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Women Entrepreneurs in Riyadh, Saudi Arabia

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Abstract

Although women entrepreneurs around the world suffer from numerous disadvantages such as discrimination, lack of business experience and limited access to financing, the challenges for women entrepreneurs may be more severe in Islamic countries where religion, cultural factors and lack of an entrepreneurial environment are additional deterrents. Despite this, a small but growing segment of women entrepreneurs exists, however the extent of women's endeavors is virtually unknown due to concerns about privacy and lack of rigorous academic research.

This report develops a sense of women entrepreneurs and their context is one of the first to focus on women entrepreneurship in an Islamic country. Hypotheses development proceeded by focusing on a leader within Islamic states (Saudi Arabia), analysis of vehicles of mass culture such as news media, and assessment of factors through personal interviews.

The findings confirm that Islamic countries are nascent cultures for women entrepreneurs, but that they are present. Islamic women entrepreneurs attribute success and failure in different terms than do their western counterparts, and identify a wider set of obstacles and unique strategies to function well. This study serves as the foundation for further academic research into the topic of women's entrepreneurship in Islamic cultures. Given the exploratory nature of this study, it is recommended that this research be expanded to a statistically valid base within Saudi Arabia, and then to expand the study to additional countries.

Keywords: Entrepreneurship, Women, Islamic, Saudi Arabia



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Introduction

Entrepreneurs around the world, regardless of gender, share many of the same business problems in starting their businesses: access to financing, attracting customers, managing cash flow, etc. In developing economies, added challenges are access to technology, underdeveloped banking systems, and corruption. One geographic area that is evolving in terms of entrepreneurship is the Middle East and North Africa (MENA). Mena countries, with the exception of Israel, share a religion, the Muslim religion. The practices of the Muslim religion can vary by country and affect everyday life and business practices. For example, Islam does not require women to cover themselves and there are many Muslim countries where women do not cover themselves or even their heads while in other countries women are required to be completely covered in public. Business, albeit start up or on-going, does vary across the Middle East as seen in Table 1. The accuracy of this information, however, is suspect. In practice, for a woman to register a business in Saudi Arabia can take a month; in Bahrain it takes an hour (Fakkar, 2007) yet Saudi Arabia is listed as the best country to register a business. In terms of “the ease of doing business,” the situation regarding women appears to be omitted.

Although some MENA countries are extensive economic resources due to their supply of oil, economic development, particularly the development of small and medium sized business has been lacking. “The phrase, ‘Arab entrepreneur’ was almost an oxymoron at the height of state control over the region’s economies, but no more.” (Power, 2005).



Table 1: Ease of Doing Business in MENA Countries

Country	Ease of Doing Business	Starting a Business	Registering Property	Getting Credit
Saudi Arabia	1	2	1	2
Israel*	2	1	16	1
Kuwait	3	8	7	4
Oman	4	7	3	8
United Arab Emirates	5	12	2	10
Jordan	6	11	12	7
Lebanon	7	10	9	2
Tunisia	8	5	6	8
Yemen	9	17	5	16
West Bank and Gaza	10	15	13	4
Algeria	11	9	17	10
Egypt	12	4	10	10
Morocco	13	3	11	13
Iran	14	6	15	4
Syria	15	16	8	16
Iraq	16	13	4	13
Djibouti	17	14	14	13
*Israel is not an Arab country and generally does not trade with its neighbors.				
Source: Adapted from the Doing Business Project, http://www.doingbusiness.org/economyrankings/?regionid=4				

Among the MENA countries, Saudi Arabia (Table 2) is distinguished by its rich oil reserves and conservative religious practice. Although the Kingdom of Saudi Arabia has a vibrant economy with modern technology, these resources are not shared by all citizens. Saudi Arabia, with the two Moslem holy cities of Mecca and Medina, abides by conservative religious standards. Even within Saudi Arabia, religious practice varies. Riyadh, the capital, is very strict while Jeddah, a Red Sea seaport city, is less rigid as are some of the eastern provinces.



Table 2: Key Facts for Kingdom of Saudi Arabia

Source: CIA World Factbook

Total Populations: 27,601,038

Nationals: 22,024,962

Non-nationals: 5,576,076

Males: 54.5%

Females: 45.5%

Median Age: 21.4

Literacy: Total: 78.8%

Males: 84.7%

Females: 70.8% (2003 est.)

