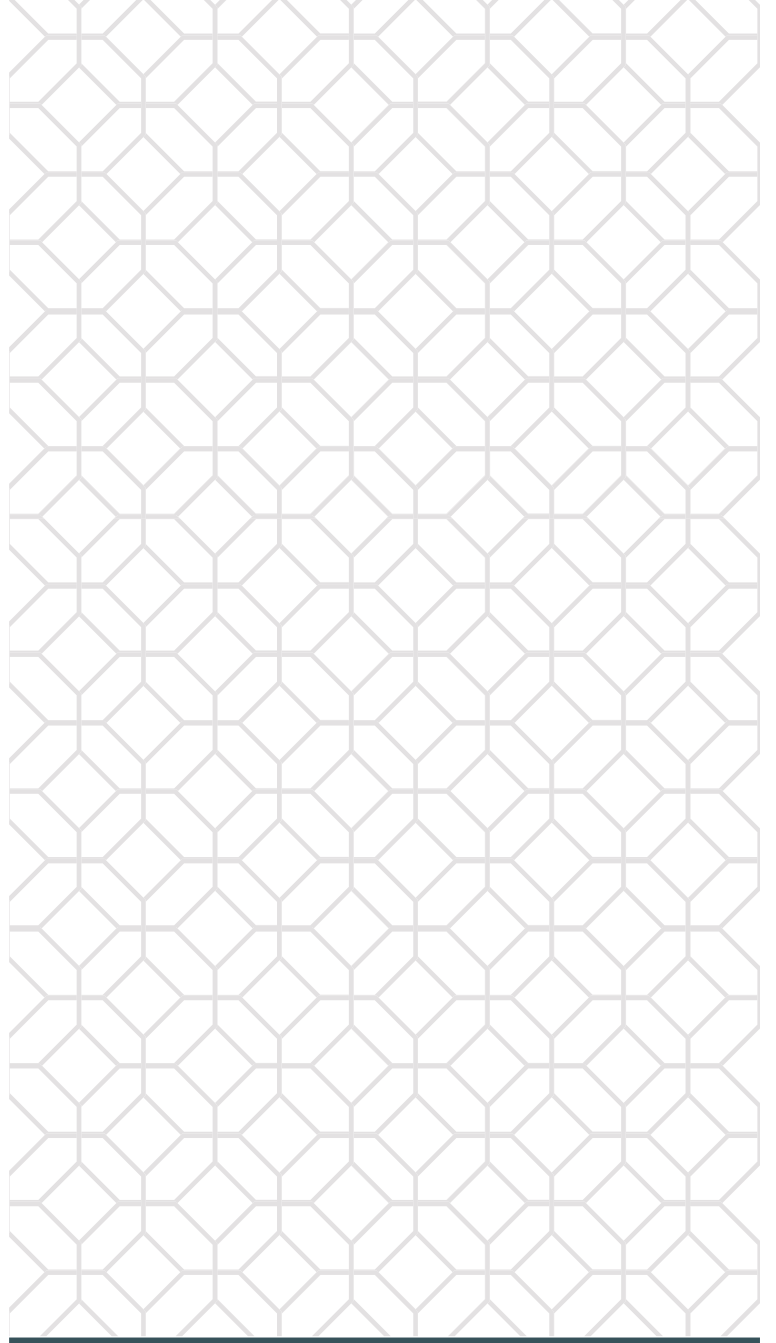




KINGDOM OF SAUDI ARABIA REPORT

2017 -18

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MBSC

VICE-CHAIRMAN

FOREWORD

Saudi Arabia is going through an exciting transformation – social, cultural and economic. Since the Babson Global Center for Entrepreneurial Leadership at MBSC first compiled the GEM Saudi Arabia report last year, the nation has taken huge strides toward the objectives laid out in Vision 2030. More importantly, the data this year show that the government is not only talking a good game in terms of supporting new businesses: it is backing up that talk with concrete action.

Perhaps the most visible impact has been on the leisure and tourism industry, which is being invigorated through the government's delivery of an ambitious calendar of entertainment events, an overhaul of the regulatory framework and the encouragement of new areas of cultural expression.

Yet this is just one area of economic activity that holds extraordinary potential for today's entrepreneurs. Elsewhere in the economy, the private sector is playing an increasingly central role in bringing Vision 2030 and the whole spectrum of the National Transformation Program to life with the active support and partnership of the government. This too creates opportunities for new and young businesses to grow.

Last year we noted the need for improved institutional support to harness the capabilities of the nation's young entrepreneurs. We highlighted the need for clearer regulation, improved funding options, and enhanced education. A year later, our data clearly shows that the regulatory environment today is much more conducive to entrepreneurs. The Saudi population, and especially the youth population, remain very positive in their attitude toward entrepreneurship and their confidence that they can succeed. And improvements in the regulatory environment have seen the country jump from near the bottom of the global ranking to mid-way up the field. In future iterations of the study, we hope to see those regulatory improvements filtering through to drive an increase in the nation's rankings in financial support and education for entrepreneurs.

As important as it is to support entrepreneurs in starting a business, it is perhaps more important to support them in maintaining and growing the business. The gap between the number of people who begin their entrepreneurial journey and the number who are still on that path three years later remains an area of concern. The government has done its part in amending the regulatory environment and that work continues. It is now the responsibility of the private sector to step up and do its part to support the aspirations of Saudi Arabia's entrepreneurs.

Much has been done to improve the entrepreneurial ecosystem in Saudi Arabia. Much remains to be done. The government cannot and should not be solely responsible for driving entrepreneurship. Business and academia must now find new and innovative ways not only to encourage more people to pursue their entrepreneurial ambitions but to provide the investment, mentoring and education that entrepreneurs need if they are to drive the economy of the future.

Mr. Fahad AL Rasheed



DEAN OF PRINCE MOHAMMAD BIN SALMAN COLLEGE (MBSC) OF BUSINESS & ENTREPRENEURSHIP

A Saudi Arabian Initiative

In line with the birth of a new era in the Kingdom of Saudi Arabia, an era characterized by monumental achievements and massive projects built on partnerships and new initiatives, and within the harmonious interaction of all elements forming the pillars that the ambitious vision of 2030 is founded on, we launch the new edition of the GEM Report for 2017, a report we are proud to launch for the second consecutive year.

The release of this report documents this significant historical era and it enhances its impact further, especially given that it coincides with the passing of two years on the birth of vision 2030. This vision is the result of the persistence we had witnessed by Crown Prince Mohammad bin Salman bin Abdulaziz Al Saud, a vision that transformed the Kingdom over the past two years into a center filled with economic development, pioneering initiatives, and life. This change was made through continuous hard work and a steadfast dedication to achieving the goals Vision 2030 was founded on.

Through sound leadership, the Kingdom of Saudi Arabia was able to re-set its priorities in all aspects. Within its journey towards transformation and development, the Kingdom now aligns its priorities with the desired outcomes it hopes to achieve. Today, the economy in Saudi Arabia is founded on an outlook of comprehensiveness, awareness, and sustainability. From another angle, this economy thrives on the creation of a supportive environment for the entrepreneurial spirit and all what it encompasses.

Many creative initiatives were launched in Saudi Arabia, all of which were guided by sound practices geared towards achieving sustainable economic development. Business structures were updated in the kingdom and government practices were re-vamped in an aim to make the market more attractive to entrepreneurial activities. Some initiatives taken by the Saudi Arabian government included, pumping a total of SAR 72 million into the private sector and supporting small and medium enterprises (SMEs). This particular segment is a valuable avenue for creating new jobs, enhancing economic performance, and supporting innovation. It was this same outlook that strengthened the role of the private sector, and this particular change was deemed a pivotal turning point serving the growth of the economy. Aramco, for example, invested SAR 36 million in the support of the SME sector, and from another angle, many Saudi Banks had launched innovative programs to further support entrepreneurial activities.

There is no doubt that this report serves to place our Kingdom on the world map of entrepreneurship. It effectively sheds light on our position amongst our peers. It also illuminates many angles through which we can support entrepreneurship within our Saudi society and beyond, and it enables us to show how we work within international standards and practices proven to be the best norms to follow.

Within this positive outlook, and this successful path towards elevating our standards, we strive to move closer towards building an entrepreneurial ecosystem functioning in line with international norms. We at the Prince Mohammad Bin Salman College (MBSC) of Business & Entrepreneurship strive to form a qualitative transformation in this area. We strive to achieve this goal through launching innovative supportive programs, educational opportunities, and academic experiences all of which combine accumulated knowledge and practical implementation. From another angle, we strive to foster an entrepreneurial mindset.

H.E. Dr. Nabeel Koshak

PARTNERS



DISCLAIMERS

Although GEM data were used in the preparation of this report, their interpretation and use are the sole responsibility of the authors. The authors would like to express their gratitude to all participating GEM national teams for their crucial role in conducting the GEM survey in their respective economies. 2016 The usual disclaimer applies. The authors would like to extend special thanks to Jonathan Carmona, Alicia .Coduras, and Forrest Wright for their contribution to the data-collection procedures and data analysis

MBSC



MBSC is a new, private higher education institution for both, men and women, located in King Abdullah Economic City. It has been established through an international partnership between Emaar The Economic City, Babson Global (a wholly owned subsidiary of Babson College, USA), Lockheed Martin, and .the MISK foundation

MBSC aims to develop a new generation of transformative leaders who think creatively and act boldly. The Kingdom needs more job creators and not just job consumers. MBSC is designed to fill this void by creating .(@Entrepreneurs of All Kinds (EAK

The BGCEL at MBSC



The new Saudi Arabia GEM team is located at BGCEL at MBSC. The Center is owned and operated by Babson Global and was established with a gift from Lockheed Martin. The mission of BGCEL is to create a Saudi-based international source of research, entrepreneurship education, case studies, conferences, outreach programs, and information about entrepreneurial leadership that promotes a sustainable entrepreneurial leadership culture for business, government, and not-for-profit enterprises in Saudi and the .surrounding region

Lockheed Martin



Lockheed Martin Corporation, as part of its offset program in the KSA, generously supports the .activities of BGCEL at MBSC

KAEC



King Abdullah Economic City (KAEC) is the largest privately-funded new city in the world. Situated square kilometers 181 on the west coast of the Kingdom of Saudi Arabia, KAEC covers an area of of land, approximately the size of Washington DC. KAEC comprises King Abdullah Port, the Coastal Communities residential districts, the Industrial Valley and the Hejaz district, which includes the Haramain high speed rail station. The city is under development by Emaar, The Economic City, a .2006 publicly listed Saudi joint-stock company established in

by BGCEL at MBSC and the Global Entrepreneurship Research Association 2016 ©

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“ I AM ONE OF
20 MILLION SAUDI
CITIZENS...THEY
MOTIVATE ME
AND PUSH ME
FORWARD ”



- HIS ROYAL HIGHNESS
MBS AT A PANEL SESSION AT
THE FUTURE INVESTMENT
INITIATIVE

Targeting Tangible Results from Accelerating the Country's Innovation Agenda

From 2010 to 2016, Saudi Arabia witnessed the initial move to put the life after oil agenda into the general Saudi Populations' attention. The knowledge economy debates, coupled with innovation driven non-oil-based growth scenarios were introduced to the general-public and had attracted a lot of attention. Although these initiatives increased awareness and created the first wave of high growth online and scalable entrepreneurship in the Kingdom, there were structural issues and regulatory improvements that still need to take place in order for startups and innovations to be wide spread.

Recently , various policies and structural reforms have taken place and most of the change that started to happen in 2016 will take effect in the coming years painting a new picture. Since 2016, a new story began to unravel, and Saudi Arabia started to push the boundaries of change and development in all areas of life, especially in the economic growth that will impact the ways of doing business positively.

His Royal Highness the Crown Prince of Saudi Arabia Prince Mohammed bin Salman, announced the vision 2030 in 2016 as the Vice President of the Council of Ministers and President of the Economic and Development Council. All the major reforms and initiatives headed by this holistic strategy started to impact the public towards innovation and knowledge-based economy.

As a tangible effort to accelerate the implementation of this strategy, an example of the efforts is the latest royal decree issued by The Custodian of the Two Holy Mosques King Salman bin Abdulaziz, approving the allocation of 72 billion SAR to stimulate the private sector. The initiatives include: The Projects Support Fund, amounting to 10 billion SAR, The Financially Distressed Companies Support Fund, with a sum of 1.5 billion SAR, the launching of Exports Promotion Program with 66 million SAR and exports finance enhancements with an amount of 5 billion SAR.

Reference: Saudi Press Agency

Other initiatives focus on boosting entrepreneurial activities such as Kafalah program capital with a total sum of 800 million SAR, a 1.6 billion SAR indirect loan for small and medium enterprises (SMEs) and the government risk capital initiative for SMEs with a total amount of 2.8 billion SAR.

The Royal Measure also included 7 billion SAR worth of government fees in refunding initiatives for SMEs, a mega investment program initiative with a sum of 5 billion SAR, 2.56 billion SAR spent on broadband and optical fiber infrastructure, and an incentive for building technologies with a total amount of 13.87 billion SAR. This Royal decree also included a vast number of incentives that will act as catalysts for the success of the private sector.

Last few years leading up to 2016, we observed a rapid acceleration in the creation of new programs in the kingdom for startups and SMEs. Many universities, and almost all government agencies and public and private investors launched education programs and funding initiatives. We believe this is just the beginning of a new era of growth and prosperity driven by a knowledge economy in the kingdom. Changes in startup and tourist visa regulations, changes in the trade code and improvements in the level of ease seen in doing business will start accumulating and this will represent a significant portion of growth in our economy.

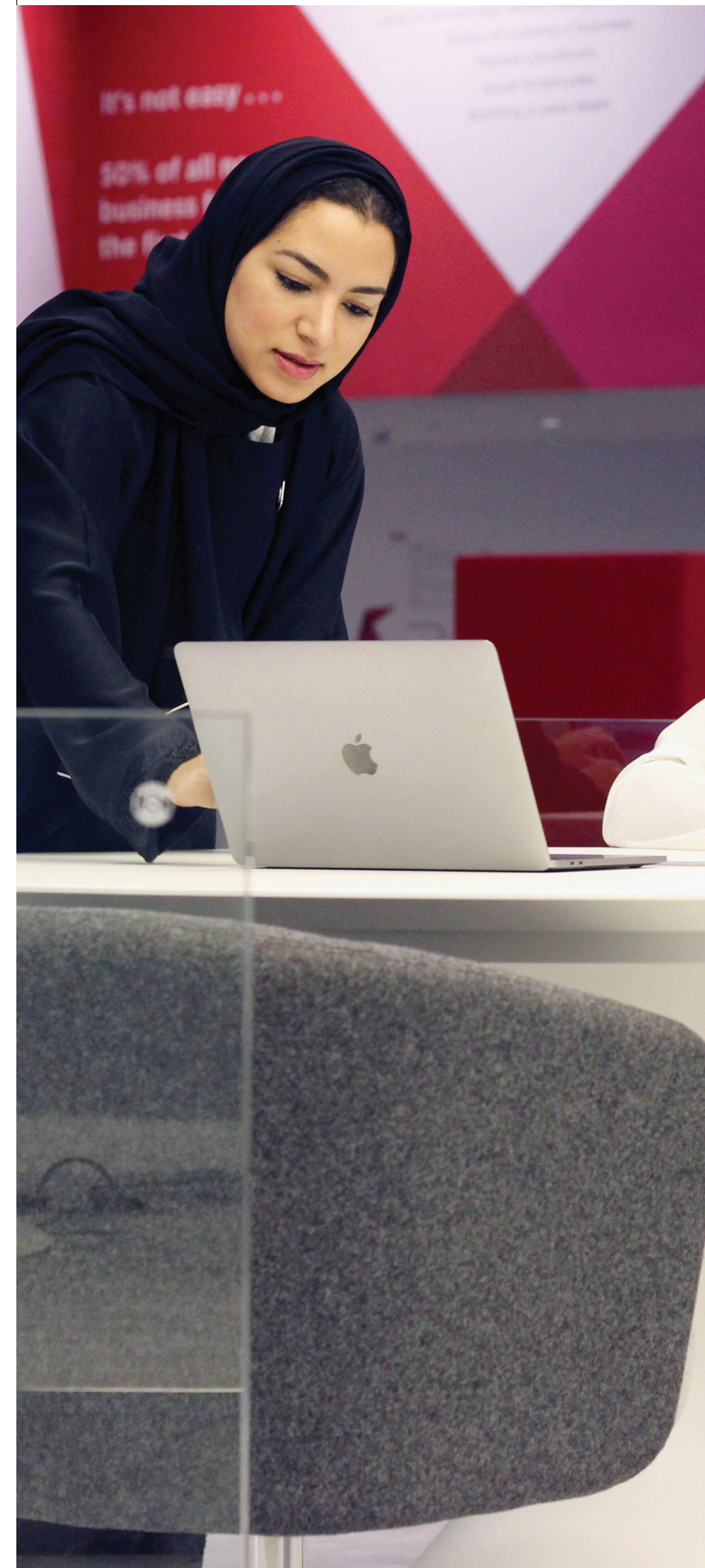
Knowledge economy driven businesses will create new models of growth supported by the grass-root rise of women entrepreneurs,

high growth technology-based startups, and SME's. As more SME's adopt new technologies and new business models, their export and revenue shall increase. As more women are entering the work force and creating businesses, their impact will be wide-spread, and a new generation of internationally connected leaders will create links and bonds within the global ecosystem. These young role models will lead the future. High growth technology companies will be the main drivers of employment. They will also power the "Made in Saudi" brand as more products are used by international audiences. This will transform not only local old local business models but it will also drive interest and investment from abroad.

Our youth are already part of the growing global trends, and it's our job to transform them from consumers to creators of businesses. Youth is our game changer. As seen in the chapters of GEM, there are growing numbers of driven young people getting ready to unleash their potential to create their own wealth and control their own future.

Our growth will not only impact Saudi but the region at large. Once Saudi Arabia starts leading an innovation friendly environment, many countries in the region and abroad will be taking note and following.

There is a growing hope that we will start seeing the results of these major changes, impacting the way of doing business in a positive way and they are already opening major opportunities for entrepreneurs in the kingdom.



Top Regulatory Adjustments:

- The establishment of centralized service centers to serve investors and establish unified policies and procedures for all government sectors to abide by
- Allocating a compulsory percentage for SMEs to take shares in governmental contracts
- Reducing the period of import and export through minimizing the documentation process from 12 to 4 months for export and from 9 to 3 months in the import
- Launching the gateway for the National Center of Documentation by gathering all needed resources in one platform
- Establishing the ease of doing business

Major Legal Adjustments:

Issuing of the bankruptcy laws while taking into account all these major shifts that will impact the ease of doing business, where different government and private entities are launching new programs and initiatives to support SMES and startups in Saudi. The kingdom is experiencing some of the most exciting times and that is encouraging everyone to be part of the well painted picture of the country.

Reference:

Small and Medium Enterprise Authority
Monshaat

EXECUTIVE SUMMARY

The 2017 GEM Saudi Arabia survey represents the fourth year that GEM has tracked entrepreneurship across multiple phases and assessed the characteristics, motivations, and ambitions of entrepreneurs. The subsections below discuss selected major findings from the report including Saudi societal attitudes toward entrepreneurship. The GEM Saudi Arabian national team also collected opinions about components of the entrepreneurship ecosystem through a national experts' survey (NES).



POINTS
6%

SUFFICIENT ENTREPRENEURIAL
KNOWLEDGE, SKILLS AND EXPERIENCE
BY AROUND 2010–2009 **DECREASED** OVER

Societal Attitudes Toward Entrepreneurship

Results for 2017 show a slight increase over 2016 results in terms of 69.2% of the population believing that starting a new business correlates with a higher level of social status and respect. However, regarding the media and its depiction of entrepreneurship, it is still widely held — all be it slightly less so compared to 2016 results — that many businesses aim to solve social problems as their primary focus. Entrepreneurship is, in fact, viewed as a good career choice at a higher rate than in the USA.

Self-Perceptions About Entrepreneurship

The population proportion that thinks that starting a business in Saudi Arabia is a good professional choice was very similar through the years 2009, 2010 and 2016. However, in 2017 this indicator fell by 11.6 percentage points.

The percentage of the population knowing recent entrepreneurs decreased by 0.9 percentage points in 2017. While the results for perceived opportunities showed an increasing trend between 2009 and 2016, in 2017 this indicator fell by 1 percentage point.

The proportion of population with self-perceived sufficient entrepreneurial knowledge, skills and experience decreased over 2009–2010 by around 6 percentage points. In 2017, this indicator increased by 1.1 percentage points. Results portraying the fear of failure have remained stable through 2017 (since 2009), except for a spike in 2016.

Phases of Entrepreneurial Activity

The percent of the Saudi population considering starting up a business declined to 23.7% in 2017, down from 25.8% in 2016. This percentage represents the population aged 18 to 64 who are launching a start-up in the next three years. The Total Entrepreneurial Activity, or TEA, ratio represents a rough correlation between entrepreneurial intentions and activities. The value of this indicator for Saudi Arabia in 2016 was 0.44 which is relatively low. A higher rate, closer to 1.0, would indicate more effective entrepreneurship. The value of this indicator fell to 0.34 in 2017, suggesting that the aspirations of an increasing percentage of potential entrepreneurs are not finding a receptive context.

For new businesses active in the market (for 3–42 months), the percentage of activity has dropped from 7.7% in 2016 to 6.7% in 2017. Any implications of this indicator must, however, include factors such as considering related TEA indicators, such as how many firms are actually operating in the market beyond 42 months. A further breakdown analysis is provided within the report.

The Saudi Arabian market continues to see a high proportion of recently created businesses, but one current challenge appears to be a high rate of medium-term mortality. This affects businesses in consolidation as the net result is a small established business sector.

Motivation for Early-Stage Entrepreneurship Activity

Entrepreneurs in Saudi Arabia continue to be opportunity-motivated. The opportunity-motivated entrepreneurs seeking to improve their situation through either increased independence or increased income — as opposed to simply maintaining their income — are referred to as improvement-driven opportunity (IDO) entrepreneurs by GEM.

The motivational index was at 40.8% for Saudi Arabia in 2016 and fell to 37.3% in 2017. The drop in oil prices combined with an increase in national unemployment are plausible reasons for this noticeable IDO drop from 2016.

Early-Stage Entrepreneur Profile

As the GEM project seeks primary sources instead of secondary sources in its data, the profile information is gathered on a detailed level, thus involving specific characteristics of the sampling pool.

The typical early-stage entrepreneur is a man whose age has become moderately higher over the survey period (from around 31 to 37), who has a university degree, whose annual income is substantially lower than it was in 2009 and 2010, who works full-time in his business, and who lives in a household comprised of about five persons.

Based on the respective populations of men and women in Saudi Arabia, the male rate of participation in TEA decreased slightly in 2017 to 12.4% from 12.9% in 2016. The female rate increased in 2017 to 10.3% from 9.7% in 2016. The TEA rates of involvement in 2017 reveal that 59.1% of entrepreneurs were men, narrowing the gap down from 61.4% in 2016. Thus, 2017 saw an increase to 40.9% for women entrepreneurs, up from 38.6% in 2016. This indicates a slow continual shift toward equal opportunity in Saudi Arabia, regardless of gender. This gender gap has been closing noticeably since 2009.

The range for potential entrepreneurs is even wider around a lower mean (almost 35). Unsurprisingly, established owner-managers were older than entrepreneurs in 2017, with a mean age of around 39 years.

The average age of owner-managers who abandoned a business activity in 2017 was 37.05, indicating that most business exits were not due to retirement. Comparing the results of 2017 to 2016, the mean age for potential entrepreneurs and established owner-managers has decreased while the mean age for entrepreneurs of all stages has increased. The result suggests that potential entrepreneurs have entered the market somewhat later than in previous years.



Industry-Sector Participation

GEM considers four large sectors to classify all types of business activities captured by the monitor: extractive, transforming, business-oriented service and consumer-oriented service. Saudi Arabia concentrates activity in the consumer-oriented service sector. New entrepreneurial activity has been progressively increasing the size of this sector among established businesses since 2010.

Job Creation Projections

With few exceptions, entrepreneurial activities are initiated by an independent entrepreneur or by very small entrepreneurial teams. As observed in previous reports, this is probably one of the main issues preventing entrepreneurial activity from having a significant impact on countries' economies. The situation in Saudi Arabia is no different.

New entrepreneurial activity is the category that shows more favorable rates of entrepreneurial teams – of four or more owners – whereas nascent activity shows the best rates for entrepreneurial teams of two and three members. But the fact remains that well over half of all activity is accounted for by a single individual.

As with the number of owners, entrepreneurial activity primarily comprises firms and businesses with few employees. In Saudi Arabia, however, early-stage entrepreneurial activity is better positioned compared with other economies in the region because the percentage of such activity with no employees is very low. Currently, 47.1% of activities have more than five employees, up from 36.6% in 2016.

Innovation

GEM assesses the presence of an innovation component in early-stage firms and EBs by asking owner-managers how many (potential) customers they think consider the product or service they offer to be new or unfamiliar. The lower the percentage of responses for the category “none”, the higher the presence of innovative products/services. In 2017, 43.6% of TEA businesses showed some innovation component, going 8.8 percentage points up from 2016. Similarly, 32.9% of EBs (Established Businesses) showed some innovation component, 20.1 percentage points up from 2016.

In Saudi Arabia, the innovation component tends to reflect new products and services for consumers, as opposed to technological innovation.

Internationalization

While in 2009 and 2010 export intensity tended to be low or non-existent, Saudi Arabia showed an increment in the proportion of TEA businesses with medium export intensity in 2016. In 2017, the most relevant change was the notable growth of the proportion of TEA businesses with the highest level of internationalization.

Entrepreneurship Framework

An entrepreneurship framework integrates the components that shape the national context in which entrepreneurial activities take place. GEM assesses the following entrepreneurship conditions: financing, government policies, taxes, and bureaucracy,

government programs, school-level entrepreneurship education and training, post-school entrepreneurship education and training, R&D transfer, access to commercial and professional infrastructure, internal market dynamics, internal market burdens, access to physical and services infrastructure, and social and cultural norms.

Three conditions (internal market dynamics, social and cultural norms and government entrepreneurship programs) were perceived as having improved in 2017, while the other nine were considered to have deteriorated. The positive changes are significant, especially regarding government programs, an area where several new policies have been enacted recently.

The country is in the middle of a transformation toward modernization and improved competitiveness in several fields, but experts' perception of the entrepreneurial context appears equally affected by the state of other elements beyond the internal situation, except in the case of the internal market reactivation. Year 2017 witnessed an expected increment in the average score on physical infrastructure due to the implementation of high-speed trains and women being granted permission to drive. The full impact of these developments, however, still seems too early to grasp.

GEM experts provide recommendations to improve the entrepreneurial framework recommendations with year 2017 compared to 2016 recommendations shown in parenthesis: focusing on designing and implementing measures relating to government policies (more frequently than in 2016), financial support (less frequently than in 2016),

entrepreneurial education and training (at the same frequency as in 2016), R&D transfer (more than in 2016), commercial infrastructure (almost the same as in 2016), capacity for entrepreneurship and labor costs (more than in 2016) and access and regulation (much more than in 2016).

Entrepreneurship and Family Business

In 2017 it has been of interest to analyze how many nascent, new and established businesses are based on a family business model. Drawing out how many businesses correspond to this model is relevant because family businesses are very traditional in Saudi Arabia; keeping an eye on their evolution and presence in Saudi entrepreneurial activity gives an idea of the composition of the sector. Policy makers are then better prepared to design measures to support this type of activity. This is the first GEM Saudi Arabia report to include such research.

The main and significative difference when talking about societal attitudes toward entrepreneurship is that those involved in family businesses more commonly perceive businesses as being primarily concerned with solving problems. Unsurprisingly, family businesses tend to be somewhat less competitive. Those involved in them are more likely to believe that people would prefer that everyone had a similar standard of living. Those involved in family business show a somewhat higher proportion of cases driven by opportunity.

Entrepreneurship and Origin

The Saudi Arabian population is mainly composed of native Saudis. Thus, GEM's 2017 adult population survey produced a sample distribution where 86.8% of the interviewees were born in Saudi Arabia and 13.2% were born out of the country.

Foreigners may appear as somewhat less competitive and less positive than native Saudis overall regarding the following topics: entrepreneurship is a good career choice, those successful in starting new businesses enjoy a high level of status and respect, media support entrepreneurs, it is easy to start a business in the country and businesses' primary aim is often solving social problems. However, perceptions among foreigners are, on the whole, remarkably favorable.

Most of the foreign adults that come to Saudi Arabia belong to countries where entrepreneurship has features in common with those of Saudi Arabia. Their integration, then, is presumably aligned with the Saudi process — provided policy makers analyze and implement steps needed to help realize their potential contributions.



Dowry Impact on Young Saudi Entrepreneurship

Of the adult population surveyed, 65.3% believe that it is more true than false that the dowry is a hindrance to young potential entrepreneurs, while 63.6% believe it more true than false that a dowry payment makes it difficult for parents to give financial support to sons with aspirations of starting up new businesses.

The typical Mahr (dowry) ranges from 50,000–150,000 SAR (approximately 13,500–40,000 USD). Under the present economy, getting this amount is difficult for many families; thus, the preservation of tradition impacts the average age of marriage.

The average responses strongly indicate that under the current economic framework and global context, the conditions of the dowry should be revised to foster marriages at appropriate ages and professional development of young people, especially when a dowry hinges on the investment of personal or family funds.



PERCEPTION OF SOCIETAL ATTITUDES RELATED TO ENTREPRENEURSHIP

1.1 General Overview

Societal attitudes indicate how entrepreneurship is regarded in an economy. A society's culture, history, policy and business environment, along with many other factors, can influence its view of entrepreneurship – which can, in turn, affect entrepreneurial ambitions and support for this activity. GEM assesses the extent to which people consider entrepreneurship to be a good career choice, whether they feel that entrepreneurs are accorded high status, how positively entrepreneurs are represented in the media, to what extent residents think that their society has (or lacks) a preference for competitive environments, how easy they think it is to start up a business in their country, and to what extent they think businesses take solving social problems as their primary objective.

Results for 2017 indicate that 60% of Saudi Arabia's adult population strongly prefers living in a non-competitive environment. However, a high proportion also considers that starting a new business is a desirable career choice (69.7%), that those successful in starting a new business enjoy a high level of social status and respect (69.2%), that public media and the internet give good coverage of successful new businesses (66.9%), and that it is easy to start a new business (60.2%). Half of the Saudi adult population believes that the businesses' primary objective is to solve social problems.

Figure 5. Perception of Societal Attitudes Related To Entrepreneurship In Saudi Arabia, 2017 (% Positive Responses To Key Questions Among the Population Aged 18–64)



Saudi Arabia shows a moderate-to-high cultural affinity for entrepreneurship. Around 60% of the working-age population would prefer that everyone had a similar standard of living, nearly 70% of the same population consider starting new businesses to be a good career choice and that success earns social status and respect. Also, a high proportion perceive media as paying attention to new business creation, that it is easy starting new businesses, and that many businesses aim primarily to solve social problems.

1.2 Perceptions Of Societal Attitudes Related To Entrepreneurship By Gender, Age Group, Educational Level, Involvement In Business Sector, Potential Entrepreneurship And Region.

Although the perception of societal attitudes favorable to entrepreneurship is moderately high among the adult population of Saudi Arabia, it is interesting to note several subtle differences that occur by gender, age, educational level, involvement in the business sector, potential entrepreneurship, and region.

These differences, which are relevant from the standpoint of public policy design and understanding the entrepreneurial ecosystem, are summarised here (also see Table 3):

- Women perceive Saudi Arabian society as slightly more competitive than do men.
- Women perceive Saudi Arabian society as somewhat more favorable towards entrepreneurship as a professional choice than do men, and consider that those successful at starting a new business enjoy a higher level of status and respect.
- Women are somewhat more prone than men to think that in Saudi Arabia, one often sees stories in the public media and/or on the internet about successful new businesses.
- People aged 25–44 perceive Saudi Arabian society as more competitive than do people aged 45–64.
- People aged 35–54 are somewhat more inclined to think that entrepreneurship is a good career choice, that in Saudi Arabia those successful at starting new businesses enjoy a high level of status and respect, and that one often sees stories in the public media and/or internet about successful new businesses.

- Individuals with post-secondary education have a notably stronger perception of Saudi Arabia as a competitive society than people with other educational levels.
- Individuals with secondary education have a weaker perception of entrepreneurship as a good career choice and of those successful at starting new businesses as enjoying a high level of status and respect.
- Individuals with less than secondary education are more likely to think that one often sees stories in the public media and/or on the internet about successful new businesses.
- As individuals' educational level increases, so too does the perception (although not in a perfectly linear way) that starting up a new business in Saudi Arabia is easy.
- Individuals with graduate experience are the most sceptical that in Saudi Arabia, one will often see businesses that have the primary objective is solving social problems.
- Those involved in the business sector except for a significantly more likely to agree with the proposed societal attitudes related to entrepreneurship in Saudi Arabia, save for a significantly more common perception that most people would prefer that everyone had a similar standard of living.
- The same diagnostic can be applied to potential entrepreneurs (individuals planning to start up a business within the next three years), who are also significantly more likely to agree with the proposed societal attitudes related

to entrepreneurship. The unique big difference is that potential entrepreneurs are in line with the rest of the population in thinking that most people would prefer that everyone had a similar standard of living .

- The region where the highest proportion of adults feel that most people would prefer that everyone had a similar standard of living is the Jeddah region, whereas Riyadh shows the lowest proportion. By implication, the latter region is likely to be the most competitive in the country, while the former was the least.

- Jeddah and Riyadh are the cities and regions where the highest proportions of the population think that in Saudi Arabia, most people consider starting a new business to be a desirable career choice and that those successful at starting new businesses enjoy high levels of status and respect. In addition, in these regions significantly higher proportions of people think that one often sees stories in the public media and/or on the internet about successful new businesses and that it is easy to start a business.
- Finally, Dammam and Madinah stand out because a higher percentages of their people affirm that businesses often aim primarily to solve social problems.

THE LATTER REGION
IS LIKELY TO BE THE MOST
COMPETITIVE
IN THE COUNTRY



Table 3. Perception Of Societal Attitudes Related to Entrepreneurship in Saudi Arabia by Gender, Age Group, Educational Level, Involvement in Business Sector and Region, 2017 (% Positive Response)

In Saudi Arabia ...

Categories for: gender, age, education, involvement in business sector, potential e-ship and region	1	2	3	4	5	6
	Most people would prefer that everyone had a similar standard of living (%)	Most people consider starting a new business a desirable career choice (%)	Those successful at starting a new business have a high level of status and respect (%)	You will often see stories in the public media or internet about successful new businesses (%)	It is easy to start a business (%)	You will often see businesses whose primary objective is solving social problems (%)
Male	61.7	67.4	66.5	64.2	62.9	49.7
Female	59.3	72.3*	72.5*	70.0*	56.9*	50.5
18–24 years	57.5*	62.6	64.7	61.3	58.4	50.7
25–34 years	59.7*	69.7	67.9	66.7	63.0	53.0
35–44 years	54.5*	72.5*	72.3*	69.6*	59.2	48.8
45–54 years	67.0	75.4*	75.0*	71.4*	58.3	53.1
55–64 years	64.2	64.6	63.5	61.2	57.9	31.5*
No secondary	65.7	81.2	77.4	78.9*	55.7	51.0
Some secondary	60.1	60.5*	61.4*	59.7	54.0	48.4
Secondary	71.6	72.4	69.5	67.6	59.4	55.0
Post-secondary	51.7*	69.9	71.3	66.4	63.8*	48.9
Grad. experience	67.7	71.1	75.0	67.3	58.1	44.2*
Not in bus. sector	58.5	67.5	66.7	64.4	59.2	48.5
Yes in bus. sector	72.7*	82.1*	83.5*	81.3*	65.7*	59.4*
Not potential ent.	61.6	63.2	61.0	60.6	54.1	46.8
Yes potential ent.	58.7	81.9*	84.4*	79.5*	71.7*	57.0*
Jeddah	70.7*	85.3*	82.5*	81.7*	66.2*	52.9
Riyadh	47.5	68.3*	74.8*	67.1*	69.5*	40.5
Dammam	60.0	40.0	37.9	34.6	40.9	60.0*
Madinah	56.2	53.3	46.8	48.1	36.2	67.9*
Makkah	57.6	50.2	39.1	44.2	37.3	31.8

*Differences between categories are significant at the 95% confidence level with p<0.025 for chi-square tests.

1.3. Temporal Evolution

Saudi Arabia has participated in GEM previously, in 2009, 2010 and 2016. Comparing the indicators on the perception of societal attitudes related to entrepreneurship from these years with the current figures, this society clearly became less competitive up until 2016, by which time many more people believed that most of their compatriots would prefer everyone to have a similar standard of living. However, 2017 saw a significant reversal of this trend (see Figure 6), by 19 percentage points.

The proportion of the population who think that in Saudi Arabia most people consider starting a business to be a good professional choice was very similar through the years 2009, 2010 and 2016. However, in 2017 this indicator fell by 11.6 percentage points, a significant change possibly reflecting a decrement in Saudi Arabian society’s support for entrepreneurship as a professional option.

Accordingly, there were also falls (of 9.5 percentage points and 9 percentage points respectively) in the proportions of the population who think that those successful at starting a new business enjoy a high level of status and respect and who agree that one often sees stories in the public media

and/or on the internet about successful new businesses (see Figure 6).

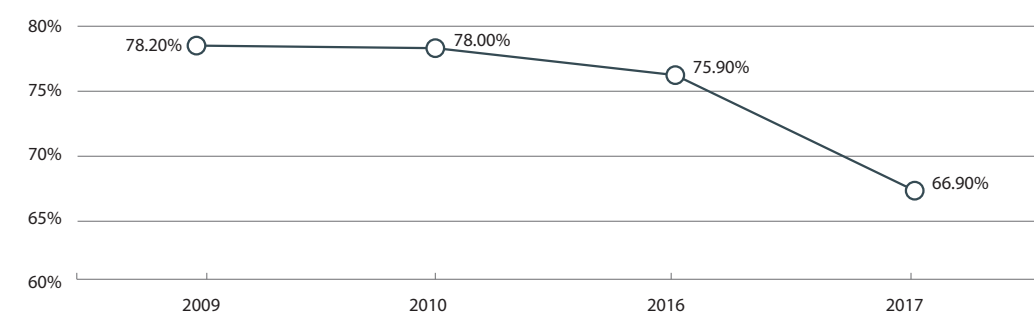
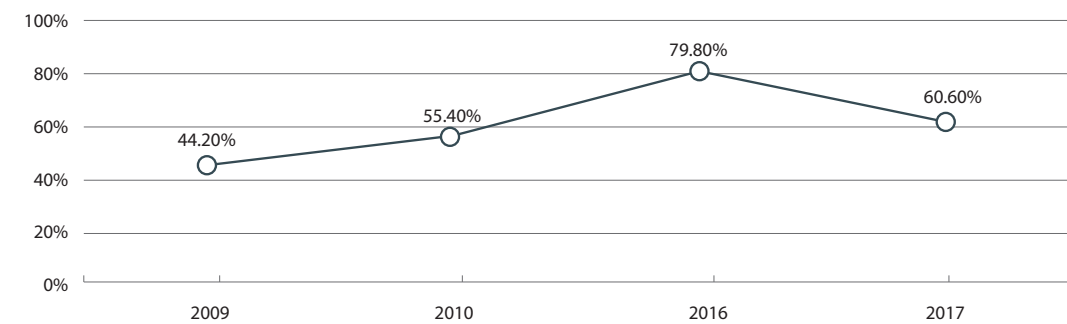
Thus, the main indicators on the perception of societal attitudes related to entrepreneurship suffered a generalized negative evolution over 2016–2017. This is not desirable for a country that is seeking a transformation in which entrepreneurship is a key element. However, these results could reflect a temporary social reaction – it is noteworthy that the country’s National Transformation plan was introduced in June 2016. New measurements will be necessary in determining whether the society is undergoing a more permanent change.

Since 2016, GEM has also measured perceptions of how easy it is to start up a business in Saudi Arabia and whether a significant proportion of businesses have as their primary aim the solution of social problems. These two indicators suffered a decrement of 13.6 and 10.9 percentage points respectively over 2016–2017 (see Figure 6), likewise indicating less favorable societal attitudes toward entrepreneurship. Again, it is unclear whether this decline was in spite of, or a reaction to, the policy announcements of 2016.



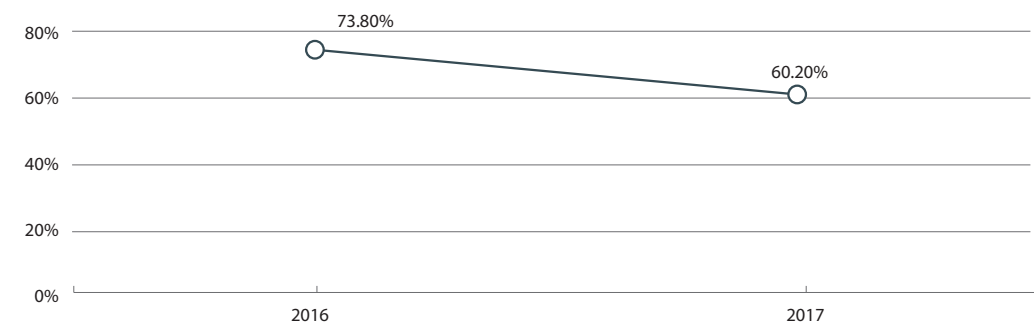
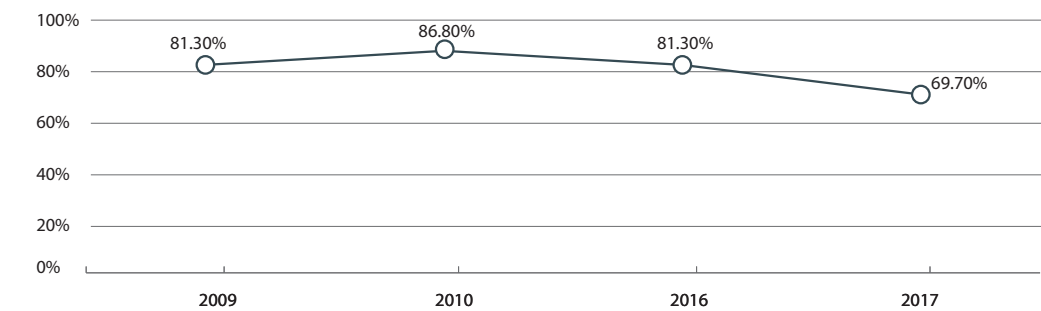
Figure 6. Temporal Evolution of Indicators on Perception of Societal Attitudes Related to Entrepreneurship in Saudi Arabia (% positive response)

In Saudi Arabia, most people would prefer that everyone had a similar standard of living.



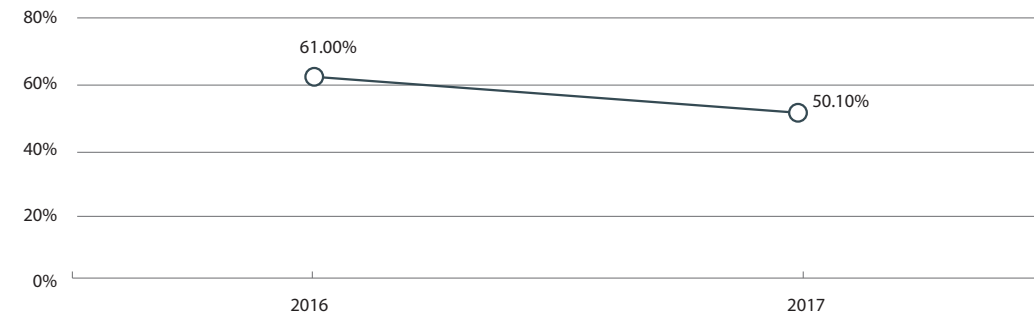
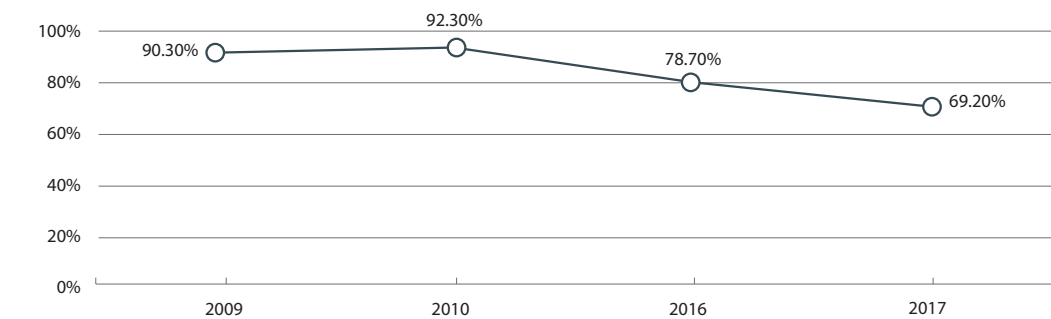
In Saudi Arabia, you will often see stories in the public media and/or internet about successful new businesses.

