legal environment affects business in general, but not entrepreneurship (Bruyat & Julien, 2001).

This paper will explore the need for a proper legal environment to support entrepreneurship in Saudi Arabia. It will examine the suitability of the current legal environment for developing entrepreneurship, and it will identify weaknesses and gaps. For this research, quantitative methods were used to collect the opinions of practitioners working in the field. Finally, based on the findings, a proposed suggestion that fits the requirements of a proper legal environment for entrepreneurship in Saudi Arabia will be suggested.

**Keywords:** entrepreneurship, legal environment of entrepreneurship, entrepreneurship law, Saudi Arabia, entrepreneurship ecosystem

## 1. Introduction

Entrepreneurship plays a key role in economic development (Nijkamp, 2003). Many developed countries seek to facilitate an environment that motivates entrepreneurs to achieve entrepreneurial success. A major component of this desired environment is the legal environment (Smith & Ueda, 2006). However, only a few studies exist that examine the suitability of the current business environment to facilitate entrepreneurship in Saudi Arabia, and none of these studies discusses the role of the legal environment in the potential success of entrepreneurship in the Kingdom.

The success of entrepreneurship is inseparable from its legal environment. Indeed, many studies have confirmed the correlation between law and business success in general, and entrepreneurship in particular (Lee, Yamakawa, & Peng, 2008). For instance, Porta et al. (1997) explains that countries that lack or do not have adequate legal rules to support entrepreneurs cannot facilitate an environment for entrepreneurship. Essentially, the equities belonging to entrepreneurs are usually ideas, and entrepreneurs often have limited resources (Carson et al., 1995 in Winkler, 2014). Moreover, modern entrepreneurship is a type of business that requires fast action (Winkler, 2014). Hence, for a legal environment to be efficient to support entrepreneurship in Saudi Arabia it should provide entrepreneurs with rights and protections and it should offer simple legal procedures for start-ups. This legal environment should include strict intellectual property rules, and simple business registration procedures.

The main purpose of this current study is to address the need to establish a proper legal environment to facilitate entrepreneurship in Saudi Arabia. This will include an evaluation of the current status of the legal environment in the context of entrepreneurship. Moreover, the study identifies the legal challenges faced by entrepreneurs in Saudi Arabia. It seeks to provide guidance to the Government on how to provide an efficient legal environment for entrepreneurship for the achievement of the Vision 2030, and how to support SMEs and diversify income resources. This current research will contribute towards proposing suggestions to enhance the legal environment for entrepreneurship in Saudi Arabia. Moreover, it will provide a clear and realistic overview of the current legal environment as it relates to entrepreneurship in the country. Providing a suitable legal environment in which

entrepreneurs can thrive might help open the door more widely for foreign investment into Saudi Arabia, and, currently, one of the main constraints to this is the lack of a transparent legal environment.

## 2. Literature Review

The correlation between law and entrepreneurship is undeniable. One could simply describe this correlation as the legal need to support small and start-up business ventures (Means, 2011). Legal environment is a key factor in business success and in attracting foreign investment (Rahatullah Khan, 2013). However, there is a paucity of studies which examine the legal environment for entrepreneurship in Saudi Arabia. The only official examination was completed by the IWB in 2010, and, according to this report, Saudi Arabia offers an attractive legal environment for doing business, ranking 183<sup>rd</sup> out of the selected countries that took part in the survey (Bank, 2010). However, this environment is not necessarily appropriate for entrepreneurship, which requires special rules such as patent law, intellectual property rights, and ease of business registration (Rahatullah Khan, 2013). The IWB report notes problems in some areas of law in Saudi Arabia, such as in contract enforcement and in the resolution of insolvency (Bank, 2010). Since the results of this report were published in 2010, no other study has discussed the Kingdom's legal environment for entrepreneurs in detail. Indeed, only a few studies have discussed the role played by law in entrepreneurship (Rahatullah Khan, 2013). Therefore, this research poses the following questions:

- 1) Do current KSA laws satisfy the need for developed entrepreneurship? Rapid technological evolution has generated new areas for entrepreneurship that might require a modification of laws in Saudi Arabia, such as intellectual property laws, or implementing new laws such as e-commerce and cybercrimes laws.
- 2) What are the implications of the current legal environment from an entrepreneur's point of view? In order to identify practical legal challenges to entrepreneurship, it is necessary to hear from practitioners themselves. To the researcher's knowledge, no study has empirically discussed the efficiency of the legal environment to support entrepreneurship in Saudi Arabia. Most previous studies in this area focus on impediments such as financing, culture, and infrastructure (Rahatullah Khan, 2013).
- 3) How can the current legal environment be developed to support entrepreneurship in Saudi Arabia? Although Saudi Arabia offers an attractive environment for doing business (according to the IWB report of 2010) there are still areas in need of development. This development must promote an environment that is similar to that seen in developed countries, in order to support entrepreneurial pursuits.

## 3. Methodology

This study was undertaken in three main stages. The first stage sought to evaluate the current legal environment in the KSA in the context of how it supports entrepreneurship. During this stage, the researcher developed a theoretical framework based on relevant literature. The second stage involved undertaking a doctrinal analysis, referring to relevant laws and procedures currently used to support entrepreneurship in Saudi Arabia. At this stage, the researcher looked at equivalent laws used in developed countries as a benchmark. These two stages contributed towards identifying gaps in the current legal environment theoretically. The last part of the evaluation stage sought to identify practical challenges faced by entrepreneurs in the KSA from their point of view.