GDP per Capita (PPP) \$20,700

Internet Hosts: 18,369

Users: 4.7 m

The economy of Saudi Arabia is dominated by large corporations related to oil production and oil byproducts leaving little attention to the development of the economy. Small and medium enterprises only contribute 28 percent of GDP but employ approximately 80% of the work force. “They face obstacles in getting bank loans and business orders as their products and services do not meet international standards. (Hassan, 2006). Additionally, the SMEs (Small and Medium-sized Enterprises) “suffer from a lack of professionalism and of marketing skills; they do not conduct feasibility studies, maintain financial records or prepare annual budgets.” (Hassan, 2006).

The entire country of Kingdom of Saudi Arabia is in need of development in the entrepreneurial sector if they are to move beyond its dependence on oil revenues. Michael E. Porter(2008) includes “foster entrepreneurship and the development of SMEs” in step toward crating competitiveness for the country of Saudi Arabia. Specific recommendations include, “a culture of learning and innovation” and “upgrade human resources.”



Women Entrepreneurs in Riyadh, Saudi Arabia

A segment of the Saudi Arabian population that warrants special attention regarding entrepreneurship and business development is women. Two examples which impinge their ability to develop businesses are that women are not allowed to drive and must have a male representative to deal directly with the government agencies. One custom which does not affect the women's ability to do business but presents a negative image to the world is the custom of women being covered from head to toe in a black robe and veil. Attire is irrelevant to entrepreneurial efforts, and media and researchers must look beyond the robes and "get beyond the images of Saudi women as nameless, faceless entities," (Minkus-McKenna, 2005) if they are to be taken seriously.

Changes in terms of business development, entrepreneurship and women are occurring within Saudi Arabia. "Slowly, tentatively, almost imperceptibly to outsiders, the kingdom is redefining its relationship with the modern world." (Molavi, 2006).

Males versus Females in Saudi Arabia

An examination of the Kingdom's laws relating to female nationals reveal that women are to date prohibited by custom to drive, open a business on their own, buy a home and invest in real estate. Even the simplest act of reporting a crime to the local police must be done by a woman's guardian. (Abdullah, 2007b). Freedoms for women are perceived as an "attack at the very moral fiber of traditionalist culture and consensual departure from the way God has intended Muslims to live." (Seznec) On occasion, what is done privately is different versus what is done publically.

Technically, the registration process for a new business is the same whether the business is owned by a man or a woman. "The only regulation imposed on women owned businesses is to have all women staff in designated women's section with separate entry and exit doors; and a male supervisor in the men's section. (Parker, 2007).

According to a member of the Shoura Council, several decisions regarding the right of a woman to register a business have changed in the last five years. "Until recently, women couldn't practice any commercial activity without a male agent who represents her in administration and in dealing with the procedures for setting up a legal business in the Kingdom (Fakkar, 2007). Some women, however, still complain that they need a male agent.

Females in Saudi Arabia

Women make up 45.5 % of the population in Saudi Arabia. This number is lower than the United States where females make up 50.9% of the population (CIA, 2008). This variation is the result of the approximately 5.6 million foreign workers in the Kingdom, the majority of whom are male. Female literacy rates as 71% (CIA, 2008), however, a breakout of literacy by age is not available. Today, education is mandatory for females and women make up 58% of University students. (Ba-Isa, 2007). More and more women are employed but the estimates range from 5.5% (Parker, 2007) to 15% (Abdullah,2007a).

Other key facts regarding women's business potential in Saudi Arabia are:



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- Women control much of wealth in the country and thus women entrepreneurs have access to informal funding. Saudi women as a whole own estimated cash funds of SR45 billion, of which “75% is sitting idle in bank deposits.” (Parker, 2007).
- Women own about four percent of the total registered businesses in the Kingdom with 5,500 commercial registrations of women’s projects, representing 20% of the business in the retail, contracting, wholesale and transferable industries sectors (Parker, 2007). *Arab News* published Top 20 List of Saudi Women’s Business in March 2007. “Saudi men have traditionally been the entrepreneurs but our women are no longer standing in the shadows. They have stepped into the light and have become the backbone of society. We in the Kingdom are fortunate to have well-educated, financially powerful women (Almaeena, 2007).
- Some Saudi women participate in entrepreneurial efforts through their families. Women own some 40% of family run companies, very often as silent partners (Parker, 2007).
- Not all Saudi men are against women working or owning businesses. Some women entrepreneurs receive support psychological support and business advice from their husbands and fathers.

In assessing the situation, there are both advantages and disadvantages to being a female and attempting to start a business in Saudi Arabia (Table 3).