In Saudi Arabia, most people consider starting a new business a desirable career choice.



In Saudi Arabia, it is easy to start a business.

In Saudi Arabia, most people consider those starting a new business to have a high level of status and respect.



In Saudi Arabia, you will often see business whose primary objective is solving problems.

1.4. International Position

Figure 7 shows the rates for populations of countries of the geographical zone around Saudi Arabia giving a positive answer about questions on societal attitudes related to entrepreneurship, along with those for the USA, the efficiency-driven nations group, and GEM 2017.

The UAE, Egypt and Morocco are the populations where people are most perceived, by a notable margin, as preferring a similar standard living for everybody. Indeed, something of a paradox seems to be at work in the UAE, as elsewhere this indicator tends to be dominated by at least one favorable indicator of entrepreneurship. By contrast, Iran and Qatar are the most competitive societies in the zone, with perceptions in Iran aligning with those in the USA.

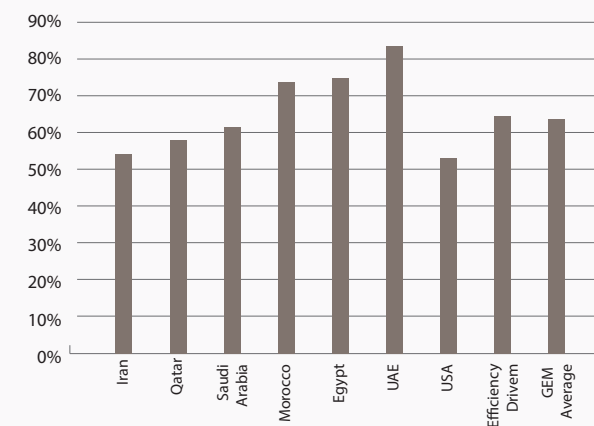
All the populations of countries in the zone show high rates of people considering entrepreneurship to be a good career choice, except for Iran, where the rate is significantly lower. Notably, in all of these Middle Eastern countries – again, except for Iran – entrepreneurship is viewed as a good career choice at a higher rate than in the USA.

In the populations of the UAE, Egypt and Iran, large proportions (around 80% or above) perceive that successful entrepreneurs as being accorded high social status and respect. This rate is significantly lower (below 70%) in Saudi Arabia and Morocco. The UAE exhibits the most prominent indicator by far.

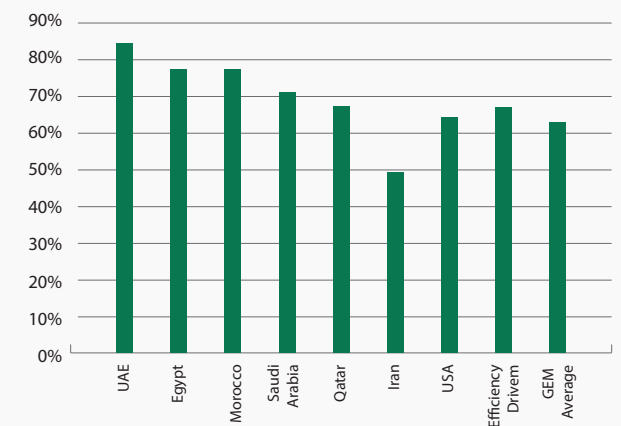
Over 84% of the UAE's adult population consider that their media give good coverage to successful entrepreneurship. Other populations show significantly more moderate results. The lowest rate is in Morocco, at 45.9%.

**ENTREPRENEURSHIP
IS VIEWED AS A GOOD
CAREER CHOICE AT A HIGHER
RATE THAN IN THE USA.**

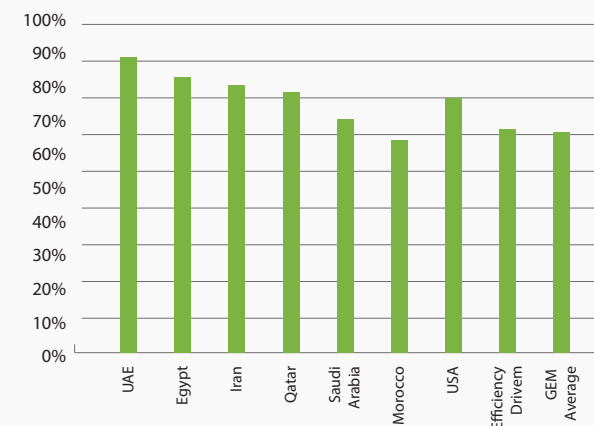
Figure 7. Saudi Arabia: International Position with Respect to Indicators on Perception of Societal Attitudes Related to Entrepreneurship, 2017 (% positive response)



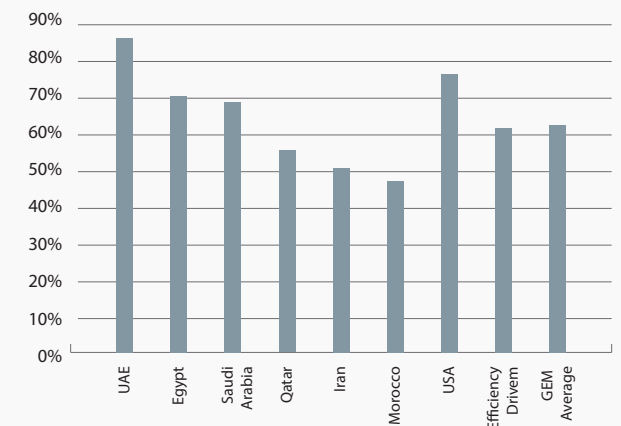
■ Most people would prefer that everyone had a similar standard of living.



■ Most people consider starting a new business a desirable career choice.



■ Most people would consider those starting a new business to have a high level of status and respect.



■ You will often see stories in public media and/or internet about successful new businesses.



INDIVIDUAL SELF- PERCEPTIONS ABOUT ENTREPRENEURSHIP

2.1 General Overview

In 2017 in Saudi Arabia, 70.8% of working-age adults personally knew someone who had started a business in the last two years (see Figure 8). This result suggests an entrepreneurially active scenario, even if the resulting businesses may be of dubious quality. Although 79.5% of the same population see good opportunities around them for starting a business, only 38.0% would be constrained from starting a business due to fear of failure. Nonetheless, 71.8% of working-age individuals feel that they have the knowledge, skills, and experience required to start a business.

Figure 8. Self-Perceptions about Entrepreneurship in Saudi Arabia, 2017 (Percentage positive responses to key questions among the population aged 18–64)



Saudi Arabia's adult population consistently shows high levels of self perception about entrepreneurship, which constitutes an auspicious starting point for increased entrepreneurial activity the coming years. Two perceptions stand out in particular: the low proportion of individuals fearing failure as an obstacle to start-up, and the high percentage of people perceiving good business opportunities over the next six months in their local area.

However, the good disposition and entrepreneurial characteristics of a population are not sufficient in themselves to generate significant levels of contribution to the economy from the entrepreneurial sector – many other factors, likewise analyzed and evaluated across this report, come into play.

2.2. Individual Self-Perceptions About Entrepreneurship by Gender, Age Group, Educational Level, Involvement in Business Sector, Potential Entrepreneurship and Region

A significantly lower percentage of women respond positively about knowing recent entrepreneurs, seeing entrepreneurial opportunities and feeling they have sufficient knowledge, skills and experience to start up small businesses. However, in 2017 they showed a very similar – the difference is not statistically significant – rate of fear of failure as an obstacle to entrepreneurial initiatives. This latter result is promising and indicates that a risk-taking culture among women is progressing fast.

In terms of age, the percentage of positive responses to knowing recent entrepreneurs is high and increases with age, except for among the oldest group. The percentage to positive responses on seeing opportunities is also high, and tends to increase smoothly with age.

Individuals aged 35–54 are most likely to see themselves as having entrepreneurial skills. Finally, fear of failure tends to increase with age, except the among oldest group which shows a low rate. This latter result indicates that the young and the elderly are those that least fear failure in Saudi Arabia – probably those toward the middle of their working lives feel that they have more to lose.

In 2017, as in 2016, adult populations with very low and very high levels of education exhibited higher rates of knowing recent

entrepreneurs, suggesting a split between necessity- and opportunity-driven entrepreneurial activities in Saudi Arabia.

This impression is confirmed by similarly higher rates of perceived opportunities among people with the lowest and highest educational attainments, and by higher rates of self-perceived entrepreneurial knowledge, skills and experience among people with lower, secondary and post-secondary levels of education. Unsurprisingly, fear of failure diminishes as educational level increases, except for among those with a secondary education. People involved in any stage of business show significantly higher rates of positive response on knowing recent entrepreneurs, on perceived opportunities, and on self-perception of entrepreneurial knowledge, skills and experience. Both groups – those involved and those not involved in business – show a similar level of fear of failure as an obstacle to starting up.

Potential entrepreneurs show higher rates of self-perception about entrepreneurship than those who have no intention of starting up businesses in the short term. In particular, there is a significant difference between the rates of fear of failure – much lower, in the case of potential entrepreneurs.

Finally, the regional perspective indicates that the populations of the Riyadh and Jeddah regions show high percentages (more than 75%) of people knowing recent entrepreneurs, perceiving opportunities and self-perceiving entrepreneurial knowledge, skills and experience, whereas these rates are significantly lower (around 60% or less) for Dammam, Madinah and Makkah. Although there are significant regional differences in entrepreneurial attitudes among Saudi

Arabians. It should be borne in mind that all the regions studied show relatively high rates of entrepreneurial self-perception compared to other regions of the globe – it is more that the populations of Riyadh and Jeddah are exceptionally entrepreneurially inclined. All the regions show similar proportions of people fearing failure except Riyadh, where the rate is much lower. These results and the previous ones above are summarized in Table 4.



PEOPLE INVOLVED IN ANY STAGE OF BUSINESS SHOW SIGNIFICANTLY HIGHER RATES OF POSITIVE RESPONSE TO KNOWING RECENT ENTREPRENEURS, ON PERCEIVED OPPORTUNITIES, AND ON SELF-PERCEPTION OF ENTREPRENEURIAL KNOWLEDGE, SKILLS AND EXPERIENCE.

Table 4. Individual Self-Perceptions About Entrepreneurship By Gender, Age Group, Educational Level, Involvement in Business Sector and Region in Saudi Arabia, 2017 (% positive response)

Questions related to individual self-perceptions about entrepreneurship

Categories for: gender, age, education, involvement in business sector, potential e-ship and region	1	2	3	4
	Do you know someone personally who started a business in the past two years? (%)	In the next six months, will there be good opportunities for starting a business in the area where you live? (%)	Do you have the knowledge, skill, and experience required to start a new business? (%)	Would fear of failure would prevent you from starting a business? (%)
Male	73.6*	80.4*	73.4*	36.7
Female	67.4	78.3	69.9	39.6
18–24 years	63.8*	73.7*	64.4*	33.7*
25–34 years	71.9	79.9	72.8	36.2*
35–44 years	72.6	80.0	73.1	41.1
45–54 years	74.1	82.9	75.5	43.1
55–64 years	68.8*	82.3	72.8	35.7*
No secondary	72.4	78.8	75.7*	58.4
Some secondary	65.3*	77.8	63.9	37.9*
Secondary degree	70.0	76.9	71.8*	53.3
Post-secondary	75.3	82.7*	76.9*	20.6*
Grad. experience	70.1	83.9*	68.8	21.2*
Not in bus. sector	69.2	77.7	69.3	38.0
Yes in bus. sector	80.2*	89.7*	86.2*	38.2
Not potential ent.	65.0	73.6	66.2	42.9*
Yes potential ent.	83.6*	91.0*	84.1*	28.3
Jeddah	75.8*	87.0*	75.7*	44.8
Riyadh	75.2*	82.0*	79.8*	15.7*
Dammam	58.9	61.5	56.0	50.3
Madinah	58.1	61.0	57.9	54.8
Makkah	58.9	74.3	58.9	43.1

*Differences between categories are significant at the 95% confidence level with p<0.025 for chi-square tests.

2.3. Temporal Evolution

Comparing the indicators on individual self-perceptions about entrepreneurship for 2009, 2010 and 2016 with the 2017 figures reveals significant changes. The percentage of the population knowing recent entrepreneurs decreased by 0.9 percentage points in 2017, suggesting that the considerable progress in entrepreneurial activity in Saudi Arabia between 2009 and 2016 has stabilized for the moment.

The rates for perceived opportunities, likewise, showed an increasing trend (more moderate, but still significant at 14.9 percentage points) over 2009–2016. In 2017, however, this indicator fell by 1 percentage point.

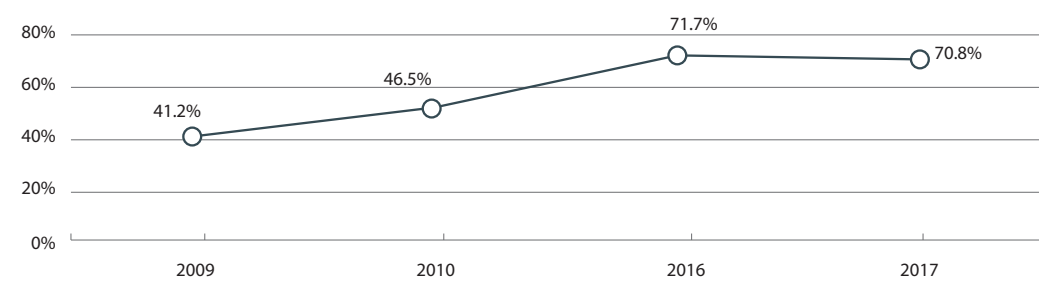
The proportion of population self-perceiving sufficient entrepreneurial knowledge, skills and experience decreased over 2009–2010 by around 6 percentage points. Six years later, it appeared to have recovered somewhat, but was still below 2009 levels. This result suggests that whereas once the population acquired entrepreneurial skills by experience and imitation, more recently an entrepreneurial education has been slowly implemented in some colleges and universities and is beginning to deliver results. In 2017, this indicator grew by a further 1.1 percentage points.

Finally, the rates of fear of failure have remained quite stable, with the exception of a spike in 2016. It seems that 2016 was not a typical year, although unfortunately we lack intermediate observations between 2010 and 2016 to confirm this. All these results are all shown in Figure 9.

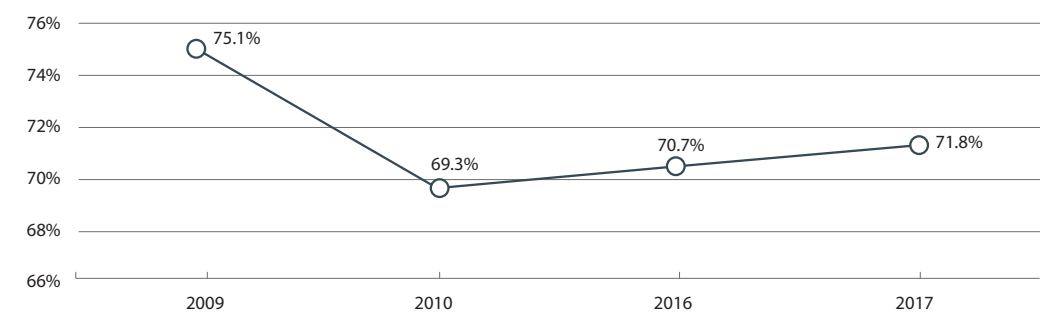


Figure 9. Temporal Evolution of Indicators on Individual Self-Perceptions About Entrepreneurship in Saudi Arabia

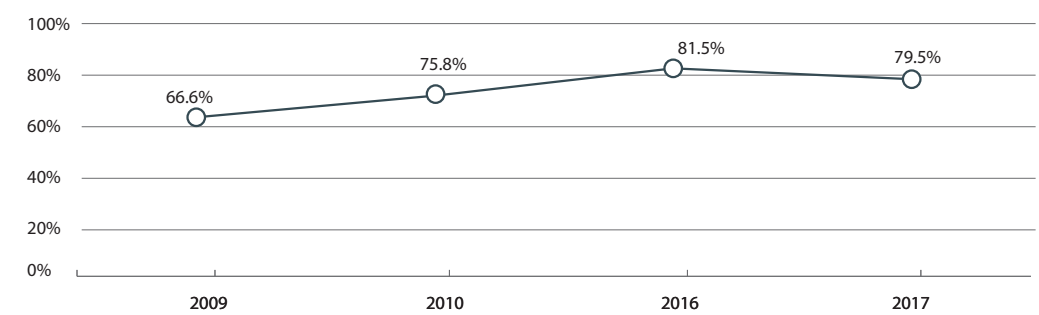
Do you know someone personally who started a business in the past two years?



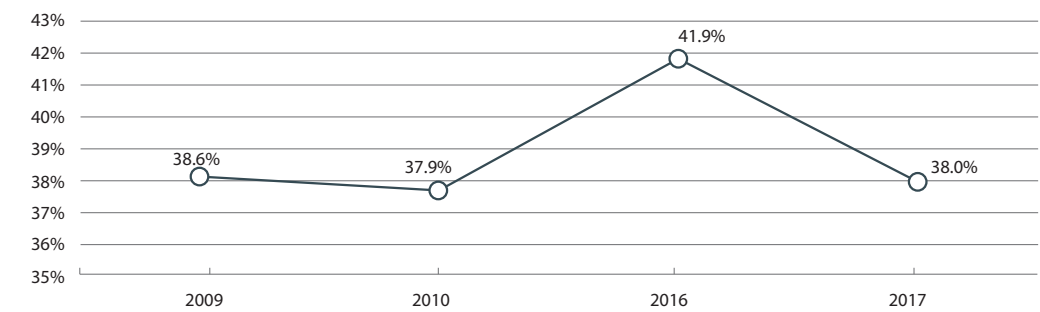
Do you have the knowledge, skills and experience required to start a new business?



In the next six months, will there be good opportunities for starting a business in the area where you live?



Would fear of failure prevent you from starting a business?



2.4. International Position

At present, Saudi Arabia, the UAE and Lebanon stand out significantly among the countries of the target zone as those with higher proportions of their populations knowing recent entrepreneurs. By this indicator, they also far surpass the efficiency driven countries, the GEM average and the USA. Egypt is notable for its very low rate, less than quarter of Saudi Arabia's.

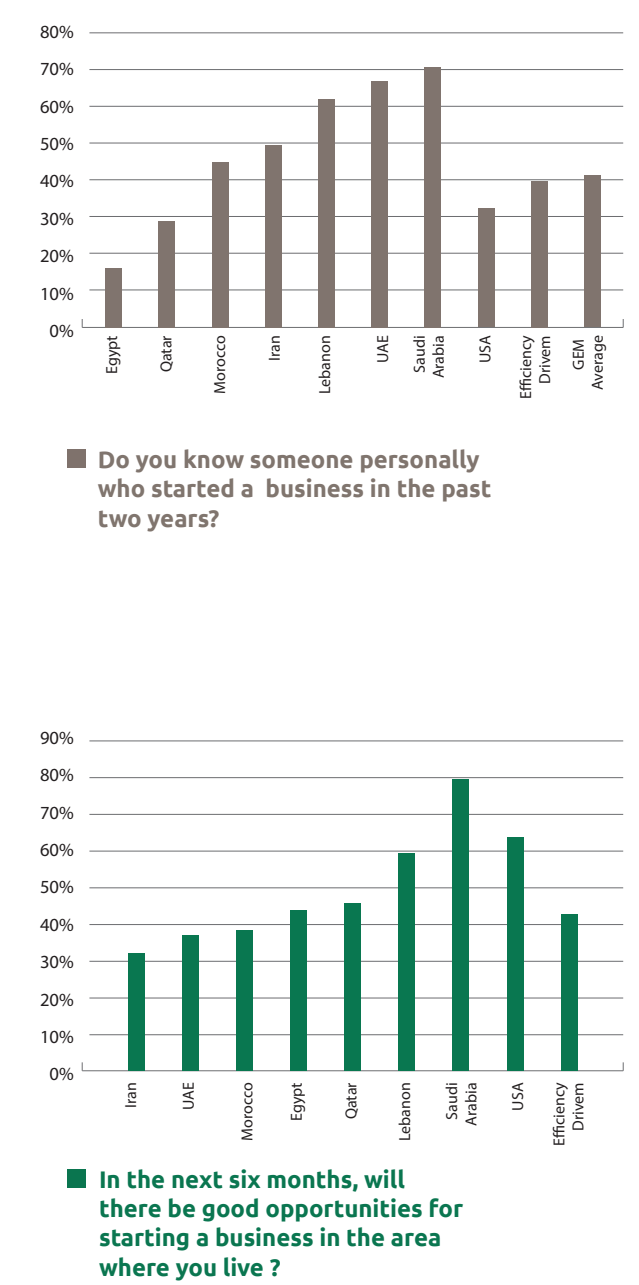
The Saudi Arabian population has the highest proportion of people (79.5%) perceiving good opportunities for business creation over the next six months. Iran, the UAE and Egypt exhibit the lowest of such proportions (33–38%).

All countries in the region show substantial proportions of people deeming themselves skilled enough to start up their own business. Lebanon peaks at 74.6%, whereas Qatar and Egypt exhibit significantly lower proportions (Just under 47%).

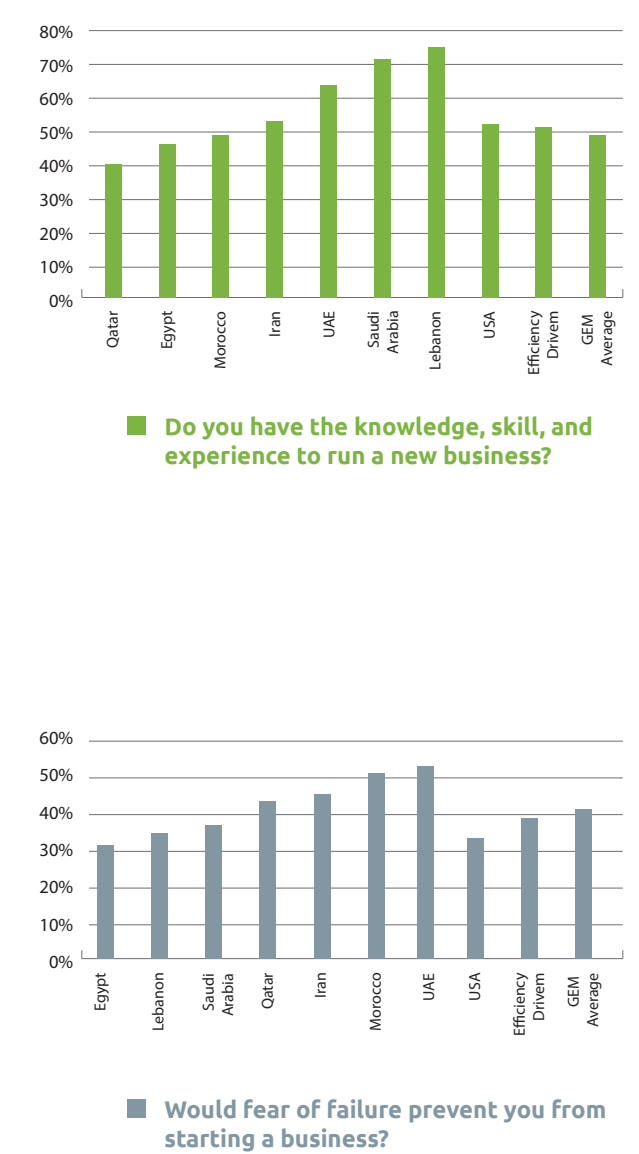
Fear of failure in the Middle Eastern Zone is lowest in Egypt, Lebanon and Saudi Arabia, at slightly over 33%, which aligns with the USA average. This figure peaks at 53.6% in the UAE. Qatar and Iran are in an intermediate position, with 43–44% of the adult population considering fear of failure an obstacle to becoming entrepreneurs.

Overall, and as in 2016, Saudi Arabia and Lebanon are notable for having self perceptions of entrepreneurialism that far exceed, relatively speaking, their fear of failure. From this observation, one might infer that an optimistic outlook – realistic or otherwise – prevails in these countries.

Figure 7. Saudi Arabia: International Position With Respect to Indicators on Perception of Societal Attitudes Related to Entrepreneurship, 2017 (%positive response)



THE SAUDI ARABIAN POPULATION HAS THE HIGHEST PROPORTION OF PEOPLE (79.5%) PERCEIVING GOOD OPPORTUNITIES FOR BUSINESS CREATION



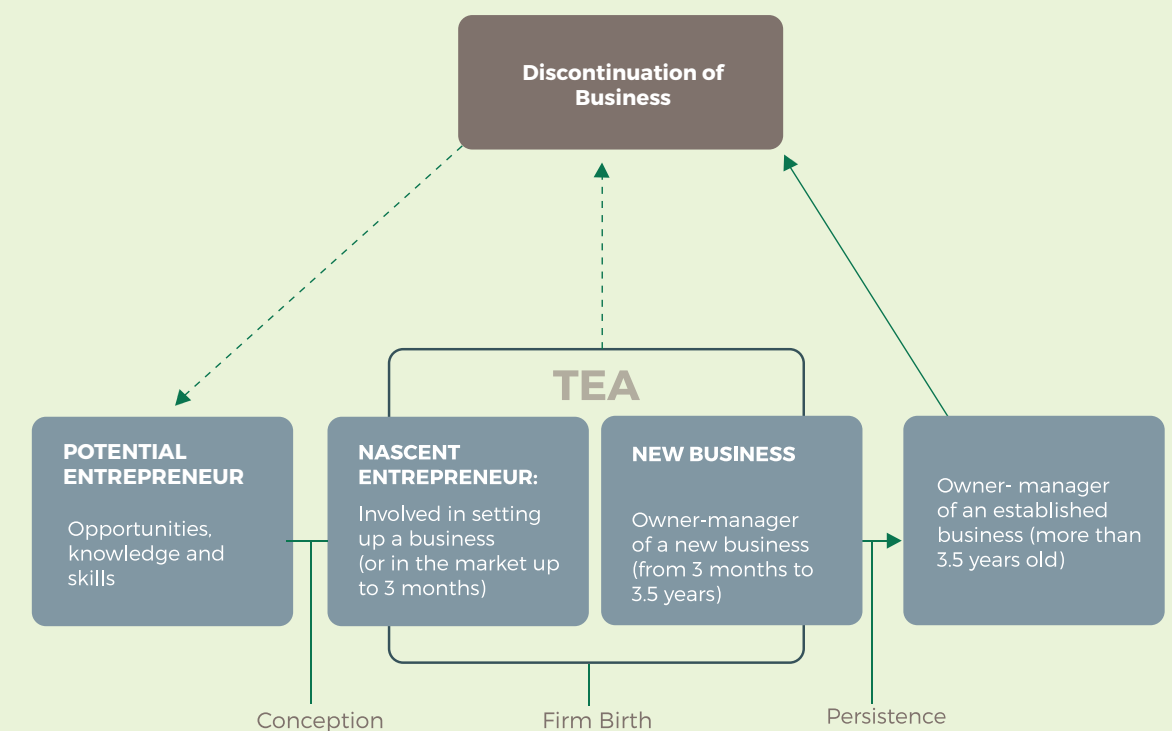


ENTREPRENEURIAL AND BUSINESS ACTIVITY

3.1. Introduction

One of the principal aims of GEM is to provide detailed information about the results of entrepreneurial activity in any target territory. GEM understands entrepreneurial activity as a complex process (see Figure 11) that begins with individuals' or groups of individuals' entrepreneurial intention and continues with successive phases of effective business start-up (nascent activity), business consolidation (new or baby activity), business development and persistence (established activity), and business discontinuation (activity exited from the market). This chapter provides results of all these phases for Saudi Arabia in 2017.

Figure 11. Business Phases



Source

GEM Global Report 2015

3.2.General Overview

As in 2016, in 2017 Saudi Arabia’s adult population showed a moderately high level of involvement in entrepreneurial activities (see Table 5). At the time of the survey, slightly more than 33% of this population manifested the intention to start up a new business in the next three years, 4.8% were setting up a new business not older than three months, and 6.7% were consolidating a business older than three months but created less than 42 months previously. Thus, as of July 2017, 11.5% of Saudi Arabia’s adult population was involved in early-stage entrepreneurial activity.

Table 5. Entrepreneurial Activity Through the Phases of Business in Saudi Arabia, 2017

Activity At Each Phase Of Business Creation And Development					
Potential	Nascent	New (baby)	TEA (total)	Established	Discontinued
33.7%	4.8%	6.7%	4.8+6.7=11.5%	3.2%	8.8%
% Saudi Arabia’s population aged 18–64 involved in each phase					

One indication of shortcomings in the business process in Saudi Arabia is the low rate of established businesses, which engage only 3.2% of the adult population (versus 6.7% in new businesses). This figure, although improved with respect to 2016, still suggests high volatility either during or following the consolidation process, estimated to last 3.5 years of entrepreneurial initiatives. In other words, a significant part of the population starts up only to discontinue soon afterward.

In 2017, whenever someone was in the process of personally withdrawing from a business, 50% of the time this coincided with a failure of the business itself or the retirement of the owner-manager (see Table

Saudi Arabia’s total entrepreneurial activity (TEA) indicator is moderately high in the international ranking, as shown in Section 4 of this chapter. But, the real contribution of entrepreneurial activity to a country’s economy is a matter not only of quantity, but also – and crucially – of quality. That is why knowing the characteristics of entrepreneurs and entrepreneurial activities is essential to making a proper assessment of the effective contribution of any TEA rate to national GDP. These characteristics are analyzed with respect to Saudi Arabia in Chapters 4 and 5.

6), an increase of 5.2 percentage points over the previous year. Given that the nascent and established business rates have increased, this increment could be, at least in part, associated with a lack of consolidation of some businesses that were in the nascent or baby stage in 2016.

These figures suggest that the pace of business creation versus destruction is still poorly balanced – that is, the Saudi Arabian market features a very high proportion of recently created businesses. If a significant proportion of these businesses were of good quality, this could be good news; however, it is more likely that high volatility reflects low-quality businesses unable to compete and survive in the market for long. Given that these indicators

deteriorated over 2016–2017, an in-depth and complementary study on the causes of failure is recommended for the next GEM cycle in Saudi Arabia.

Table 6. Detailed Figures on Businesses’ Discontinuation in Saudi Arabia, 2017

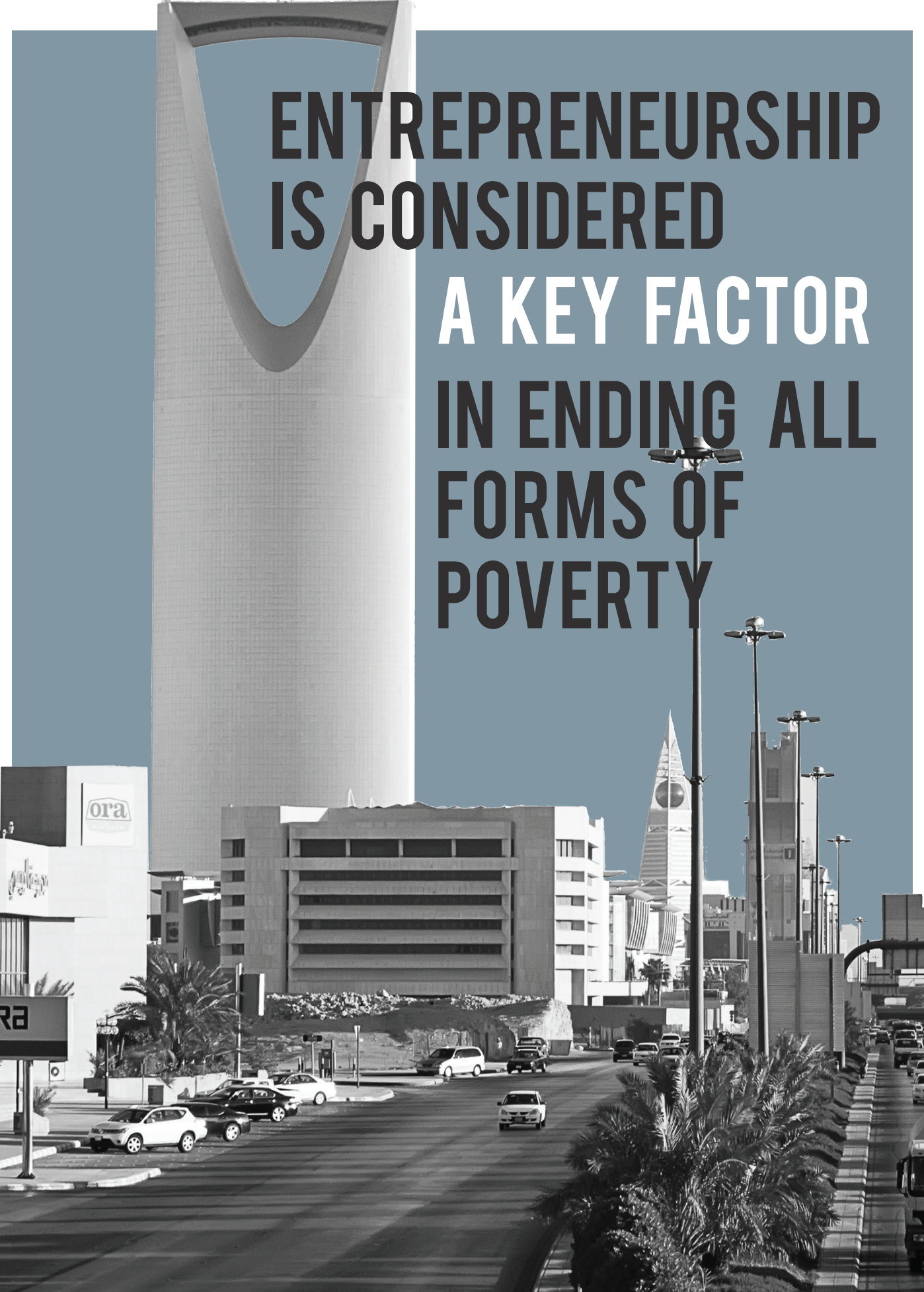
Composition Of Businesses’ Discontinuation				
Discontinuation	Business continued in other hands	Business continued but changed its main activity	Business exited the market completely	Don’t know/ refuse to answer
8.8% (100%)	2.1% (23.8%)	0.4% (4.5%)	4.4% (50.0%)	1.9% (21.6%)
% Saudi Arabia’s population aged 18–64 involved in each phase				

The ratio between the TEA and potential entrepreneurship rates roughly indicates how readily entrepreneurial intentions are transformed into entrepreneurial activities. (Both measurements refer to a three-year period.) The value of this indicator for Saudi Arabia in 2016 was 0.44 (See Table 7), which is rather low – a higher rate, closer to 1 value, would indicate more effective entrepreneurship. In 2017, the value of this indicator fell to 0.34, which suggests that the aspirations of a significant proportion of potential entrepreneurs are not finding a receptive context.

Another interesting rough indicator of the recent impact of business discontinuation is the ratio between the percentage of nascent activity and the percentage of effective business discontinuation (see Table 7, final column). The value of this ratio for Saudi Arabia in 2016 was 1.37 (see Table 7), which indicates that more businesses started up than exited altogether. In 2017 the value of this indicator fell to 1.10 – in other words, business mortality is on the rise, a result which is undesirable. The problem for Saudi Arabia at the moment seems to be not so much very short-term business mortality but rather medium-term mortality affecting businesses in consolidation, which results in a small established business sector.

Table 7. Recent Evolution of Relevant Ratios Derived From The Results of The Business Creation And Development Model in Saudi Arabia

Ratios		
Year	TEA/potential e-ship	Nascent activity/exited activity
2017	11.5/33.7 = 0.34	4.8/4.4 = 1.10
2016	11.4/25.8=0.44	3.7/2.7=1.37
Abstract figures (no units of measurement)		



ENTREPRENEURSHIP IS CONSIDERED A KEY FACTOR IN ENDING ALL FORMS OF POVERTY

Entrepreneurship is considered a key factor in ending all forms of poverty. But making it work properly to this end is not simple. Thanks to GEM, the study of the determinants of entrepreneurial activity reveals the complexity and diversity of entrepreneurial activity and its results in terms of start-up initiatives, economic value and contribution to countries' sustainability and economic development are revealed.

In addition, recent reflections on how entrepreneurial activity can contribute more toward achieving these goals are revealing new and important elements that had not been considered previously. For example, according to Mason and Brown (2014), increasing the number of high-growth firms (HGFs) is now a major focus for industry policy in developed countries. However, existing approaches are proving ineffective: simply creating supportive framework conditions is insufficient; creating favorable environments for business start-ups is not leading to the creation of more HGFs. Transactional forms of support (e.g. financial assistance) for HGFs are proving to have limited effectiveness, at least post start-up.

The entrepreneurship ecosystem approach has emerged as a response to these failings. It recognizes that HGFs flourish in a distinctive type of supportive environment, the distinguishing features of which include: a core of large established businesses, including some that have been entrepreneur-led (entrepreneurial blockbusters); entrepreneurial recycling, whereby successful cashed out

entrepreneurs reinvest their time, money and expertise in supporting new entrepreneurial activity; and an information-rich environment in which this information is both accessible and shared. A key player in this context is the deal-maker who is involved in a fiduciary capacity in several entrepreneurial ventures. Other important aspects of an entrepreneurial ecosystem include its culture, the availability of start-up and growth capital, and the presence of large firms, universities and service providers.

However, studies thus far have tended to take a static approach to the study of entrepreneurial ecosystems, largely ignoring both their origins and stimulus and the processes by which they become self-sustaining. Creating entrepreneurial ecosystems poses various challenges for policy-makers. There are several general principles that need to be followed. Policy intervention needs to take a holistic approach, focusing on the entrepreneurial actors within the ecosystem, the resource providers within the ecosystem, entrepreneurial connectors within the ecosystem, and the entrepreneurial environment of the ecosystem.

Finally, it is important that policy-makers develop a metrics to determine the strengths and weaknesses of individual ecosystems, so that their strengths and weaknesses can be assessed, to identify whether and how to intervene, and to monitor over time the effectiveness of such interventions. What to measure, approaches to measurement and access to data at the appropriate geographical scales all pose formidable challenges.

3.3. Temporal Evolution

Figure 12 shows the temporal evolution of the main indicators that make up the effective business-creation process. The lack of information about the years 2010–2015 prevents the extraction of precise conclusions, but several broad trends may be observed.

New-business creation aspirations (potential entrepreneurship) involved nearly 38% of the working-age population in 2009. This figure fell to 25.8% in 2016, before rising again to 33.7% in 2017. Regarding the fall from 2009–2016, Saudi Arabia could possibly point to a higher inclination of the population toward simply being employed rather than starting their own businesses.

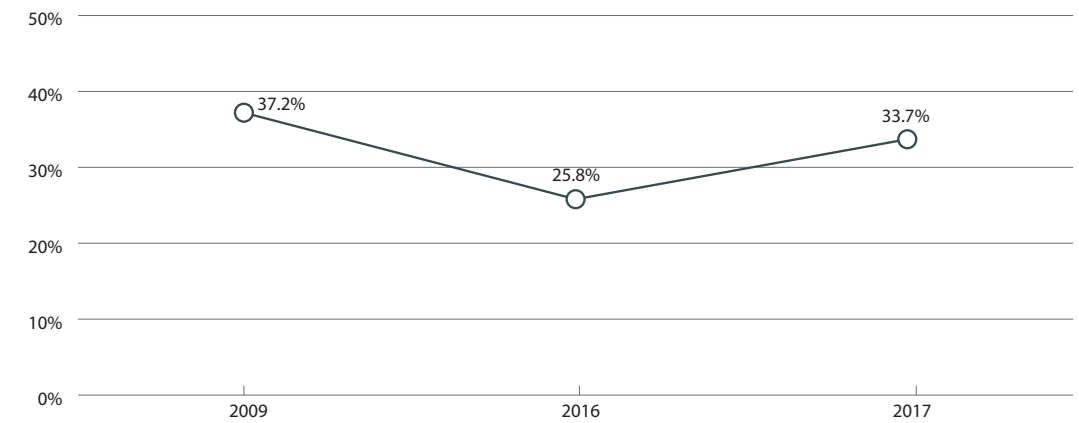
But, it is more likely that Saudi Arabia is facing the transition from the efficiency-drive stage to the innovation stage at a higher velocity than would have been expected some years ago, and part of this transformation relies on well-qualified entrepreneurial activity as an innovation driver. The set of governmental and social actions that have been developed to face this profound transformation would explain the recent change in trend.

What is very important here is that a significant part of the indicator’s 2017 increment reflects aspirations of well-formed and ambitious potential entrepreneurs, able to nurture an entrepreneurial ecosystem instead of more traditional startups. The TEA rate appears to have followed an ascendant line during the period, buoyed by different compositions of entrepreneurial activity: in 2009 nascent activity was higher, whereas in 2016 and 2017 new activity became dominant. Increased nascent activity feeds into an increased number businesses entering the consolidation phase; if these new businesses survive the consolidation, then established activity subsequently increases.

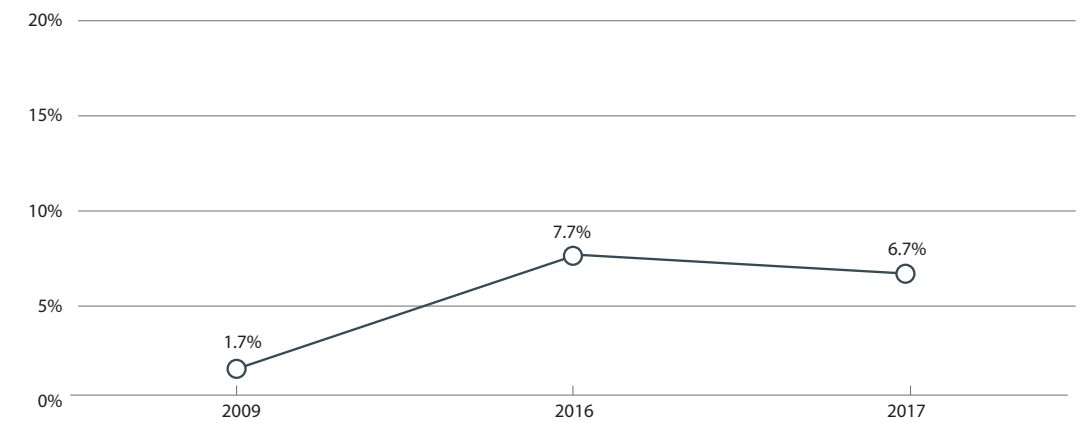
The established business rate decreased between 2009 and 2016, indicating that the business development model was not working properly in Saudi Arabia, despite the increase in the TEA rate. In 2017 the established-business rate increased by 0.9 percentage points, which may reflect an improvement in business survival. However, the effective discontinuation rate also increased over the same period, it is difficult to determine which part of this survival corresponds to recent businesses in consolidation or to established businesses. The next edition of GEM will provide further information to see if this promising trend prevails.

Figure 12. Temporal Evolution of Main Indicators of Business Development in Saudi Arabia

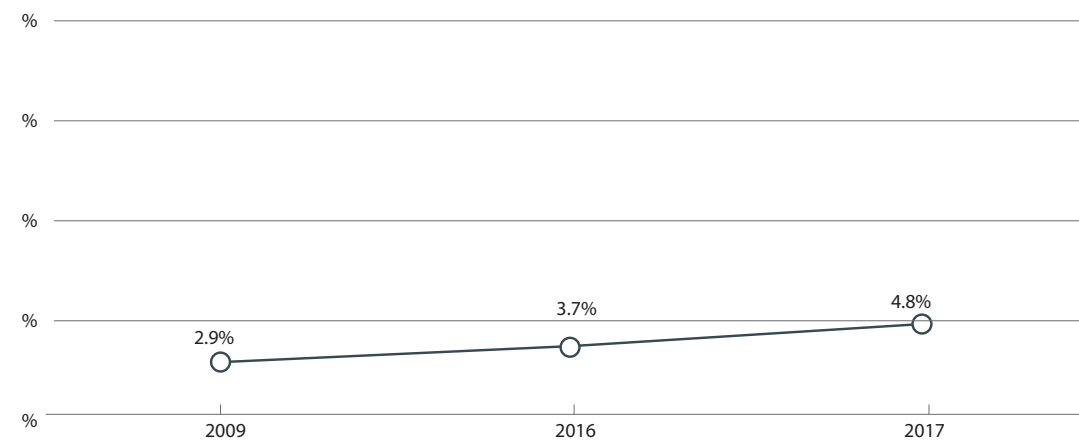
Are you, alone or with others, expecting to start a new business, including any type of self-employment, within the next three years?