To evaluate entrepreneur opinion, a survey was distributed to selected entrepreneurs in Saudi Arabia. The survey was based on the theoretical framework and on the doctrinal analysis. After the data was collected it was cleaned and statistically analysed before a descriptive data analysis was undertaken. The analysis took six months: three months were allocated for building the theoretical framework and the doctrinal analysis, and three months were used for data collection and data analysis.

In order to answer the research questions posed, a suggestion was proposed to address the need for facilitating a proper and efficient legal environment for entrepreneurship in Saudi Arabia. The suggestions were based on the findings of the survey and the theoretical analysis undertaken at the first stage. Legal frameworks applied in developed countries were reviewed as a benchmark, as part of an assessment of what factors might be impeding the progress of establishing an efficient legal environment for entrepreneurship in Saudi Arabia.

## 4. The Current Status of the Legal Environment in Saudi Arabia

As a developing country, Saudi Arabia is keen to enhance its business environment in order to strengthen and support its economy. In its governance of entrepreneurship, Saudi Arabia applies the same rules used for any kind of business, which means that it does not differentiate between entrepreneurship and other types of business. These rules are scattered between Sharia law and other Sharia based codified laws such as Company Law and Intellectual Property Law, for example. Therefore, it is possible to guess that that any legal obstacles to

entrepreneurship in Saudi Arabia might be attributed to the non-differentiation between different types of business enterprise.

Generally speaking, the legal obstacles to entrepreneurship can be various. Hence, this paper will focus only on the most important obstacles, which can be grouped into three categories. According to Beck and Demirguc-Kunt (2006) these categories are: entry regulation procedures for start-ups; the strength of feeling for protecting intellectual property in a country; and failure to facilitate efficient dispute resolution. All these factors affect the rules relating to business registration and required documents, protecting intellectual property, protecting creditors, contract enforcement, insolvency, and efficient dispute resolution. Therefore, these main factors were used as a basis for an evaluation of the current status of the entrepreneurial legal environment in the KSA, and for surveying the opinions of entrepreneurs in Saudi Arabia.

Companies are varied in type, but in Saudi Arabia the most common business model chosen by entrepreneurs is the Small Limited Liability firm. Therefore, the researcher will focus on the SLL model in the context of this current research. Moreover, for the purposes of this research, the researcher has assumed that this kind of firm is domestically owned and is trading, and that no specific requirements are needed for trading.

#### *4.1 Legal Procedures for Business Start-Ups in Saudi Arabia*

The procedures and regulations associated with starting up a business can play a crucial role in fostering the development of entrepreneurship in a country. Governments worldwide are trying to facilitate the ease of starting up a business by simplifying the processes involved, which saves costs and time for new start-ups. Entrepreneurs are typically younger people with limited resources, and so easing up business start up procedures is deemed beneficial. This is relevant because the establishment of new firms can support economic growth and create jobs (Acs, 2006). However, facilitating smooth start-up procedures does not necessarily mean reducing regulations, rather efficiently regulating start-up procedures. Hence, efficiency refers to the removal of unnecessary bureaucratic procedures in any regulatory framework.

In Saudi Arabia, the Government has already introduced initiatives to simplify starting up a business as a part of the 2030 Vision, which aims to boost entrepreneurship in the country. This has included attempts to simplify processes and reduce the costs and time duration of regulatory processes. For example, the Ministry of Commerce and Investment has established MERAS, which has gathered together all the authorities involved in starting-up a business into one body. This move has helped entrepreneurs save time and start-up costs. Moreover, the Ministry now allows some procedures to be done online, such as initial registration and trademark reservation. In addition, according to the Doing Business Project 2019, Saudi Arabia has achieved improvement in ease of doing business. In this respect, Saudi Arabia is now ranked 92 out of 192 countries assessed (Bank, 2019). However, entry requirement procedures have been flagged as an impediment to entrepreneurship in several developing countries, but for Saudi Arabia there might still be a chance for the country to catch up with developed countries in terms of easing the way for new start-ups, especially in areas such as cost and time. Although, new attempts have been made for development in Saudi Arabia, the efficiency of new procedures has not been tested yet, neither theoretically or practically. Hence, the survey used in this research aims to show the impact of the latest Government decisions on the practical implementation of starting a new business.

#### *4.2 Protecting Intellectual Property*

Protecting intellectual property plays a significant role in promoting entrepreneurial development. Chen and Puttitanun (2005) argue that entrepreneurs are typically concerned about their rights of intellectual property protection. Indeed, Coeurderoy and Murray (2014, p. 474) support this point of view, and say that, “entrepreneurial young firms choose to enter country markets offering better regulatory protection for their intellectual property.” Therefore, genuine fears exist among potential entrepreneurs about losing rights to ideas, products, and processes when producing a product. Intellectual property is an asset for entrepreneurs, and some people might be reluctant to engage in the entrepreneurial field because of the absence of sufficient protections relating to the protection and regulation of their IP assets. Therefore, the presence of efficient regulation, such as intellectual property regulations, is crucial for encouraging the engagement of innovators, entrepreneurs, and small and medium enterprises in the economy.