Table 3: Advantages versus Disadvantages for Women Entrepreneurs in Saudi Arabia	
Advantages	Disadvantages
Highly educated	Need male permission
New generation of women and values	Separate banks
Economic growth	Minimal government assistance
Separate banks	Lack of support from other women
	Lack of business experience
	Lack of market research



Advantages

- The female population is highly educated with 58% of university students being women.
- The population of Saudis is very young and these men and women have grown up with increased access to the internet. A new generation of Saudi women has grown up in an era of socio-economic reforms in where the contribution of women is being increasingly acknowledged (Parker, 2007).
- Unlike many countries, economic resources are extensive and rapidly growing.
- Having separate banks for men and women can be considered as both an advantage and disadvantage. [Women can go into any bank but the “the idea of bank branches for women came about as a way to attract women customers that might prefer services catering to them specifically.” (Adbullah, 2007a).] Special problems and issues of women can receive full attention in separate banks; however, financial advice in establishing businesses is presently unavailable.

Disadvantages

The disadvantages specific to Saudi Arabia are that male permission is needed to register a business in their name, or travel alone, that women cannot drive and that government support is minimal at best.

- One woman succinctly summarized the business implications of needing male permission. “For me, first of all the guardianship issue must be solved. In practicality, a woman’s husband or father is the owner of all her finances and controls her business. In a family, if the husband dies, the guardianship of the woman passes to another man and then what happens to the woman’s business? “
- Not being able to drive is an inconvenience and requires the added expense of a driver.
- The Saudi government has initiated only a limited number of programs targeted to women’s development. One example, “The Saudi Woman Between Economics and Social Reality,” a conference targeting businesswomen, working women and women seeking to develop a business occurred in 2008 and featured several Princes as speakers and supporters of women’s involvement.
- “One of the biggest issue facing women in business in Saudi Arabia – the lack of support from other women (Ba-lsa, 2007). Although the culture of Saudi Arabia is characterized by privacy, it is best not to incur the attention or wrath of The Commission for Promotion of Virtue and Prevention of Vice, also known as the religious police.



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- Because the vast majority of women do not work outside the home, they lack business experience and exposure vital skills that would contribute to establishing their own business.
- Lack of market research (See literature review below.).

Literature Review

For a comprehensive view of literature, both current and academic literature was reviewed. In both cases, limited information can be found as it is difficult to conduct studies in Saudi Arabia and supporting statistical data from the government is either lacking or conflicting. This is compounded by a “the fetish for secrecy” (Atkinson, 2007) that permeates business and society in Saudi Arabia. Gathering information from women throughout the MENA is particularly difficult due to cultural constraints (Atkinson, 2007) and many women do not register their businesses because they cannot do so officially and many women operate their business outside the public eye. (Abdullah, 2007a).

When a survey of women owned businesses was conducted by *ARAB NEWS*, the results suffered from half filled out forms, incorrect information, and a lack of cooperation. At times, the researchers had to make personal calls to business owners to plead to get the forms filled out. (Almaeena, 2007).

In terms of academic literature, there is virtually none that addresses Saudi Arabia. Of the two academic articles, one (Riddle, 2007) deals with the MENA countries and concludes that the MENA countries do not think alike, and within countries, younger managers thought differently than older counterparts. The other article, *Toward an Understanding of Arab Entrepreneurs in Bahrain and Oman* (Dechant & Lamky, 2005), was used as the basis of this study so that cross cultural comparison can be made in the future.

Methodology

The sample, because of its small base and secretive nature, was done by personal reference.

The open-ended questions originally derived from those used in a 1998 poll of women entrepreneurs in the United States conducted by the NFWBO (National Federation of Women Business Owners) and Catalyst. The questions were modified by Dechant and Lamky to fit the business environment in Bahrain and Oman. By using the same questions in this study, the basis for comparison of MENA country results is possible.

Among the question asked were:

1. Why did you start your own business?
2. Who are your customers?
3. How did you finance your start-up?
4. By what means do you promote your business?
5. How significant is the Internet to your business?



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6. How do you ensure the quality of your products/services?
7. What sources do you rely upon for advice regarding the management of your business?
8. How would you describe your leadership style?
9. What has been the impact of your country's culture on your doing business?
10. How has Islam affected your experience as a business woman?

The respondents were identified through referrals from Saudi Arabian women and students who were asked to help locate local women who were operating their own businesses. The identity of the women entrepreneurs has been camouflaged to protect them. For presentation, the question/answer format rather than a case study format was used to further disguise their identities.