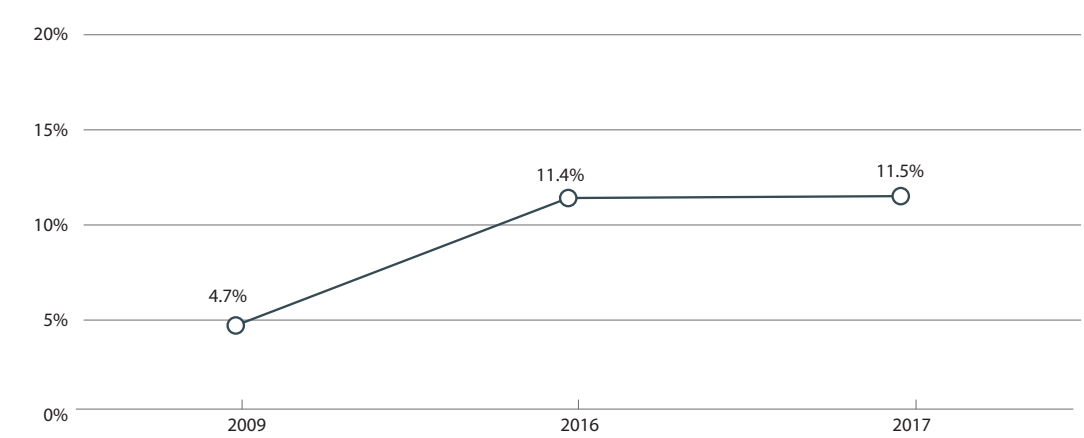


Nascent activity (up to three months in the market on July)

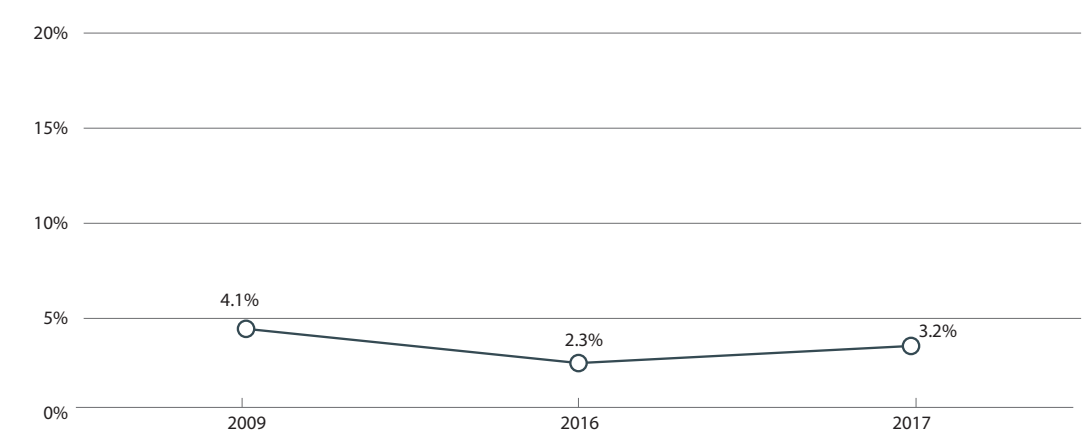


New activity (between 3 and 42 months in the market in July)

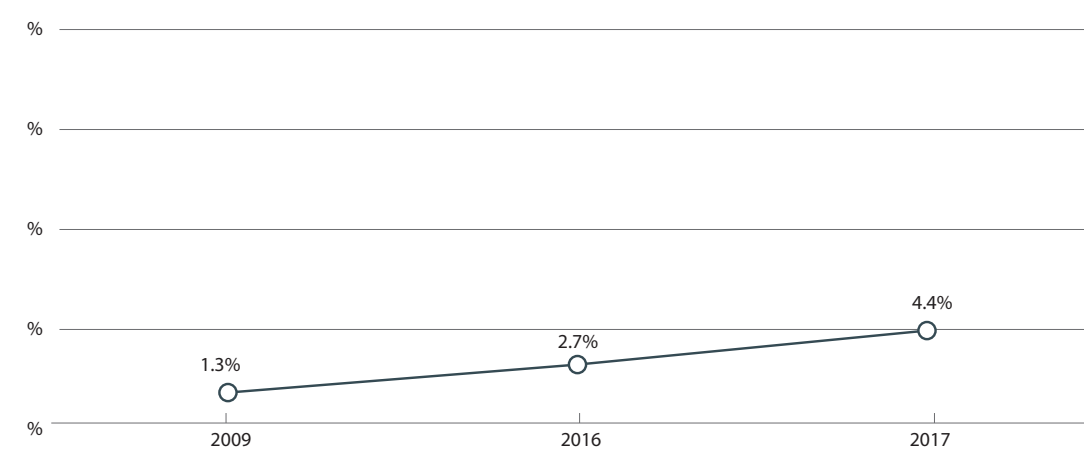




TEA activity (between 0 and 42 months in the market in July)



Established activity (more than 42 months in the market in July)



Exited businesses (the last 12 months before July)



3.4.International Position

Saudi Arabia shows an intermediate position regarding the rate of potential entrepreneurship (percentage of adult population declaring an intention to start up a new business within the next three years) among the countries of its geographical zone; it is somewhat higher than the efficiency-driven nations average and almost 10 percentage points above the GEM 2017 average (see Figure 13). This result positions Saudi Arabia's society as having more activity potential than those of Morocco, Qatar and even the USA, but less than Lebanon, the UAE, Iran and Egypt – although one must take into consideration that in every country, entrepreneurial intention is partly motivated by necessity.

The nascent activity rate in Saudi Arabia is very close to Qatar's rate. It is somewhat higher than the rates of Morocco and the UAE, and lower than those of the other nations compared in the graph, along with the efficiency-driven nations and the GEM average. The rate of new activity is lower than in Lebanon, roughly on par with Egypt and Iran, and exceeds the US rate and the efficiency-driven countries and GEM averages. The rate of new entrepreneurial activity in consolidation shows a better situation compared with the UAE, Morocco, and especially Qatar.

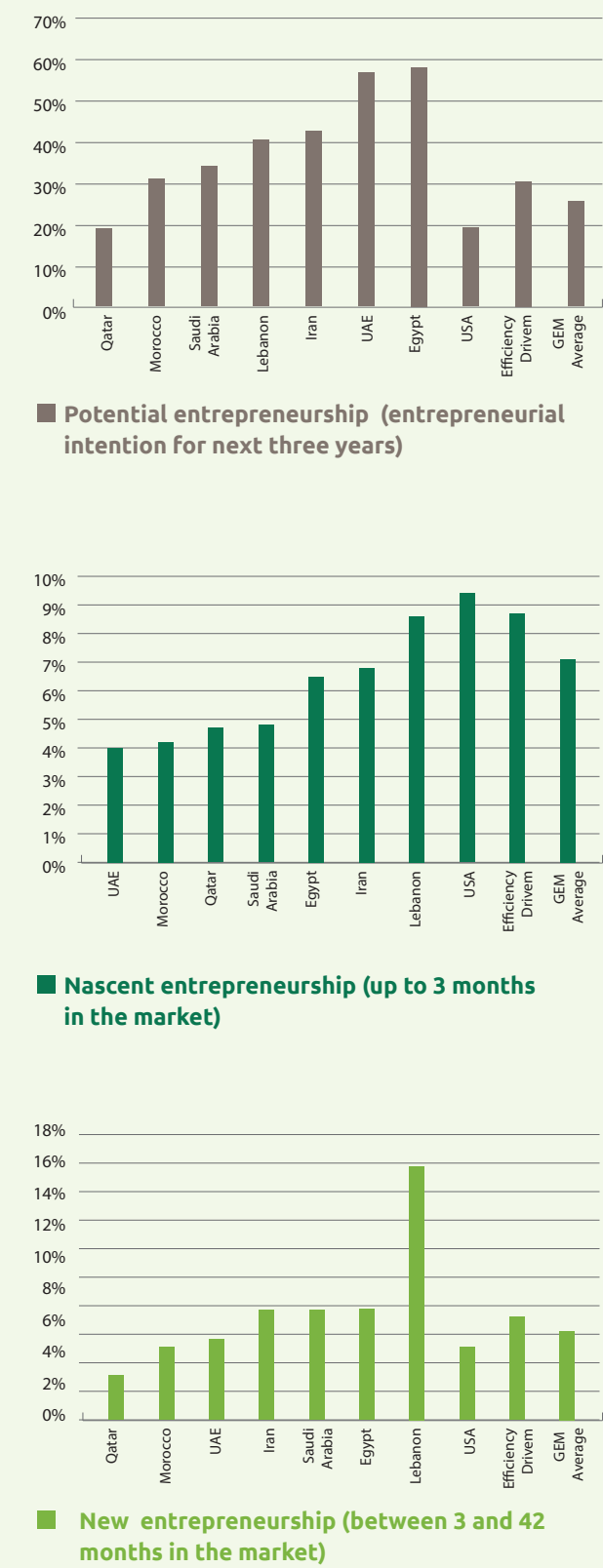
The TEA rate in Saudi Arabia places fourth among the Arabic sampled countries, and slightly under US rate and the efficiency driven nations and GEM averages. A notable difference between the Saudi Arabian and US rates observed the year 2016 remains the same in Saudi Arabia, there is more new activity or activity in consolidation, whereas in the US there is much more nascent activity. Lebanon's TEA rate tops the zone by a large

margin, which likely reflects a sudden influx of refugees having to create their own jobs.

Finally, established activity in Saudi Arabia shows the second lowest rate of the zone, between Qatar and the UAE. These low rates reflect high volatility. The remaining countries are more stable in this regard. Lebanon stands out as the most active and balanced country of the zone: the nascent rate is lower than the new rate, and the new rate is lower than the established rate.

This pattern indicates that the business sector of this country is following a progressive developing path from the nascent to the established phase, whereas other countries are undergoing a process of renovation wherein old established businesses are being progressively substituted by new ones. These differing situations are not better or worse in themselves, as they depend on what every country needs to balance business creation and the employment rate; nonetheless businesses volatility must be analyzed regularly to ensure that they are associated with obsolete products and/or services and not a lack of sustainability of innovative activities.

Figure 13. Saudi Arabia: International Position With Respect To Indicators Of Business Development, 2017



All the compared countries, except the UAE, show rates of effective business discontinuation (Business definitively exits the market) ,exceeding rates of discontinuation where the business continues in other hands (Figure 14 and Table 8).

This result was observed the year 2016 as well. These findings indicate that there is significant business volatility in the zone except for the UAE, where entrepreneurs appear to be more skilled at selling their businesses. Morocco shows lower overall levels of volatility/discontinuation, suggesting relatively high stability in the business sector.

On the contrary, Egypt, Saudi Arabia, Lebanon and Iran show relatively high rates of discontinuation, a persistently weak point in these economies. The UAE likewise shows a high rate of discontinuation; however, more than half the discontinued businesses continued in other hands, compared to just a quarter in the other countries with high discontinuation rates.

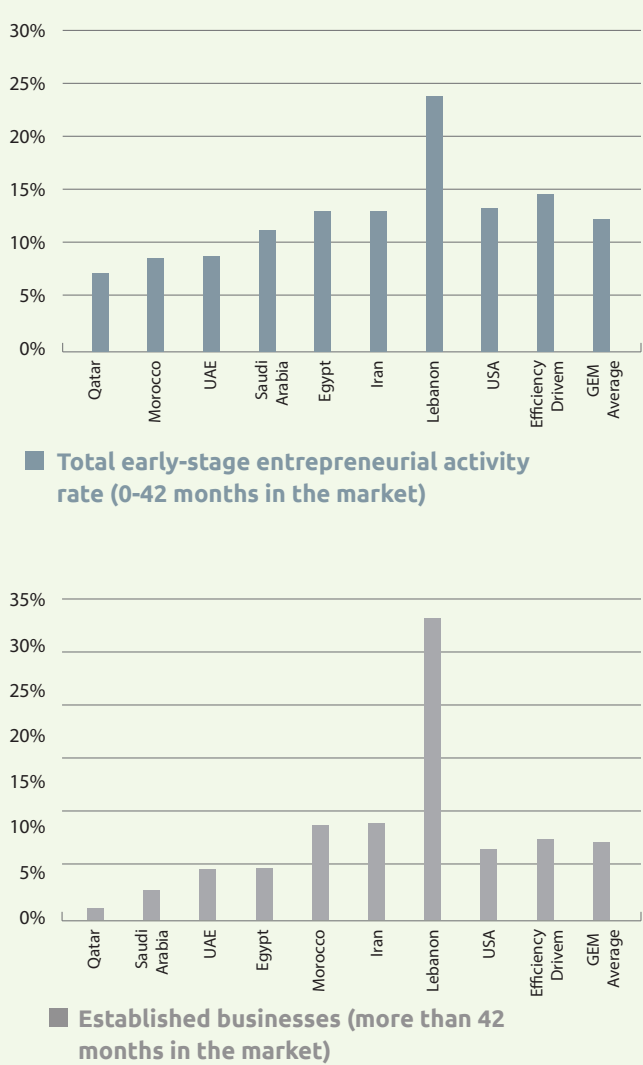


Figure 14. Saudi Arabia: International Position With Respect to Detailed Indicators on Business Discontinuation, 2017

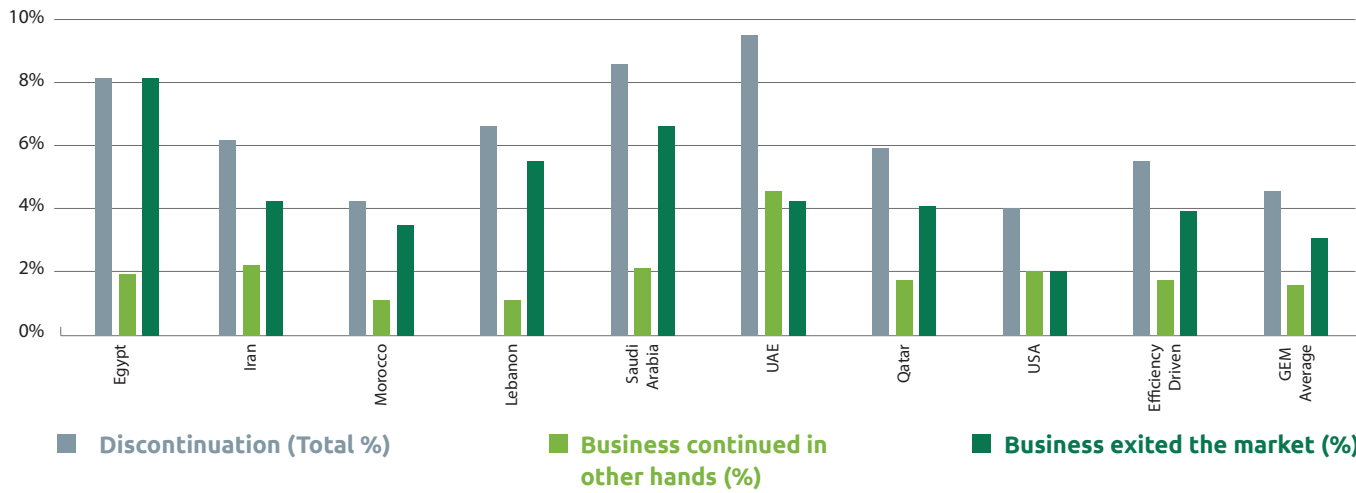


Table 8. Saudi Arabia: International Position With Respect to Detailed Indicators on Business Discontinuation, 2017

	Discontinuation (Total %)	Business continued in other hands (%)	Business exited the market (%)
Egypt	10.2	2.0	8.2
Iran	6.6	2.2	4.4
Morocco	4.5	1.1	3.4
Lebanon	6.7	1.3	5.4
Saudi Arabia	8.8	2.1	6.7
UAE	9.1	4.8	4.3
Qatar	5.8	1.6	4.2
USA	4.0	2.0	2.0
Efficiency-driven	5.4	1.5	3.9
GEM	4.5	1.4	3.1



3.5.Entrepreneurial Employee Activity

Entrepreneurship is a complex phenomenon, and over time GEM has progressed in measuring it. Since nowadays it is acknowledged that to be human is to be entrepreneurial, employee entrepreneurship – as developed at private companies and public agencies – is increasingly considered in addition to independent entrepreneurship.

This contribution is called “entrepreneurship” and constitutes a critical complement of innovation, diversification and growth in any organization. Entrepreneurship flourishes especially when organizations are managed under a horizontal system instead of a vertical one, because this allows the establishment of communication and interchange flows between the different hierarchical levels of the company or agency.

In this way, employees in different positions can channel their ideas, proposals, projects and concerns to the benefit of their organization. GEM has provided annual indicators related to intrapreneurship since 2013. Those corresponding to Saudi Arabia for 2017 are shown in Table 9.

Table 9. Saudi Arabia: Intrapreneurship Indicators, 2017

Intrapreneurship rates for employees within the population aged 18–64	
In the last three years, have you been involved in the development of new activities for your main employer?	8.3% yes
Taking the rate 8.3% as 100% of employees involved in intrapreneurial activities:	
And are you currently involved in the development of such new activity?	60.4% yes 39.6% no
Phase 1: Have you been actively involved in idea development for a new activity in the past three years?	67.9% yes 32.1% no
Could you tell me whether you had a leading or a supporting role in this phase?	31.4% leading 36.5% support 32.1% both
Phase 2: Have you been actively involved in preparation and implementation of a new activity in the past three years?	61.5% yes 38.5% no
Could you tell me whether you had a leading or a supporting role in this phase?	32.2% leading 35.9% support 31.9% both
Was the most significant new activity you were involved with in the past three years for your main employer initiated by yourself, your employer, or one or more colleagues?	32.6% myself 43.4% employer 17.7% colleagues 6.3% combination
How many people have, or have had, a leading role in developing this new activity? (average)	10.2 persons
How many people do you expect to be working on the new activity five years after its introduction? (average)	6482 positions
Would all, some, or none of your potential customers consider the product or service developed in this project new and unfamiliar?	20.8% all 42.9% some 36.3% none
Right now, are there many, few, or no other businesses offering the same products or services as developed in this project to your potential customers?	41.5% many 40.2% few 18.3% none
What percentage of your annual sales revenues for this project will usually come from customers living outside your country?	31.5% none 17.0% 10% or less 10.3% 11-25% 17.9% 26-50% 10.6% 51-75% 8.8% 76–90% 3.8% > 90%

According to the results, in 2017 8.3% of the population aged 18–64 and working as an employee had carried out some intrapreneurial activity within their organization over the past three years, an increase of 3.1 percentage points over 2016. Although two years is a short time series, the evolution of this indicator is encouraging in a country hoping to transform towards the innovation stage.

Taking this 8.3% of the employees as 100%, 60.4% of these entrepreneurial activities for employers were still alive and developing in 2017. Almost 68% of interviewed employees committed to these activities had been actively involved their development, in a leading role in 31.4% of cases, a support role in 36.5% of cases and both roles in 32.1% of cases. 61.5% of these employees had also been directly implicated in the preparation and implementation of the new activity, in a

leading role in 32.2% of cases, a support role in 35.9% of cases and both roles in 31.9% of cases. 32.6% of these activities had been proposed by the respondents themselves, suggesting workplace environments in which employees feel their ideas are listened to and given due consideration.

In other cases, the main driver was either the employer (43.4% of cases) or work colleagues (17.7% of cases), or the idea progressed thanks to a combination of all these categories – i.e., through teamwork (6.3% of cases). An average of 10.2 persons had a leading role per idea within this collective of intrapreneurs, and on average they expected 6500 job positions to be generated by each idea. Among the total number of Saudi intrapreneurial activities, 20.8% showed a strong innovative component, 18.3% had no competitors in the market, and 23.2% exported more than 50% of their production.





CHAPTER

04

CHARACTERISTICS OF ENTREPRENEURIAL ACTIVITIES

4.1. Introduction

As discussed in previous sections, it is the quality of entrepreneurial activity, rather than the quantity, that determines its effective contribution to economic and social development.

GEM provides a comprehensive set of indicators that characterize entrepreneurial activities captured by the observation. Analysis allows us to assess their strengths and weaknesses; it also provides valuable information for the orientation and design of public policies, training activities, strategic plans of the private sector, and of any other mechanism that may favor the development of the entrepreneurial sector.

The following sections offer detailed results on the following characteristics: entrepreneurship motive; sector of activity; number of owners; number of employees; job-creation expectations; innovation component; use of recent technologies; competitiveness; internationalization; seed capital invested; and discontinuation motive for exited businesses.

4.2. Motivation For Early-Stage Entrepreneurial Activity

Motivation is one of the determinants of the quality of businesses resulting from early stage entrepreneurial activity. GEM classifies early stage entrepreneurial initiative as motivated by necessity, opportunity, or other reasons.

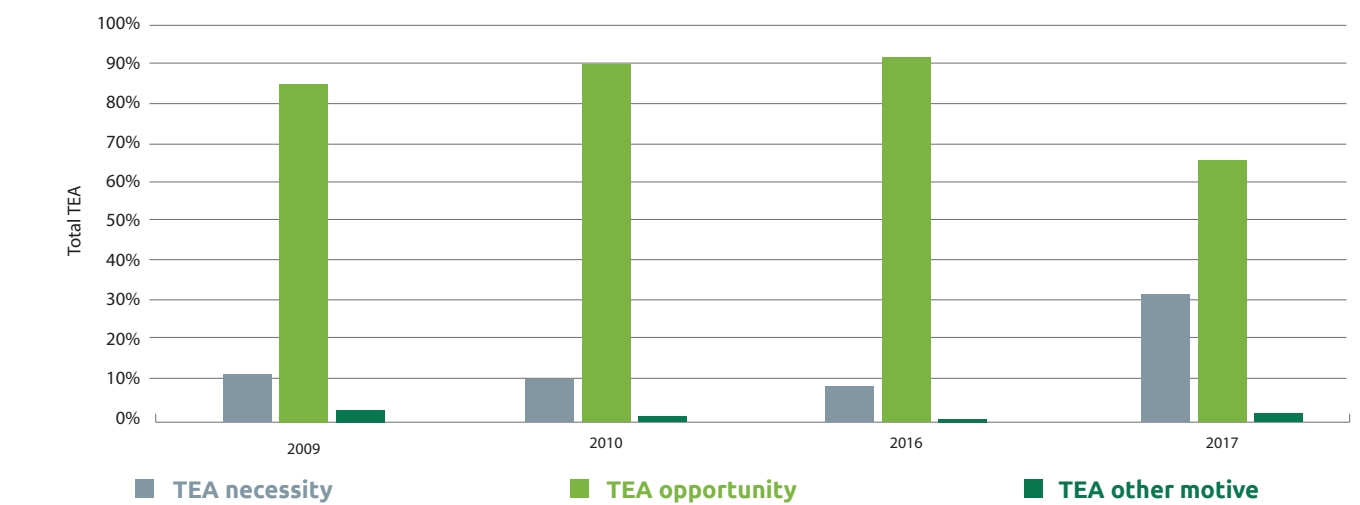
Potential entrepreneurs are driven by necessity when they have no better choices of work to develop their professional career or when they need to survive by creating their own job activity. By contrast, potential entrepreneurs are driven by opportunity when they detect a niche in the market, when they have and develop an original idea, or when they are able to develop an innovation. Potential entrepreneurs are classified as being motivated by other causes when they are driven by a mixture of necessity and opportunity, when they continue a family business, when they engage in developing projects, etc.

The literature on this topic indicates that opportunity entrepreneurship tends to be more valuable to economies because it usually makes more relevant contributions in terms of innovation, productivity and competitiveness. However, it is premature to draw conclusions solely on the basis of motivation, because analysts must also evaluate the market development level, the sector, the businesses' size, and many other variables that complete the picture of early-stage entrepreneurial activities. What may represent a big opportunity in the market of a developing country may not appear so attractive in the market of a developed country, or in the global market generally.

Saudi Arabia is a semi-developed country full of contrasts. Between the years 2009 and 2016, the proportion of opportunity-driven early-stage entrepreneurship was very high and followed a positive trend, whereas the rates of necessity-driven entrepreneurship and entrepreneurship driven by other motives decreased (See Figure 15). It is true that the internal market offers great opportunities

for new businesses and that there is considerable room for opportunity entrepreneurship, but the high volatility detected around established firms suggests a contradiction between these high rates of opportunity activity and the quality of the new businesses created. This may reflect, for example, an environment that is relatively hostile to new businesses: Saudi Arabia’s ease-of-doing-business ranking in 2016 was 96, according to the World Bank. In 2017 a different picture appeared, with necessity entrepreneurship showing an unexpected big increment, which may have been due to the sudden increase in unemployment recorded at the beginning of the year.

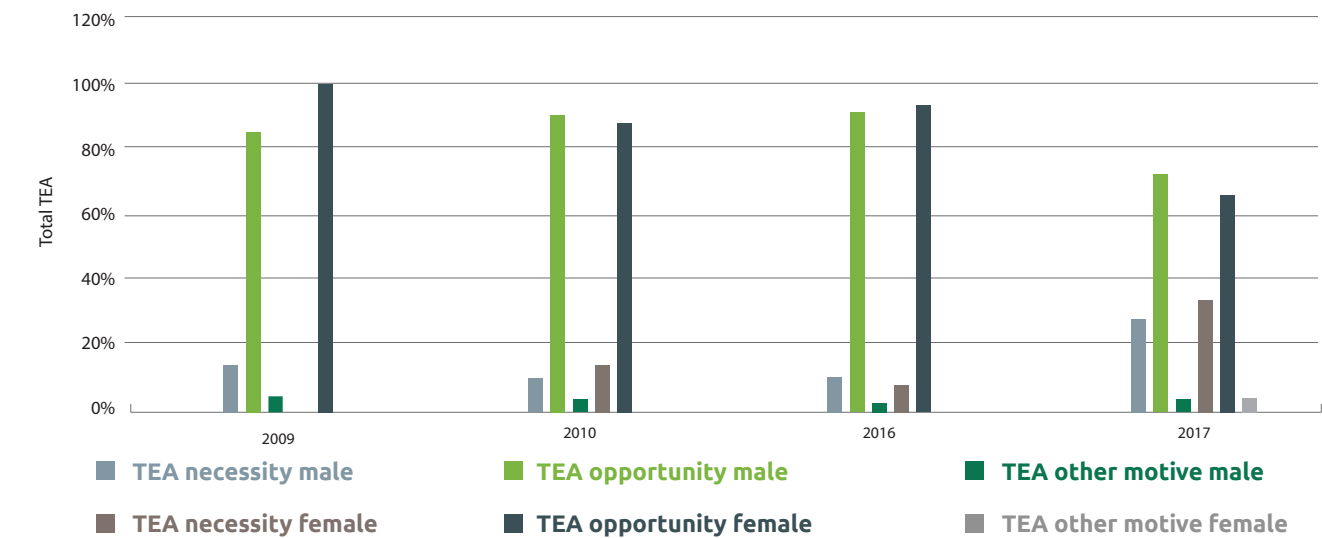
Figure 15. Distribution of Motivation for Early-Stage Entrepreneurial Activity in Saudi Arabia – Recent Evolution



The motivation for early-stage entrepreneurial activity by gender (see Figure 16) shows significant differences in behavior between male and female entrepreneurs in 2017. Opportunity remained the predominant motivation for both groups, but significantly less commonly than in previous years, in particular among women. The sudden jump in necessity entrepreneurship, to 26.7% among men and 32.6% among women, mirrored this disparity between genders.



Figure 16. Distribution of Motivation For Early-Stage Entrepreneurial Activity In Saudi Arabia – Recent Evolution by Gender



In 2009, most Saudi Arabian entrepreneurs with opportunity-driven motives involved in new or established stages of business stated that they chose to pursue an opportunity to gain greater independence, whereas those involved in nascent stages were more likely to report seeking increased personal income (see Table 9). In 2010, the proportion of entrepreneurs seeking more personal income grew, whereas established-business owner-managers remained focused on greater independence. In 2016, nascent and established entrepreneurs stated in higher proportions than new entrepreneurs that they had chosen to pursue an opportunity to gain greater independence. Thus, roughly speaking, greater independence appeared to be the dominant perceived benefit of starting up businesses in Saudi Arabia, save for in the very early stages of nascent activity.

In 2017, however, the situation changed: the proportions of nascent and established entrepreneurs who principally sought increased personal income were higher than those who principally sought greater independence. The only exception to this reversal was entrepreneurs in the process

of consolidating new businesses, nearly 50% of whom were still primarily motivated by greater independence.

As discussed above, among opportunity entrepreneurs a portion seek to improve their situation through either increased independence or increased income, as opposed to simply maintaining their income. GEM calls these individuals improvement driven opportunity (IDO) entrepreneurs. To assess the relative prevalence of IDO entrepreneurs versus those motivated by necessity, in 2015 GEM created the motivational index, which represents the percentage of entrepreneurs within the TEA stage reporting an IDO motive.

Compared internationally, this indicator helps to describe the quality of national TEA rates. The motivational index was at 40.8% for Saudi Arabia in 2016 and fell to 37.3% in 2017. It is difficult to say for certain why entrepreneurship became less improvement driven in 2017, but the cumulative effects of the oil price slump combined with an uptick in unemployment, by a full percentage point over the same quarter in 2016, may have played a part.

Table 9. Main Incentive to Pursue Opportunities by Types of Entrepreneurs in Saudi Arabia – Recent Evolution

Type*	Opportunity entrepreneurship				
% 2009	Greater independence	Increase personal income	Just maintain income	Other	Motivational index (TEA % of IDO: improvement-driven opportunity)
SU	37.8	46.4	15.8	0.0	
BB	59.6	35.1	5.3	0.0	
TEA	49.2	39.7	11.1	0.0	
EB	55.9	41.4	1.4	1.4	
% 2010					
SU	45.9	54.1	0.0	0.0	
BB	18.8	72.3	8.9	0.0	
TEA	37.3	60.3	2.4	0.0	
EB	53.1	43.8	3.0	0.0	
% 2016					
SU	64.2	33.2	2.6	0.0	
BB	44.6	50.9	4.6	0.0	
TEA	51.9	44.2	3.8	0.0	40.8
EB	58.8	35.7	5.6	0.0	
% 2017					
SU	40.7	56.5	1.5	1.3	
BB	49.3	43.2	5.9	1.6	
TEA	45.7	48.5	4.3	1.5	37.3
EB	20.5	74.4	5.0	0.0	

Note
SU=nascent entrepreneur (up to 3 months), BB=new or baby (3–42 months), TEA=early stage (0–42 months), EB=established (more than 42 months)

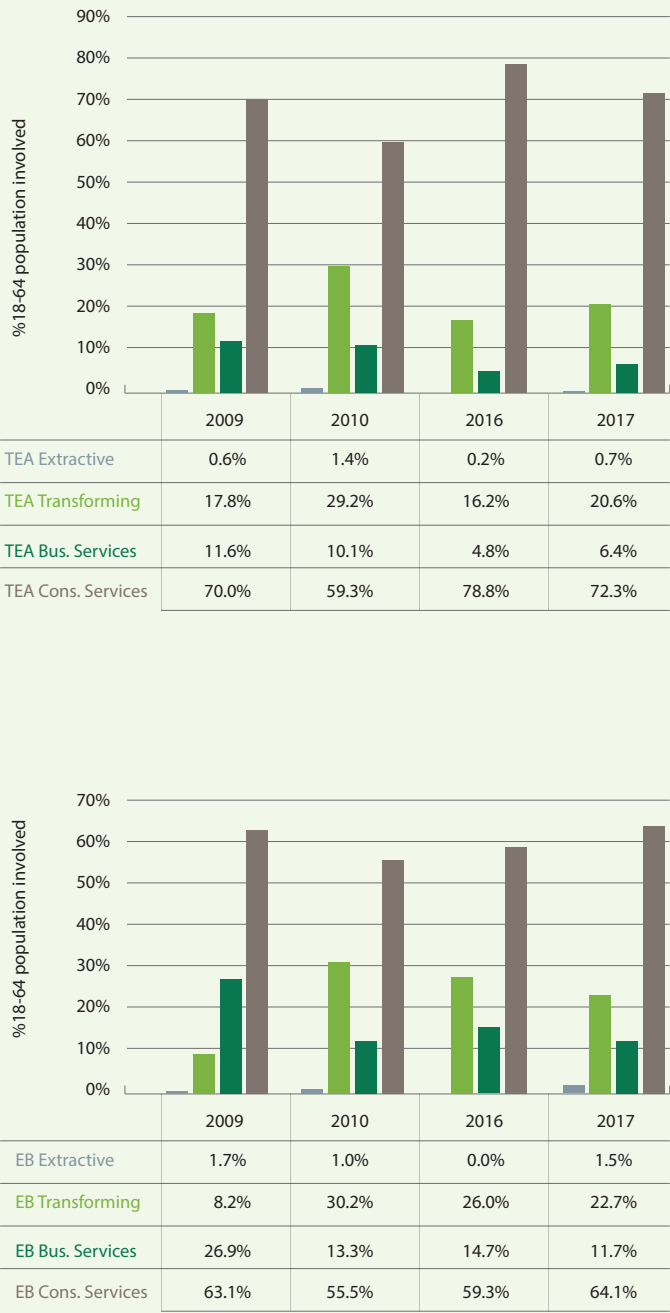
4.3.Sectors of Activity

GEM considers four large sectors by which to classify all types of business activities captured by the monitor: extractive, transforming, business-oriented service, and consumer-oriented service.

Figure 17 shows the distribution of TEA activity and established-business (EB) activity by sector in the years 2009, 2010, 2016 and 2017. Like most countries ,Saudi Arabia highly concentrates activity in the consumer-oriented service sector, and new entrepreneurial activity has been progressively increasing the size of this sector among established businesses since 2010. But it is relevant that a significant proportion of businesses are involved in the transforming sector, notwithstanding a decline following a peak in 2010 that began to reverse in 2017.

The business-service sector is persistently, disproportionately small; furthermore, entrepreneurial activity in it decreased over the period 2009–2016. Fortunately, the proportion of recent entrepreneurs involved in business services increased in 2017. This is good news, as insufficient commercial and professional infrastructure – as evidenced by the steady decline in EBs in this sector – is one of Saudi Arabia’s framework weaknesses. Finally, the extractive sector is the weakest of the four; innovation will be key to recovering its dynamism and maximizing the value of Saudi Arabia’s natural resources. Recently there has been a slight improvement in this sector, in terms of both entrepreneurial initiatives and established activities – another piece of good news, as it is important that the sectorial distribution is diversified.

Figure 17. Tea and Eb Activities by Sectors in Saudi Arabia – Recent Evolution



4.4. Number of Owners

With a few exceptions, entrepreneurial activities are initiated by an independent entrepreneur or by very small entrepreneurial teams. As observed in previous reports, this is probably one of the main issues preventing entrepreneurial activity from having a significant impact on countries' economies. The situation in Saudi Arabia is no different. The distribution of the number of owners for nascent businesses (SU), new businesses (BB), TEA businesses and established businesses (EB) shows a high concentration of sole-entrepreneur activities at every stage, but especially at the established stage (see Figure 18).

New entrepreneurial activity is the category that shows more favorable rates of entrepreneurial teams – of four, five and ten or more owners – whereas nascent activity shows the best rates for entrepreneurial teams of two and three members. But the fact remains that well over half of all activity is accounted for by a single individual.



Figure 18. Distribution of the Number of Owners for Saudi Arabian Businesses at Different Stages of Activity, 2017

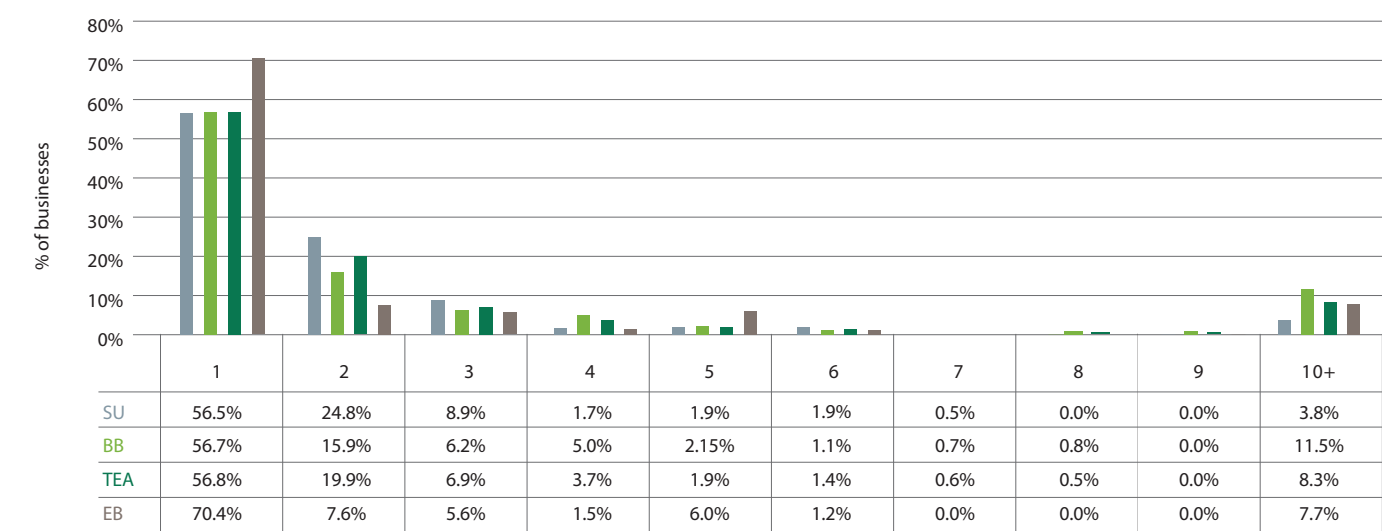


Figure 19 shows the average numbers of owners for TEA and EB activities and their recent evolution in Saudi Arabia. The situation is improving: it was worse in 2016 than in 2009 and 2010, but in 2017 both averages increased. TEA owners currently show the highest average, because those businesses that were in consolidation in previous years were very likely started by one or few individuals. If the nascent and new businesses of 2017 mostly survive, then the EB average is expected to increase in 2018.

The lack of complementary, powerful and well-balanced entrepreneurial teams has a negative impact on the quality and dimension of the entrepreneurial activity itself, so policies aimed at reversing this trend may be necessary. In any event, the increment registered in 2017 is good news.

Figure 19. Average Number of Owners for Early-Stage and Eb Activities in Saudi Arabia – Recent Evolution

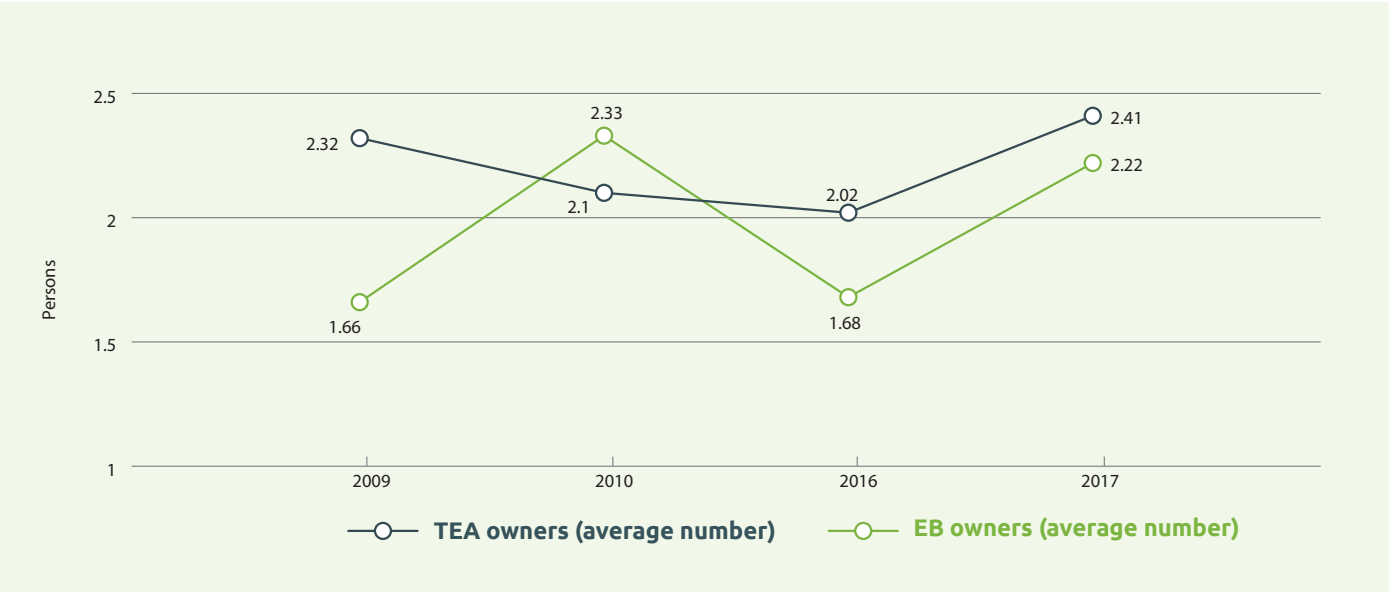


Table 10 shows additional results on the number of TEA owners in 2016 and 2017. Female-led businesses tended to have a higher number of owners in 2017, a significant and interesting change with respect to 2016. Those with a postgraduate education were much more likely to form entrepreneurial teams in both years; however, the average number of owners increased for all educational levels except postgraduate. This latter observation is backed up by a progressive increment in the average number of owners as income increases, except in the case of entrepreneurs within the highest income category.



Table 10. Average Number of Owners for Early-Stage Entrepreneurial Activity in Saudi Arabia by Gender, Educational Level and Income Level, 2016 and 2017

Complementary variables		Average number of owners (TEA)	
		2016	2017
Gender	Men	2.15	2.19
	Women	1.79	2.74
Education	Primary education	1.78	1.98
	Preparatory education	2.09	2.72
	Secondary education	2.02	2.81
	University degree holder	1.78	2.21
	Postgraduate degree holder	3.65	3.10
Income	0–60,000 SAR	1.33	2.37
	60,001–96,000 SAR	1.91	2.22
	96,001–144,000 SAR	1.79	2.42
	144,001–192,000 SAR	1.84	2.56
	192,001–240,000 SAR	2.17	4.06
	>240,000 SAR	2.69	1.70

4.5. Number of Employees

As with the number of owners, entrepreneurial activity mostly comprises firms and businesses with few employees. However, in Saudi Arabia early-stage entrepreneurial activity is better positioned compared with other economies in the region, because the percentage of such activity with no employees is very low. Currently, 47.1% of activities have more than five employees (versus 36.6% in 2016; see first chart of Figure 20).

That said, although the figures for 2017 are an improvement over 2016, they are not as good as those for previous years: in 2009 this proportion was 60.5%. It therefore appears that job creation in entrepreneurial activities has followed a negative trend; however, this does not necessarily speak to the quality of the activities themselves, which may be less labor-intensive or have longer gestational periods.

For established or consolidated activity, employee figures evolved more positively up until 2016. In 2009, 58.3% of established

firms had more than five employees; in 2016, 73.8% did (see second chart of Figure 20). One explanation for this result might be that the consolidated sector was adding entrepreneurial activities with higher average numbers of employees in the years before 2016.

An additional argument is that, as can be seen in Table 11, entrepreneurial activities of Saudi Arabia tend to create jobs as they consolidate – in other words, their dimension tends to increase as they gain market relevance. Since arithmetic means can be affected by atypical cases (i.e., firms with very high numbers of employees), it is advisable to consult medians to better appreciate this effect. By both measures, the results for established businesses in 2017 were somewhat worse than in 2016.