Regulators and the Ministry of Commerce and Investment (MCI) in Saudi Arabia have taken note of the importance of protecting intellectual property for entrepreneurs and innovators. An Intellectual Property Authority has been established as a part of the National Transformation 2020 plan. According to a Minister of the MCI, this will contribute towards supporting the protection of intellectual property and innovation, which, eventually, may help to build a stable information economy and enhance the role of SMEs (Saudi Press Agency, 2017). Al-Shaikh, who is a member of the Al-Sharqiyah commercial chamber, agrees with this viewpoint, but

insists that the current regulations are not sufficient to protect the entrepreneur's rights. He argues that the new Authority must fill gaps in legislation by introducing a new set of regulations that can specifically address needs in this regard. The MCI has set many goals to be achieved, and among these goals are: the development of IP laws and regulations; providing IP information and supporting the utilisation of IP; collaborating with enforcement agencies to protect IP; and developing the culture of IP in the Kingdom. Achieving these goals would ensure efficient property protections and increase IP awareness in Saudi Arabia. However, comprehending and implementing new laws might pose some challenges. Similarly, the easing of procedures and a shortening of the time duration for getting licenses currently stand as obstacles that need to be tackled. Hence, the latter issue is covered in this paper as a part of the survey questions issued to entrepreneurs in the context of how this might affect the efficiency of any IP Authority.

#### *4.3 Insolvency*

The importance of business stability for supporting a country's economy is one of the main factors behind introducing insolvency regulations. Business practitioners face several challenges and threats when insolvency regulations are not handled properly, including loss and shutdown and an increased number of business failures, which are negative indicators of a country's economic strength. The risk of failure for entrepreneurs is higher than in other forms of business. Therefore, governments tend to take precautions to avoid and decrease business failure. These precautions take many forms, and one precaution is creating regulations surrounding insolvency law.

The main goal of insolvency law is to offer guidance through the process of bankruptcy. Bankruptcy is a situation where the debtor is unable to pay his debt, and insolvency law deals with asset liquidation in order to raise money to pay creditors (Armour & Cumming, 2008). Insolvency law can also work to provide partial insurance to entrepreneurs in order to pay their debts (Fossen & König, 2015). Proper insolvency laws protect others from dealing with debtor entrepreneurs. However, a debtor entrepreneur should be able to have a chance for a fresh start after clearing all debts and obligations (Lee et al., 2007).

The impact of insolvency law for fostering entrepreneurship is widely recognised. Developed countries such as the US and the UK have introduced insolvency or bankruptcy laws. These laws support the function of entrepreneurship to build a strong economy, and help to balance the effects of business failure, and encourage the entry of new entrepreneurs into the economy (Department of Enterprise, 2013). These laws also increase the chance for entrepreneurs to obtain credit. Some countries focus on supporting debtors, while others concentrate on imposing sanctions. According to Brouwer (2006) the essence of economic success rests on the efficiency of a country's bankruptcy procedures.

In Saudi Arabia, the Government has acknowledged the necessity of using insolvency law as a cornerstone of building a good business eco-system. Therefore, new insolvency laws have been introduced. These new laws share the same goals as those of developed countries. Moreover, the new rules focus on small and medium enterprises (SMEs) to help entrepreneurs re-calibrate a business after failure. The new laws comprise seventeen chapters of text, with a total of 231 articles. These articles centre on three main objectives: liquidation, preventative settlements, and financial reorganisation. According to Keaton et al. (2017) these topics were not handled properly by outdated laws. However, for the purposes of this study, it was difficult to judge the efficiency of these new laws practically, because they were only introduced six months ago, and the targeted sample, if questioned, would not have been able to give reliable answers. However, after reviewing the rules within the scope of the law, it is acknowledged that the Regulator has considered which factors might affect entrepreneurial practice. This is obvious from a review of the rules for SME's, under which entrepreneurs fall. For example, these rules differentiate between the procedures for financial reorganisation, preventative settlements, and liquidation between large and small debtors. Such attention to detail in this category reflects a Government understanding of the need for efficient insolvency laws and its role in fostering the development of entrepreneurship in the country. This also indicates that by issuing these laws, the Government has acknowledged obstacles to entrepreneurship with regard to insolvency law.

#### *4.4 Dispute Resolution*

The business environment usually revolves around various transactions that articulate commitments by both parties which must be fulfilled. However, conflict can occur when a party fails to perform their obligations. This can lead to serious consequences for the other party and his/her debtors. Hence the provision of efficient dispute resolution helps to ensure a proper business environment and helps to preserve a country's economy stability.

An efficient dispute resolution mechanism is characterised by fast processing and the use of specialist judges. According to Ellis (1996) US rules for resolving disputes have been criticised, mainly because of complaints about the quality of the final results of litigation, and for being slow, expensive, and time consuming. Ellis (1996) asserts that to prevent a high volume of lawsuits being served, an alternative dispute resolution system would provide a more appropriate solution. This approach is suited to resolving business cases in general and for entrepreneurship especially.

As previously discussed, entrepreneurship has a time-based foundation in that fast operators in the field have a greater chance of success, because the development of new technology moves at a speedy pace (Bird and West, 1998). Therefore, timely dispute resolution can play a key role in fostering entrepreneurship in a country.