Findings

In terms of personal characteristics, all the women were married with children and operated service businesses. Their businesses were either sole proprietorships or employed from one to 16 people. The oldest business was 10 years old and the youngest was 4 years old. All the women were college educated. The businesses included spas and beauty salons, a computer graphic and repair shop, public relations, event planning and marketing consultants. It must be emphasized again that this is preliminary research and evaluated in that light.

1. **Why did you start your business?** The reasons for starting a business varied: Need, For the sake of my children, Spend more time with the children and Do something they loved.
2. **Who are your customers?** The spa customers are exclusively women. But the other businesses have both male and female customers. For the computer service business, the majority of customers are female students but also uneducated women who want to learn about computers.
3. **How was your business financed?** The two major sources of financing were family and personal savings. Except for the spa, the businesses did not require significant amounts of capital. In the future, however, a loan, if available, would be considered to expand the business.
4. **By what means to you promote your business?** For the public relations company, networking was used. Other businesses used flyers, bulletin boards, booths at bazaars and the Internet.
5. **How significant is the Internet to your business?** The options ranged from critical in the case of the public relations company to very important. Two of the companies were in the process of developing web sites.



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6. **How do you ensure the quality of your products/services?** Personal involvement was mentioned by all respondents. One woman cited the use of expensive materials and creativity to define her business.
7. **What sources do you rely upon for advice regarding the management of your business?** The list included the Internet, business books, conferences, customers, father and other women in the business.
8. **How would you describe your leadership style?** Because of the small size of several of the businesses, leadership style was not considered a factor. To those businesses that had several employees, they used coaching and treating like a family.
9. **What has been the impact of your country's culture on your doing business?** Most of the respondents mentioned the fact that only a man can have contact with the government and that a man's name must appear on business registration. Although the women accepted this limitation, one was quite adamant about this being a formality and that the business was "her baby." The owners of the computer business mentioned that customers were used to seeing women in beauty salons and as tailors but not running a computer business.
10. **How has Islam affected your experience as a woman in business?** The comments included: "Islam never mentioned anything about women not being able to do business," "Islam gives women a lot of credit," and "Since 9/11, people in the US don't want to do business with her."

Besides the formal questionnaire, many interesting quotes were offered. One entrepreneur stated, "We are more than black sacks. We work. We have brains." Another claimed she established her business "for the sake of her daughters."

Conclusion

The major finding is that entrepreneurship does exist among women in Saudi Arabia that these women suffer from the same problems that entrepreneurs around the world face but that local government and religious tradition act as major barriers. Unlike some countries, informal financing is readily available and many women have college educations.

Recommendations

The issue of developing entrepreneurship among women in Saudi Arabia is a massive problem that extends beyond business factors. Culture and religion are factors critical factors in this environment. In Riyadh, in particular, the government which is closely linked to religion beliefs can expand its efforts to promote women's involvement in business and entrepreneurship. Having said this, there are several projects that could be easily adopted that do not require governmental. These consist of more conferences and courses for training and networking, professional associations, mentoring, a website with appropriate links to government laws and efforts, and more research, all tailored to women's special needs.



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In 2008, a new program, 10,000 Women, financed by Goldman Sachs was initiated specifically to help women in developing countries to develop entrepreneurial skills. Saudi Arabia is not involved but Egypt is and some of those efforts could probably be adapted to the specific needs of Saudi Arabia.

Professional organizations for women do exist in Jeddah (i.e., Khadija bint Khuwailed Center for Businesswomen at the Jeddah Chamber of Commerce) and a few women actually belong to the local Chamber of Commerce but are not generally available in Riyadh. Saudi female role models and mentors in the business community are sorely needed. (Ba-Isa, 2007).

In addition to conferences, a profession organization could develop a website on the model of the National Federation of Women Business Owners (NFWBO) and link to official government information as there is much confusion about what the laws are.

Expanded research could take the form of expanding this preliminary study as well as well as the initiation of quantitative surveys.

Biography

Dr. Dorothy Minkus-McKenna is professor of marketing and international business at Berkeley College in New York City and a visiting faculty in short term international programs. She received her doctorate from Pace University and her MBA from Stern School of Business at New York University. Her publications focus on consumer goods at both the academic and trade level. Prior to her academic experience, she was employed by major consumer HBA packaged goods companies. Dr. Minkus-McKenna may be reached at dmm@berkeleycollege.edu.

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