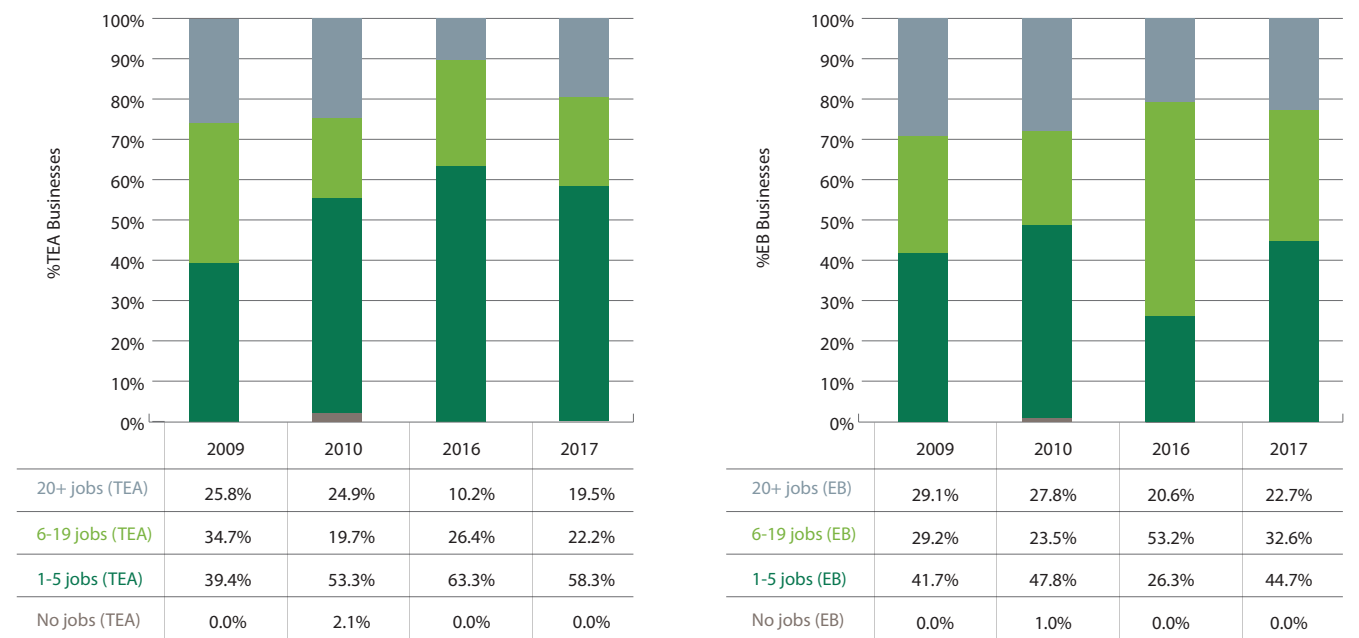
On the other hand, in 2017 nascent and new businesses showed higher maximum values, and established businesses showed a higher incidence of 20 or more employees.

SAUDI ARABIA EARLY-STAGE
ENTREPRENEURIAL ACTIVITY
IS BETTER POSITIONED
COMPARED WITH OTHER ECONOMIES
IN THE REGION

Table 11. Average Number of Employees for Nascent and New Entrepreneurial Activity and for Established Firms In Saudi Arabia, 2016 and 2017

	Nascent (SU)		New (BB)		Established (EB)	
	2016	2017	2016	2017	2016	2017
Mean	0.42	1.50	13.23	18.49	40.71	17.81
SD	1.70	9.13	35.34	93.48	162.95	60.33
Median	0.00	0.00	4.00	3.00	8.00	6.00
Minimum	0.00	0.00	0.00	0.00	0.00	0.00
Maximum	8.00	100.00	250.00	1500.00	1500.00	600.00

Figure 20. Early-Stage Entrepreneurial Activities and Ebs by Current Number of Employees In Saudi Arabia– Recent Evolution



4.6. Job-Creation Expectations

GEM collects information to estimate the expectations of early-stage entrepreneurial activities and established firms regarding job creation over the coming five years, beginning in the year of the report. Figure 21 shows these results for Saudi Arabia in 2009, 2010, 2016 and 2017. The first chart is for early-stage entrepreneurial activity, and the second is for established firms. These results, compared with those of the previous section on the current number of employees, are positive but vary in intensity depending on the year and the business stage.

Table 12 shows that between 2009 and 2016, the differences between the proportions of expected jobs in five years and current jobs in percentage points are 0% or negative for no job creation or for the lower category of job creation (1–5 jobs) and positive for higher job creation categories, except in 2010 for 20+ jobs in entrepreneurial firms. Roughly speaking, entrepreneurs were more optimistic

than established managers about job creation in 2009, but the situation changed drastically from 2010, when they began to show divergent expectations. Since 2009, both for entrepreneurs and for established firms, the proportion of firms expecting the creation of 20+ jobs has been strongly decreasing.

However, as of 2017, TEA managers seem more optimistic about high job creation (20+ positions), whereas EBs seem less optimistic across the board. In conclusion, compared with 2016, in 2017 there were more TEA firms expecting to create 20+ jobs in five years, and less expecting to create 1–19 jobs, although the greatest proportion expected to create 1–5 positions. On the other hand, there were less EBs expecting to create 6–19 or 20+ job positions in five years, and more expecting to create of 1–5 jobs. So, after consolidation, businesses tend to have lower job-creation expectations, which is normal if they do not have expectations of growth or diversification.

Figure 21. Early-Stage Entrepreneurial Activities and Ebs By Expected Number of Employees in Five Years in Saudi Arabia – Recent Evolution

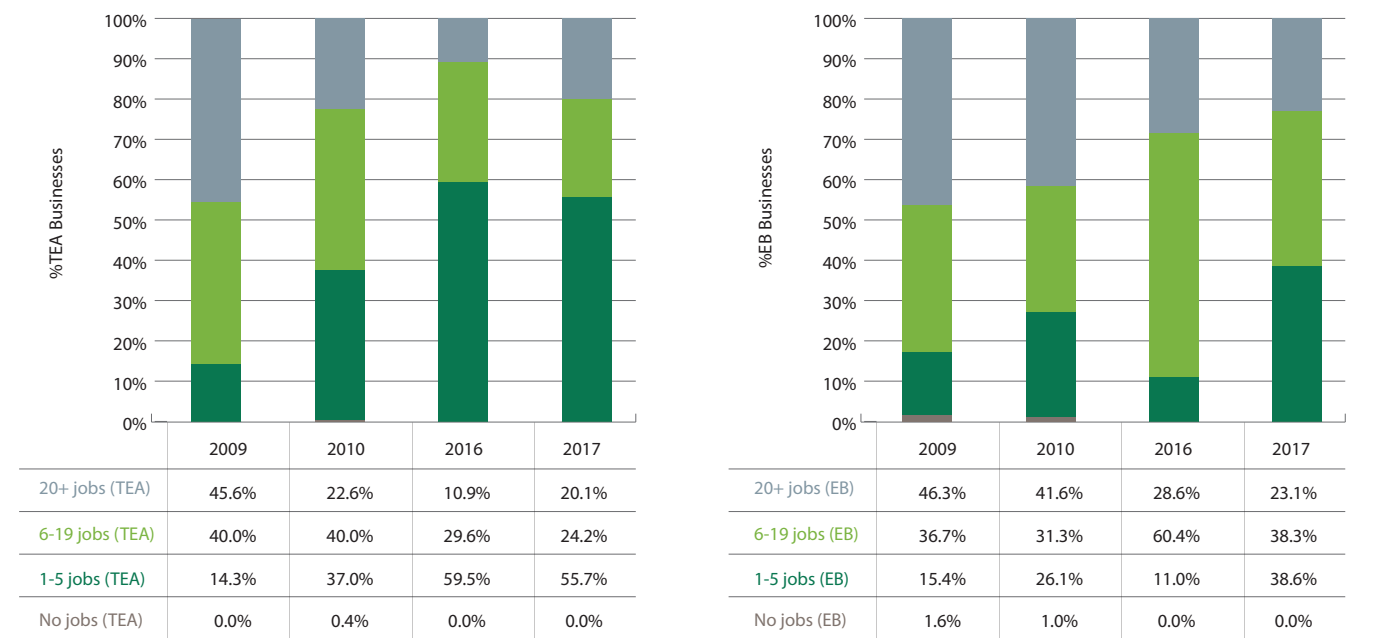


Table 12. Current Employees Versus Expected Employees (Differences In % Points) for Early-Stage and Established Firms in Saudi Arabia – Recent Evolution

Year	TEA				EBs			
	No jobs (%)	1–5 (%)	6–19 (%)	20+ (%)	No jobs (%)	1–5 (%)	6–19 (%)	20+ (%)
2009	0.0	–25.1	5.3	19.8	1.6	–26.3	7.50	17.20
2010	–1.7	–16.3	20.3	–2.3	0.0	–21.7	7.80	13.80
2016	0.0	–3.8	3.2	0.7	0.0	–15.3	7.20	8.00
2017	0.0	–2.6	2.2	0.6	0.0	6.1	–5.7	–0.4

Positive evolution: decrease in the proportion of firms with a low number of employees or increase in the proportion of firms with a high number of employees

Negative evolution: increase in the proportion of firms with a low number of employees or decrease in the proportion of firms with a high number of employees

Complementary results shown in Table 13 lead to the same conclusions: expectations of high-growth job creation decreased drastically between 2009 and 2016, especially among entrepreneurs, but returned to a positive trend in 2017.

Likewise, the average number of jobs expected to be created showed a strongly decreasing trend for entrepreneurs between 2009 and 2016, but recovered somewhat in 2017. By contrast, expectations among EBs have declined throughout by all measures. When reading the last rows of Table 13, bear in mind that since entrepreneurial activities have fewer employees, any significant increase becomes a large change in percentage terms.



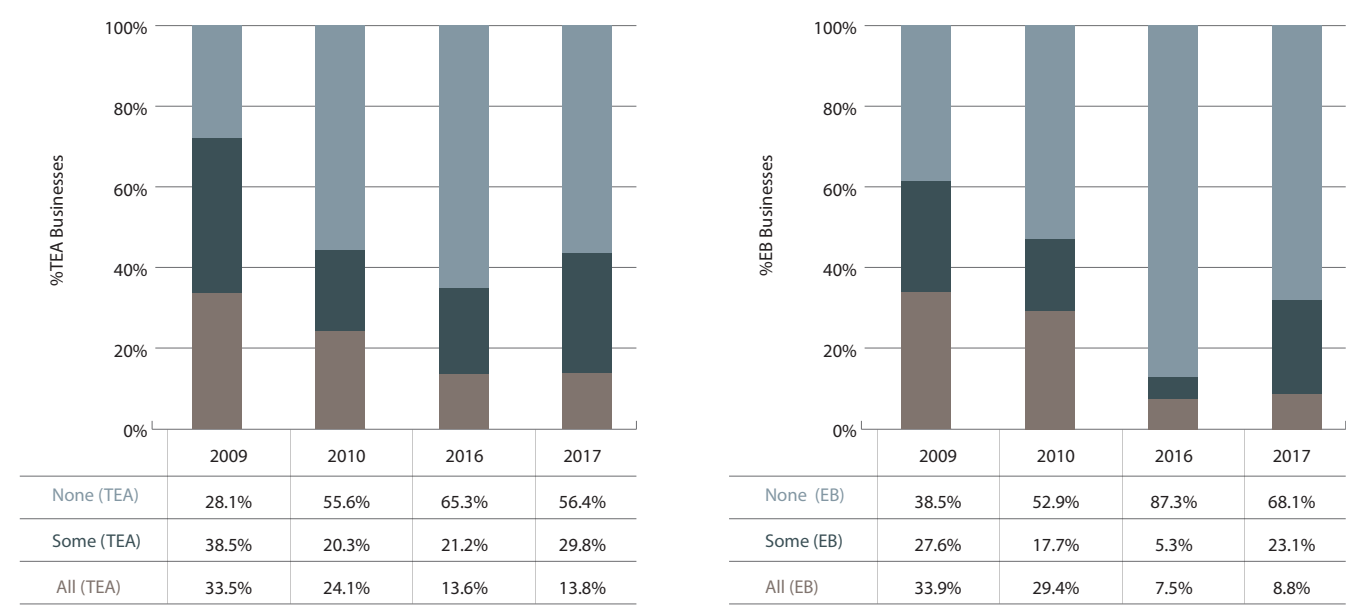
Table 13. Complementary Indicators on Expectations of Job Creation Among Early-Stage Firms and Ebs In Saudi Arabia – Recent Evolution

Concept	2009	2010	2016	2017
TEA: % of firms expecting job growth ≥ 10 persons and $\geq 50\%$	58.6	28.0	2.8	14.2
EB: % of firms expecting job growth ≥ 10 persons and $\geq 50\%$	34.0	27.2	14.2	7.8
TEA: expected job growth (persons) in 5 years (average)	77.43	11.46	1.47	23.17
EB: expected job growth (persons) in 5 years (average)	39.59	17.74	24.57	6.10
TEA: expected job growth (percentage) in 5 years (average)	7403.2	1405.7	147.64	3232.41
EB: expected job growth (percentage) in 5 years (average)	263.7	186.46	62.77	53.74

4.7. Innovation component

GEM assesses the presence of an innovation component in early-stage firms and EBs by asking owner-managers how many (potential) customers they think consider the product/ service they offer to be new or unfamiliar. The distributions of responses to this question and their recent evolution are shown in Figure 22. The lower the percentage of responses for the category “none”, the higher the presence of innovative products/services.

Figure 22. Presence Of Innovation Component In Early-Stage And Established Businesses In Saudi Arabia – Recent Evolution (Question: How Many [Potential] Customers Consider The Product/Service New Or Unfamiliar?)



Following a decline throughout 2009–2016, the presence of an innovation component became once again more common in 2017. Although a proper evaluation of whether each innovation component is competitive only within the country or also at the international level is required – the “innovation” may simply be the discovery of a local niche – the positive change in this indicator is good news.

In 2017, 43.6% of TEA businesses showed some innovation component, 8.8 percentage points up from 2016. Similarly, 32.9% of EBs showed some innovation component, 20.1 percentage points up from 2016. The growth of the EB sector, nurtured by recent start-ups along with an increasing proportion of early-stage entrepreneurial activities with an innovation component, may explain this positive and desirable result for Saudi Arabia.

Whereas an innovation component is frequently associated with businesses developing new technologies, in Saudi Arabia innovation it is scarcely related to sectors with a high technological level (see Table 14). Rather, in Saudi Arabia the innovation component tends to reflect new products and services for consumers, as opposed to technological innovation.

This situation appeared to show a little improvement in 2017, with a slightly higher proportion of both TEA and EB businesses operating in medium- or high-technology sectors. If this positive result consolidates the next year, it will reflect the impact of policies and actions focused on encouraging R&D and a certain sophistication of the entrepreneurial sector necessary to create better contexts for entrepreneurial ecosystems development.

Table 14. Technological Levels of Early-Stage and Established Businesses in Saudi Arabia – Recent Evolution

	Early-stage e-ship (% TEA)				Established businesses (% EB)			
Technological level:	2009	2010	2016	2017	2009	2010	2016	2017
No- or low technology sector	99.4	98.5	99.2	98.5	100.0	97.3	100.0	97.3
Medium- or high technology sector	0.6	1.5	0.8	1.5	0.0	2.7	0.0	2.7

4.8.Usage Of Recent Technologies

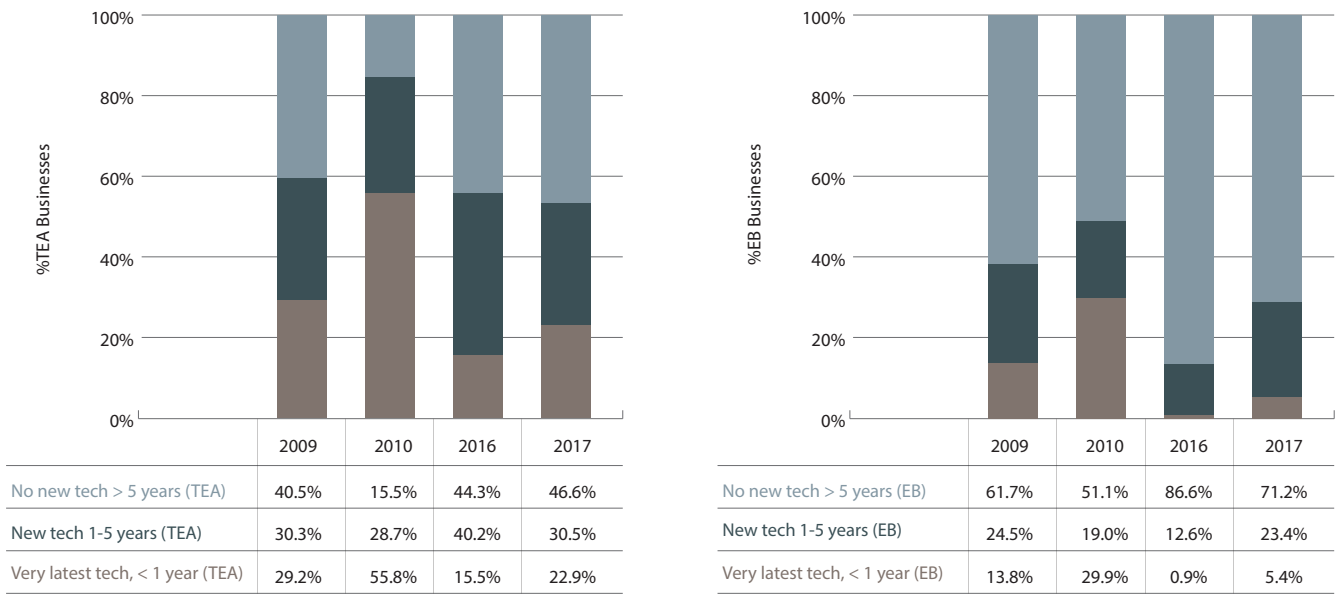
Another important feature by which to assess the quality of entrepreneurial and established firms is the age of the technologies used to produce their goods or services. GEM estimates what proportion of businesses use the very latest (<1 year old), new (1–5 years old) and non-new technology (>5 years old).

The results for 2009, 2010, 2016 and 2017 are shown in Figure 23. They paint a mixed picture, but owing to the absence of results from 2011–2015 it is difficult to draw a firm conclusion. However, following a peak in 2010 there was seemingly a regression in the use of latest and new technologies up until 2016. This was especially true of established firms:

in 2016, a remarkable 86.6% did not employ new technology. The situation changed in 2017 (see Figure 23), when, in consonance with the results showed in Table 14 regarding the technological level of the sector, the proportions of TEA and EB businesses using latest technologies increased significantly (up 47.7% for TEA and 500% for EB). If this result consolidates the next year, it will imply, as with the results on innovation and technological sector, that there is a moderate but relevant increment of sophistication in the business sector in general.



Figure 23. Age of Technologies Used By Early-Stage and Established Businesses to Produce Goods or Services In Saudi Arabia – Recent Evolution



4.9.Competitiveness

Innovative firms, except for those in the energy/mining sector, which is dominated by commodity prices, tend also to be more competitive. GEM roughly estimates the competitiveness of entrepreneurial and established firms by measuring the proportion of businesses that believe that there are many, few, or no firms offering the same products/services in their target markets (see Figure 24). The conclusions to be drawn from these results are significant.

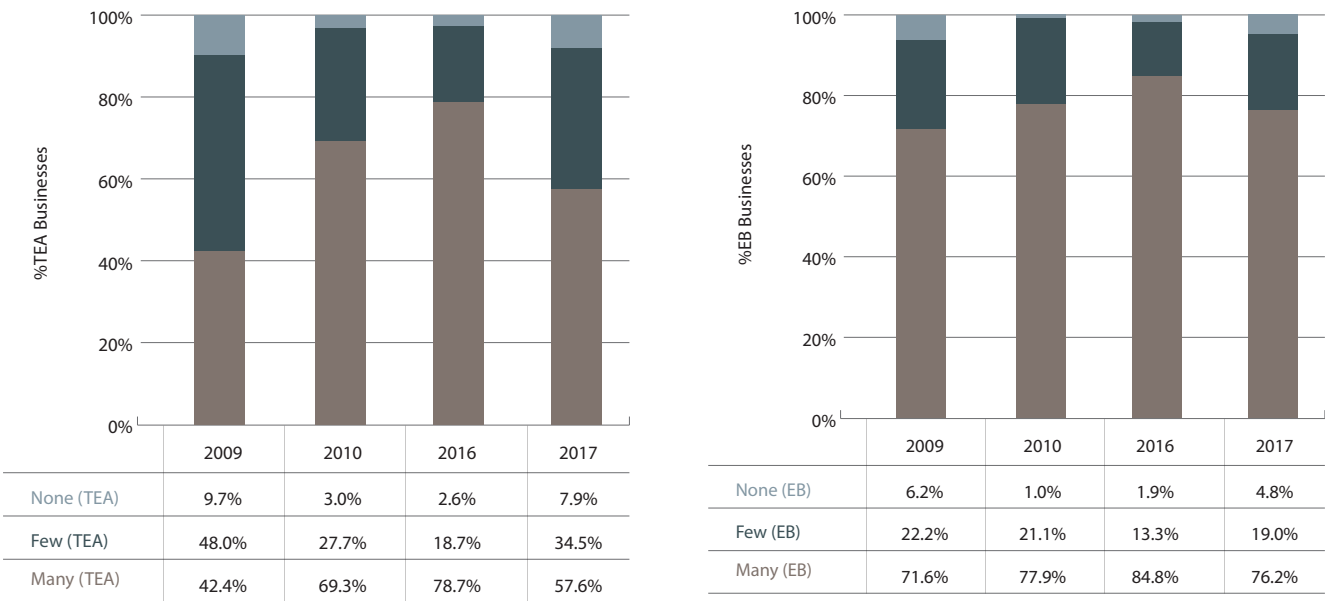
The findings below may indicate a decline in competitiveness in Saudi Arabia, to the extent that businesses are failing to innovate new products, or that innovation was not being

rewarded until 2016. In line with the changes observed in the previous sections regarding innovation and the use of recent technologies, this marker of competitiveness improved in 2017. The proportions of TEA businesses and EBs with none or few competitors increased significantly over 2016 (by 99% for TEA and 67.6% for EB).

So, relevant indicators on business quality improved in 2017, suggesting a small but positive change related to business sector sophistication that may reflect the Saudi Arabian Government’s efforts to transform the economy to the innovation stage. Subsequent GEM measurements will ascertain whether this transformation consolidates.



Figure 24. Competition Faced by Saudi Arabian Early-Stage and Established Businesses in Their Target Markets – Recent Evolution (Question: How Many Businesses Offer the Same Products/Services?)



4.10.Internationalization

In today’s global context, internationalization is a relevant factor in assessing the quality of business activities. GEM estimates entrepreneurial and established firms’ internationalization by asking owner/ managers about the approximate percentage of their sales outside the country, otherwise known as export intensity. The results are shown in Figure 25.

Whereas in 2009 and 2010 export intensity tended to be low or non-existent, in 2016 Saudi Arabia showed an increment in the proportion of TEA businesses with medium

export intensity. In 2017, the most relevant change was the notable growth of the proportion of TEA businesses with the highest level of internationalization.

This change corroborates the apparent improvement of entrepreneurial business sophistication, since innovative and competitive businesses are more prepared to enter foreign markets. The same phenomenon is observed for the EBs, which may be a consequence of the improvement in export intensity registered in 2016 among TEA businesses.

4.11.Seed Capital Invested

Seed capital invested to start a business is another indicator of its quality. Table 15 shows the average results in Saudi Arabian Riyals (SAR) of the seed capital needed to start up nascent and new entrepreneurial businesses in 2016 and 2017. The figure has decreased somewhat over 2016–2017, especially for new businesses.

However, the arithmetic mean is a non-robust statistical measure, very much affected by outliers or extreme values. It is more realistic, for this variable, to look at the medians. The

median of seed capital for nascent firms in 2017 was 100,000 SAR, the same as in 2016.

In the case of new firms – those that are in the consolidation process – the median was 80,000 SAR in 2017, whereas in 2016 it was 60,000 SAR. The results suggest stability of this indicator for nascent businesses and some improvement for new businesses. The proportion of seed capital invested by entrepreneurs themselves remained stable for nascent businesses and decreased slightly for new businesses.

Figure 25. Export Intensity for Early-Stage and Established Businesses in Saudi Arabia – Recent Evolution

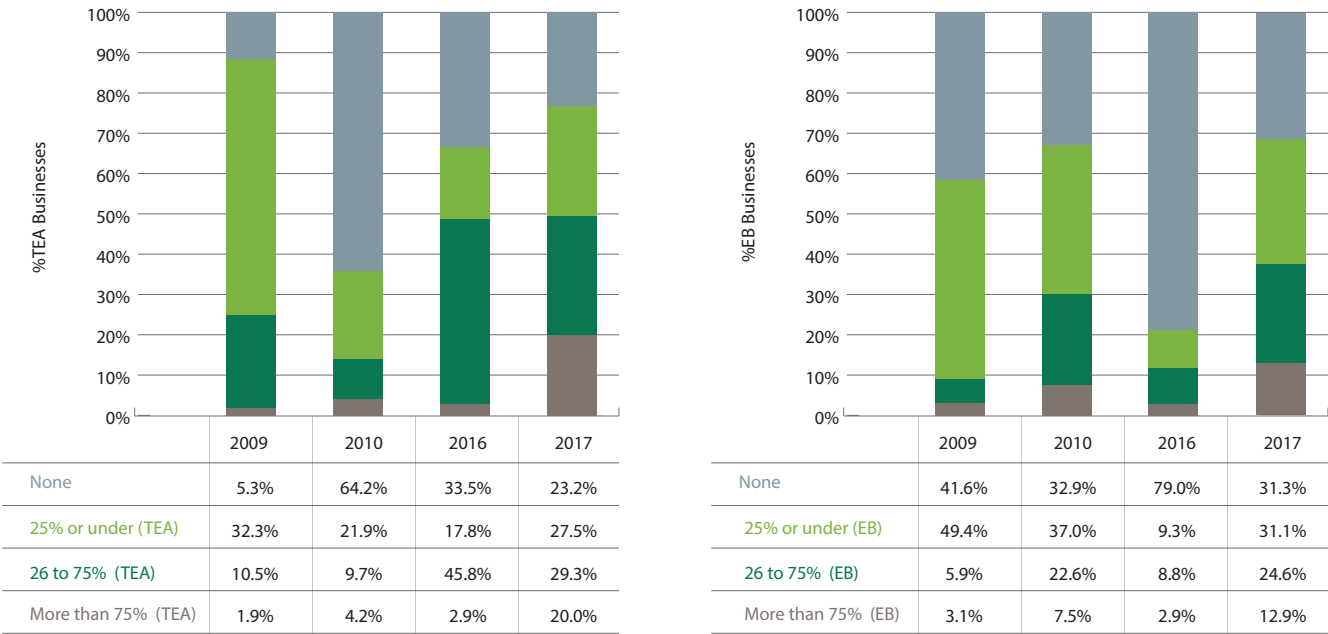
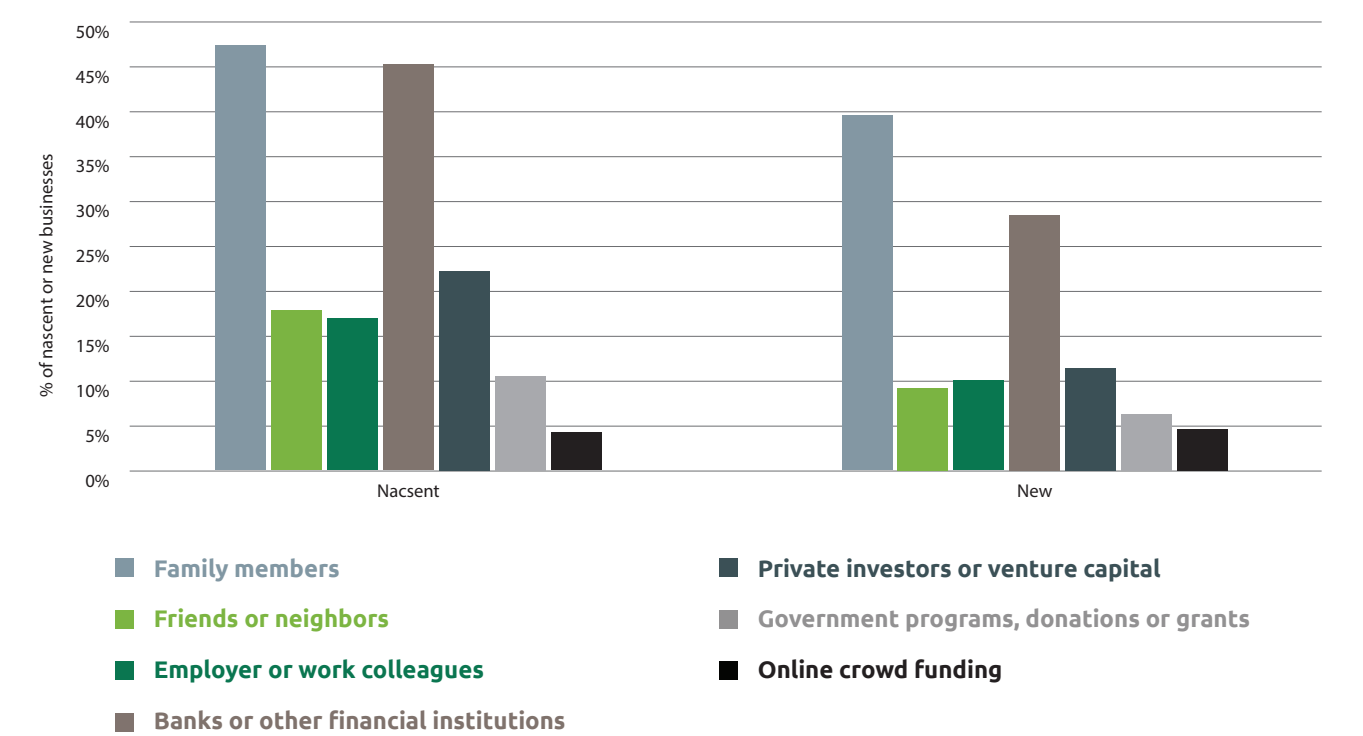


Table 15. Average Seed Capital Needed to Start Up Nascent and New Businesses, and Average Funds Invested by Entrepreneurs Themselves to Start Up Nascent and New Businesses in Saudi Arabia (In SAR), 2016 And 2017

2017	Nascent entrepreneur (up to 3 months)		New entrepreneur (3–42 months)	
	Required by SU	Provided by owner	Required by BB	Provided by owner
Capital ->				
Mean and %	246,364.860	202,411.23 (82.1%)	239,888.97	168.555.46 (70.2%)
SD	430,512.971	483,146.924	543,568.562	354,099.588
Median	100,000.00	100,000.00	80,000.00	66,734.49
2016	Nascent entrepreneur (up to 3 months)		New entrepreneur (3–42 months)	
	Required by SU	Provided by owner	Required by BB	Provided by owner
Capital ->				
Mean and %	299,003.33	221,268.50 (82.4%)	304,847.81	172.260.12 (76.3%)
SD	881,430.78	821,392.02	849,134.11	418,268.20
Median	100,000.00	75,000.00	60,000.00	50,000.00

In order to discover early-stage entrepreneurs’ sources of funding, GEM Saudi Arabia 2017 asked nascent and new entrepreneurs which channels they use. The next graph shows the positive response for each category of entrepreneurs. At the nascent and new stages, entrepreneurs most commonly use family members and banks as their main financing channels. Private investors or venture capital constitute the third most relevant source. This result is consistent with the academic literature on entrepreneurial financing. Government program have greater impact in the nascent phase, and online crowd funding – unsurprisingly, given its newness as a channel – is the least used. The recent evolution of these indicators is showed in Table 16.

Figure 26.Financial Channels Used By Saudi Arabian Nascent and New Entrepreneurs to Access Seed Capital and Operational Funds, 2017



The results at Table 16 show a significant difference at the nascent and new stages: the use of private investors or venture capital increases while the use of other channels decreases, except for employer or work colleagues by new entrepreneurs. This is consistent with the increased sophistication of entrepreneurial businesses commented on in previous sections. Professional business angels and venture capitalists used to beg for innovative ideas, especially those related to technological or biotechnological sectors.

Table 16.Financial Channels Used by Saudi Arabian Nascent and New Entrepreneurs to Access Seed Capital and Operational Funds, 2016 And 2017

Financial channels	Nascent		New	
	2017	2016	2017	2016
Family members	47.3	69.3	39.5	44.5
Friends or neighbors	17.8	35.3	9.2	25.8
Employer or work colleagues	16.9	25.9	10.0	2.0
Banks or other financial institutions	45.2	50.7	28.4	64.5
Private investors or venture capital	22.2	16.2	11.4	1.8
Government programs, donations or grants	10.5	17.2	6.3	11.0
Online crowd funding	4.2	15.3	4.6	4.9

4.12.Main Motive For Business Discontinuation In 2016 And 2017

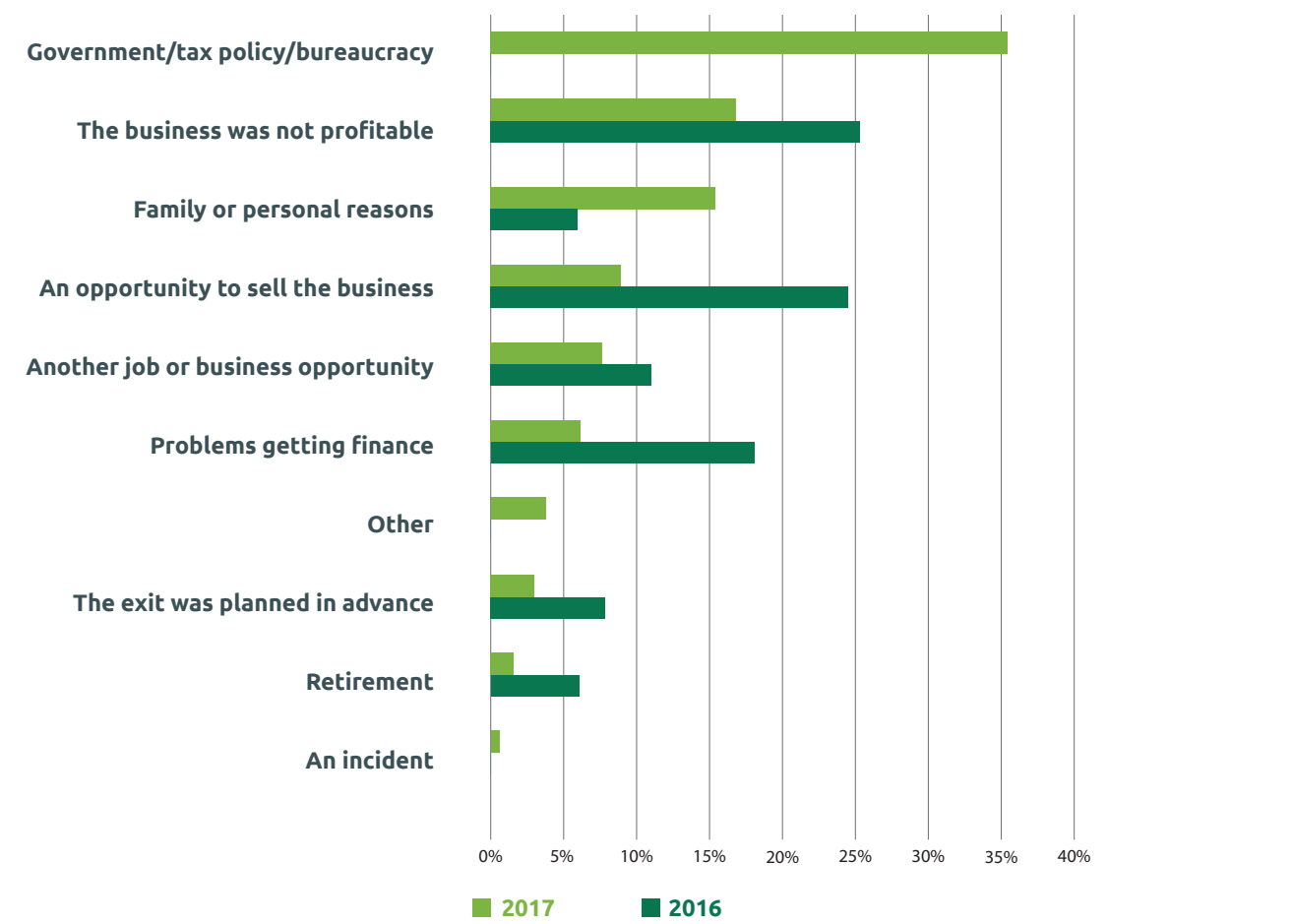
In 2016, a quarter of discontinued businesses closed and exited the market because they were not profitable.In 2017, this proportion decreased to 16.9%, which is good news. Similarly, in 2016 another quarter were sold, to be continued in other hands, while in 2017 this was only the case for 9% of exited businesses.

In 2016, problems obtaining finance scuppered 18.2%, and 11.5% were abandoned because the owner-manager found another job or business opportunity; in 2017, these proportions decreased significantly, to 6.2% and 7.7% respectively.

But most strikingly, in 2017 35.7% of exits were reportedly due to some sort of administrative problem related to governmental regulations or taxes. The remaining 17.1% were cases of planned exits, owing to retirement or family/personal reasons.

In conclusion, the worst circumstances under which to exit a business – lack of profitability or finance – showed significantly lower proportions in 2017, indicating an improved general environment for businesses, perhaps with the exception of the regulation and tax framework.

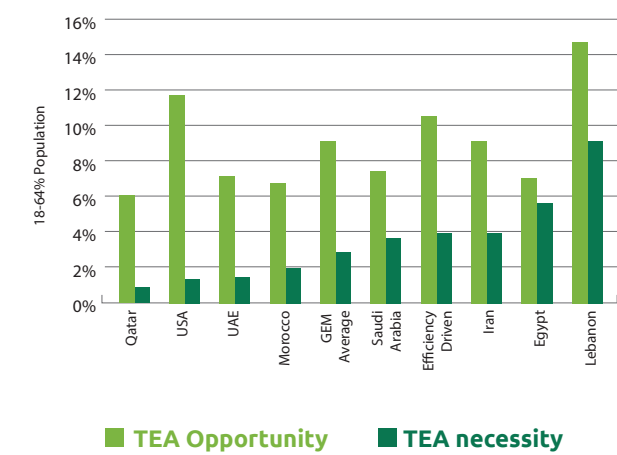
Figure 27. Main Motive for Business Discontinuation In Saudi Arabia, 2016 And 2017



4.13.Main Indicators For Characteristics of Early-Stage Entrepreneurial Activities – International Position

Qatar and the UAE show the lowest rates of entrepreneurship by necessity of the geographical zone (See Figure 28). Qatar is also below the US rate and the efficiency-driven nations and GEM averages, along with the UAE and Morocco. In 2017, Saudi Arabia’s necessity driven rate exceeded the GEM average. That said, in Lebanon and Egypt many more people are driven to entrepreneurship by necessity, for want of other sources of income.

Figure 28.Entrepreneurship Motive, 2017



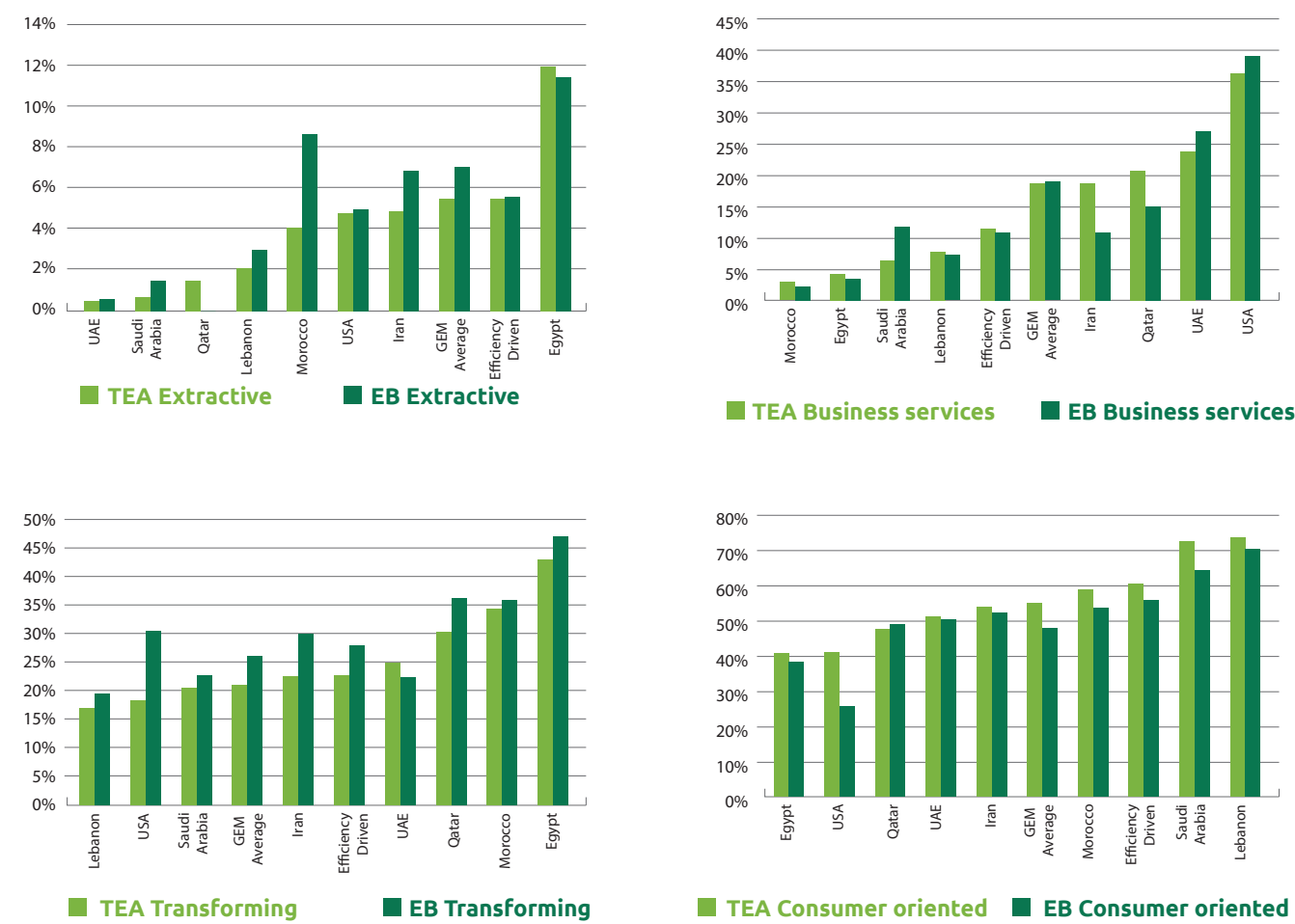
Most entrepreneurial activities are started in the consumer-oriented sector in all countries except for Egypt, where the transforming sector shows the highest rate (See Figure 29). Entrepreneurial activity in the extractive sector is minimal everywhere except for Egypt. Similarly with the exception of Egypt, in 2017 entrepreneurial activity was consistently lower than established activity in the extractive sector.

This means that throughout most of the zone, potential entrepreneurs still find it difficult to access this sector, probably because innovative and modern extractive activities require big amounts of seed capital and operation funds. Education can help by training potential entrepreneurs to enter this sector and to create entrepreneurial teams that include the diverse professional profiles necessary to develop extractive businesses with an international presence.

Entrepreneurial and established activity in the transforming sector is greater than in business services in all countries of the zone. Rates of entrepreneurialism in the business services sector are very low in Morocco, Egypt, Saudi Arabia and Lebanon, implying that this sector could be a source of opportunities in the zone, as it is key to support entrepreneurship modernization and growth. The UAE shows the highest overall rate of activity in business services, while the preponderance of TAE activity in Iran and Qatar indicates an increasing transition towards the innovation-driven development stage.

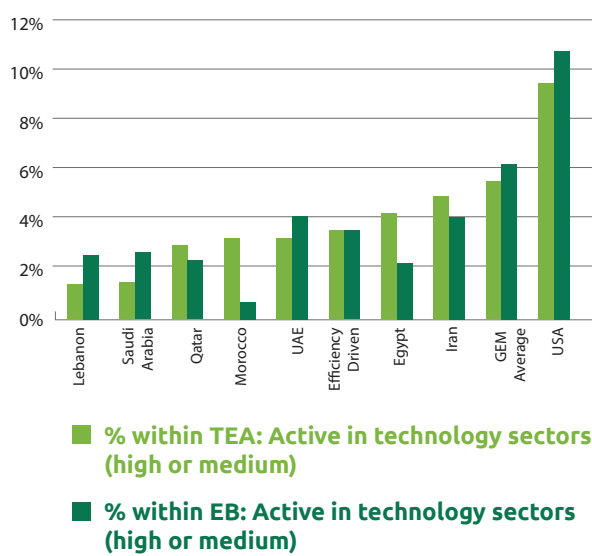
Considering the general picture of entrepreneurship in the zone, Qatar has the most balanced range of entrepreneurial activity, similar to that observed in the USA: diversified and distributed among the four main sectors without the big concentration on the consumers’ oriented sector more typical of developed countries that are some weak on industries development.