The situation in Saudi Arabia is quite similar to that in the USA in terms of the volume of business lawsuits served. According to the Ministry of Justice in Saudi Arabia, the number of business cases served in only seven months of 2019 was 24.4 thousand, which is 17% greater than figures published for 2018 (Althumiry, 2019). It is worth mentioning here that these figures were recorded after the recent development of court classification in Saudi Arabia, which worked to set up new Business Courts in the country. This new system has helped promote the efficiency of dispute resolution in the KSA, but it might be predicted that with the increased number of entrepreneurs and SMEs entering into the field, these figures might gradually increase. Therefore, without the introduction of new methods to deal with issues generated from a revolution in business, the development plan for Vision 2030 in relation to promoting entrepreneurship might be negatively affected.

As well as the significant number of cases being brought before the commercial courts, a lack of trust in specialist judges working in the field of business law creates a further hindrance to entrepreneurship in Saudi Arabia. Although the Ministry of Justice has set up new commercial courts, most judges who work in these courts are graduates in Sharia, and not in commercial law. This may affect their understanding of contemporary business issues, and, consequently, the quality of their decisions. Also, this might be why most large corporate firms operating in the KSA prefer to solve their disputes using modern arbitration mechanisms, because the arbitrator is more familiar with the national and international business environment. Entrepreneurs in the KSA also seek to use the same methods for resolving disputes, opting to use the prompt services of specialists.

## **5. Empirical Study**

### *5.1 Questionnaire Design*

In order to answer the main questions and sub-questions posed in this research, and to achieve its objectives, a survey questionnaire was designed to be completed by selected entrepreneurs working in Saudi Arabia. The questionnaire was divided into four sections, beginning with an introduction detailing its purpose, then an explanation about where the research will be conducted, and how long respondents might take to fill in the questionnaire. Instructions were also included for respondents on how to answer the questions. Furthermore, a 5-point Likert scale was used to assess responses. This provides respondents with the opportunity to express the extent to which they agree or disagree with a statement; with 5 indicating 'to a very great extent' and 1 indicating 'not at all'.

Each part of the questionnaire was designed based on information compiled from reviewing previous research, and each section of the questionnaire was written to examine the respondents' points of view on the current legal environment for entrepreneurship in Saudi Arabia. The first part of the questionnaire comprised general demographic questions relating to age group, gender, qualifications, and occupation. The second part offered participants the chance to record their opinions on legal entry procedures. The third part focused on the efficiency of current intellectual property protection measures in Saudi Arabia, and the final part asked respondents about the role and efficiency of current dispute resolution mechanisms in operation.

### *5.2 Validity*

The questions used in the questionnaire were reviewed by experts working in the field before the production of a final draft. This process necessitated modifying and clarifying some of the questions. The researcher was mindful not to include too many questions, in case the respondents became disengaged and decided not to complete the questionnaire. Also, to prevent the respondents from misunderstanding some questions, which might have affected the validity of the research, some legal terms were defined so that the entrepreneurs could understand them easily.

### *5.3 Pilot Study*

The researcher distributed twenty e-questionnaires to a sample comprising entrepreneurs of various ages and qualifications and gender, to ensure the responses represented all types of demographic that would be used in the

real sample. Based on the pilot test results, only a few amendments to the questionnaire were needed, and these changes mainly related to making the language style clearer.

#### 5.4 Reliability

To ensure the use of a valid methodology, a reliability test is usually used by researchers to test questionnaires for internal consistency. The most common test used to assure instrument reliability when undertaking empirical research is Cronbach's Coefficient Alpha test. In this current study, Cronbach's test was applied to the whole questionnaire. According to Sekaran and Bougie (2003), a Cronbach's result range of .70 to .80 is acceptable, and anything above .80 is very good. The Cronbach test result for this study was .832, which is an acceptable consistency.

Table 1. Reliability statistics

Cronbach's Alpha Test Result	No. of Items
.832	119

## 6. Data Analysis

Popular SPSS software techniques and BOS were utilised to analyse the collected data. The number of responses was more than expected, and the total responses exceeded 140. However, the completed questionnaires submitted totalled 119. Although these responses did not represent all entrepreneurs in Saudi Arabia, variations in the random sample demographic were used to provide an approximate reflection of entrepreneur diversity.

### 6.1 Sample Profile

Table 2. Age range

		Age	
		Frequency	Valid Percentage
Valid	18-24	12	10.1
	24-36	34	28.6
	36-46	47	39.5
	46-55	13	10.9
	55 or more	13	10.9
<b>Total</b>		<b>119</b>	<b>100.0</b>

The table above shows that about 10% of the participants were in the age range of 18-24; more than 28% of the responses were received from those aged between 24-35; and 39% from the 36-45 age group. This was enough to achieve the aims of the survey. These two categories included experienced professional entrepreneurs who would provide realistic answers.

Table 3. Gender

		Gender	
		Frequency	Valid Percentage
Valid	male	93	78.2
	female	26	21.8
<b>Total</b>		<b>119</b>	<b>100.0</b>

Both genders were included in this empirical study in order to understand gender perceptions, and to see how different genders evaluated the chosen factors in relation to the development of the entrepreneurial legal

environment. The difference in participation according to gender was male 78.2% and female 21.8%. These percentages reflect previous findings on the impact of cultural factors on female engagement in business in Saudi Arabia. Specifically, the results indicated that the male population is more engaged with entrepreneurship than females in the KSA.

Table 4. Employment status

<b>employment</b>			
		Frequency	Valid Percentage
Valid	employed	72	60.5
	unemployed	47	39.5
<b>Total</b>		<b>119</b>	<b>100.0</b>

The majority of the respondents were employed (60.5%), and only 39.5% were unemployed. Although, the employed participants totalled more than the unemployed, the percentage differences were not high. This indicates a high potential engagement in entrepreneurship even from otherwise employed people.

Table 5. Qualifications

<b>Education</b>			
		Frequency	Valid Percentage
Valid	H.School	5	4.2
	Bachelor	60	50.4
	Master	37	31.1
	PhD	17	14.3
<b>Total</b>		<b>119</b>	<b>100.0</b>

The above table shows that 50% of the respondents held a bachelor's degree, which comprised the biggest block of respondents. Respondents who held less than a bachelor's degree were among the lowest number of respondents. This indicates that more educated people perceive the value of entrepreneurship more than other sections of society. Interestingly, this result might enhance the validity of this study, because most respondents held at least a bachelor's degree and/or a higher qualification.

## 7. Results

### 7.1 Start-Up Procedures for Entrepreneurs

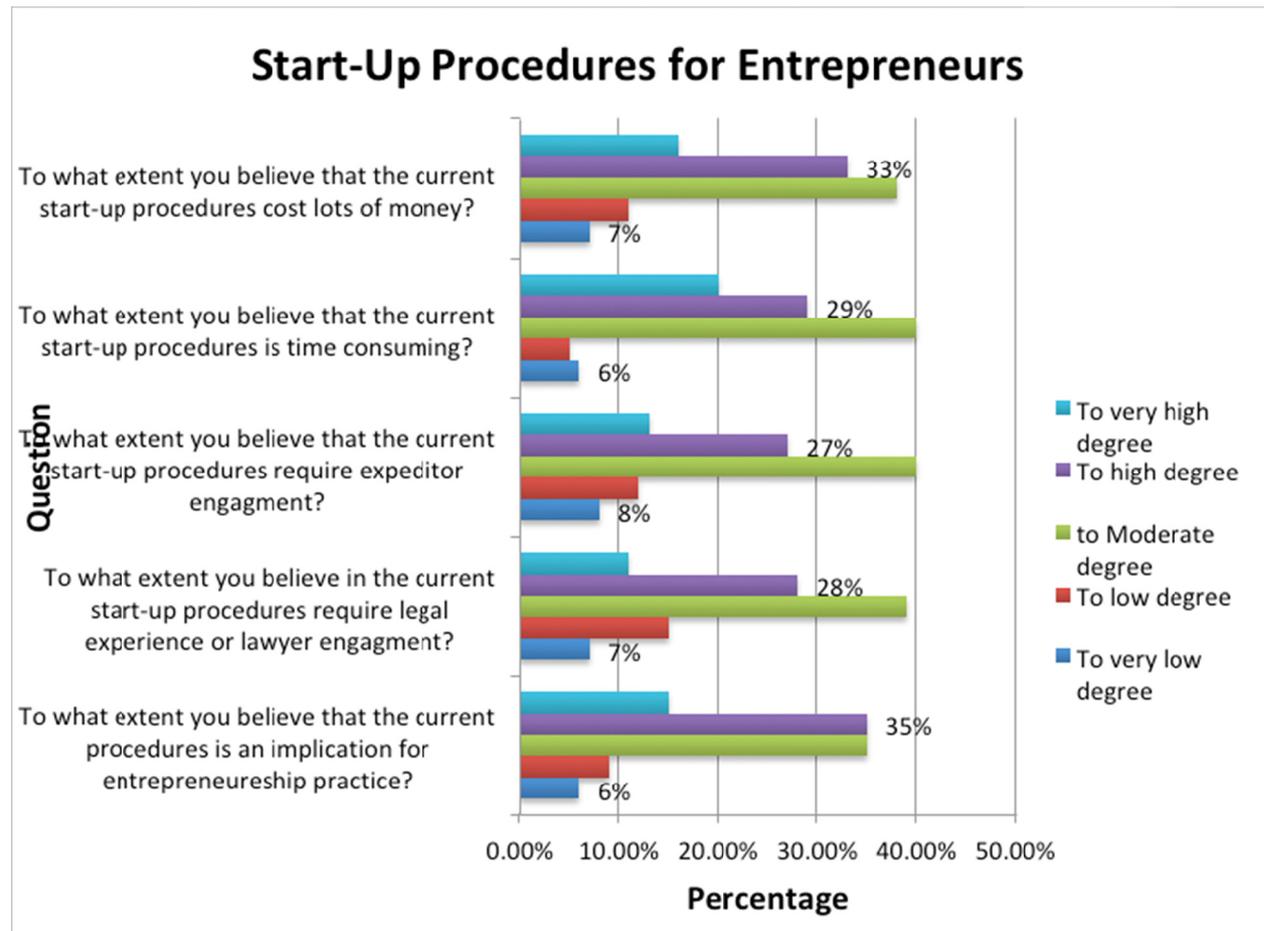


Figure 1. Start-up procedures for entrepreneurs

The efficiency of start-up procedures for entrepreneurs was assessed through responses gathered to several relevant questions, including questions about the necessity of hiring a legal consultant or expeditor, the amount of time required to start-up, and the costs of a start-up. International studies find that some legal procedures can act as obstacles to the development of entrepreneurship in a country. This current study aims to shed light on how this might be the case in Saudi Arabia.