Figure 29. Tea And Eb By Sector: Extractive, Transforming, Businesses Services and Consumer-Oriented, 2017



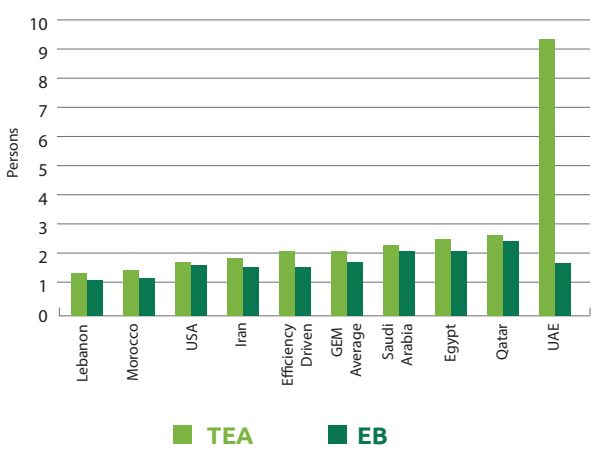
Entrepreneurial and established activities in high -or medium- technology sectors are very moderate in the zone. Rates of entrepreneurialism in technology sectors are very low in Lebanon and Saudi Arabia, and well below rates for established businesses of this kind. This implies that the technology sector is difficult to enter for entrepreneurs in these countries, but that once the entrepreneurs are in, they persist. Iran shows the highest rate for this sector, close to the GEM average but still far from the US level.

Figure 30.Active In Technology Sectors (high or medium) TEA and EBs, 2017



Except in the case of the UAE, the average number of owners of early-stage businesses is low, at around two individuals. This result reflects the micro-dimension of most new and established businesses –The USA is no exception.

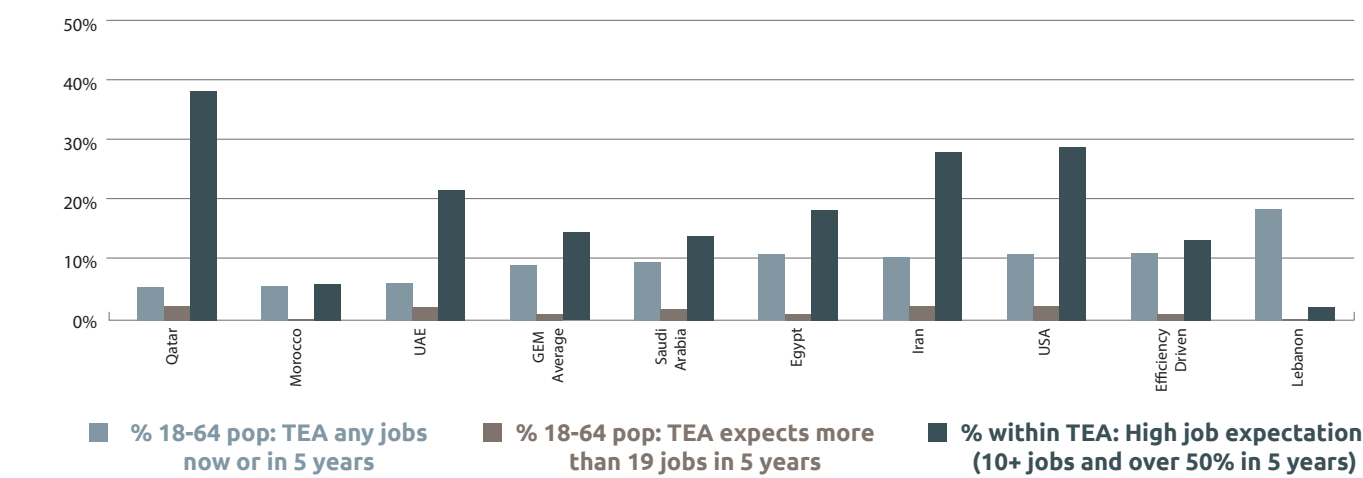
Figure 31.Average Number of Owners For Early-Stage Activity (TEA) and Established Businesses (EB), 2017



The proportion of adults involved in early stage entrepreneurial activities with any employees is low. The highest proportion corresponds to Lebanon, at around 19%. The lowest proportions are in Morocco, Qatar and the UAE, at around 6%. Saudi Arabia shows an intermediate position at close to 10%.

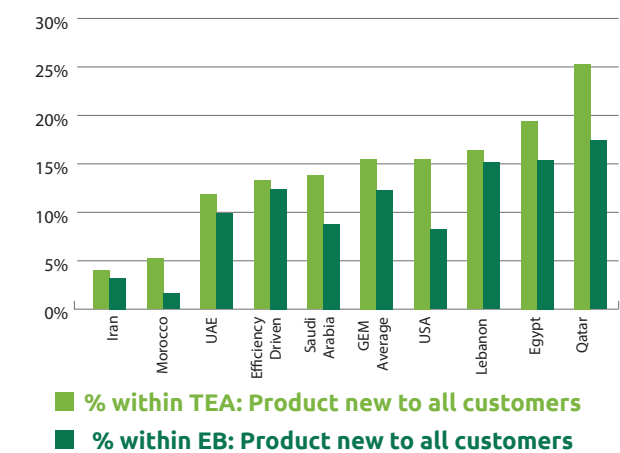
The proportions of moderate job creation from entrepreneurial activities are low for all countries, but within early-stage activities owners are moderately optimistic: in more than 14% of cases in all countries of the zone, there is an expectation to create at least 10 jobs or double the current number of employees within the next five years.

Figure 32.Proportions of Early-Stage Entrepreneurial Activities With Any Jobs Now or in Five Years, Expectations of More Than 19 Jobs In Five Years, or High Job Expectations



The innovation component, measured as the proportion of businesses offering products or services new to all customers, is more present in early-stage activities than in established activities for all compared countries and zones. Qatar is the country with the highest proportion of entrepreneurial activities with an innovation component, whereas Iran and Morocco are the countries with the lowest proportions of new businesses exhibiting an innovation component. Saudi Arabia’s position is not far from the USA’s position, nor is it far from the efficiency-driven countries and GEM averages and has improved since 2016.

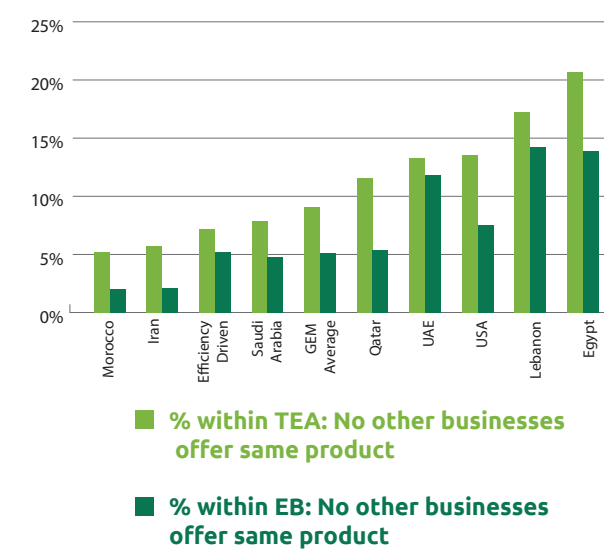
Figure 33.Innovation Component: Presence in Early-Stage Entrepreneurial Activities And Ebs, 2017



The competitiveness component, measured as the proportion of owner-managers reporting that no other businesses offer the same products or services, is more present in early-stage activities than in established activities for all compared countries and zones. This is a desirable result as it confirms that innovation is on the move and that entrepreneurial activity is competitive with respect to established businesses.

Egypt and Lebanon are the countries with the highest proportion of entrepreneurial activities with the competitiveness component, whereas Iran and Morocco are the countries with the lowest proportions of new and established businesses exhibiting the competitiveness component. Saudi Arabia is somewhat far from the UAE and Qatar with respect to this indicator, which is an essential characteristic of the economic transformation process.

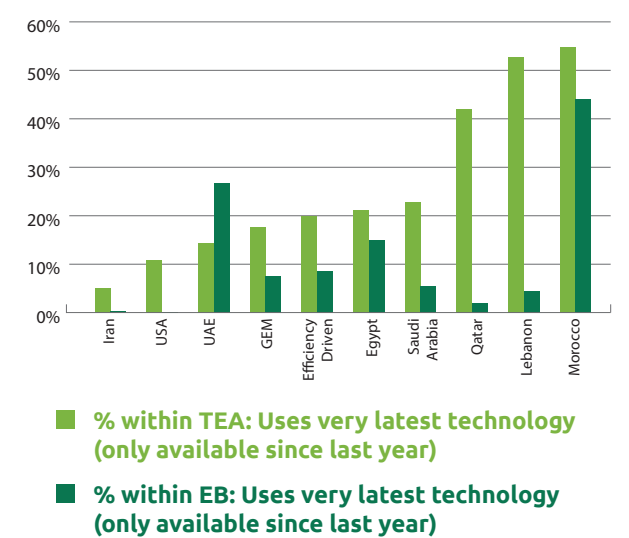
Figure 34. Competitiveness Component: Presence in Early-Stage Entrepreneurial Activities And Ebs, 2017



The use of very new technologies, measured as the proportion of businesses using technologies only available for less than a year previously to make their products or provide their services, is more present in early-stage activities than in established businesses for all compared countries and zones except the UAE. Morocco and Lebanon are the countries with the highest proportion of entrepreneurial activities using the latest technologies, whereas Iran and the UAE are the countries with the lowest proportions of new businesses reporting this feature.

(However, the case of Iran is clearly more dramatic than the case of the UAE.) To better interpret the results for established businesses, one must take into consideration the age of the firm and its type of activity, for which using the latest technology may not be particularly important.

Figure 35.Use of Very Recent Technologies: Presence In Early-Stage Entrepreneurial Activities And Ebs, 2017



Exporting is not always easy or considered by early-stage entrepreneurs, depending on the type of business they start up. That is why the incidence of exports representing more than 25% revenues earned by entrepreneurial and even established businesses in the geographical zone is low. It is more common to find moderate proportions of businesses exporting 1–25% of their product. Lebanon, Saudi Arabia, Morocco and Qatar show higher proportions of early-stage activities exporting in this range; the UAE and Qatar stand out for their dominance of moderate- and even high-export over no-export activity.

Among EBs in Iran, Egypt, Morocco and Qatar, a large majority derive no revenues at all from export activity. Only in the UAE, Lebanon and Saudi Arabia does the proportion of businesses earning moderate export revenues exceed those earning none. These countries, like the USA, show a better situation on these indicators compared to the efficiency-driven countries and GEM averages.

Figure 36. Internationalization: presence in early-stage entrepreneurial activities in EBs, 2017

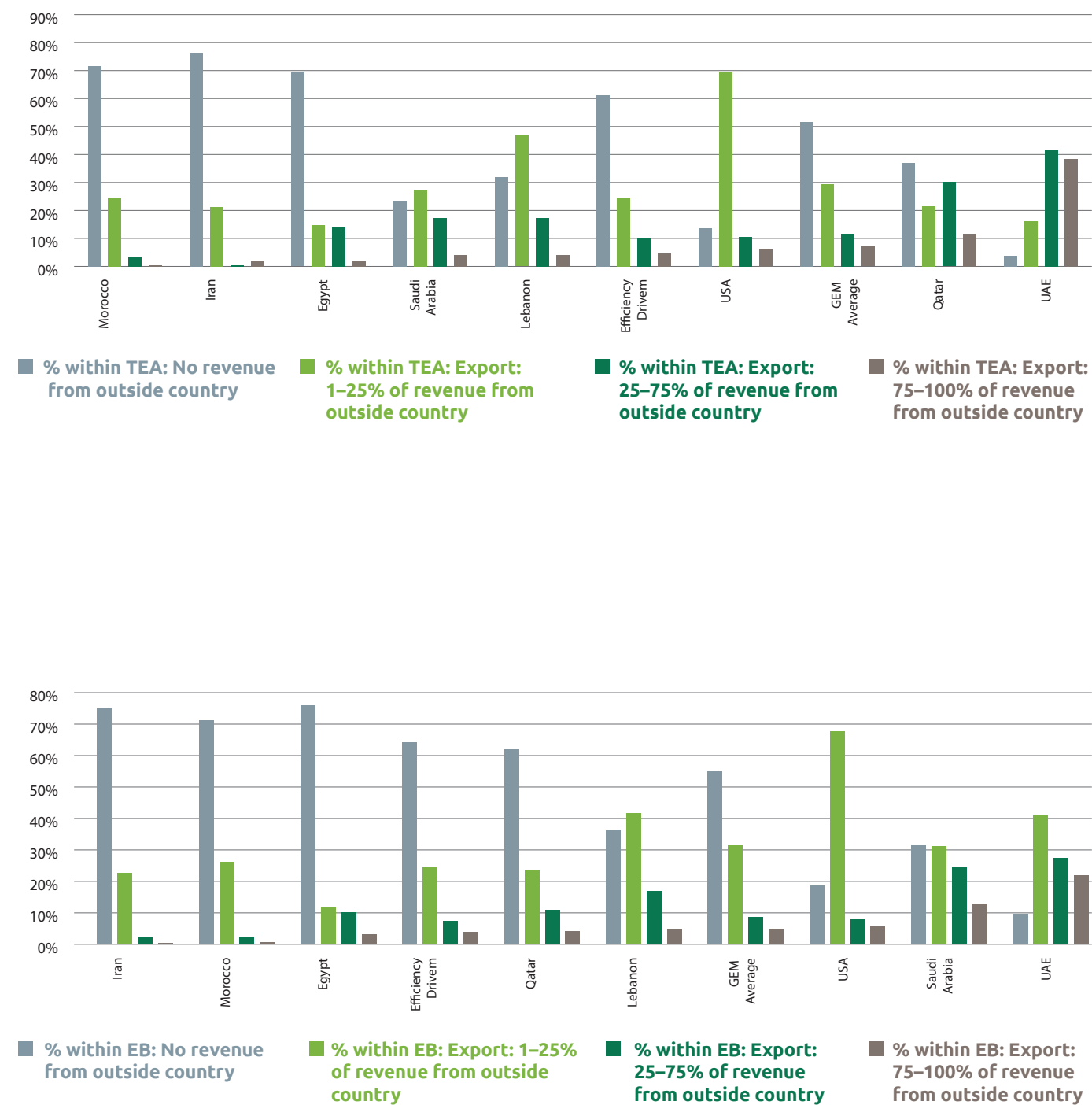


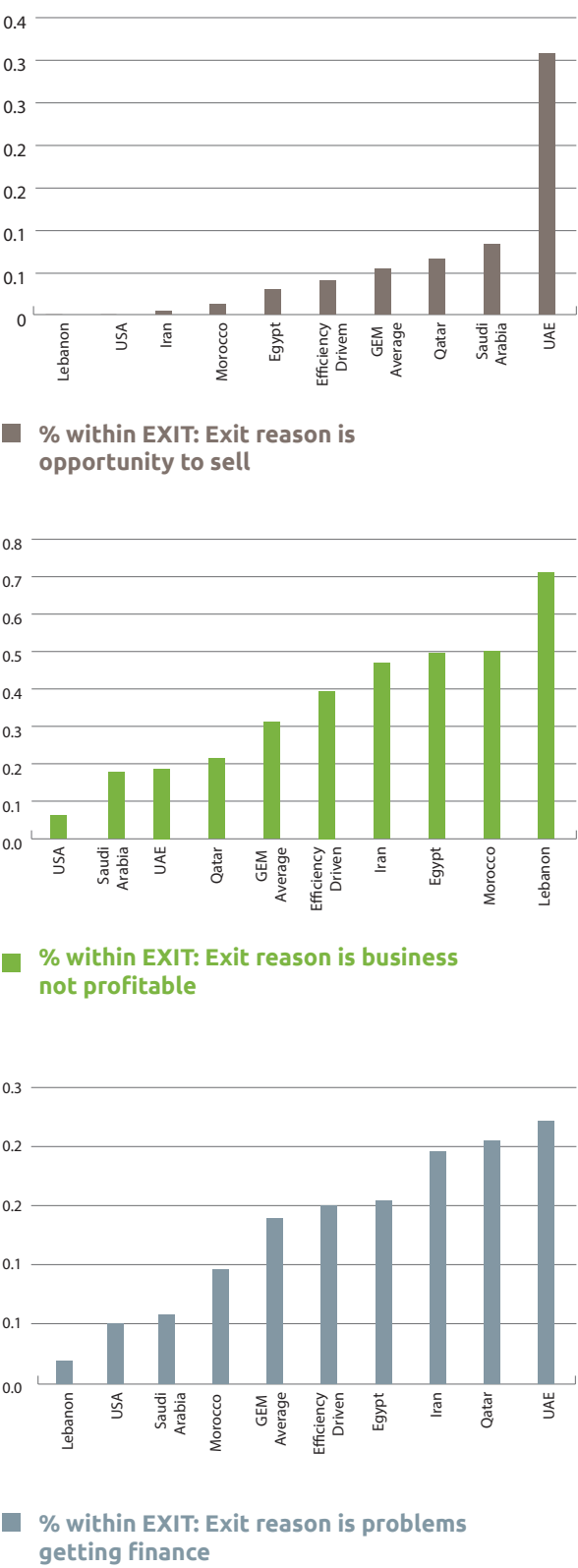
Figure 37 shows the proportions of business discontinuations for each of the reasons contemplated by GEM. Countries have been ordered from least to highest prevalence of each reason.

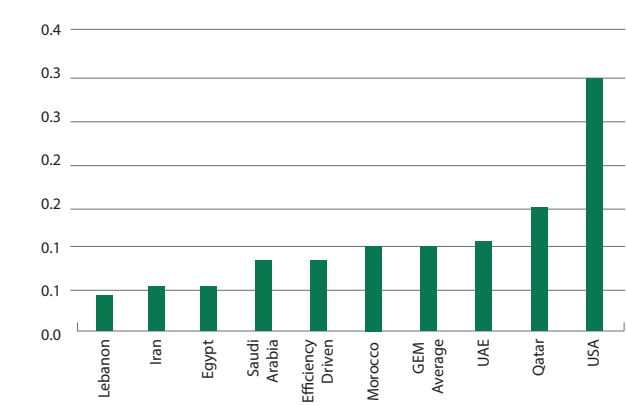
The UAE and Saudi Arabia, by some distance, stand out regarding the prevalence of exits because there was an opportunity to sell the business. Lebanon stands out as the country with the most exits because the business was not profitable, a cause also common in Morocco, Egypt and Iran. In the UAE, obtaining finance was a problem for a significant part of exited businesses.

Within the target geographical zone, Qatar and the UAE (both innovation-driven economies) stand out as having the highest proportions of entrepreneurs exiting the market because they found another job opportunity.

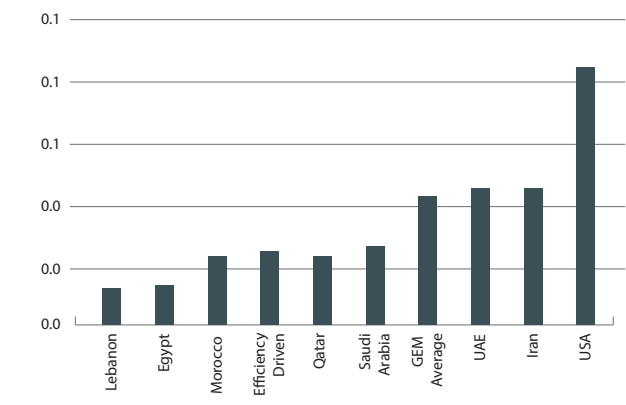
In Iran and the UAE, exits were planned in advance in a relatively high number of instances, although in Iran this was rarely due to retirement, probably due to that country's young population. Family or personal reasons for exiting were more common in Morocco and Saudi Arabia. Incidents were a much more prevalent reason in Morocco and much less so in Saudi Arabia. Saudi Arabia stands out compared to the rest of the countries as showing a high proportion of exits due to government policies, bureaucracy or taxes.

Figure 37. Main Reason for Business Discontinuation, 2017

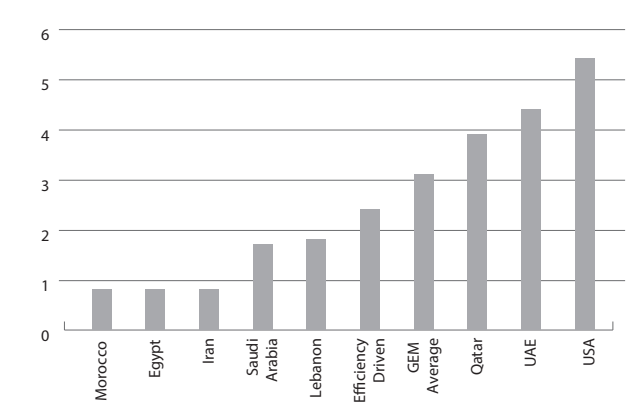




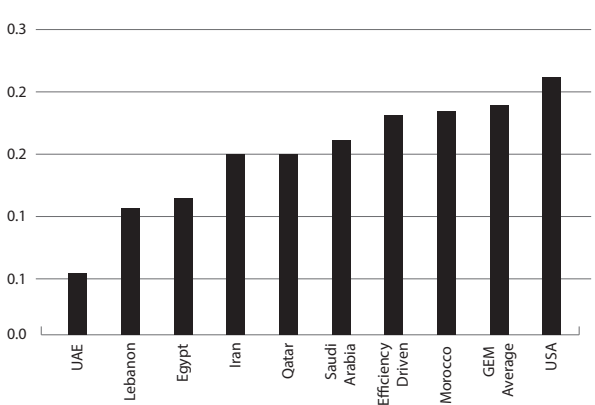
■ % within EXIT: Exit reason is another job or business opportunity



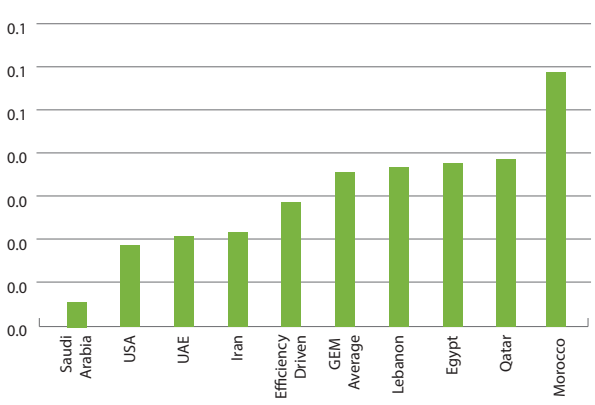
■ % within EXIT: Exit reason is problems getting finance



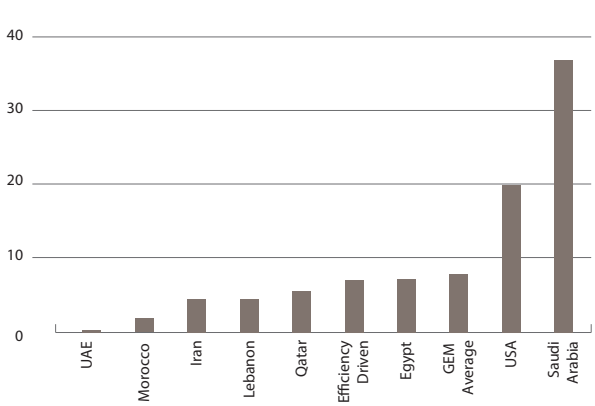
■ % within EXIT: Exit reason is exit was planned in advance



■ % within EXIT: Exit reason is family or personal reasons



■ % within EXIT: Exit reason is an incident



■ % within EXIT: Exit reason is government/tax policy/bureaucracy



THE CHARACTERISTICS OF ENTREPRENEURS

5.1. Introduction

One of the strengths of the GEM project is that it interviews the populations themselves (instead of collecting data from secondary sources or business registers), thereby allowing the opportunity to collect information on specific characteristics of entrepreneurs, owner-managers, informal investors, intrapreneurs and the rest of the adult population.

This information provides, year on year, a standardized profile of the protagonists of the entrepreneurial phenomenon, helping researchers, policy makers, media and other agents interested in the field to follow its evolution.

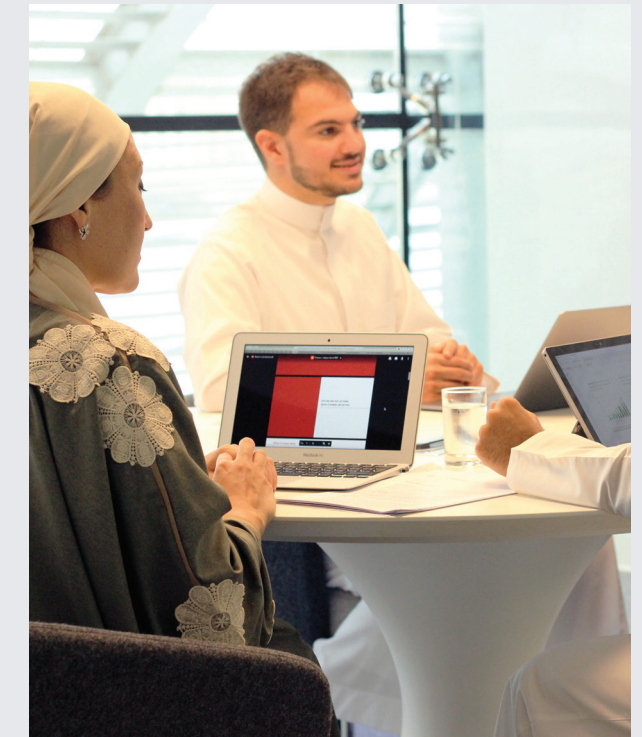
This chapter is devoted to showing the personal characteristics of Saudi Arabian entrepreneurs in 2017.

5.2. Gender

Table 17 shows male and female participation in early-stage entrepreneurial activity (TEA), taking as bases the total adult population and the male and female adult populations. Men traditionally appear proportionally more involved in TEA in Saudi Arabia, but in 2017 this difference was lower:

Taking the TEA rates of involvement as bases for calculation, 59.1% of entrepreneurs were men (versus 61.4% in 2016) and 40.9% were women (versus 38.6% in 2016). Among the total adult population, male participation was 59.1% higher than female activity $((7 / 4.4 \times 100) - 100)$ in 2016, and 44.7% $((6.8 / 4.7 \times 100) - 100)$ higher in 2017. If this observed difference declines again in the next edition of the survey, Saudi Arabian women will be

following a trend of rapid progress regarding their participation in entrepreneurship.

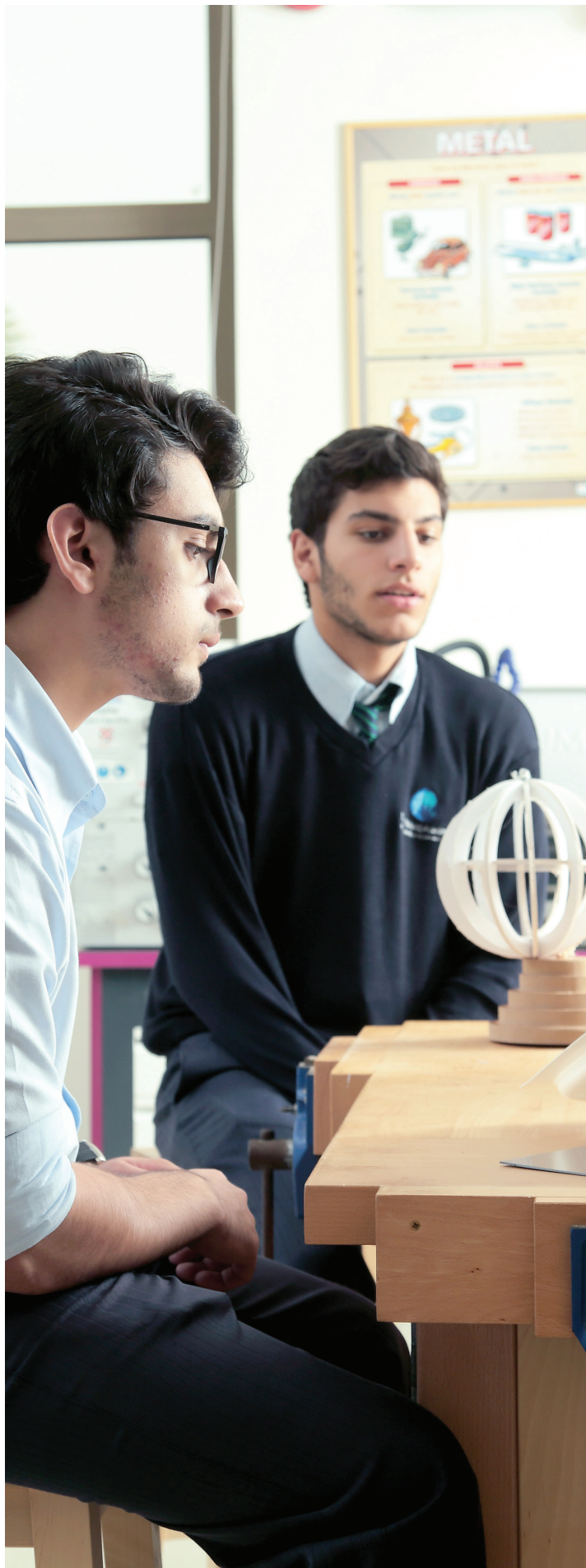
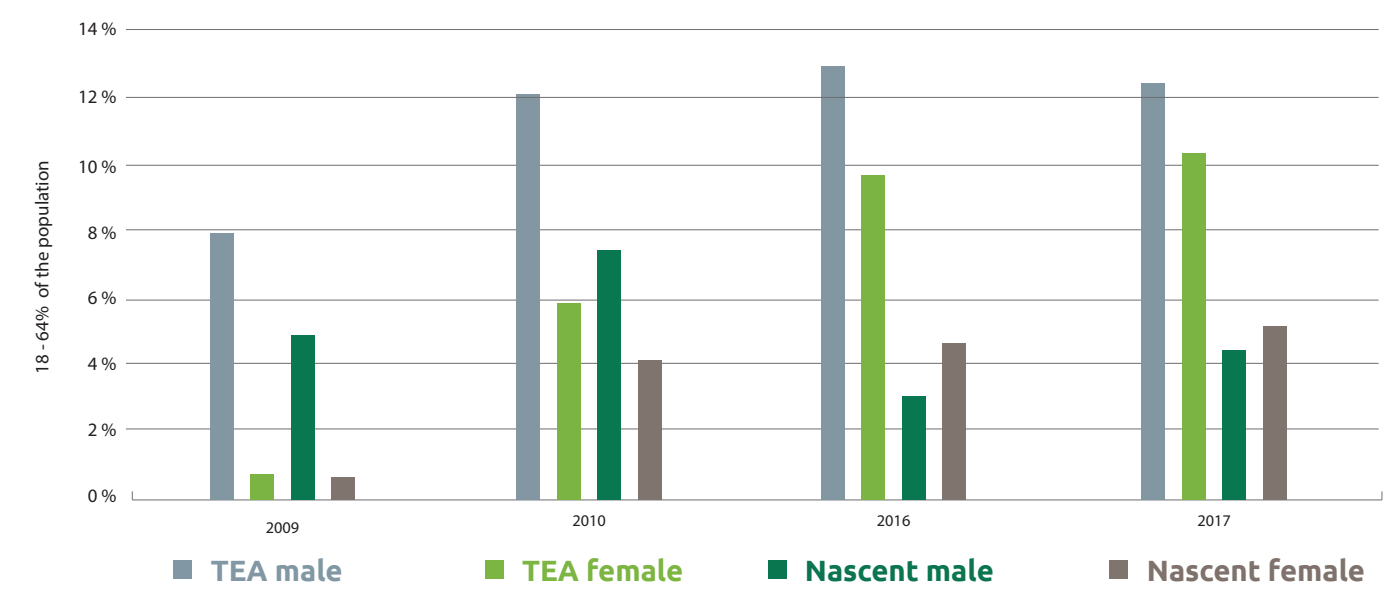


Based on the respective populations of men and women in Saudi Arabia, in 2017 the male rate of participation in TEA was 12.4% (versus 12.9% in 2016) and the female rate 10.3% (versus 9.7% in 2016). This rate is composed of both nascent (<3 months in the market) and new (3–42 months in the market) activity, and it should be noted that for a second consecutive year, women made up a higher proportion of nascent entrepreneurs than did men. This strongly suggests that women are significantly increasing their presence as entrepreneurs in Saudi Arabia's market (see also Figure 38), which is good news for social and economic development. Entrepreneurship among men and women alike is motivated much more by opportunity than by necessity, but among women the necessity rates are higher. Another conclusion to be drawn from Figure 38 is that although participation in TEA has been increasing across both genders, women have been rapidly closing the gap since 2009.

Table 17.Participation in Early-Stage Entrepreneurial Activity by Gender in Saudi Arabia, 2017

Male	Base: total population 18–64	Base: male population 18–64
Involved in TEA	6.8%	12.4% (TEA male)
Nascent entrepreneurs	2.4%	4.4%
Opportunity-driven	4.8%	8.9%
Necessity-driven	1.8%	3.3%
Female	Base: total population 18–64	Base: female population 18–64
Involved in TEA	4.7%	10.3% (TEA female)
Nascent entrepreneurs	2.4%	5.2%
Opportunity-driven	2.6%	5.8%
Necessity-driven	1.9%	4.2%

Figure 38. Main indicators related to early-stage entrepreneurial activity by gender in Saudi Arabia – recent evolution



5.3. Age and Senior Entrepreneurship

The Saudi population is young, on average, compared to the populations of many other countries. By implication, people involved in entrepreneurship tend to be younger than in other countries: an average age of 37 over the past three years (see Table 18 year 2017).

However, given that the standard deviation of this mean is more than nine years, we can say that a large proportion of the entrepreneurial population over the past three years has comprised people aged 28–46. The range for potential entrepreneurs – people who are considering starting up over the next three years – is even wider around a lower mean (almost 35). Unsurprisingly, established owner/managers were older than entrepreneurs in 2017, with a mean age of around 39 years (standard deviation = 10.3 years). Finally, the average age of owner-managers who abandoned a business activity in 2017 was 37.05 (standard deviation = 10.10 years), a result that indicates, like others obtained on this subject, that most business exits were not due to retirement.

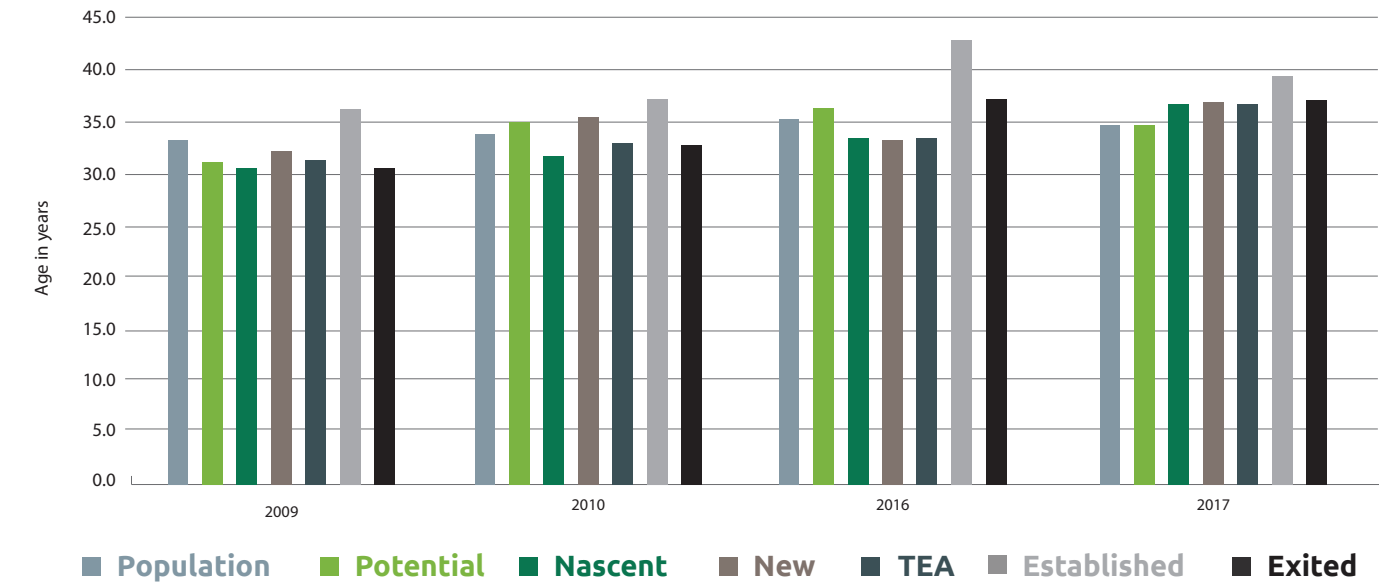
Comparing the results of 2016 and 2017, one can see that the mean age for potential entrepreneurs and established owner/managers decreased, while the mean age for entrepreneurs of all stages increased. The result suggests that potential entrepreneurs entered the market somewhat later than in previous years. It is necessary to wait for the 2018 survey results to see if this is a permanent change and, if so, analyze its causes.

Table 18.Mean Ages for Various Entrepreneurial Groupings in Saudi Arabia, 2016 And 2017

Collective	Mean age (years)		Age SD (years)	
	2017	2016	2017	2016
All population aged 18–64	34.80	35.11	10.49	10.60
Potential entrepreneurs	34.84	36.38	9.78	10.96
Nascent entrepreneurs	36.81	33.53	8.86	8.67
New entrepreneurs	36.86	33.44	8.00	8.71
TEA entrepreneurs	36.84	33.47	8.36	8.69
EB owner-managers	39.25	42.80	10.28	9.20
Exited-business owner-managers	37.05	37.33	10.10	9.97

Comparing these results with those of 2009 and 2010 (See Figure 39), we see some changes aside from increases in the ages of established owner-managers and exited owner-managers. The mean ages of the other groupings are progressively increasing as the Saudi population gets older.

Figure 39.Mean Ages for Various Entrepreneurial Groupings In Saudi Arabia – Recent Evolution



Senior entrepreneurship in Saudi Arabia, measured as the proportion of the population aged 50–64 involved in TEA, was at a rate of 5.2% in 2016 and 11.1% in 2017. This percentage comprises 5.5% (versus 1.2% in 2016) nascent entrepreneurs (<3 months in the market) plus 5.6% (versus 4% in 2016) new entrepreneurs (3–42 months in the market). Also, the senior TEA rate can be divided into 4.8% opportunity-driven and 0.4% necessity-driven cases. Thus, taking the senior TEA rate as our base (100%), we can say that in 2016 23.5% of senior entrepreneurs were nascent and 76.5% were new, 91.5% started up because of an opportunity and 8.5% started up out of necessity. In 2017 there was a significant increase in nascent senior entrepreneurial activity, and these figures thus transformed into 49.5% nascent, 50.5% new, 75.9% opportunity-driven and 24.1% necessity-driven.

Other features of senior entrepreneurs are that in 2017, 67.3% (versus 82.7% in 2016) were men and 32.7% (17.3% in 2016) women. Their mean age was 55.8 years (54.16 in 2016), with a standard deviation of 4.6 years. Among them, 21.3% (14.6% in 2016) started up in the transforming sector, 0% (12.3% in 2016) in the business services sector and 78.7% (73.1% in 2016) in the consumer-oriented sector.

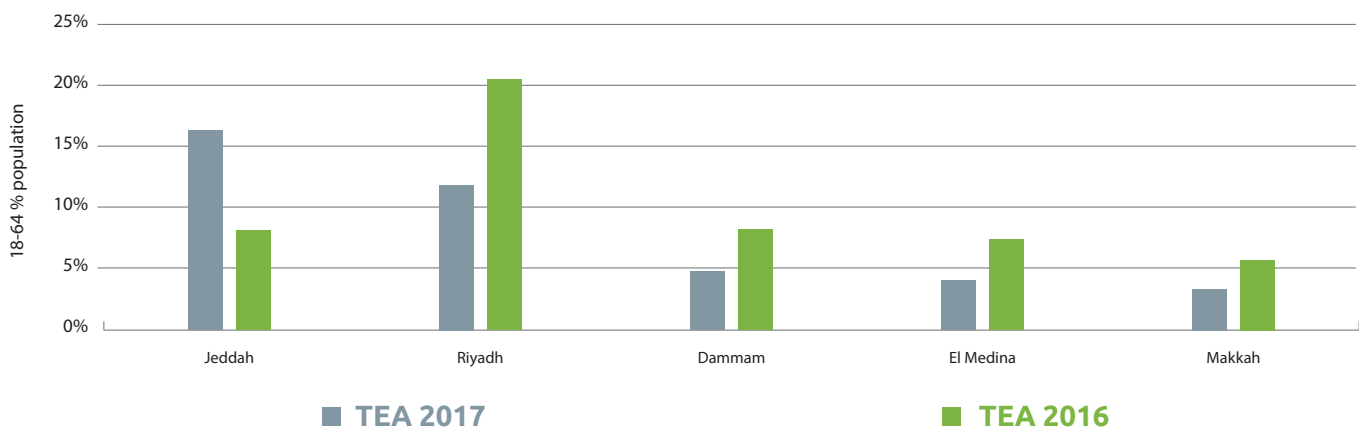
To conclude, in 2017 two significant increments in senior entrepreneurial activity were observed: 25% of cases started by necessity, and there was double the presence of women compared to 2016. The increase in necessity-driven entrepreneurship may reflect a recent surge in unemployment, while the increasing presence of women probably reflects their growing enfranchisement in Saudi Arabian society.

5.4. Provinces and Regions Within Saudi Arabia

In this section, Figure 40 shows the distribution of early-stage entrepreneurial activities within Saudi Arabia according to the most populous zones of the country. Jeddah’s region is the zone with the highest TEA rate (16.3% of adult population were involved in an early-stage entrepreneurial activity in 2017), followed at a short distance by Riyadh and at greater distance by Dammam, El Medina and Makkah, where the rates were more than 50% lower.

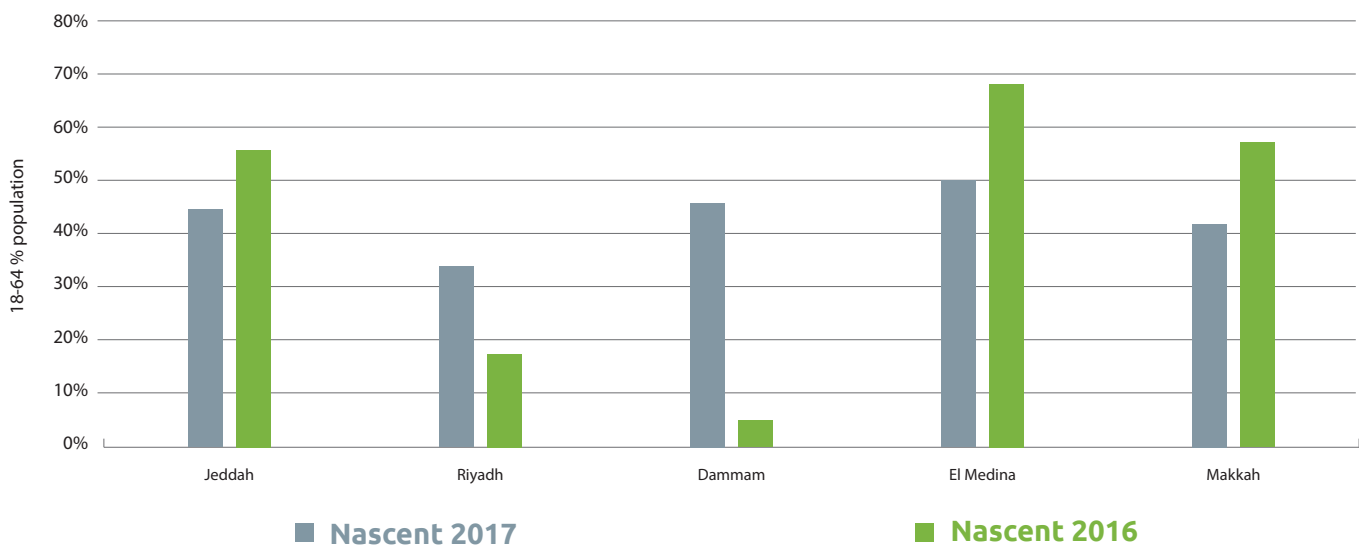


Figure 40.Regional Prevalence of Early-Stage Entrepreneurial Activity Within Saudi Arabia, 2016 And 2017¹



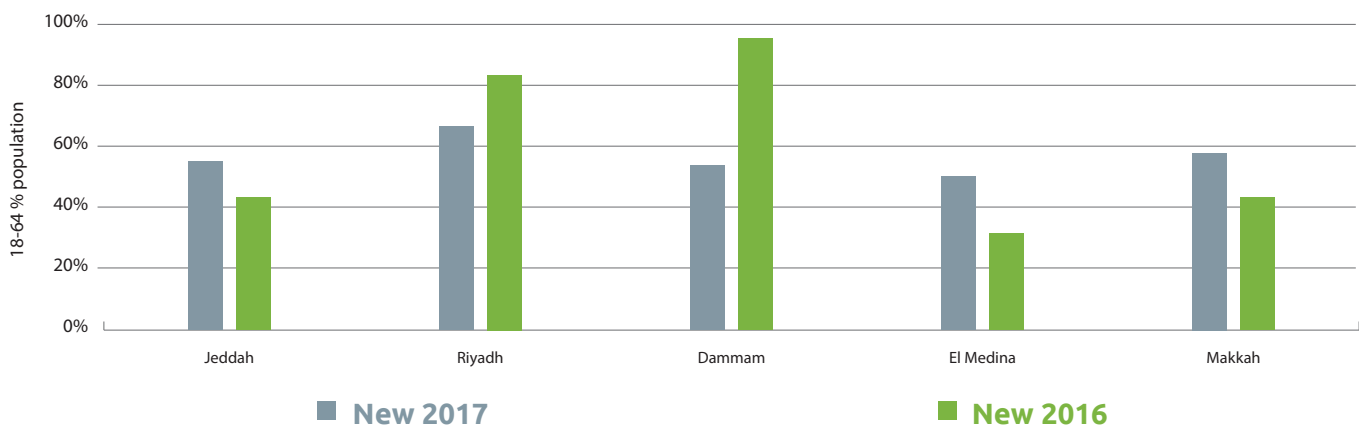
The distribution of nascent and new entrepreneurial activity (see Figures 41 and 42) suggests that all regions are becoming attractive startup locations for potential entrepreneurs, but also that the majority of recent entrepreneurial activity is currently in the consolidation process – in particular, there is a striking disparity between nascent and new activity in Riyadh, a difference that was more notable in Dammam in 2016.