The first question on the questionnaire was a general question seeking to gauge the respondent's view of the impact of legal procedures on starting up a new business venture. More than half of the respondents (60%) felt that legal procedures impacted start-ups to a high or very high degree, and only 19% felt that the impact was low or very low. For the second question, 47% of the respondents felt that legal procedures require legal specialist intervention. However, this percentage was almost the same as respondents who only moderately felt that intervention was necessary (46%). In terms of expeditor engagement, only 24% felt that they did not need this, while 48% believed it is required to high or very high degree. Furthermore, 47% moderately felt that this kind of engagement is necessary. In relation to the time needed for finalising legal procedures, 58% felt that it took a long time to a high or very high degree, while 24% said they felt this to a low or very low degree. Similarly, 58% felt that legal procedures cost a lot to a high or very high degree, while only 16% felt this was the case to a low degree, and 45% to a moderate degree.

7.2 Current Intellectual Property Protection Measures

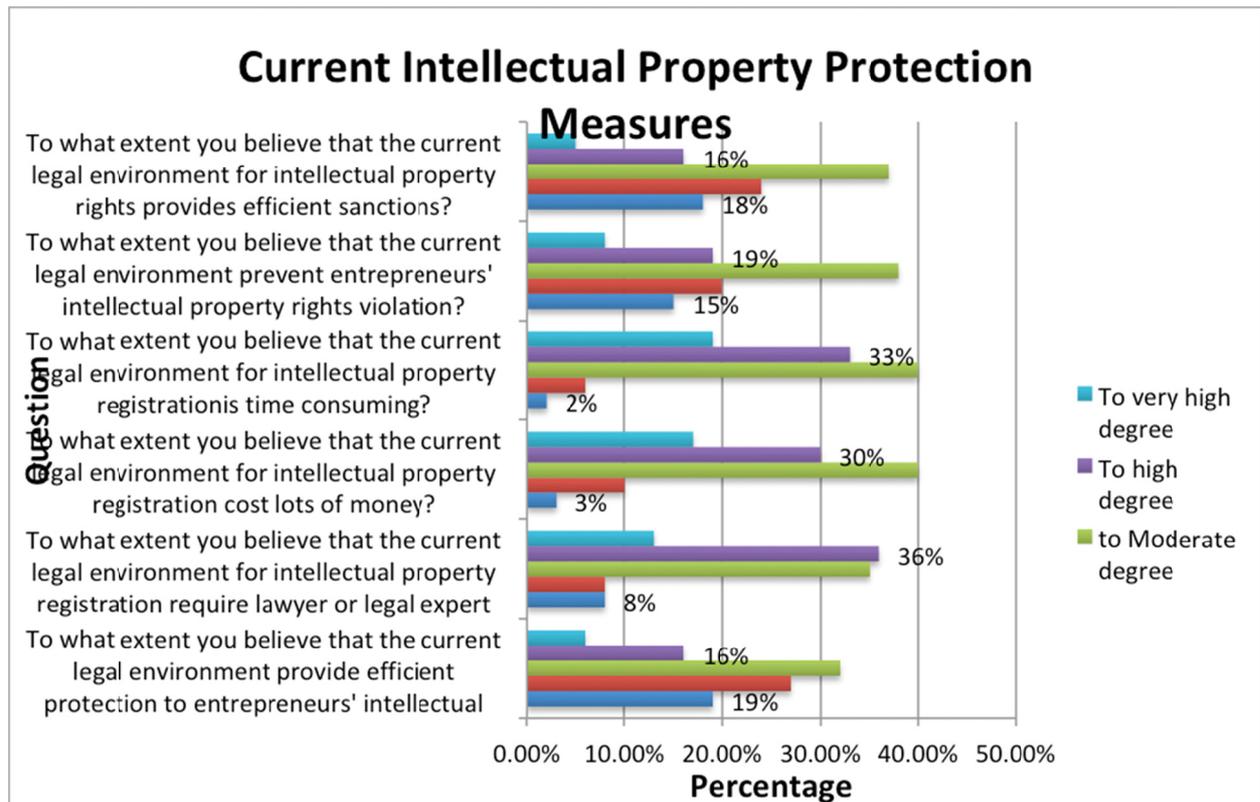


Figure 2. Current intellectual property protection measures

The second part of the questionnaire asked respondents about the extent to which entrepreneurs believe that intellectual property measures and procedures affect the entrepreneurial ecosystem in Saudi Arabia. Respondents were asked if they believe that current laws and procedures protected their rights. The majority (46%) felt this to a low or very low degree. Only 22% said that they felt the current system protected them to a high or very high degree. Furthermore, 49% felt that expert and lawyer intervention is required to finalise IP procedures, while only 16% believed this to a low or very low degree.

With regards to the cost of setting up an enterprise, (47% said that this affected them to a high or very high degree, and 14% believed this to a low or very low degree. Moreover, 52% felt that the time required to set up a business is too long (to a high or very high degree) while only 8% believed the opposite. Furthermore, the majority of respondents (37%) felt that they moderately believe in the efficiency of current remedies to prevent the violation of IP law, while 42% felt this to a low or very low degree. Only 14% felt (to a high or very high degree) that the current system was efficient.

7.3 The Efficiency of Current Dispute Resolution Mechanisms

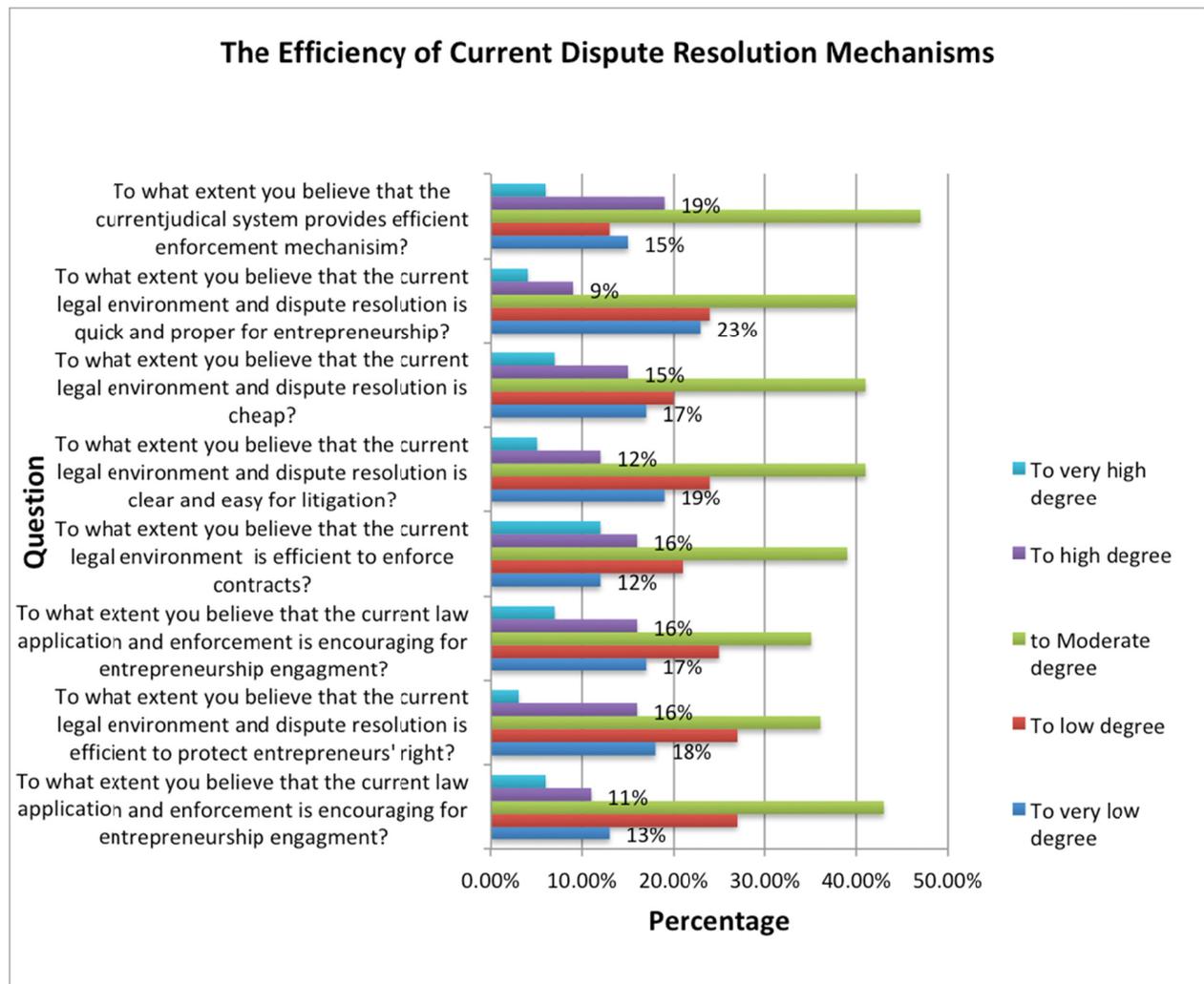


Figure 3. The efficiency of current dispute resolution mechanisms

The last part of the questionnaire posed questions about the efficiency/inefficiency of the current dispute resolution system and how this affects the entrepreneurial ecosystem in Saudi Arabia. When questioned about their general belief in the efficiency of current dispute resolution mechanisms in relation to how they work to encourage entrepreneur engagement, 44% gave the response of low or to a very low degree, and only 19% believed this to a high or very high degree. The majority (42%) said that current mechanisms are not suitable to preserve entrepreneurs’ rights, but 23% said that the current systems were efficient. When questioned about whether they feel that current dispute resolution mechanisms provide easy and clear litigation procedures, 42% of the respondents said that this was the case to a low or very low degree, and a similar number moderately believed this. However, 17% said that current systems provided easy and clear litigation procedures to a high or very high degree.

In relation to the costs of dispute resolution, 41% moderately believed that costs were high, 37% believed this to a low or very low degree, and 22% believed this to a high or very high degree. When questioned about the time required to administer dispute resolution, and the suitability of this timescale for entrepreneurship, 47% said it was suitable to a low or very low degree, and 13% believed it was suitable to a high or very high degree. In relation to the execution of dispute resolution services, most respondents only moderately believed in the efficiency of the current system, while the rest were divided between 28% to a low or very low degree, and 25% to a high or very high degree.

## 8. Discussion

The goal of study for this research was to empirically explore weaknesses in the current legal environment in Saudi Arabia from an entrepreneur's point of view. This was done by analysing previous studies undertaken and by undertaking primary research. Emphasis was placed on the most important factors that affect entrepreneur engagement, and, particularly, on those concerns previously noted as impediments to entrepreneurial development in developed countries.