Figure 41.Regional Distribution of Nascent Entrepreneurial Activity Within Saudi Arabia, 2016 And 2017



¹ Data from previous years are not available for regional analyses because the sample sizes were too small to obtain sufficient representativeness by region.

Figure 42.Regional Distribution of New Entrepreneurial Activity Within Saudi Arabia, 2016 And 2017



5.5.Educational Level

GEM classifies those involved in entrepreneurial and business activities according to five educational categories: none (the respondent did not finish any official educational program), some secondary (the respondent finished at least primary studies), secondary (the respondent finished the school stage), post-secondary (the respondent obtained a professional or university degree), and graduate experience (the respondent holds a postgraduate diploma or doctorate).

Figures 43–47 show these distributions and their recent evolution among the populations involved in potential entrepreneurship, nascent entrepreneurship, new entrepreneurship, TEA and established activity.

The distribution of educational level for potential entrepreneurs changed positively from 2009 to 2010 (see Figure 43) – that is, this class of entrepreneurs became better educated – but had regressed by year 2016 and even more so by 2017, due to a loss of potential entrepreneurs with some secondary education and an increase in potential entrepreneurs with no studies. This change suggests that necessity entrepreneurship will increase again in 2018, as it did in 2017. However, in 2017 there was also an increment

in the proportions of potential entrepreneurs holding post-secondary and graduate experience, which suggests that more well educated people are disposed to enter the entrepreneurial framework, increasing its chances of modernization in the short term.

A similar phenomenon can be observed in the educational-level distribution for nascent, new and total early-stage entrepreneurs (see Figures 44, 45, and 46). The distribution for established owner-managers (see Figure 47) deteriorated in 2017, with some secondary prevailing over secondary education.

More research is necessary to determine the reason for the overall decline in educational levels among Saudi Arabian entrepreneurs. One factor may be the increased rate of female participation in TEA, as women in general have less access to education. Another factor may be the incorporation of migrant workers into Saudi Arabia: people from other countries who started up out of necessity. The decline may also be impacting negatively on the quality of entrepreneurial activities, and indeed some volatility has been observed: a relatively low proportion of startup businesses ultimately become established.

Figure 43. Educational Levels Among Saudi Arabia’s Potential Entrepreneurs – Recent Evolution

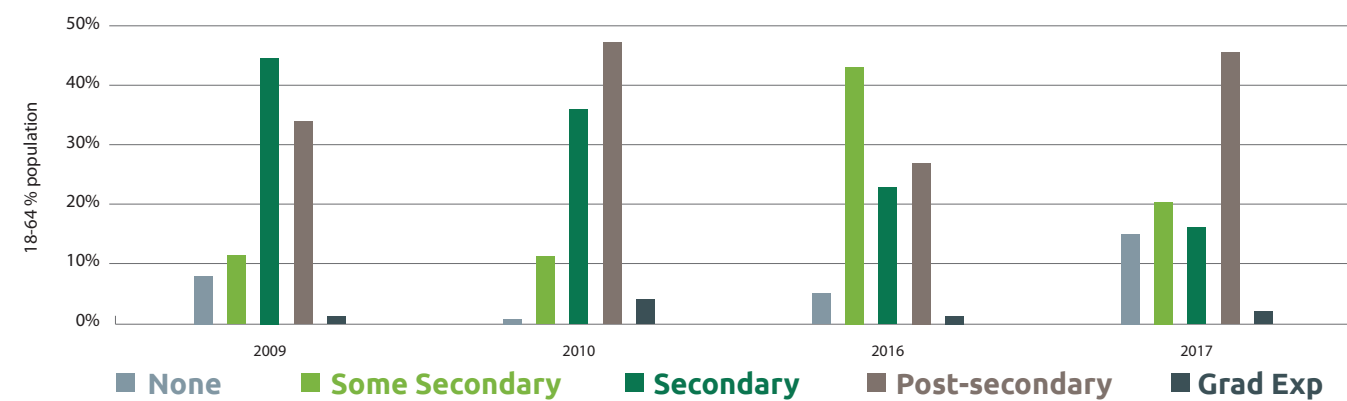


Figure 44. Educational Levels Among Saudi Arabia’s Nascent Entrepreneurs – Recent Evolution

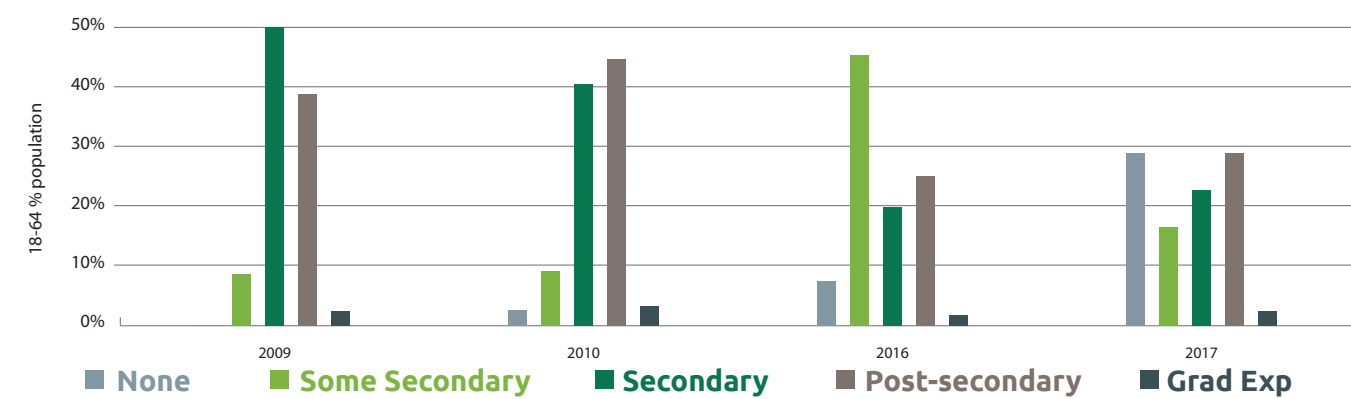


Figure 45. Educational Levels Among Saudi Arabia’s New Entrepreneurs – Recent Evolution

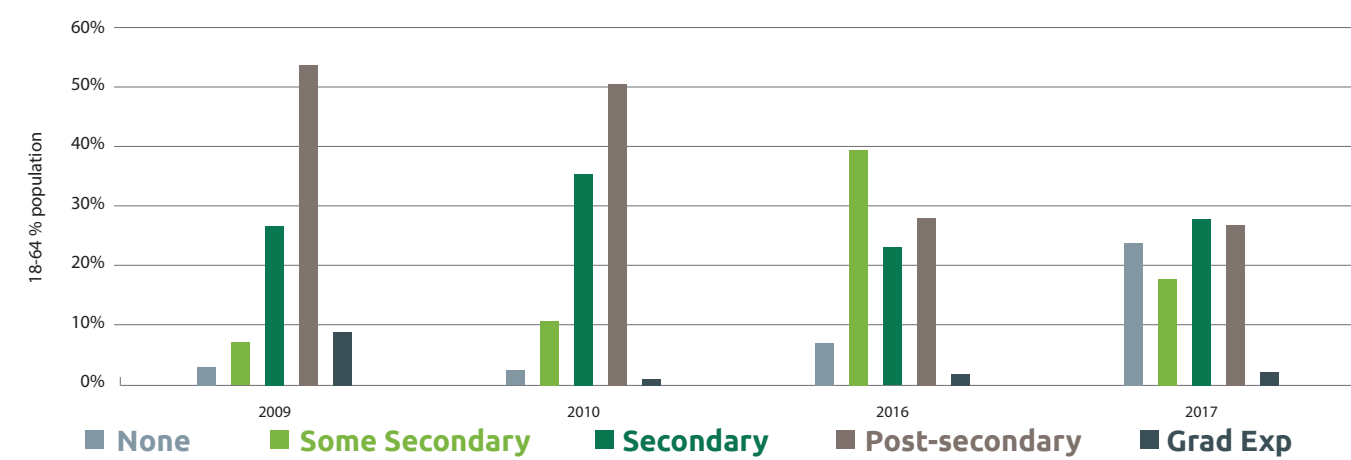


Figure 46. Educational Levels Among Saudi Arabia’s Tea Entrepreneurs – Recent Evolution

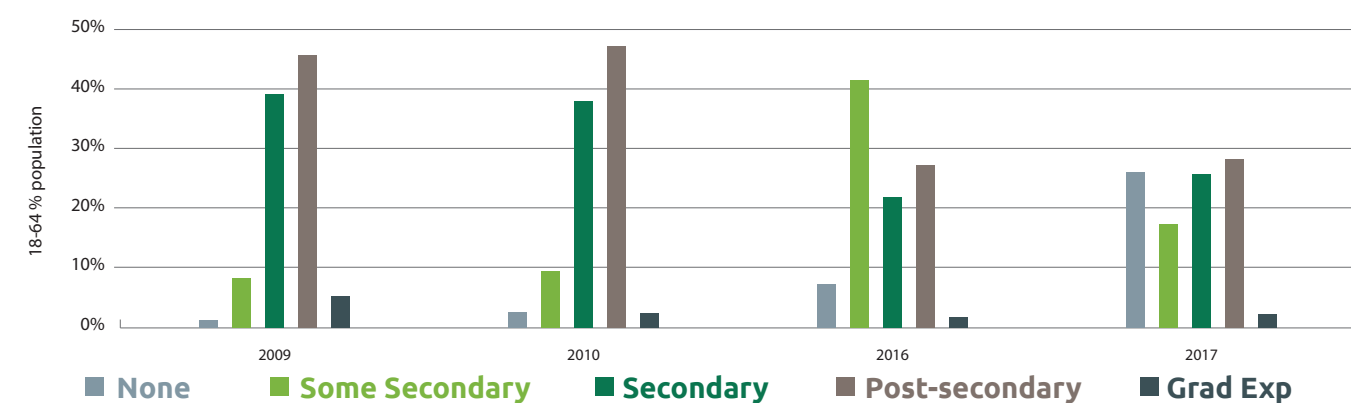
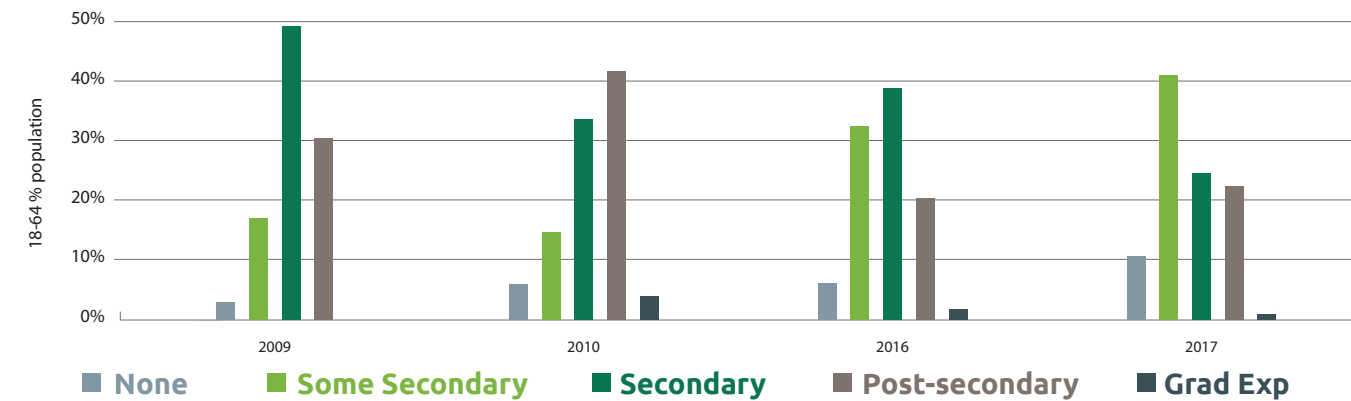


Figure 47. Educational Levels Among Saudi Arabia’s Established Owner-Managers – Recent Evolution



5.6.Work Status

GEM also classifies the part of the population involved in entrepreneurial and business activities by their work status. This variable is summarized in six categories: working full- or part-time; working part-time only; retired or disabled; homemaker; student; not working or other; and, since 2010, self-employed. (In 2009 no distinction was made for the self-employed, who were recorded simply as working either full- or part time.)

The distribution of work status for potential entrepreneurs shows a relatively high spread – naturally enough, since these are people planning on starting up from diverse current situations. Generally speaking, as entrepreneurs move through the different stages of activity, culminating in operating an established business, an increasing number report being self-employed, as we would expect. Furthermore, aside from at the potential stage, the proportion of entrepreneurs reporting themselves as self-employed decreased somewhat in 2017. Another significant change was the increment of homemaker and not-working proportions among nascent entrepreneurs, a result that fits with the increment in necessity-driven entrepreneurship. The black economy – that is, “non-working” people engaged in entrepreneurial activities – is very small in Saudi Arabia.

Figure 48.Work-Status Distribution For Saudi Arabia’s Potential Entrepreneurs – Recent Evolution

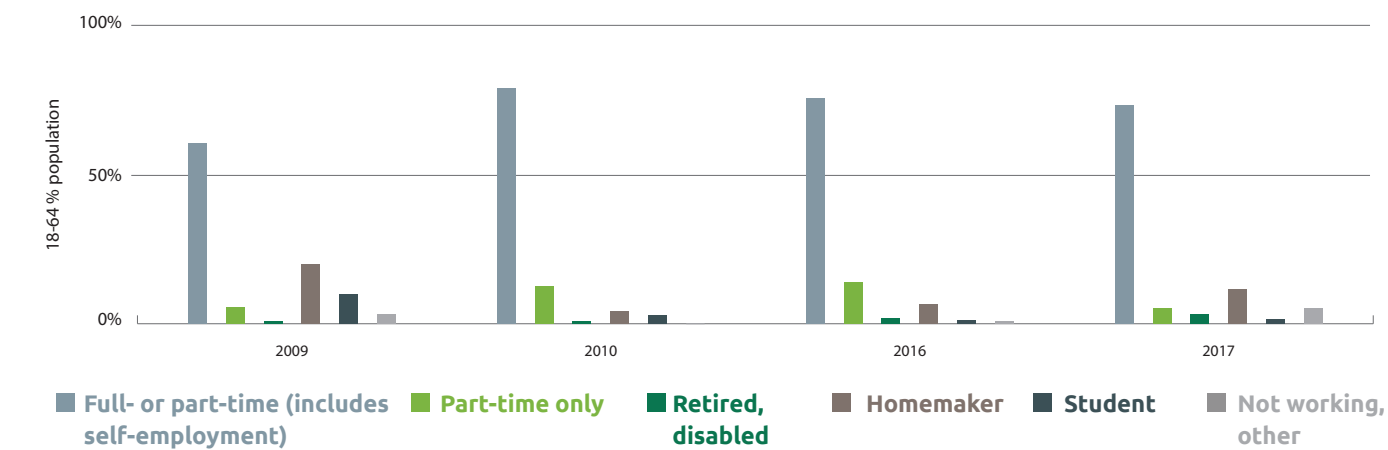


Figure 49.Work-Status Distribution For Saudi Arabia’s Nascent Entrepreneurs – Recent Evolution

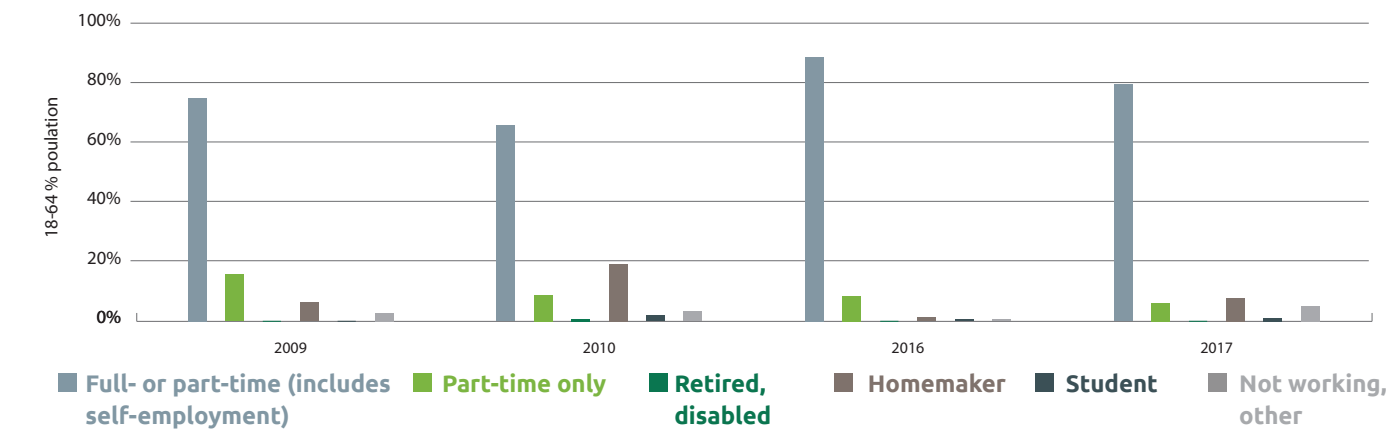


Figure 50.Work-Status Distribution For Saudi Arabia’s New Entrepreneurs – Recent Evolution

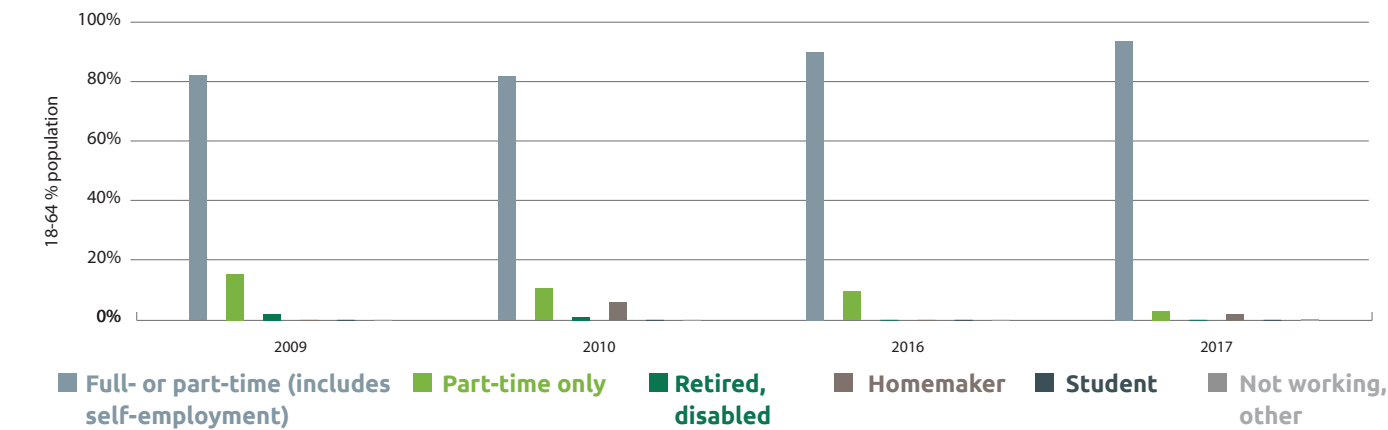


Figure 51.Work-Status Distribution For Saudi Arabia’s Early-Stage Entrepreneurs (Tea) – Recent Evolution

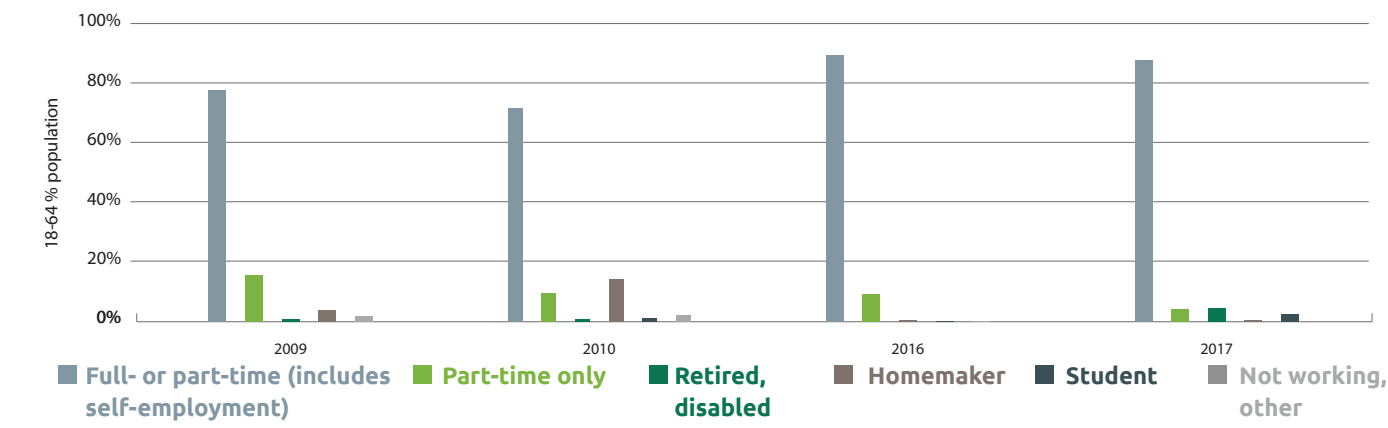
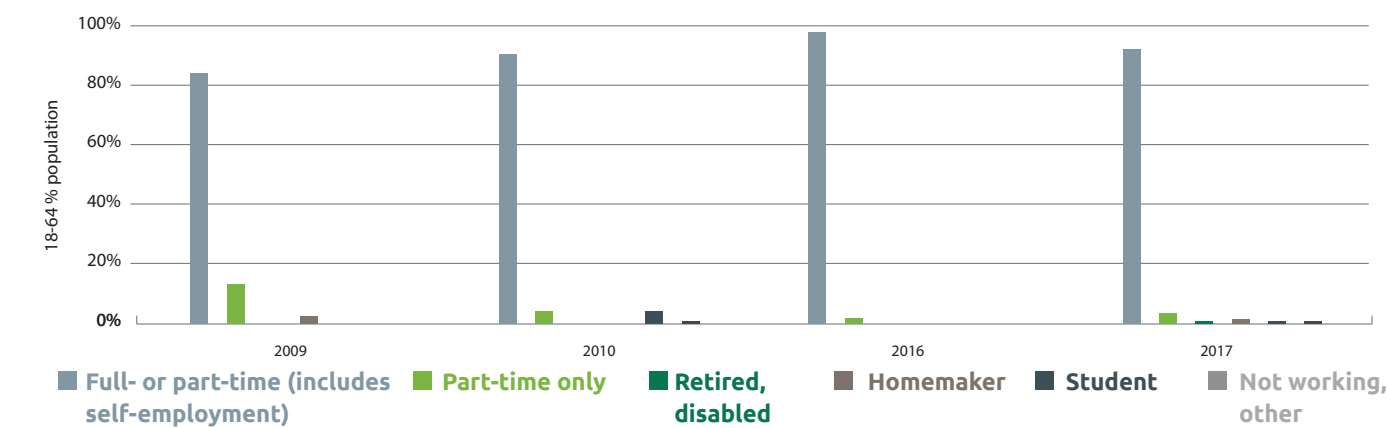


Figure 52.Work-Status Distribution For Saudi Arabia’s Established Owner-Managers – Recent Evolution



5.7.Income

Additionally, GEM classifies those involved in entrepreneurial and business activities by their income level. This variable is summarized in three categories: lower 33rd percentile, middle 33rd percentile and upper 33rd percentile.

Figures 53–57 show the distribution of income for potential, nascent, new and TEA entrepreneurs, as well as for established owner-managers. All the pictures are very similar and show a significant change between 2010 and 2016: in 2009 and 2010 the distributions were highly concentrated in the upper 33rd percentile and highly polarized between a large powerful economic class and a small, non-powerful economic class; whereas in 2016 the distribution consisted of three consecutively decreasing proportions, with the greatest amount of entrepreneurial activity accounted for by the lowest-income earners. In 2017 this apparent trend reverted to the pattern of 2009 and 2010, albeit to a less unbalanced extent: apparently it is still relatively easier for lower- and middle-income earners to enter and remain in the market than in previous years.



Figure 53. Income Distribution Among Saudi Arabia’s Potential Entrepreneurs – Recent Evolution

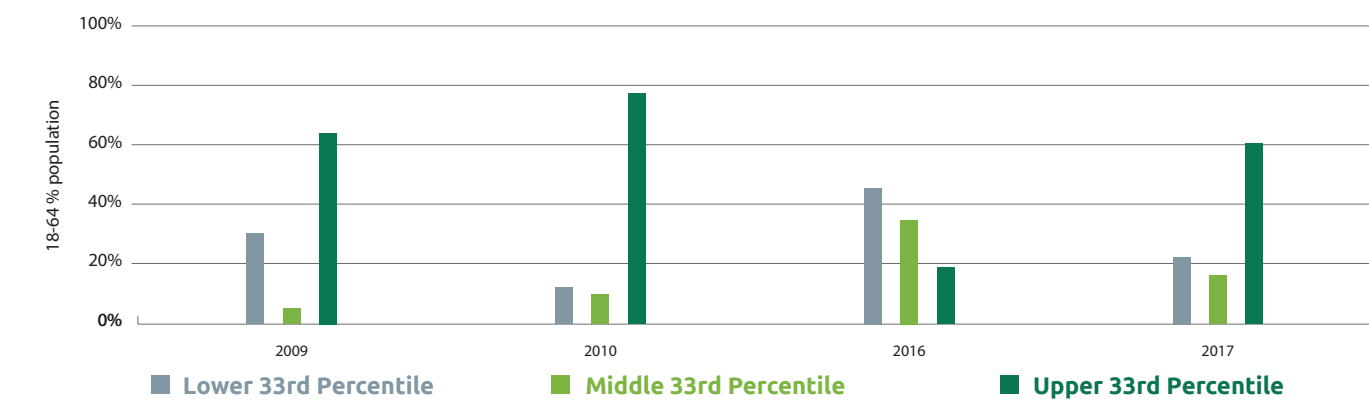


Figure 54.Income Distribution Among Saudi Arabia’s Nascent Entrepreneurs – Recent Evolution

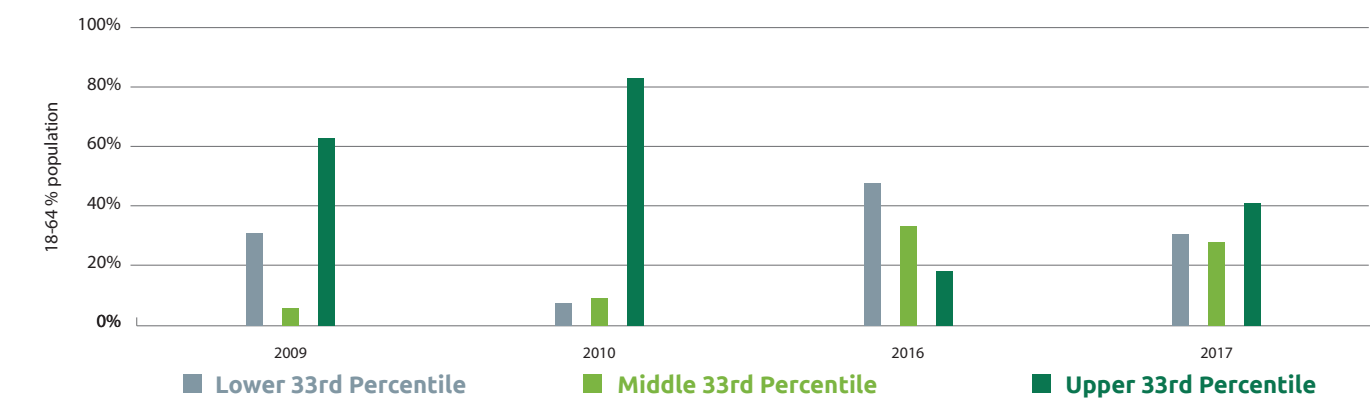


Figure 55.Income Distribution Among Saudi Arabia’s New Entrepreneurs – Recent Evolution

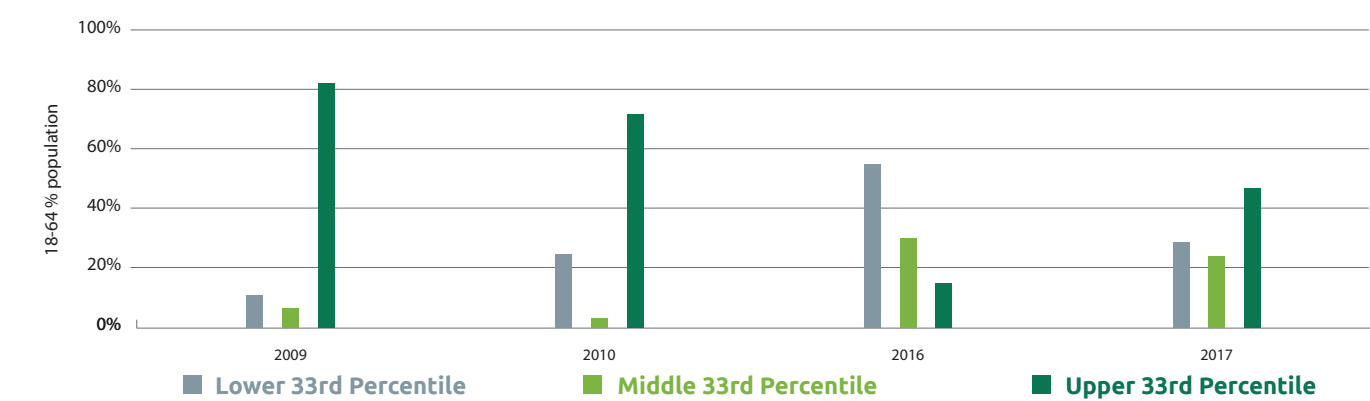


Figure 56. Income Distribution Among Saudi Arabia’s Early-Stage Entrepreneurs (Tea) – Recent Evolution

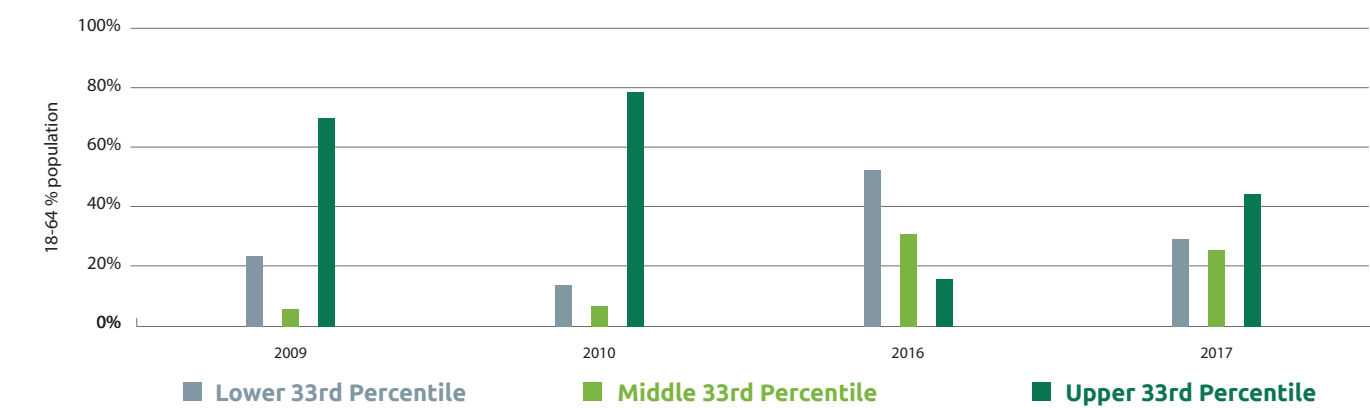
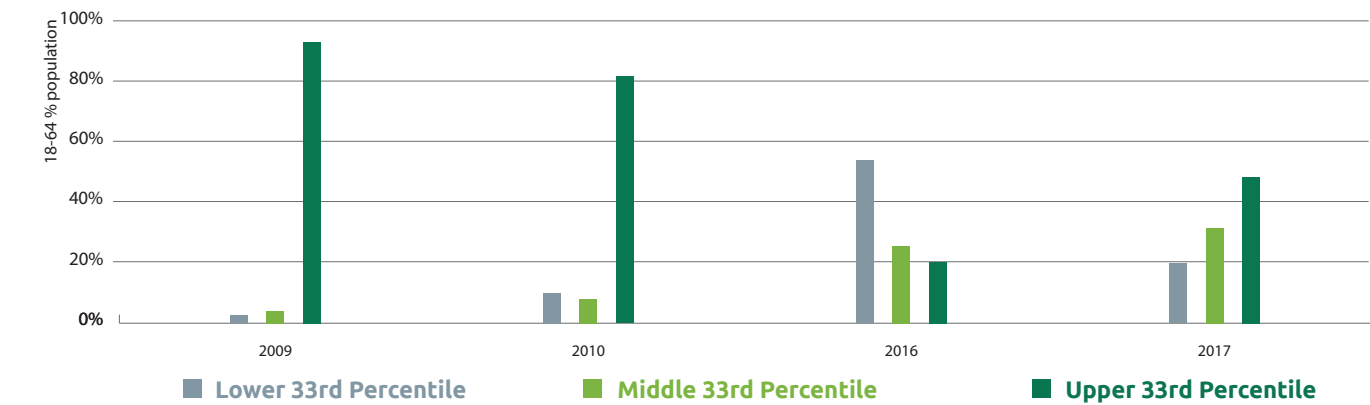


Figure 57. Income distribution among Saudi Arabia’s established owner-managers – recent evolution

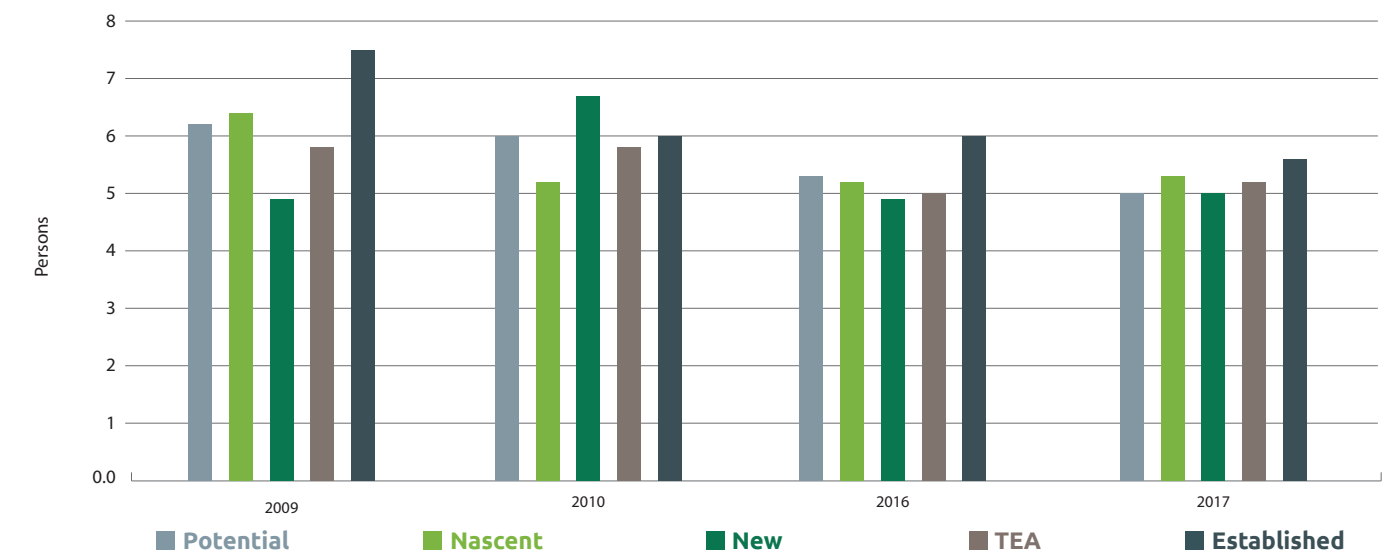


5.8.Households

Finally, GEM surveys the size of the households of persons involved in all stages of the entrepreneurial process, as well as those of established owner-managers. Comparing the results for 2009, 2010, 2016 and 2017, the most significant observation is that

established owner-managers tend to live in larger families (see Figure 58). Overall, though, household size seems to have decreased across all categories in the period 2009–2017, which tallies with general demographic trends such as slower population growth.

Figure 58. Average size of households of potential, nascent, new and early-stage entrepreneurs as well as established owner-managers – recent evolution



5.9.Typical Profile of The Entrepreneur in Saudi Arabia And its Recent Evolution

Table 19 shows that the typical early-stage entrepreneur is a man whose age has become moderately higher over the survey period (from around 31 to 37), who has a university degree, whose annual income is substantially

lower than it was in 2009 and 2010 (and apparently decreasing), who works full-time in his business and who lives in a household comprising around five persons.

Table 19.Typical Profile Of The Early-Stage Entrepreneur In Saudi Arabia – Recent Evolution

	2009	2010	2016	2017
Gender	Male	Male	Male	Male
Mean age	31.18 years	33.02 years	33.47 years	36.84 years
Median educational level	University degree	University degree	University degree	University degree
Median annual income	SAR 192,001–240,000	SAR 192,001–240,000	SAR 96,001–144,000	SAR 88,515–177,031
Work status	Full-time work	Full-time work	Full-time work	Full-time work
Mean household size	5.84 persons	5.75 persons	5.01 persons	5.20 persons

5.10.International Position

This section describes the international position of Saudi Arabia’s TEA by gender, age group, work status, educational level and annual income. The countries of Saudi Arabia’s geographical and cultural zone of influence, plus the USA and the efficiency-driven countries and GEM averages, represent the international context here.

The results in Figure 59 show that female entrepreneurial activity is proportionally lower than male activity in all the territories compared except Qatar, where both rates are similar. Lebanon is the country that shows the highest rate of female activity, and Morocco the lowest. Saudi Arabia shows an intermediate position on this indicator, close to Iran, USA and the GEM average but below the efficiency-driven countries average.



Figure 59.TEA by gender, Ordered by TEA Female, 2017

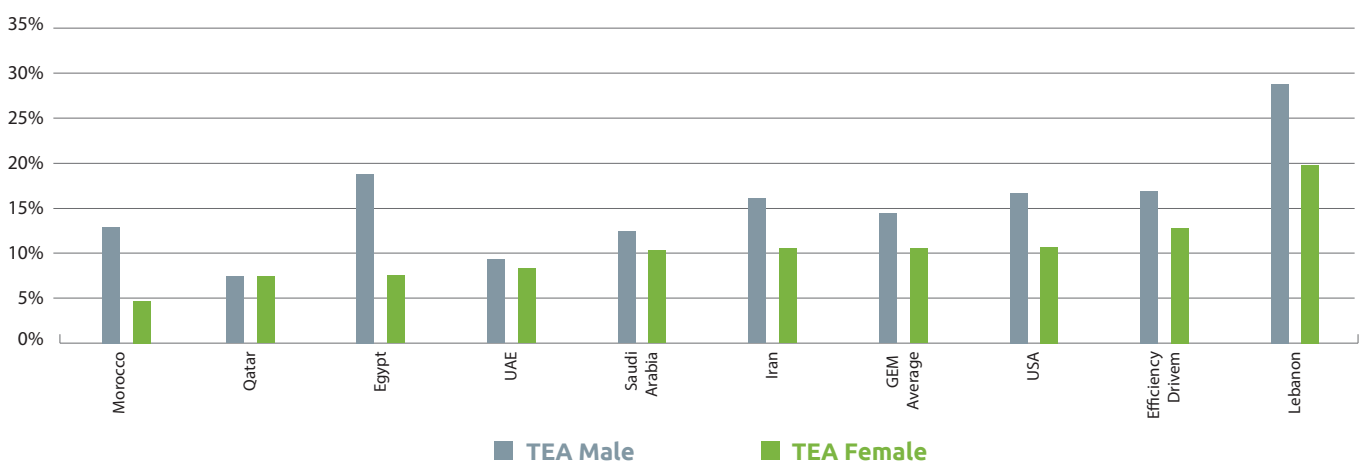


Figure 60 shows the percentage of various age categories within the 18–64 populations involved in early-stage entrepreneurial activities in each territory. Lebanon shows the highest proportion of young population involved in early-stage entrepreneurial activities, while Morocco and Saudi Arabia show the lower rates. In Saudi Arabia entrepreneurial activity is significantly more developed among people aged 35–54, while in the rest of the territories most entrepreneurs are aged 25–44. Saudi Arabia showed a less balanced distribution in 2017 compared to 2016, with more participation among mature people and more moderate levels of participation among young individuals.

Figure 60.TEA by Age (ordered by TEA aged 18–24), 2017

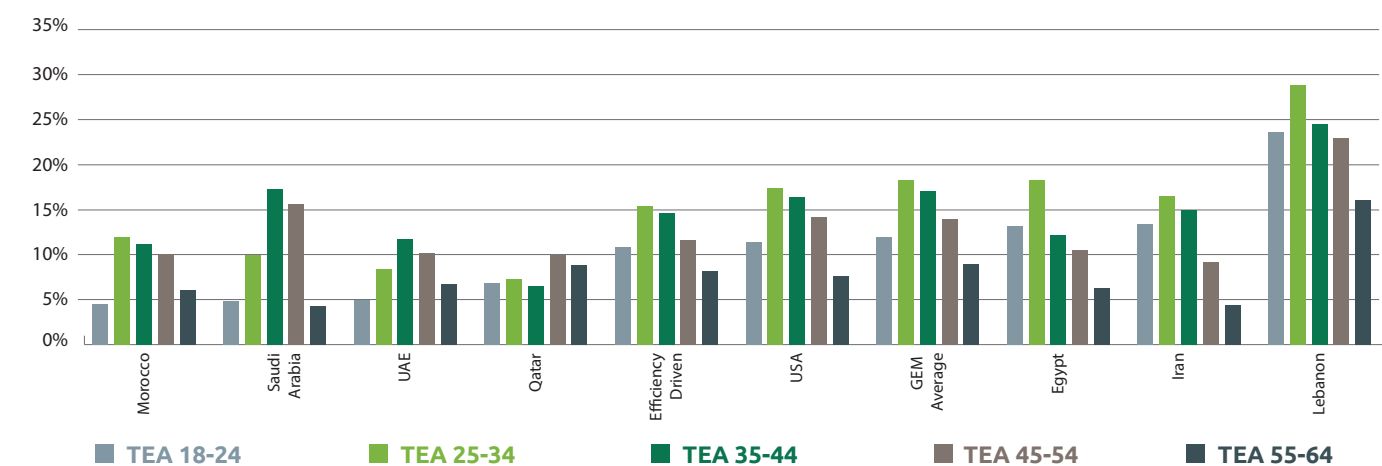


Figure 61 classifies the proportions of the populations aged 18–64 involved in early-stage entrepreneurial activities according to three work-status categories: working, not working or student/retired. Except in the UAE, the distributions show significant rates of people who are either not working or studying/retired yet are involved in entrepreneurial activities. This is normal, as the businesses of nascent entrepreneurs may not have yet become operative at the time of the survey. (Others, but only a very small number, may alternatively be involved in black-economy activities.) In all countries, however, the highest proportion of people involved in early-stage entrepreneurial activities are already working.