The questionnaire results revealed that entrepreneurs believe that the legal procedures and processes for establishing a business in Saudi Arabia are inefficient. Indeed, 60% of the participants said that obstacles exist for entrepreneur engagement. Although several attempts have already been made to simplify the rules, there is still more to be done. The results show that the obstacles mainly relate to the costs and the time required for finalisation of all the procedures relating to start-ups. These results are similar to those of the IWB report in this regard (Bank, 2010). However, nearly half of the participants said that the procedures are clear and that there is no need for further legal specialist intervention. These results apply also to the necessity to use expeditor help, where the same percentages were recorded. Comparing these results to the results of other international studies, it could be said that the costs and time required to set up a new venture are key factors that affect the legal ecosystem for entrepreneurs in Saudi Arabia.

With regard to intellectual property and the IP protection measures used in Saudi Arabia, the results indicate that further measures need to be introduced in this area to strengthen and enhance entrepreneur trust. The participants said that the efficiency of current laws does not provide adequate protection of their rights. Only 22% of the participants said that existing protections were enough. Indeed, the participants who felt that current protections are inadequate referred to difficulties in understanding requirements and knowing when lawyer intervention is required. Moreover, they said that the registration time required is too long, and, importantly, they felt that current punishments for violating relevant laws are vague. As mentioned earlier, within the realm of entrepreneurship, intellectual property rights are the cornerstone of enterprise (Coeurderoy & Murray, 2014). It is possible that entrepreneurs may still seek to engage in entrepreneurship within the scope of the current measures, but they are reluctant to do so. Therefore, enhancing engagement by introducing efficient protections for intellectual property is required.

Dispute resolution and execution is another issue that affects the legal environment for entrepreneurs in the KSA, and this has been noted in previous studies internationally. In the current study, the entrepreneurs' answers reveal that they are dissatisfied with current dispute resolution mechanisms. More than 40% of the participants said that current systems were insufficient to protect entrepreneurs' rights, and an almost similar percentage said that the litigation process is difficult, unclear, and slow. Therefore, there is a need to implement a proper dispute resolution system that fits the new nature of entrepreneurship. The recent development of the courts by the Ministry of Justice has definitely improved dispute resolution for businesses in Saudi Arabia, but the shortage of specialist judges still poses an obstacle that affects the quality and speed of resolution. These obstacles can affect an entrepreneur's engagement negatively, and, consequently, the overall development of entrepreneurship in the country.

## 9. Conclusion

Entrepreneurs now play a crucial role in supporting a country's economy. Developed countries have made headway to facilitate a proper entrepreneurial ecosystem by minimising obstacles that prevent entrepreneur engagement. One obstacle to a healthy business ecosystem is the absence of an efficient legal environment. Although this logic has been addressed to a large extent by developed countries, in some developing countries, such as Saudi Arabia, for example, further development is required. This research has sought to identify the most important elements that affect the legal environment of entrepreneurship in Saudi Arabia, and the last part of this study will provide suggestions for development.

Many studies have discussed the entrepreneurial ecosystem, but none have discussed how the legal environment impacts this in detail. This research has endeavoured to contribute to this field by identifying areas that affect the efficiency of the current legal environment. In order to achieve this aim, three main areas have been addressed. The first area addressed was the current situation of the legal environment in Saudi Arabia as it affects entrepreneurship. The second examined entrepreneurs' points of view regarding identified elements that might affect the efficiency of the current legal environment. The last part of the study will look at suggestions for development based on the results.

This research contends that inefficiencies in the current legal environment for entrepreneurs in Saudi Arabia can be attributed to obstacles relating to legal procedures for business venture start-ups, inadequate intellectual

property rights protection, a lack of adequate insolvency laws, and inefficient dispute resolution mechanisms. The survey results have revealed elements that contribute to the problem. Therefore, for developing the legal environment, this research suggests the following measures:

- The findings show that there is a need for a clarification of the procedures for business start-ups, shortening the time required to register a start-up, and reducing procedural costs in this respect.
- In respect of intellectual property rights protection for entrepreneurs, the current measures are deemed ambiguous, costly, and time consuming. Hence, clarification, simplification, and a reduction in costs are required to enhance IP rights.
- The research findings reveal that litigation procedures for dispute resolution are not clear and are not easy to understand for a layperson. Moreover, the long resolution time taken makes the current mechanisms unsuitable for entrepreneurship. Therefore, it is suggested that more work is done to clarify, simplify and increase the awareness of litigation procedures. The introduction of a separate dispute resolution service for entrepreneurs is also highly recommended. This should be a system that takes into account the nature of modern technological entrepreneurship. It should also seek to understand that consumers are influenced by their culture when it comes to obeying rules and regulations.

Although the provision of inadequate insolvency laws has been identified as one element that affects the efficiency of the current legal environment, it was not been included within the scope of the survey administered as part of this current research. The reason for its exclusion was due to the lack of laws to govern insolvency in the KSA at the time the research was undertaken, and, therefore, it was difficult to gather the entrepreneurs' views on this matter. However, the proposed introduction of new draft proposed laws for insolvency in the KSA was discussed in the literature review section of this study. Based on a comparison with similar laws used in developing countries, the draft laws seem to satisfy the needs of the required legal environment for entrepreneurship.

Applying the above suggestions properly could enhance the development of the current legal environment for entrepreneurship, and provide a proper legal environment for entrepreneurship in Saudi Arabia.

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