Figure 61.TEA by Work Status (ordered by TEA working), 2017

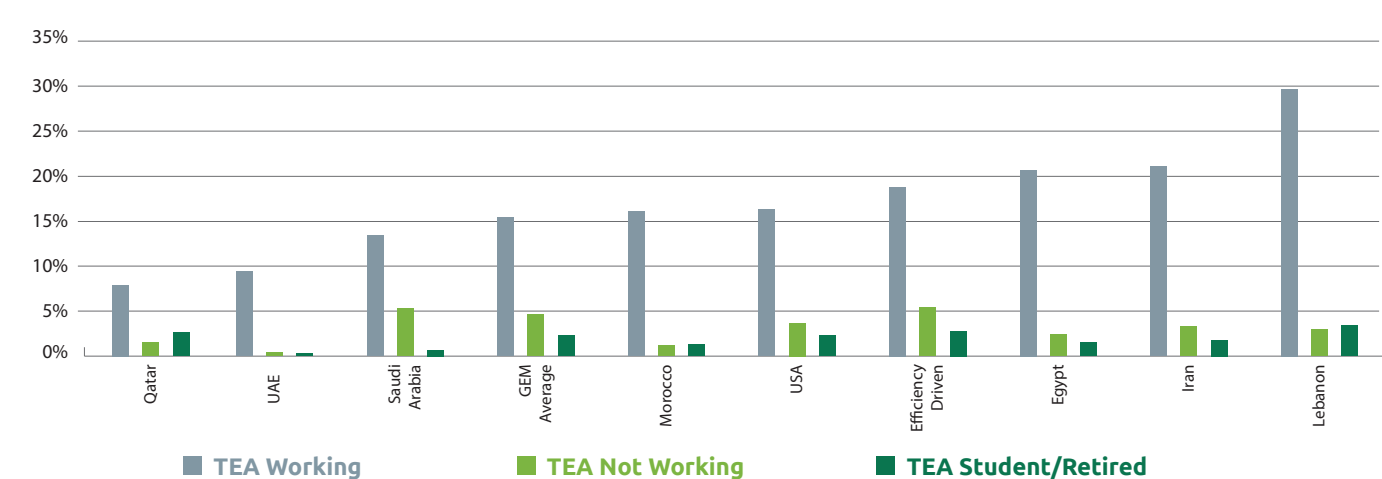


Figure 62 classifies the proportions of the populations aged 18–64 involved in early-stage entrepreneurial activities according to four categories of educational level: some secondary, secondary, post-secondary or graduate experience. The distribution for Lebanon exhibits the highest proportion of entrepreneurs with graduate experience, followed at some distance by Iran, Egypt and the UAE. In Qatar, Morocco and Saudi Arabia, graduate entrepreneurs are less prevalent. The educational level of entrepreneurs is one of the factors determining the development of innovative and successful entrepreneurial activities, so it is desirable that a large proportion of nascent entrepreneurs show positive attributes in this respect. Somewhat worryingly, however, Saudi Arabia displays an inverse scenario: entrepreneurialism remains relatively concentrated among those with lower educational levels.

Figure 62. TEA by Educational Level (ordered by TEA Graduate Experience), 2017

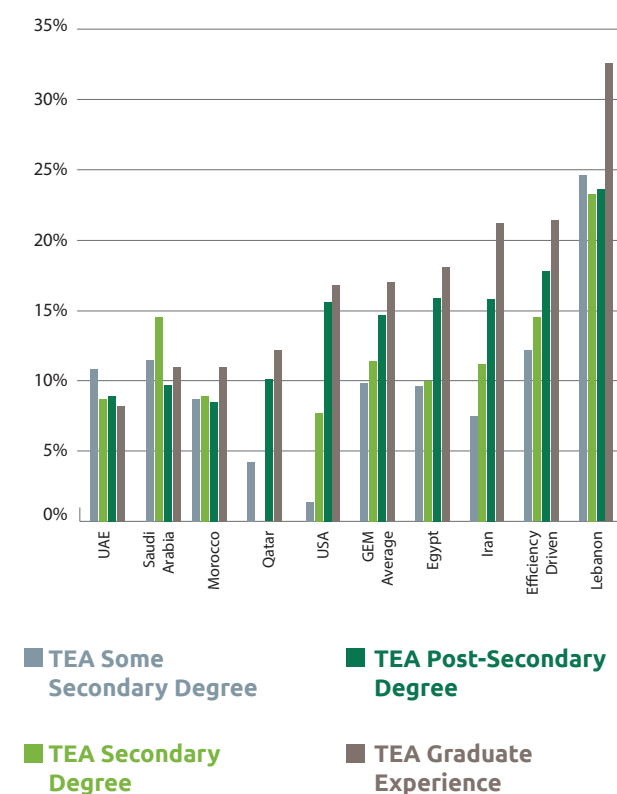
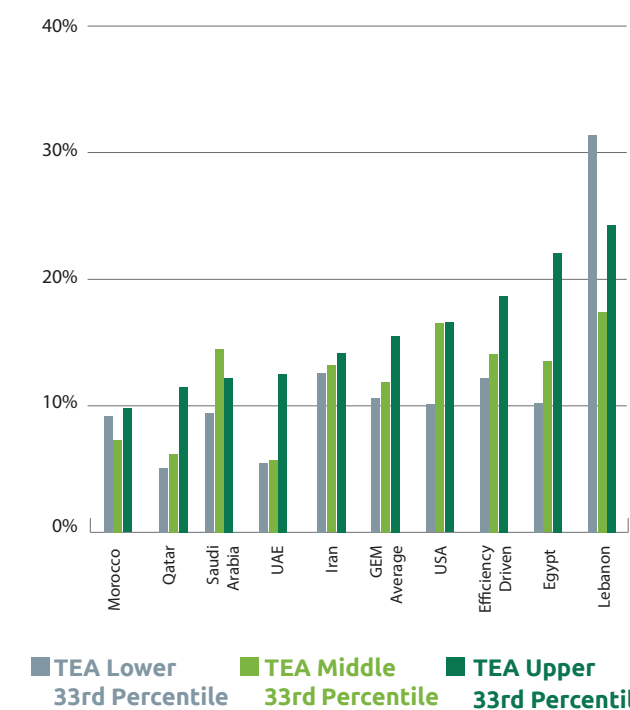


Figure 63 classifies the proportions of the populations aged 18–64 involved in early-stage entrepreneurial activities according to three categories of income level: lower third, middle third or upper third. Except for Lebanon and Saudi Arabia, all the distributions show the highest proportion of early-stage entrepreneurs in the highest income percentile (although the distribution across all three categories in Iran is strikingly similar). To an extent, a correlation between entrepreneurial activity and high income levels may indicate the success of the activity itself. On the other hand, a higher proportion of early-stage entrepreneurs reporting lower levels of income may indicate a more dynamic scenario in which less “privileged” innovators are finding it easier to attain the nascent stage.

Figure 63. TEA by Annual Income Level (Ordered by TEA Highest 33rd Percentile), 2017





INFORMAL INVESTMENT ACTIVITY

6.1. Introduction

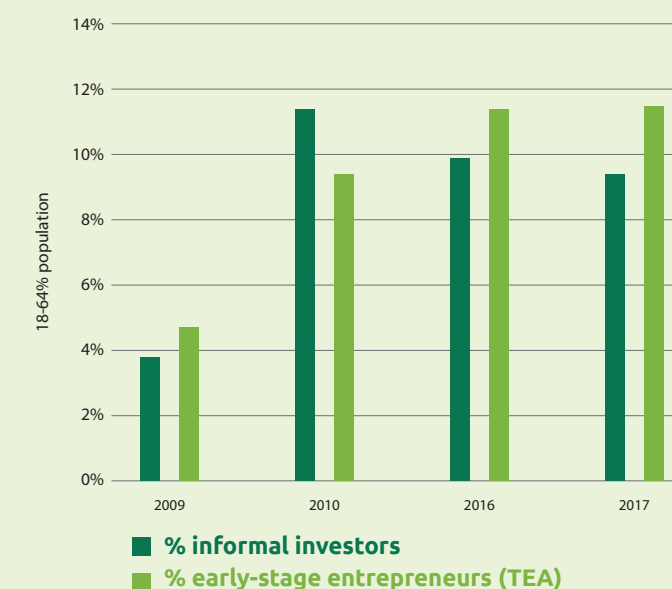
GEM generates unique data on informal investment – that is, funds provision to entrepreneurs by family, relatives, friends, work colleagues, neighbors, strangers or through any other informal financing channel. The literature on financing for entrepreneurs identifies this as the most critical source of funds at the startup stage, so it is relevant to monitor informal investment activity by estimating the proportion of the adult population acting as an informal investor, the average amount they invest and the relationship between informal investors and their beneficiaries, as well as other aspects.

6.2. Estimated Proportion of Adult Population Acting as an Informal Investor

GEM estimates the participation of Saudi Arabia's adult population in informal investment, taking as an indicator the percentage of individuals that answer positively to the question: "Have you, in the past three years, personally provided funds for a new business started by someone else, excluding any purchases of stocks or mutual funds?"

The results for the years 2009, 2010, 2016 and 2017 are shown in Figure 64 along with the TEA rates. The percentage of people who declared that they had acted as an informal investor in the past three years was relatively low in 2009, increased substantially the following year, decreased somewhat between 2010 and 2016 and remained almost the same in 2017. It is important to show the informal investment and entrepreneurial activity rates together, because usually the amount of informal investment is consistent with the amount of the activity it supports – hence the big jumps in entrepreneurial activity and the informal investors' percentage between 2009 and 2010.

Figure 64. Estimated Percentages Of Adult Population Acting As An Informal Investor And /Or Involved In Tea In Saudi Arabia – Recent Co-Evolution



6.3.Estimated Amount of Informal Investment

Most individuals who affirmed that they had acted as an informal investor also provided the approximate amount of their investment. (All of them provided this information in 2009, followed by 97.74% in 2010, 98.25% in 2016 and 89.76% in 2017.) The results in Table 20 show the mean amounts of informal funds in SAR and USD along with their respective standard deviations, medians and modes. The more robust indicator is the median, as the mean is affected by extreme values (whether low or high). So, in terms of medians, the average individual contribution of informal investors increased slightly from 2009 to 2010 and very significantly from 2010 to 2016, only to decrease substantially between 2016 and 2017. The mode – that is, the amount most frequently invested – remained the same between 2009 and 2010, and then underwent a pronounced increase between 2010 and 2016 which remained unchanged in 2017.



Table 20.Main Indicators On Informal Funds Invested In Saudi Arabia – Recent Evolution

Indicators	2009	2010	2016	2017
Percentage of informal investors who provided the amount	100.0	97.74	98.25	89.76
Invested amount – mean (SAR)	71,635.7	67,049.4	73,383.4	45,887.8
Invested amount – standard deviation (SAR)	165,889.4	266,376.4	167,103.2	73,632.7
Invested amount – mean (USD)	19,102.1	15,688.9	19,477.5	12,048.1
Invested amount – standard deviation (USD)	44,235.4	40,918.4	43,546.7	19,625.1
Invested amount – median (SAR)	17,666.0	20,000.0	40,000.0	30,000.0
Invested amount – median (USD)	4,711.0	5,332.6	10,665.5	7,995.6
Invested amount – mode (SAR)	10,000.0	10,000.0	50,000.0	50,000.0
Invested amount – mode (USD)	2,667.0	2,666.0	13,332.0	13,326.0

To roughly estimate the impact of informal funds on early-stage entrepreneurial activity financing over the period 2015–2017, GEM Saudi Arabia raises the sample results to the population as shown in Table 21.

Table 21. Rough estimation of the total funds informally invested in Saudi Arabia as a contribution to entrepreneurship finance over the period 2015–2017

Concepts	
Saudi Arabia’s population aged 18–64 (persons)	29,908,808
Point estimate of informal investors in the population over the last 3 years (%)	9.4
Point estimate of the number of informal investors in the population over the last 3 years (persons)	2,811,428
Estimate of total funds invested in 3 years, by applying the median (SAR) to each informal investor	84,342,838,560
Estimate of total funds (SAR) invested each year, by dividing the previous amount by 3 (period 2015–2017)	28,114,279,520
Estimate of total funds invested in 3 years, by applying the median (USD) to each investor	22,476,202,632
Estimate of total funds (USD) invested each year, by dividing the previous amount by 3 (period 2015–2017)	7,490,674,636

Note
These results constitute a rough approximation, as they are calculated under the imprecise assumption that in each of the three years, the number of investors was the same and the medians remained constant. Also, one should bear in mind that the results are based on a sample and under an estimation error at 95% confidence. Nonetheless, the result gives a picture of the impact of informal funds on entrepreneurship financing.

6.4.Informal Investors’ Characteristics

This section describes the personal characteristics of informal investors in Saudi Arabia from the results shown in Table 22. Most informal investors are male, but female participation has been increasing, moderately during the period 2009–2016 and very notably between 2016 and 2017. Informal investors showed an increase in mean age, from around 30 to around 40, over the period 2009–2016; however, the mean age fell in 2017. In 2009 and 2010 most informal investors belonged to the highest third of income earners, while in 2016 most belonged to the lowest third of income earners. Once again, 2017 brought a reversal: the proportion of informal investors from the highest third increased significantly, while the proportion from the lowest third decreased. This is good news, because more individuals investing in others’ businesses could make a greater contribution, as the unchanged mode of invested funds reveals.

In terms of the education levels of informal investors, the distribution has become more evenly spread, a result which is coherent with

their diverse incomes and with the decrement of the average of invested funds while the median remained high and unchanged. Most informal investors work full- or part-time. A high proportion of them know entrepreneurs that started up businesses in the last two years, although it should be noted that in 2017 this indicator fell substantially. In 2009 the proportion of informal investors seeing good opportunities to start up in the zone where they live was close to 46%, while in 2010 and 2016 this percentage had increased to more than 82%. In 2017 this indicator remained stable, albeit slightly lower. The proportion of informal investors involved in early-stage entrepreneurial activities increased from 12.4% to 16.1% across the period 2009–2016, but fell significantly in 2017 when only 8.8% of informal investors were involved in early stage activities. The proportion of them involved in established businesses increased between 2009 and 2010, from 6.1% to 10.7%, only to decrease to 4.7% in 2016, a proportion that remained almost the same in 2017.

Table 22.Main Indicators on Informal Investors’ Characteristics in Saudi Arabia– Recent Evolution

Characteristic	2009*	2010*	2016*	2017*
Gender				
Male (%)	73.0	67.2	65.4	53.4
Female (%)	27.0	32.8	34.6	46.6
Age				
Mean age and standard deviation	29.9 (8.5) years	33.1 (9.1) years	39.6 (10.6) years	38.2 (11.0) years
Annual income				
Lowest 33rd percentile	31.0	17.1	72.9	43.4
Middle 33rd percentile	2.0	5.1	16.1	17.5
Highest 33rd percentile	67.0	77.8	11.0	39.1
Educational level				
None (%)	1.1	2.4	5.7	9.6
Some secondary (%)	6.7	11.2	41.3	27.9
Secondary (%)	31.1	37.0	29.7	21.2
Post-secondary (%)	59.0	45.5	22.2	35.9
Graduate experience (%)	2.1	3.9	1.2	5.3
Work status (reduced)				
Works full-time or part-time (%)	89.9	69.6	95.7	90.7
Not working (%)	7.9	24.9	1.9	6.9
Retired/student (%)	2.2	5.6	2.4	2.4
Knows recent entrepreneurs (%)	64.9	65.2	77.2	65.3
Sees good opportunities (%)	46.1	82.0	83.6	80.5
Involved in TEA (%)	12.4	15.5	16.2	8.8
Involved in EB (%)	6.1	10.7	4.7	4.6

Note
The basis of calculating these indicators is the total sample of informal investors in each year.

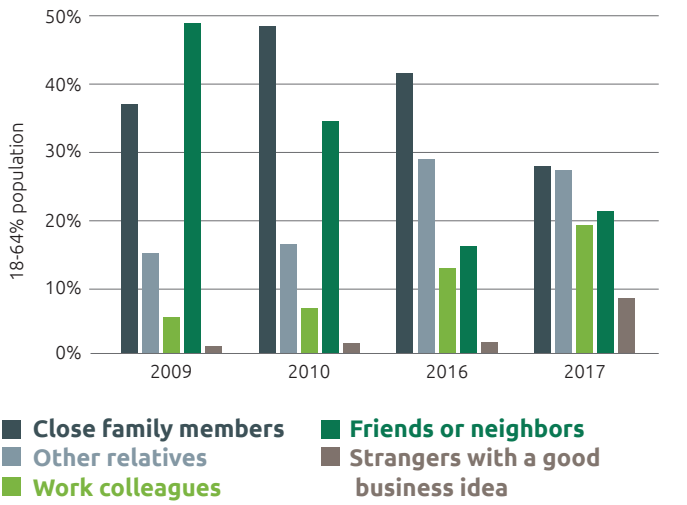


6.5. Relationship between informal investors and beneficiaries

GEM provides a description of the relationship between informal investors and their beneficiaries. The results in Figure 65 show the distributions of the different categories of relationship in 2009, 2010, 2016 and 2017.

In 2009 the most frequent type of relationship between informal investor and beneficiary was friends or neighbors, followed by close family members and other relatives. In 2010 close family members took first position, followed by friends and neighbors, while the proportions of other relatives, work colleagues and strangers increased slightly. Close family members remained in first position in 2016, followed by other relatives, friends or neighbors, work colleagues (which increased significantly) and strangers. In 2017 close family members was still in first position, albeit with a significantly diminished proportion. The percentage of cases of other relatives remained quite stable, but somewhat lower. The proportions of work colleagues, friends or neighbors and strangers increased notably, changing the distribution significantly towards a different profile of informal investors that are less closely related to their beneficiaries – an interesting change indeed, perhaps reflecting the rise of crowd funding and new private financing channels.

Figure 65.Distributions Of Categories Of Relationship Between Informal Investors And Early-Stage Entrepreneurs In Saudi Arabia – Recent Evolution



IN 2009 THE MOST FREQUENT TYPE OF RELATIONSHIP BETWEEN INFORMAL INVESTOR AND BENEFICIARY WAS FRIENDS OR NEIGHBORS

6.6. International Position

Figure 66 shows that the proportion of Saudi Arabia’s population committed to informal investment is the highest in the zone. However, looking at Figure 67, which shows the average funds (in USD) provided by informal investors, one can see that the average for Saudi Arabia is the second highest of the group, surpassed only by the UAE’s average. Proportionally speaking, therefore, the impact of informal investment in the UAE is higher than it is in Saudi Arabia. Qatar has lower rates of involvement than Saudi Arabia, but in 2016 the average amount invested was substantially higher, so the impact of this investment may have been higher too. (Unfortunately, in 2017 GEM Qatar did not offer information on the amounts invested by informal investors.) Morocco appears at the bottom of the ranking by participation of the population in informal investment and shows the second lowest average of invested funds, above only Iran.

THE PROPORTION
OF SAUDI ARABIA’S
POPULATION
COMMITTED
TO INFORMAL
INVESTMENT IS
THE HIGHEST IN
THE ZONE

Figure 66. Estimated Percentage of Population Acting as an Informal Investor, 2017

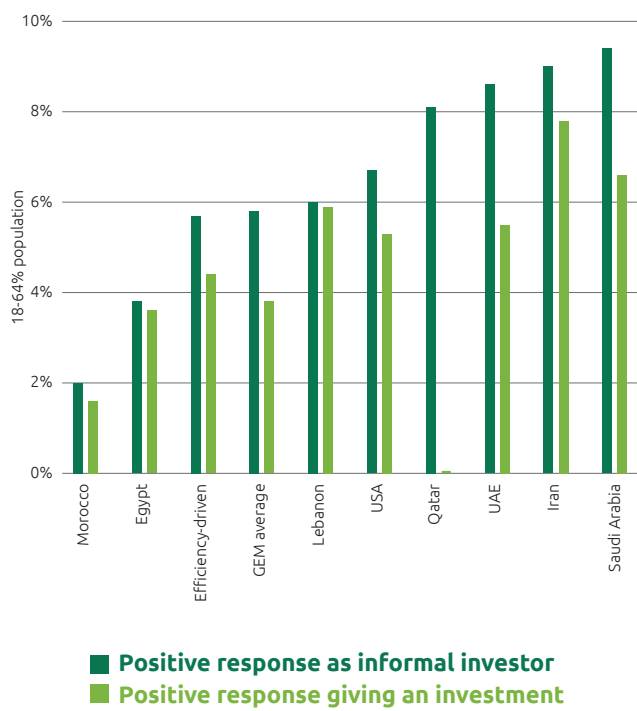
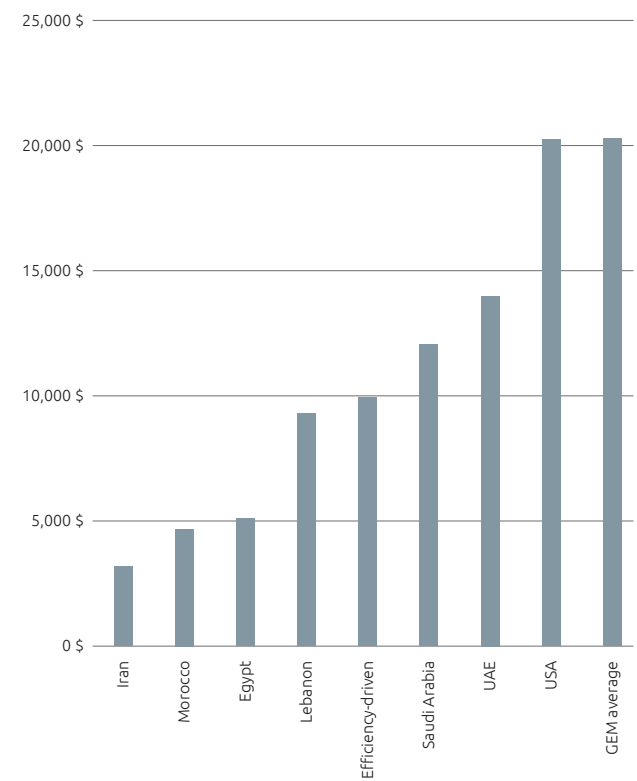


Figure 67. Estimated Average Funds (In USD) Invested By Informal Investors, 2017



PROPORTIONALLY SPEAKING,
**THE IMPACT OF
INFORMAL INVESTMENT**
IN THE UAE IS HIGHER
THAN IT IS IN
SAUDI ARABIA





PERCEPTION OF THE QUALITY OF THE NATIONAL ENTREPRE- NEURSHIP FRAMEWORK CONDITIONS

7.1. General view of entrepreneurship framework conditions

An entrepreneurship framework represents the combination of conditions that shape the national context in which entrepreneurial activities take place. GEM assesses the following entrepreneurship conditions: financing, government policies, taxes and bureaucracy, government programs, school-level entrepreneurship education and training, post-school entrepreneurship education and training, R&D transfer, access to commercial and professional infrastructure, internal market dynamics, internal market burdens, access to physical and services infrastructure, and social and cultural norms.

The national experts' survey (NES) provided data on these conditions. A representative sample of experts from Saudi Arabia evaluated a wide set of statements for each entrepreneurship condition using a Liker scale of 1 (completely false) to 9 (completely true). Average scores and standard deviations of these evaluations are presented in Tables 23–31. Standard deviations provide a measure of the experts' degree of agreement on each statement: the lower the standard deviation, the stronger the agreement



Table 23

Saudi Arabian experts' evaluation of financing for entrepreneurs, 2017

Statement: In Saudi Arabia...	Average score	Standard deviation	Interpretation
...there is sufficient equity funding available for new and growing firms.	4.21	2.33	Somewhat false
...there is sufficient debt funding available for new and growing firms.	3.77	1.98	Moderately false
...there are sufficient government subsidies available for new and growing firms.	4.30	1.98	Somewhat false
...there is sufficient funding available from informal investors (family, friends and colleagues) who are private individuals (other than founders) for new and growing firms.	5.38	2.42	Neither false nor true
...there is sufficient funding available from professional business angels for new and growing firms.	4.30	2.20	Somewhat false
...there is sufficient funding available from venture capitalists for new and growing firms.	3.87	1.96	Moderately false
...there is sufficient funding available through initial public offerings for new and growing firms.	3.11	2.34	Moderately false
...there is sufficient funding available through private lenders' funding (crowdfunding) available for new and growing firms.	2.54	1.89	False

Conclusions: Improving the national financing framework for entrepreneurs is a medium-term goal. In 2017 the finance framework condition did not show significant progress from the previous year. On one hand, Saudi experts' evaluation indicates very slight improvements to venture capital, initial public offerings and government subsidies. On the other hand, the traditional main support for entrepreneurs are perceived as having deteriorated. Access to crowdfunding and business angels' funds is static, while debt funding appears to have grown scarcer.

Recommendations: Informal investment is especially linked to the startup stage in Saudi Arabia, so implementing tax benefits or other measures that reward this valuable contribution of private individuals is advisable. Educational programs and incubators to foster innovative and high-growth potential entrepreneurial projects can help sophisticate the finance framework, as more sophisticated businesses attract more sophisticated types of founders. The transition from low-impact entrepreneurship toward the creation of entrepreneurial ecosystems is one recipe for improving the financial environment, since it will be transformed naturally as the substrate of entrepreneurs gains in innovation, diversification and competitiveness.

Table 24

Saudi Arabian experts' evaluation of the impact of government policies, taxes and bureaucracy on entrepreneurs, 2017

Statement: In Saudi Arabia...	Average score	Standard deviation	Interpretation
...government policies (e.g. public procurement) consistently favour new firms.	2.38	1.60	False
...support for new and growing firms is a high priority for policy at the national government level.	4.88	2.52	Somewhat false
...support for new and growing firms is a high priority for policy at the local government level.	4.43	2.15	Somewhat false
...new firms can get most of the required permits and licenses in about a week.	2.24	1.92	False
...the amount of taxes is NOT a burden for new and growing firms.	4.89	3.00	Somewhat false
...taxes and other government regulations are applied to new and growing firms in a predictable and consistent way.	3.94	2.38	Moderately false
...coping with government bureaucracy, regulations and licensing requirements is not unduly difficult for new and growing firms.	3.13	2.29	Moderately false

Conclusions: The average score regarding whether government policies are perceived as consistently favoring new firms decreased somewhat in 2017 and remains very insufficient. The perception of government support for new and growing firms as a high priority for policy at the national and local levels improved slightly, but remains weak. Confidence in firms' ability to obtain required permits and licenses in about a week deteriorated and remains very low. Taxes are seen as more of a burden and less predictably and consistently applied; however, coping with government bureaucracy, regulations and licensing requirements is now seen as slightly easier. By all measures, government policies, taxes and bureaucracy were seen as unhelpful to entrepreneurship in 2017.

Recommendations: Making it easier and more affordable to obtain the necessary permits and licenses – that is, improving the bureaucratic framework – should be a priority. Increasing the resources devoted to this sector and its modernization is necessary to promote the implementation of potential startups. Likewise, it is still recommended that the government improve transparency about the status of its policies and actions (i.e. Saudi Vision 2030 and the NTP) affecting entrepreneurs and small to medium-sized enterprises. Finally, strict surveillance of the tax burden is suggested to avoid a worsening of this condition, which currently is the closest to sufficiency.

Table 25

Saudi Arabian experts' evaluation of government programs for entrepreneurs, 2017

Statement: In Saudi Arabia...	Average score	Standard deviation	Interpretation
...a wide range of government assistance for new and growing firms can be obtained through contact with a single agency.	2.83	2.31	False
...science parks and business incubators provide effective support for new and growing firms.	4.56	2.11	Somewhat false
...there is an adequate number of government programs for new and growing businesses.	4.33	2.32	Somewhat false
...the people working for government agencies are competent and effective in supporting new and growing firms.	3.45	2.07	Moderately false
...almost anyone who needs help from a government program for a new or growing business can find what they need.	3.08	1.95	Moderately false
...government programs aimed at supporting new and growing firms are effective.	4.03	2.01	Moderately false

Conclusions: While government programs for entrepreneurs are still viewed somewhat unfavorably in Saudi Arabia, all components of this block – save for the statement regarding the number of programs – improved in 2017. These positive advances were to be expected, due to work on recently created government agencies like the SME Authority. Science parks and business incubators now appear as the best, albeit still insufficient, factor of this framework condition.

Recommendations: The suggestions derived from the 2016 data still apply. Keep empowering and providing more resources to support agencies. Create a larger body of specialized staff within these agencies through a well-designed training strategy nationwide. Design and deliver training to all Saudi agencies and organizations that deal with entrepreneurs and SMEs: government, chambers of commerce, development agencies, universities, etc. Continue with government support for science parks, entrepreneurship and incubators, both public and private. Design a nationwide strategy to assess all the existing tools and mechanisms supporting entrepreneurship, and from there develop, in compliance with Saudi Vision 2030, government plans with clear objectives, programs, resources and key performance indicators. A further recommendation is the study and articulation of measures to identify and promote potential entrepreneurial ecosystems in Saudi Arabia to facilitate entrepreneurs' networking and interaction.

Table 26

Saudi Arabian experts' evaluation of entrepreneurial education and training, 2017

Statement: In Saudi Arabia...	Average score	Standard deviation	Interpretation
...teaching in primary and secondary education encourages creativity, self-sufficiency and personal initiative.	2.13	1.34	False
...teaching in primary and secondary education provides adequate instruction in market economic principles.	2.03	1.48	False
...teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation.	2.08	1.60	False
...colleges and universities provide good and adequate preparation for starting up and growing new firms.	3.18	2.08	Moderately false
...the level of business and management education provides good and adequate preparation for starting up and growing new firms.	3.94	2.20	Moderately false
...the vocational, professional and continuing education systems provide good and adequate preparation for starting up and growing new firms.	3.40	2.00	Moderately false

Conclusions: Entrepreneurial education still requires major improvements in Saudi Arabia. Entrepreneurial values and market economic principles are perceived as scarcely taught by schools and universities and the evaluation of these components worsened in 2017. The average scores for attention to entrepreneurship and preparation for new firm creation at the school and university levels increased slightly, as did the score for preparation for starting up new firms at the graduate education level. However, all the scores are notably insufficient, indicating that the educational system is failing to lay the foundations to prepare new generations to acquire and adopt an entrepreneurial mindset and/or consider entrepreneurship as a future career.

Recommendations: Knowledge about starting up and growing new firms is still not perceived as a significant part of the curricula imparted throughout the educational system. That is why GEM persists in recommending the implementation of entrepreneurial education and training at all levels under a well-designed strategy ensuring adequate content for each educational stage, course and degree. Uncoordinated actions in this field will result in partial and inhomogeneous results, precluding the development of entrepreneurship, creativeness, innovation and entrepreneurial teams. Any country that wants to create entrepreneurial ecosystems and modern startups must devote time, effort and resources to implement a well-rounded and ambitious educational strategy.

Table 27

Saudi Arabian experts' evaluation of R&D transfer around entrepreneurs, 2017

Statement: In Saudi Arabia...	Average score	Standard deviation	Interpretation
...new scientific, technological and other knowledge are efficiently transferred from universities and public research centers to new and growing firms.	3.18	1.81	Moderately false
...new and growing firms have just as much access to new research and technology as do large, established firms.	2.67	1.83	False
...new and growing firms can afford the latest technology.	3.10	1.82	Moderately false
...there are adequate government subsidies for new and growing firms to acquire new technology.	2.35	1.53	False
...the science and technology base efficiently supports the creation of world-class new technology-based ventures in at least one area.	3.44	2.27	Moderately false
...there is good support available for engineers and scientists to have their ideas commercialised through new and growing firms.	2.79	1.73	False

Conclusions: R&D transfer does not show an encouraging status in Saudi Arabia. In 2017 experts' perceptions improved slightly regarding knowledge transfer from universities and public research centers to new and growing firms, but the status of this component is still far from sufficient. Also, they reported that large firms have much more access to new research and technology than new and growing firms. This is a symptom that Saudi Arabia's population needs more time to show an impact on entrepreneurship modernization. Public subsidies for new and growing firms to develop or acquire new technologies are seen as inadequate. Experts still consider that in Saudi Arabia there is not at least one world-class technology-based venture, although they grew somewhat less convinced of this in 2017. Compared to 2016, in 2017 their view of how much support scientists and engineers have to launch their ideas to market deteriorated.

Recommendations: As previously observed from the 2016 data, Saudi Arabia has a great need – and offers significant opportunities – to invest in science and research as stated in Vision 2030, especially related to the oil, petroleum and mineral industries, a well as clean energy and water. Construction, logistics and manufacturing, design, education, retail and wholesale, tourism and healthcare are also developing sectors providing opportunities for new strategies around R&D transfer, not only within the country and region, but also in terms of opening interactions with other countries. Working more intensively on R&D components is necessary and urgent to help modernize Saudi Arabian entrepreneurship.

Table 28

Saudi Arabian experts' evaluation of commercial and professional infrastructure for entrepreneurs, 2017

Statement: In Saudi Arabia...	Average score	Standard deviation	Interpretation
...there are enough subcontractors, suppliers and consultants to support new and growing firms.	3.65	2.17	Moderately false
...new and growing firms can afford the cost of using subcontractors, suppliers and consultants.	3.00	2.24	Moderately false
...it is easy for new and growing firms to obtain good subcontractors, suppliers and consultants.	2.95	2.14	False
...it is easy for new and growing firms to obtain good professional, legal and accounting services.	3.10	1.97	Moderately false
...it is easy for new and growing firms to obtain good banking services (checking accounts, foreign-exchange transactions, letters of credit, etc.).	3.67	2.22	Moderately false

Conclusions: Commercial and professional infrastructure for entrepreneurs shows an unfavorably viewed status in Saudi Arabia. Moreover, all the components of this block showed lower average scores in 2017. The weakest factor is the availability of subcontractors, suppliers and consultants, followed by the difficulty of affording them. The framework also exhibits a lack of good professional, legal and accounting services. The best, although still insufficient, score among this block is for banking services.

Recommendations: The business services sector still represents an opportunity for entrepreneurship in Saudi Arabia, due to the apparent expectation of increasing demand and sophistication need. However, to develop this sector more business dynamism is needed in general. The modernization of this sector is key also to promoting the creation of entrepreneurial ecosystems in target zones of the country, such as the King Abdullah Economic City.

Table 29

Saudi Arabian experts’ evaluation of internal market status, 2017

Statement: In Saudi Arabia...	Average score	Standard deviation	Interpretation
...the markets for consumer goods and services change dramatically from year to year.	5.64	1.97	Somewhat true
...the markets for business-to-business goods and services change dramatically from year to year.	5.26	1.77	Neither false nor true
...new and growing firms can easily enter new markets.	4.13	2.02	Somewhat false
...the new and growing firms can afford the cost of market entry.	3.98	1.97	Moderately false
...new and growing firms can enter markets without being unfairly blocked by established firms.	3.84	1.94	Moderately false
...the antitrust legislation is effective and well enforced.	3.30	1.94	Moderately false

Conclusions: Internal markets and goods and services offerings, both B2C and B2B, are quite stable in Saudi Arabia. New firms have some difficulties in entering markets, and cannot easily afford the entry costs. There are some significant entry barriers created by established firms in many large industries, and the antitrust legislation is perceived as somewhat weak and poorly enforced. The experts’ assessment evolved slightly in 2017; according to the NES, they perceived the market as more dynamic or changeable, entry barriers for entrepreneurs as somewhat stronger, established firms as less able to unfairly block market entry, and antitrust legislation as somewhat more effective.

Recommendations: Continue designing and implementing actions to increase agility, modernization and the opening of internal markets; increase competition, innovation and globalization. Foster the creation of entrepreneurial ecosystems in strategic locations through the analysis of the internal market distribution, and implement corrections to redistribute and facilitate new entrants, entrepreneurs and SMEs. Continue reinforcing antitrust legislation.

Table 30

Saudi Arabian experts’ evaluation of physical infrastructure and services status, 2017

Statement: In Saudi Arabia...	Average score	Standard deviation	Interpretation
...the physical infrastructure (roads, utilities, communications, waste disposal, etc.) provides good support for new and growing firms.	5.34	2.44	Neither false nor true
...it is not too expensive for a new or growing firm to gain good access to communications (phone, internet, etc.).	5.64	2.36	Somewhat true
...a new or growing firm can gain good access to communications (phone, internet, etc.) in about a week.	5.84	2.69	Somewhat true
...new and growing firms can afford the cost of basic utilities (gas, water, electricity, sewers).	6.00	2.40	Moderately true
...new or growing firms can gain good access to utilities (gas, water, electricity, sewers) in about a month.	5.76	2.48	Somewhat true

Conclusions: While physical infrastructure and services are perceived moderately well in Saudi Arabia, this block of items evolved negatively in 2017 according to the experts’ evaluation – that is, it was seen as easier to gain access to and afford basic utilities for entrepreneurs in 2016. Physical infrastructure shows the most room for further improvement.

Recommendations: Take actions to stop the perceived deterioration of the physical infrastructure framework and continue improving large infrastructures and internal communications. Increase the implementation of offices and human resources to guarantee rapid access to new communication infrastructures and technologies.

Table 31

Saudi Arabian experts' evaluation of social and cultural norms status, 2017

Statement: In Saudi Arabia...	Average score	Standard deviation	Interpretation
...the national culture is highly supportive of individual success achieved through own personal efforts.	5.55	2.19	Neither false nor true
...the national culture emphasizes self-sufficiency, autonomy and personal initiative.	5.05	2.34	Neither false nor true
...the national culture encourages entrepreneurial risk-taking.	4.53	2.42	Somewhat false
...the national culture encourages creativity and innovation.	4.85	2.32	Somewhat false
...the national culture emphasizes the responsibility that the individual (rather than the collective) has in managing their own life.	4.82	2.35	Somewhat false

Conclusions: The national culture does not sufficiently encourage or emphasize entrepreneurial values such as risk-taking, creativity, innovation or individual responsibility, although the average scores for these three components improved in 2017. Saudi society appears as somewhat supportive of individuals that achieve success through personal efforts, and is likewise moderately appreciative of autonomy and personal initiative.

Recommendations: Intensify actions to increase the presence and implementation of specific entrepreneurial education programs at all levels; work with colleges and universities to portray entrepreneurial best practices and role models through Saudi case studies; increase communication efforts on news related to entrepreneurs and innovation in the media, especially social media; increase events and competitions around entrepreneurship, creativeness and innovation; convince potential entrepreneurs of the importance of practicing interaction, network creation and attending events, as visibility is a key element to encouraging entrepreneurial culture.

7.2. Recent evolution of the components of the entrepreneurial framework conditions

The Table 32 shows the changes that occurred over 2016–2017 in every single component of the entrepreneurial framework conditions. Globally considered, of 54 items assessed by experts, 21 (38.9%) showed a positive evolution, 29 (53.7%) a negative evolution and 4 (7.4%) no significant change. The final balance, then, was more negative than positive. Saudi society needs to make an intensive effort to improve the national entrepreneurial framework and its conditions.

The major improvement of 2017 was to the government programs condition, where five components showed increments, while the major deterioration was to the commercial and physical infrastructure condition, where the averages for all components declined. Education and training is the most critical condition, requiring intensive and effective actions. However, all the entrepreneurial conditions are interrelated and the consecution of a better framework for entrepreneurs is linked to paying attention to all areas at the same time – a challenging goal, but Saudi Arabia is committed to transformation and the society and government will progressively find ways to meet achieve it.

Table 32

Average scores for the individual components of the entrepreneurial framework conditions in Saudi Arabia — recent evolution, 2016–2017

Finance for entrepreneurs condition. Statement: In Saudi Arabia, there is/are....	2017 average	2016 average	% change 2017/2016	Evolution sign
...sufficient equity funding available for new and growing firms.	4.21	4.69	-10.2	Negative
...sufficient debt funding available for new and growing firms.	3.77	3.97	-5.0	Negative
...sufficient government subsidies available for new and growing firms.	4.30	4.23	1.7	Positive
...sufficient funding available from informal investors (family, friends or colleagues) who are private individuals (other than founders) for new and growing firms.	5.38	6.15	-12.5	Negative
...sufficient funding available from professional business angels for new and growing firms.	4.30	4.31	-0.2	Almost equal
...sufficient funding available from venture capitalists for new and growing firms.	3.87	3.42	13.2	Positive
...sufficient funding available through initial public offerings for new and growing firms.	3.11	2.95	5.4	Positive
Government support and bureaucracy condition. Statement: In Saudi Arabia....	2017 average	2016 average	% change 2017/2016	Evolution sign
...government policies (e.g. public procurement) consistently favor new firms.	2.38	2.74	-13.1	Negative
...support for new and growing firms is a high priority for policy at the national government level.	4.88	4.84	0.8	Almost equal
...support for new and growing firms is a high priority for policy at the local government level.	4.43	3.89	13.9	Positive

...new firms can get most of the required permits and licenses in about a week.	2.24	2.59	-13.5	Negative
...the amount of taxes is NOT a burden for new and growing firms.	4.89	6.83	-28.4	Negative
...taxes and other government regulations are applied to new and growing firms in a predictable and consistent way.	3.94	4.47	-11.9	Negative
...coping with government bureaucracy, regulations and licensing requirements is not unduly difficult for new and growing firms.	3.13	2.53	23.7	Positive
Government programs condition. Statement: In Saudi Arabia....	2017 average	2016 average	% change 2017/2016	Evolution sign
...a wide range of government assistance for new and growing firms can be obtained through contact with a single agency.	2.83	2.62	8.02	Positive
...science parks and business incubators provide effective support for new and growing firms.	4.56	4.00	14.00	Positive
...there are an adequate number of government programs for new and growing businesses.	4.33	4.33	0,00	Equal
...the people working for government agencies are competent and effective in supporting new and growing firms.	3.45	3.10	11.29	Positive
...almost anyone who needs help from a government program for a new or growing business can find what they need.	3.08	2.87	7.32	Positive
...government programs aimed at supporting new and growing firms are effective.	4.03	3.51	14.81	Positive
Entrepreneurial education and training condition. Statement: In Saudi Arabia....	2017 average	2016 average	% change 2017/2016	Evolution sign
...teaching in primary and secondary education encourages creativity, self-sufficiency and personal initiative.	2.13	2.28	-6.58	Negative
...teaching in primary and secondary education provides adequate instruction in market economic principles.	2.03	2.08	-2.40	Negative
...teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation.	2.08	2.00	4.00	Positive
...colleges and universities provide good and adequate preparation for starting up and growing new firms.	3.18	3.62	-12.15	Negative
...the level of business and management education provides good and adequate preparation for starting up and growing new firms.	3.94	3.74	5.35	Positive
...the vocational, professional and continuing education systems provide good and adequate preparation for starting up and growing new firms.	3.40	3.50	-2.86	Negative
R&D transfer condition. Statement: In Saudi Arabia....	2017 average	2016 average	% change 2017/2016	Evolution sign
...new scientific, technological and other knowledge are efficiently transferred from universities and public research centers to new and growing firms.	3.18	3.08	3.25	Positive
...new and growing firms have just as much access to new research and technology as large, established firms.	2.67	2.82	-5.32	Negative
...new and growing firms can afford the latest technology.	3.10	3.11	-0.32	Almost equal
...there are adequate government subsidies for new and growing firms to acquire new technology.	2.35	2.53	-7.11	Negative
...the science and technology base efficiently supports the creation of world-class new technology-based ventures in at least one area.	3.44	2.97	15.82	Positive
...there is good support available for engineers and scientists to have their ideas commercialized through new and growing firms.	2.79	3.05	-8.52	Negative

Commercial infrastructure and professional services condition. Statement: In Saudi Arabia....	2017 average	2016 average	% change 2017/2016	Evolution sign
...there are enough subcontractors, suppliers and consultants to support new and growing firms.	3.65	4.28	-14.72	Negative
...new and growing firms can afford the cost of using subcontractors, suppliers and consultants.	3.00	3.31	-9.37	Negative
...it is easy for new and growing firms to obtain good subcontractors, suppliers and consultants.	2.95	3.34	-11.68	Negative
...it is easy for new and growing firms to obtain good professional, legal and accounting services.	3.10	3.85	-19.48	Negative
...it is easy for new and growing firms to obtain good banking services (checking accounts, foreign-exchange transactions, letters of credit, etc.).	3.67	4.62	-20.56	Negative
Internal market dynamics and burdens condition. Statement: In Saudi Arabia....	2017 average	2016 average	% change 2017/2016	Evolution sign
...the markets for consumer goods and services change dramatically from year to year.	5.64	4.82	17.01	Positive
...the markets for business-to-business goods and services change dramatically from year to year.	5.26	4.83	8.90	Positive
...new and growing firms can easily enter new markets.	4.13	4.59	-10.02	Negative
...new and growing firms can afford the cost of market entry.	3.98	4.34	-8.29	Negative
...new and growing firms can enter markets without being unfairly blocked by established firms.	3.84	3.70	3.78	Positive
...the antitrust legislation is effective and well enforced.	3.30	2.94	12.24	Positive
Physical infrastructure and services condition. Statement: In Saudi Arabia....	2017 average	2016 average	% change 2017/2016	Evolution sign
...the physical infrastructure (roads, utilities, communications, waste disposal, etc.) provides good support for new and growing firms.	5.34	5.45	-2.02	Negative
...it is not too expensive for a new or growing firm to gain good access to communications (phone, internet, etc.).	5.64	6.67	-15.44	Negative
...a new or growing firm can gain good access to communications (phone, internet, etc.) in about a week.	5.84	7.00	-16.57	Negative
...new and growing firms can afford the cost of basic utilities (gas, water, electricity, sewers).	6.00	7.46	-19.57	Negative
...new or growing firms can gain good access to utilities (gas, water, electricity, sewers) in about a month.	5.76	7.13	-19.21	Negative
Cultural and social norms condition. Statement: In Saudi Arabia....	2017 average	2016 average	% change 2017/2016	Evolution sign
...the national culture is highly supportive of individual success achieved through own personal efforts.	5.55	5.77	-3.81	Negative
...the national culture emphasizes self-sufficiency, autonomy and personal initiative.	5.05	5.11	-1.17	Negative
...the national culture encourages entrepreneurial risk-taking.	4.53	4.36	3.90	Positive
...the national culture encourages creativity and innovation.	4.85	4.10	18.29	Positive
...the national culture emphasizes the responsibility that the individual (rather than the collective) has in managing their own life.	4.82	4.21	14.49	Positive

7.3. Synthetic view of the national entrepreneurial framework

The previous blocks of items are summarized as synthetic indicators that provide the average status of the entrepreneurial framework conditions, using a principal-components factorial technique. The average results for these indicators are shown in Figure 68, ordered from highest to lowest in 2017.

Taking into consideration that the scale for evaluating these concepts has nine points, where 1 = highly insufficient and 9 = highly sufficient, the entrepreneurial framework conditions for Saudi Arabia still offer ample potential for improvement. Most components of these conditions show some weaknesses, especially those for school-level entrepreneurial education and R&D transfer, which already had low scores in 2016 and

did not improve at all in 2017. The experts' evaluation of the cultural and social norms condition is around the middle of the scale (five points) and increased somewhat from 2016, while all the weaker conditions are below four points.

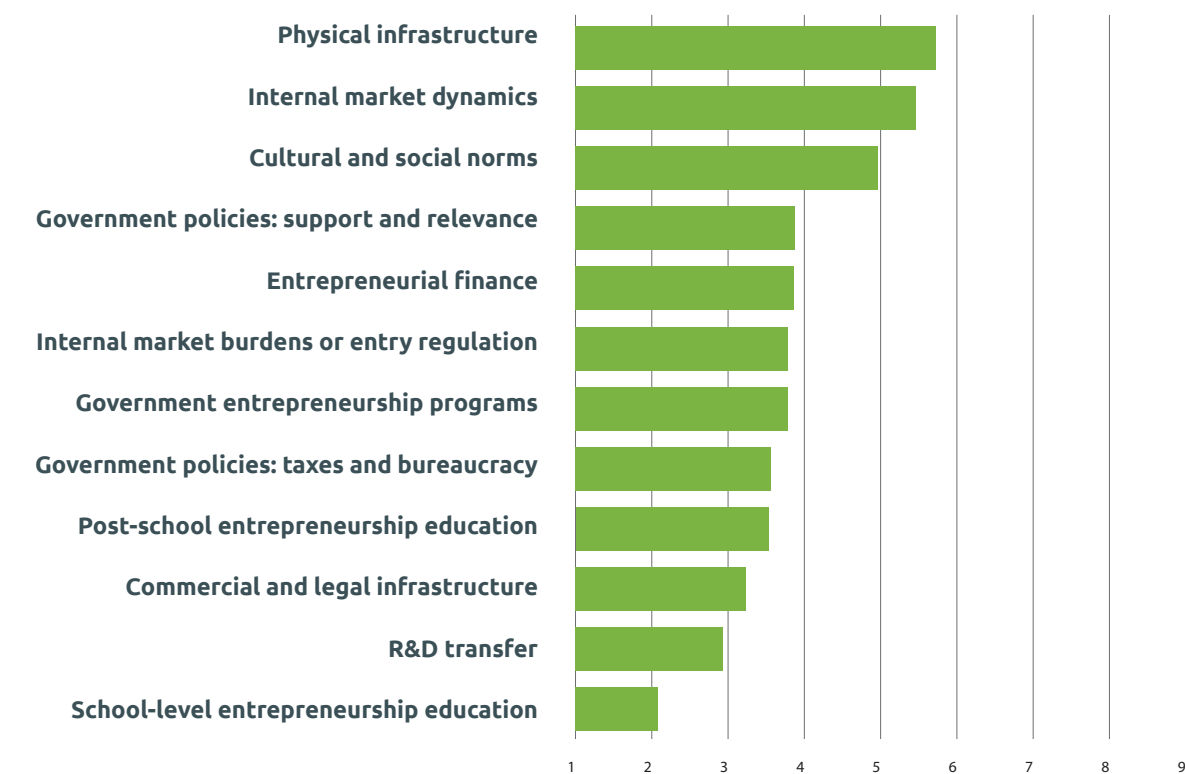
In summary, three conditions (internal market dynamics, social and cultural norms and government entrepreneurship programs) were perceived as having improved in 2017, while nine were considered to have deteriorated. The positive changes are significant, especially regarding government programs, an area where several new policies have been enacted recently. However, the impact of such government measures takes time, and there is still much to do in this area.

Saudi Arabia wants to foster well-qualified entrepreneurial activity; the improvement of the entrepreneurial framework conditions is key to achieving this goal, and most key elements of the context in which entrepreneurs operate must change for the better in the next few years.



New strategies and actions from the public and private sectors are being gradually implemented to improve the current scenario – for example, Vision 2030, KAEC (which in 2016 hosted the winners' ceremony of the MITEF Arab Startup competition), and angel investors such as Sirb and Oqal – but the visibility of their impact will take time. As pointed out in 2016, individual actions are not enough: an integral, holistic approach is essential.

Figure 68. Averages for indicators on entrepreneurship framework conditions in Saudi Arabia, 2017



■ 2017 weighted average of experts' scores: 1 = highly insufficient, 9 = highly sufficient*

• For the status of factors having a negative impact on the level of senior entrepreneurship, the scale must be read as 1 = highly sufficient and 9 = highly insufficient, because the statement has an increasingly negative impact as the score increases.

7.4. Recent evolution of the entrepreneurial framework conditions for Saudi Arabia

Compared with 2009, when a GEM report was first produced for Saudi Arabia, all the basic entrepreneurial conditions evaluated in 2017 decreased in their average scores except government programs, internal market dynamics and cultural and social norms (see Table 33). The conclusion is that the Saudi Arabian entrepreneurial framework has become somehow weaker overall in the last eight years. The impact of the oil crisis, geopolitical turbulence and macroeconomic deterioration of the past year are certainly factors to consider in fully understanding this result.

The country is in the middle of a transformation toward modernization and improved competitiveness in several fields, but experts’ perception of the entrepreneurial context appears equally affected by the state of other elements beyond the internal situation, except in the case of the re-activation of the internal market. In 2017 there was an expected increment in the average score on physical infrastructure due to the implementation of high-speed trains and women being granted permission to drive, but it seems that it is still too early to grasp the full impact of these developments.

Table 33. Average scores for indicators on basic entrepreneurial framework conditions in Likert scale of five points* (1 = highly insufficient; 5 = highly sufficient) for Saudi Arabia – recent evolution

Basic entrepreneurial framework conditions*	2009	2010	2016	2017	Change 2009–2017 (%)
Financing for entrepreneurs	3.01	3.10	2.39	2.34	-22.26
Governmental support and policies	2.71	2.46	2.41	2.35	-13.28
Taxes and bureaucracy	2.70	3.04	2.48	2.23	-17.40
Governmental programs	1.97	2.28	2.12	2.29	+16.24
School-level entrepreneurial education and training	1.47	1.80	1.44	1.41	-4.08
Post-school entrepreneurial education and training	2.35	2.67	2.26	2.17	-7.65
R&D transfer	1.99	2.54	1.85	1.78	-10.55
Commercial and professional infrastructure	2.79	3.35	2.37	2.00	-28.31
Internal market dynamics	3.20	2.95	2.90	3.29	+2.81
Internal market openness	2.77	2.54	2.38	2.28	-17.69
Physical and services infrastructure	3.77	4.18	3.99	3.38	-10.34
Cultural and social norms	2.52	3.14	2.72	3.00	+19.05

Note
Comparisons are made based on a five-point scale because GEM only adopted a nine-point scale in 2015.

7.5. International position of the Saudi Arabian entrepreneurial ecosystem

GEM groups the participating countries using two broad criteria so that each can be compared using synthetic indicators in the entrepreneurial framework. The first criterion is geographic, the second is dependent on their level of competitiveness following the Global Competitiveness Report (GCR) ranking. Saudi Arabia belongs to the geographical region of Asia and Oceania. Until recently it belonged to the efficiency-driven nations GCR group; however, the country improved its competitiveness position in 2017 and now belongs to the category in transition from efficiency- to innovation-driven – that is, in the fourth of the five stages of competitiveness. Figure 69 shows the position of Saudi Arabia’s entrepreneurial framework with respect to the average of countries integrating both the Asia and Oceania group and the GEM 2017 group.

- *Saudi Arabia is below the Asia and Oceania averages regarding all conditions, showing only an average score close to the region on internal market dynamics.*
- *Saudi Arabia shows a score somewhat better than the average score for the GEM group on internal market dynamics and on cultural and social norms.*



To summarize, the average status of Saudi Arabia’s entrepreneurial framework conditions is lower and somewhat far from the average status of the GEM and Asia and Oceania entrepreneurial frameworks, except for internal market dynamics and social and cultural norms. The weakest elements are entrepreneurial education and R&D transfer, while the strongest elements are internal market dynamics, physical infrastructure and government entrepreneurship programs.

Figure 69. Average status of Saudi Arabia’s entrepreneurial framework conditions compared with the Asia and Oceania and GEM averages, 2017

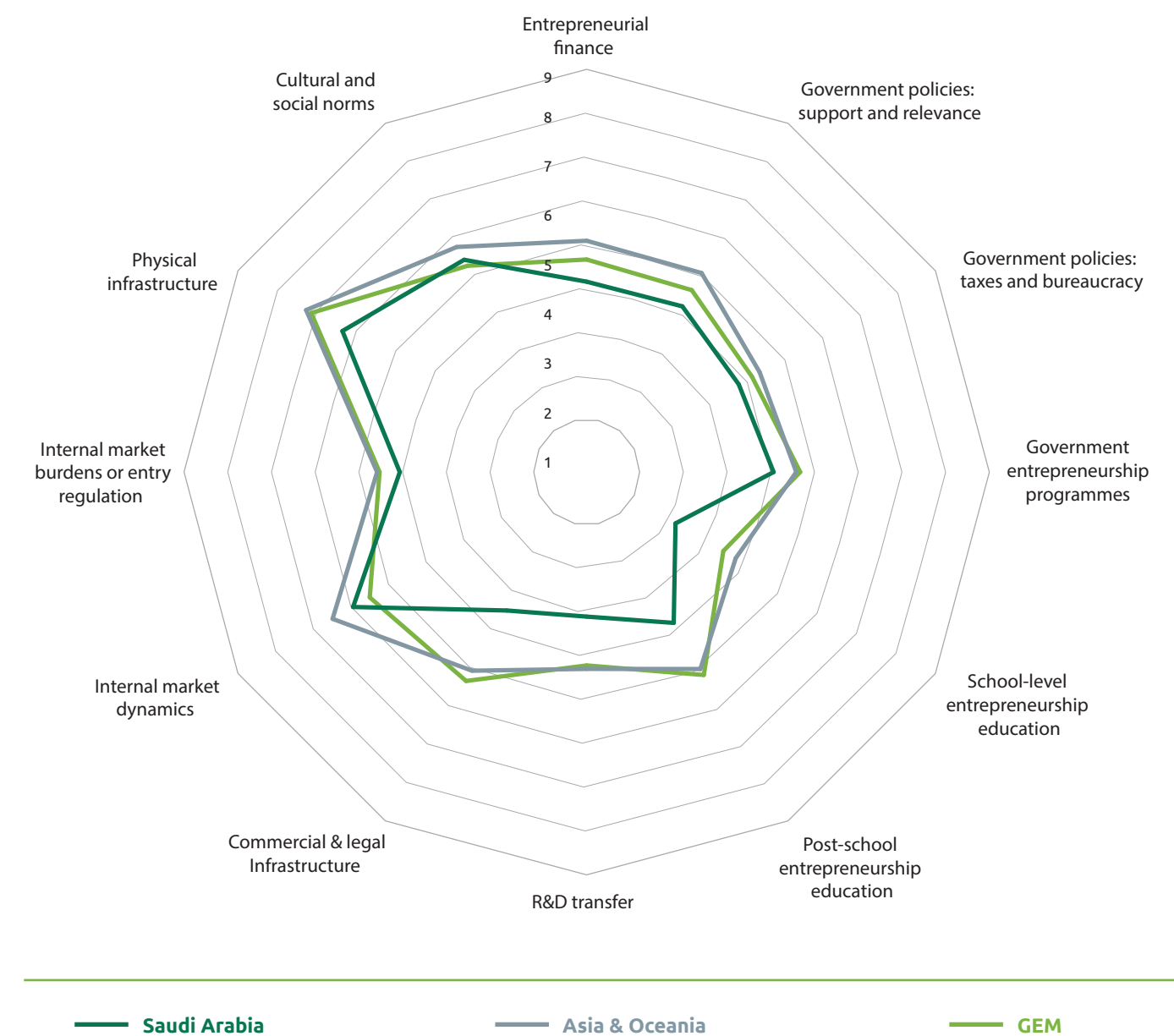
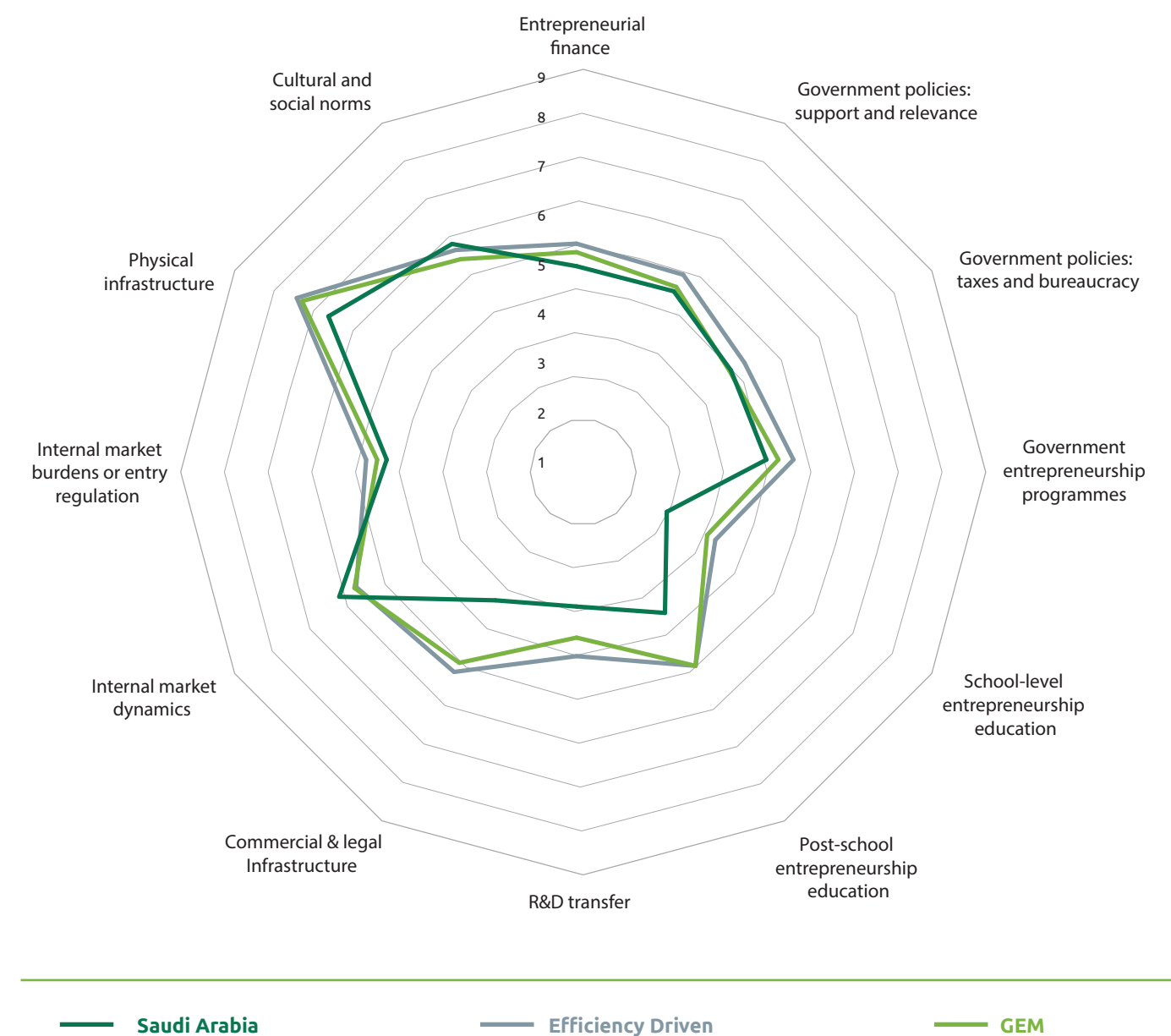


Figure 70 shows the position of Saudi Arabia’s framework conditions with respect to the average of countries included in the efficiency-driven group and in the GEM 2017 group. The picture is very similar and shows that the weakest Saudi Arabia factors are – on average and compared with the efficiency-driven countries’ averages – R&D transfer, commercial and legal infrastructure and entrepreneurial education. Internal market dynamics and cultural and social norms, meanwhile, are somewhat superior to the comparison group.

Figure 70. Average status of Saudi Arabia’s entrepreneurial framework conditions compared with efficiency-driven nations and GEM averages, 2017





7.6. Main constraints on, and supports for, entrepreneurship as determined by Saudi Arabian experts

Every year, GEM experts from each country identify and mention three main constraints on, and three main sources of support for, entrepreneurship. Their comments are analyzed and assigned to one of 20 possible topics. Table 34 shows the distribution of these topics treated as multi response variables comparing the results from 2016 and 2017. Once ordered from low to high percentages, it is possible to determine which topics have been most cited by experts. The result is a qualitative approximation to topics that should be considered most for policy design and measures to improve the context in which entrepreneurial activity takes place.

In 2017 the main topics considered as constraints on entrepreneurship in Saudi Arabia were those relating to: government policies, financial support, labor costs, access and regulations, the capacity for entrepreneurship, entrepreneurial education and training, cultural and social norms, R&D transfer, commercial infrastructure, the economic climate and internal market openness (see Table 34).

Similarly, the main topics considered as supports for entrepreneurship were those relating to: government policies, cultural and social norms, financial support, education and training, government programs for entrepreneurs, R&D transfer and physical infrastructure access (see Table 34).

Table 34. Topics cited by GEM experts as the main constraints on, and supports for, entrepreneurship in Saudi Arabia, 2016 and 2017

Constraints: topics cited	Percentage of valid responses		Support: topics cited	Percentage of valid responses	
	2017	2016		2017	2016
Financial support	59.46	57.14	Financial support	25.71	14.29
Government policies	70.27	65.71	Government policies	54.29	22.86
Government programs	0.00	11.43	Government programs	14.29	40.00
Education and training	18.92	17.14	Education and training	22.86	17.14
R&D transfer	10.81	11.43	R&D transfer	14.29	11.43
Commercial infrastructure	10.81	14.29	Commercial infrastructure	8.57	17.14
Internal market openness	8.11	5.71	Internal market openness	8.57	22.86
Physical infrastructure access	2.70	5.71	Physical infrastructure access	14.29	14.29
Cultural and social norms	18.92	31.43	Cultural and social norms	28.57	17.14
Capacity for entrepreneurship	21.62	5.71	Capacity for entrepreneurship	20.00	25.71
Economic climate	8.11	2.86	Economic climate	8.57	11.43
Workforce features	2.70	8.57	Workforce features	5.71	0.00
Perceived population composition	0.00	0.00	Perceived population composition	2.86	14.29
Political, institutional and social context	0.00	14.29	Political, institutional and social context	5.71	2.86
Economic crisis	0.00	0.00	Economic crisis	0.00	0.00
Corruption	0.00	0.00	Corruption	0.00	0.00
Different performances of small, medium and large companies	2.70	5.71	Different performances of small, medium and large companies	0.00	2.86
Internationalization	0.00	0.00	Internationalization	0.00	0.00
Labor costs, access and regulation	24.32	0.00	Labor costs, access and regulation	0.00	0.00
Information: all responses related to this issue	5.41	8.57	Information: all responses related to this issue	8.57	11.43
Other, don't know	0.00	0.00	Other, don't know	0.00	0.00

Although it may seem contradictory, it is to be expected that some topics appear simultaneously as both supportive and constraining, as is the case for government policies, financial support, R&D transfer and entrepreneurial education and training. Experts identify some good policies, some supportive actions of financial channels, some effective R&D transfers and some educational programs for entrepreneurship – but equally, all of these things can be poorly designed or implemented.

Regarding the results shown in Table 34, it is very interesting to compare 2016 and 2017. In interpreting the experts’ evaluation, it helps a lot to see how mentions of specific topics increase or decrease from one year to the next. For example, in 2017 government policies were increasingly identified as both a constraint and a support. If we consider also the significant increases in mentions of labor costs, access and regulation and capacity for entrepreneurship as constraints, then this coincidence suggests an interrelationship between these issues.

Meanwhile, the fact that in 2017 government programs were not at all identified as a constraint, while being increasingly mentioned as a support, suggests that there are several genuinely positive actions going on in this field. Other interesting signals are the increment in mentions of the economic climate as a constraint and its decreasing identification as a support, which reflects the impact of the turbulence in neighboring countries around Saudi Arabia.

7.7. Main recommendations made by Saudi Arabia’s experts to improve the entrepreneurial ecosystem

Additionally, GEM experts provide three recommendations to improve the entrepreneurial framework. The topics identified after analyzing their responses are shown in Table 35. In 2017 the experts recommended focusing on designing and implementing measures relating to government policies (more frequently than in 2016), financial support (less frequently than in 2016), entrepreneurial education and training (at the same frequency as in 2016), R&D transfer (more than in 2016), commercial infrastructure (almost the same as in 2016), capacity for entrepreneurship and labor costs (more than in 2016) and access and regulation (much more than in 2016).

Table 35. Topics cited by GEM experts in making recommendations to improve the entrepreneurship framework in Saudi Arabia, 2016 and 2017

Constraints: topics cited	Percentage of valid responses	
	2017	2016
Financial support	41.67	52.94
Government policies	75.00	67.65
Government programs	2.78	23.53
Education and training	38.89	38.24
R&D transfer	22.22	14.71
Commercial infrastructure	16.67	17.65
Internal market openness	0.00	8.82
Physical infrastructure access	0.00	2.94
Cultural and social norms	8.33	5.88
Capacity for entrepreneurship	16.67	5.88
Economic climate	5.56	0.00
Workforce features	2.78	0.00
Perceived population composition	0.00	0.00
Political, institutional and social context	0.00	14.71
Economic crisis	0.00	0.00
Corruption	0.00	0.00
Different performances of small, medium and large companies	2.78	2.94
Internationalization	2.78	0.00
Labor costs, access and regulation	16.67	0.00
Information: all responses related to this issue	0.00	8.82
Other, don't know	0.00	0.00



Table 36 shows the specific constraints and supports mentioned in the interviews of Saudi experts and the recommendations they offered to foster entrepreneurship in their country.

Table 36. Summary of GEM Saudi Arabian experts’ identification of specific constraints on, and supports for, entrepreneurship as well as their recommendations for improving the entrepreneurship context, 2017

Categories	Constraints	Supports	Recommendations
Policies	- Government regulations - Modernization of the bureaucracy and legal frame to start up new businesses - Laws and regulations - Ministry of Commerce: increase implication - No partnership for expats - Government licenses required to start business - Uncertain regulatory policies - Legislation, licensing and regulations - Government procurement - The level of bureaucracy and complication for setting up and running a business in Saudi Arabia - Slow development in commercial legislations - Red tape - Government support - The complexity of government procedures - Ministry of Energy, Industry and Mineral Resources: more implication - Government policy of “Saudization”, transfer of sponsorship, hiring people - Insolvency laws - Government projects, support, and allowing SME to work with companies despite the readiness (reduce requirements such as Zakat, TASNEEF, etc.) - Lack of regulation system that supports startups and SMEs - Startup and SME policies are yet to be developed to match the needs of a startup - Contradictions between different government departments - Customs department - Permits and licenses - Lack of government regulation and legislation to support startups	- Government interest - Government support - Allocation of a percentage of government contracts to SMEs - KAUST - Government vision - Government buying from startups - Badir programs - World-class legislation - Non-profit organizations - Promised government programs and subsidies - Government funding bodies - To have one government window to issue the required permit(s) - MISK - Easy apply - Non-governmental initiatives - Takamol - Vision 2030 - The new excitement the government has for entrepreneurship - Tailoring certain government policies to cater more to startups and small businesses - Facilitation of license - Policy - Current economic transition	- Regulatory reform to review current policy and ensure adequate support for entrepreneurs - Improve government policies and regulation for startups - Reduce bureaucracy - Facilitation of licensing so that temporary licenses are issued for the first year - Restructuring existing systems - Government support - Bringing partnership policy for all Saudis and expats to open businesses - All SME activities to be supervised by SME Authority - Fairness - Support and fulfill Vision 2030 goals - Reinforce and give priority for SME in projects and add guarantees and add reps and warranties - Ease of regulations - Allow foreigners to easily set up startups in the Saudi Arabia - Deregulation of the startup world - Municipality support - Overhaul legal system 20% of government projects is for local entrepreneurs - Government support for leading startups to become global unicorns - Provide government funding to funds supporting entrepreneurs - Employee participation laws - Supported software distributed for small businesses - Better regulations - Antitrust laws applied - Support SME by incentivizing those who work with SMEs - One-stop shop - Government regulation - ease of starting a business - Civil defense license easing - Allocating a quota in government procurement for SMEs - Create special government procurement channels for SMEs - Smoothing government procedures to start new businesses - Use a customer-centric approach to put new policies and regulations in place for startups, and create a one-stop shop for any entrepreneur to finish all paperwork in one place - Bankruptcy Laws

Cont. Recommendations
- Allotment part of government procurement - Unification all procedures - Relaxing the new labor fees to SME - Add regulation system that supports startups and SMEs - Follow up progress - Create a scheme to incentivise large Saudi companies to work with startups and SMEs - Forcing big corporate and government entities to work with startups - Developing programs that enable SME exports - Develop and enact suitable bankruptcy laws for SMEs - Provide legal exemptions for startups especially on visas and reporting - Provide social gathering that relates to specific business scope such as renewable energy, maintenance and real estate and shared economy, etc.

Categories	Constraints	Supports	Recommendations
Finance	- Limited availability of funding channels - Low number of organizations that provide seed funding at the idea stage (startup) and that is a high risk undertaking in an emerging economy - Lack of seed capital - Access to financing - Lack of funding at the early stage of startups and angel investors - Financial support: increase and diversify - Banks not funding startups - Lack of mezzanine and VCs - Angel investor policy - Investment funding - Crowdfunding not allowed in Saudi Arabia - Access to financing at certain stages of the venture lifecycle - Lack of venture capital - Initial funding - Availability of external finance - Some banking practices - Lack of financing, especially debt, professionally managed - Funding minimal capabilities and channels	- Individual investors - Some banks - Provided funds - Corporate venturing programs - Recent interest from investors in the VC asset class - The Centennial Fund - Intensify banks to finance SME - Access to finance across the venture lifecycle - Professional funding	- Develop a fund of funds to support startups especially at the early stage - Fund of funds to support early-stage investors - Improve funding - More financial support to startups and SMEs - Immediate seed funds - Fund professional investment managers, don't run your own funds - Increase the funding channels - Facilitate funding of the technology startups and help their entrepreneurs to do the needed research and development - Expansion loan - Robust financing and training for entrepreneurs - Create a fund of funds to spur new venture funding particularly in early-stage funding (less than \$500K) - Incentives for VCs and angels to invest in high-risk startups - Urge large and donor companies and funders to make them aware of the need to support growing entrepreneurs - Open debt funding to startups through new entities, banks are too large and slow - More smart money - Larger angel investor pool - Bank programs for SMEs

Categories	Constraints	Supports	Recommendations
Culture	- It is necessary that the population understands the entrepreneurial process - Lack of successful stories - Mindset - Public awareness about entrepreneurial culture - Work is about fear and risk-aversion	- Culture has improved - Overall sentiment and media hype - Social and cultural environment - Young nation - That entrepreneurship culture is a trend now - Family and friends' support - Young people want to try at least once to be entrepreneurs - Current support and orientation towards entrepreneurship - History/legacy for entrepreneurs - History - Low "Saudization" percentage at startup - Social environment	- Publicize the concept of entrepreneurship in society using all available channels - Recognition of key supporters of private sector entrepreneurship and backing them up with funds - Promote a culture of entrepreneurship - Encourage workforce to start on the ground floor



Categories	Constraints	Supports	Recommendations
Supports	- Biotechnology entrepreneurship - More capacity for innovation is necessary - Lack of talent and ideas - Lack of information on technology entrepreneurship - Manufacturing - Need for social entrepreneurship - Current costs - No workspaces for startup - Service projects - Access to talent - Weak mentorship	- Information technology & communication companies - Availability of an entrepreneurial ecosystem - Economic forums - Non-material supports such as accounting and legal programs - Good infrastructures - Universities - internship, competition - Incubators - Universities - Use of modern technology - Donor companies - Physical and virtual industry clusters - Entrepreneurship competition - Infrastructure and logistics - Not technologically improved country - International exposure - Get feedback from startup - SCHB - Healthcare - Connectivity - Open doors for global talents - Current increase in business incubators - Internet - Institutes such as PMBS college, KFUPM, WAED, Bader etc. - Events - Media (entrepreneurship as a glamorous profession) - Tech parks	- Regulations/incentives to streamline access to funding and protect investors as well as investees - Increase the number incubators/accelerators - Focus on technological startups in the engineering and science sectors - Restructure existing systems - Encourage more accelerators to be created while supporting their program creation and staff training - Technical support - Incubation - Training centers - Link local and international through international meetings - R&D centers for everyone to access - Provide quality support services at an affordable price (accounting, legal, consulting, logistics) - Open the country to foreign talent - Help engineering startups to get access to local and international labs - Use modern technology - New business models - Free offices and incubations - Accelerator

Categories	Constraints	Supports	Recommendations
Human capital	• Education and mentorship • Training and mentoring • Entrepreneurial education is almost nonexistent in school system which impacts social norms negatively; in a growing economy we need awareness and education to impact generations to come. Add to this the need for more accelerator programs to accommodate bigger numbers of entrepreneurs • Talent acquisition • Functional competences • Restrictions on importing talent • Foreign talents face closed doors • Jobs security • Lack of entrepreneurial education • Lack of knowledge • Working capital	• There is a huge population of youth which gives a big pool of potential founders of startups • Unemployment • Private and public partnership in developing the ecosystem • Demographics • Youth • Training • Decline in oil prices pushes people to try harder • Introduction of entrepreneurship in school curricula • Electronic platforms • New entities that focus on filling the gap of entrepreneurial education • Education in general	• Coaching and training • Build up the concept of entrepreneurship from primary school • Teaching and training • Add entrepreneurship courses in schools and universities • Entrepreneurial education (school and college level) - entrepreneurial mindset change • Infusing entrepreneurship in the school curriculum • More professional mentors • More training for Saudis and expats • Designed training programs especially in accounting and finance • Add entrepreneurial education to school and post-school • Education and coaching • Mentorship facilities • Education from the early stages • Open doors for global or at least regional talents
Markets	• Access to market • Labor market • Patent registration • Availability of market data • Lack of exits • Open-market opportunities increase • Fair equality of opportunity • Unfair competition	• Market demand • The large market in the Saudi Arabia is very competitive but also still has many gaps to be filled and that is a big opportunity for startups • Opportunities • Large purchasing power • There are many opportunities and gaps in the market that is yet to be discovered • Virgin market • People's awareness of technology • Society's openness to trying new things	• Allow commercial activities without a commercial office



7.8. Importance of the 12 entrepreneurial conditions in the status of the national framework, as assigned by Saudi Arabia’s experts

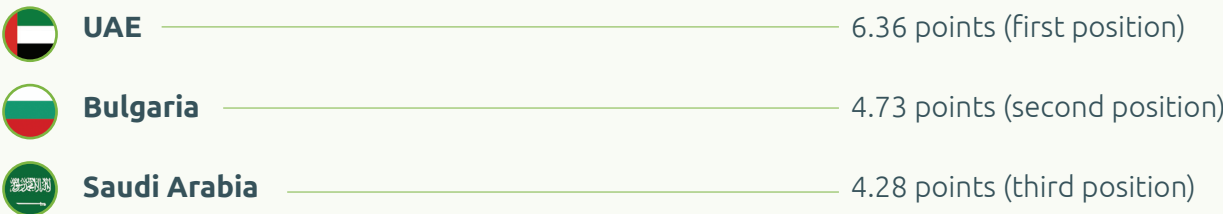
From the very beginning, the principal investigators of the GEM project established that the context in which entrepreneurial activity is developed is critical and likewise a determinant of entrepreneurial activity and its features. These investigators designed a tool able to provide information for evaluating the status of this context in any target territory. The tool is the GEM National Experts Survey (NES), a questionnaire formed by blocks of items representing each main condition and that can be summarized thanks to principal components methodology. After collecting data on these 12 summary variables/conditions, GEM and its associated teams present their evaluation of the entrepreneurial context in each participating territory. However, GEM has sought to develop a complementary data point: a country ranking based on experts’ overall

evaluation of their country’s entrepreneurial framework, showing one figure per nation – in other words, a composite index on NES data.

The composite index is a weighted average of the 12 summary conditions that allow teams to give a diagnostic on the national entrepreneurial framework. This composite index fills a gap in the entrepreneurship literature, because no other source has addressed the complete entrepreneurial context of each country. Other sources provide information on partial aspects, but, even then, do not provide any measure of their importance in the general scheme of the entrepreneurial framework.

GEM’s solution is to ask each country’s experts to evaluate their country’s 12 framework conditions on a scale of 1–10, with 1 = not important and 10 = extremely important. This system only adds a bit of time to the current survey, and another advantage is that experts will provide weights every year – that is, updated and corresponding to the current situation.

GEM Saudi Arabia, along with teams in the UAE and Bulgaria, agreed to carry out a pilot test of this composite index for 2017. The results that aligned with expectations:



This index represents the average condition for entrepreneurship in each country, on a scale of 1–10 (1 = completely insufficient, 10 = completely sufficient [QUERY: shouldn’t “sufficient” be “important” here?]), allowing GEM to rank countries. Among the three pilot

countries, Saudi Arabia is in third position with an insufficient state for the year 2017, although not far from sufficiency (i.e. 5 points). Bulgaria is closer to sufficiency, while UAE shows the best framework. The calculation of this new composite index

provides relevant additional information, especially for policy makers, as thanks to their subjective evaluation GEM experts from each country give their current opinions on what conditions are weighted more or less in the overall status of their national entrepreneurship framework.

Table 37. GEM experts’ view on the importance of the entrepreneurial conditions in the overall status of the national framework – a pilot comparison for Saudi Arabia, Bulgaria and the UAE, 2017

Saudi Arabia			Bulgaria			UAE		
Condition	Mean	S.D.	Condition	Mean	S.D.	Condition	Mean	S.D.
Subjective weight for: Government concrete policies – prioritization and support	8.85	1.73	Subjective weight for: Entrepreneurial education at primary and secondary school level	8.69	1.55	Subjective weight for: Financial environment related to entrepreneurship	8.39	1.82
Subjective weight for: Entrepreneurial education at vocational, professional, college and university level	8.58	1.52	Subjective weight for: Government programs	8.56	1.75	Subjective weight for: Government concrete policies – prioritization and support	8.92	1.20
Subjective weight for: Professional and commercial infrastructure access	8.53	1.83	Subjective weight for: Internal market dynamics	8.50	1.66	Subjective weight for: Government policies, bureaucracy and taxes	6.81	2.93
Subjective weight for: Financial environment related to entrepreneurship	8.35	2.13	Subjective weight for: Government concrete policies – prioritization and support	7.78	2.10	Subjective weight for: Government programs	7.47	2.02
Subjective weight for: Entrepreneurial education at primary and secondary school level	8.25	2.08	Subjective weight for: Internal market burdens	7.44	2.01	Subjective weight for: Entrepreneurial education at primary and secondary school level	7.25	2.43
Subjective weight for: R&D transfers	7.93	2.14	Subjective weight for: Entrepreneurial education at vocational, professional, college and university level	7.31	2.23	Subjective weight for: Entrepreneurial education at vocational, professional, college and university level	7.89	2.05
Subjective weight for: Internal market dynamics	7.90	1.82	Subjective weight for: Financial environment related to entrepreneurship	6.78	2.34	Subjective weight for: R&D transfers	7.83	2.37
Subjective weight for: Government policies, bureaucracy and taxes	7.70	2.39	Subjective weight for: R&D transfers	6.64	1.79	Subjective weight for: Professional and commercial infrastructure access	7.78	2.10
Subjective weight for: Cultural, social norms and societal support	7.48	1.91	Subjective weight for: Cultural, social norms and societal support	6.47	2.10	Subjective weight for: Internal market dynamics	7.25	2.03
Subjective weight for: Government programs	7.45	2.12	Subjective weight for: Physical infrastructure and services access	6.42	1.56	Subjective weight for: Internal market burdens	7.17	2.41
Subjective weight for: Internal market burdens	7.45	2.12	Subjective weight for: Professional and commercial infrastructure access	6.14	2.31	Subjective weight for: Physical infrastructure and services access	7.28	2.65
Subjective weight for: Physical infrastructure and services access	7.18	1.89	Subjective weight for: Government policies, bureaucracy and taxes	5.78	2.31	Subjective weight for: Cultural, social norms and societal support	7.56	1.75

In Table 37 one can see that in Saudi Arabia the most important condition determining the current status of the framework is government’s policies toward supporting and prioritizing entrepreneurship; in Bulgaria it is entrepreneurial education at primary and secondary school level; and in the UAE it is the financial environment related to entrepreneurship. The table shows the average weight given by experts to each condition in every country, so it is possible to see what the differences are among them and what the order of conditions is for each nation (on a 10-point scale where 1 = not important at all and 10 = extremely important). In future, it will be possible to see a complete ranking for all GEM participating countries and, subsequently, the evolution of the ranking and of the importance of each condition annually.

This information is important for policy makers to analyze in the national context, as well as in relation to a selected group of countries. In Saudi Arabia in 2017, all conditions were relevant in determining the entrepreneurial context, as all them got average scores of importance above seven points. The most important, however, were government policies – prioritization and support; entrepreneurial education at vocational, professional, college and university level; professional and commercial infrastructure access; financial environment related to entrepreneurship; and entrepreneurial education at primary and secondary level.

These clearly reflect the interest of the government in entrepreneurship and its development, helped by new generations of graduates that need better access to professional and commercial infrastructure to implement new models of businesses, more and new financial channels, and, finally, a sense of security that future generations will be adequately trained to pick up, and improve upon, new ways of doing things.



The scale starts at 1 because the use of 0 points would not allow the calculation of the composite index because a weight of 0 points would eliminate the affected condition from the index formula. This formula is:

$$\frac{W1 \cdot SV1 + W2 \cdot SV2 + W3 \cdot SV3 + W4 \cdot SV4 + W5 \cdot SV5 + W6 \cdot SV6 + W7 \cdot SV7 + W8 \cdot SV8 + W9 \cdot SV9 + W10 \cdot SV10 + W11 \cdot SV11 + W12 \cdot SV12}{W1 + W2 + W3 + W4 + W5 + W6 + W7 + W8 + W9 + W10 + W11 + W12}$$

Where SV1 to SV12 represent the scores of experts to the 12 conditions and where W1 to W12 represent the weights assigned by experts to each condition.



ENTREPRENEURSHIP AND FAMILY BUSINESS

8.1. General Overview

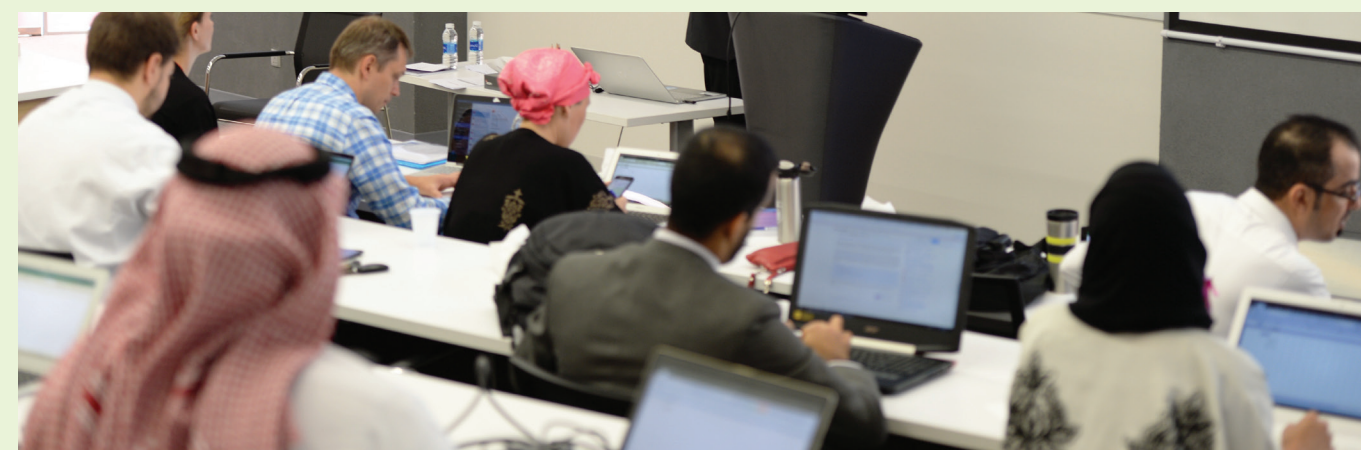
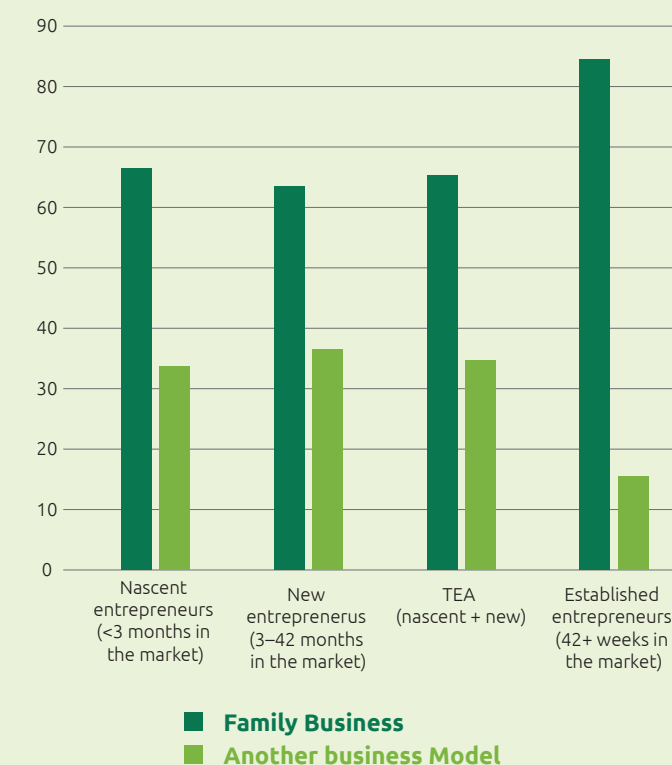
In 2017 it has been of interest to analyze how many nascent, new and established businesses involved in the entrepreneurial process are based on a family business model. Drawing out how many businesses correspond to this model is relevant because family businesses are very traditional in Saudi Arabia, and keeping an eye on their evolution and presence in Saudi entrepreneurial activity gives an idea of the composition of the sector. Thus policy makers can design measures adequate to give support to this type of activity, fostering its modernization.

Family businesses need specific regulations on managerial models, ownership, financing, succession and other inherent aspects that are critical to their proper development and growth. In the sections that follow, GEM Saudi Arabia provides information, for the first time, on the scope of the family business model in the entrepreneurial process for 2017.

8.2. Family businesses in Saudi Arabia's entrepreneurial process

The proportion of family businesses in Saudi Arabia is notably high at all entrepreneurial stages, and highest of all among established businesses. Figure 71 shows the proportion of cases captured in GEM surveys for every stage.

Figure 71. Proportions of family businesses at each stage of entrepreneurial activity in Saudi Arabia, 2017

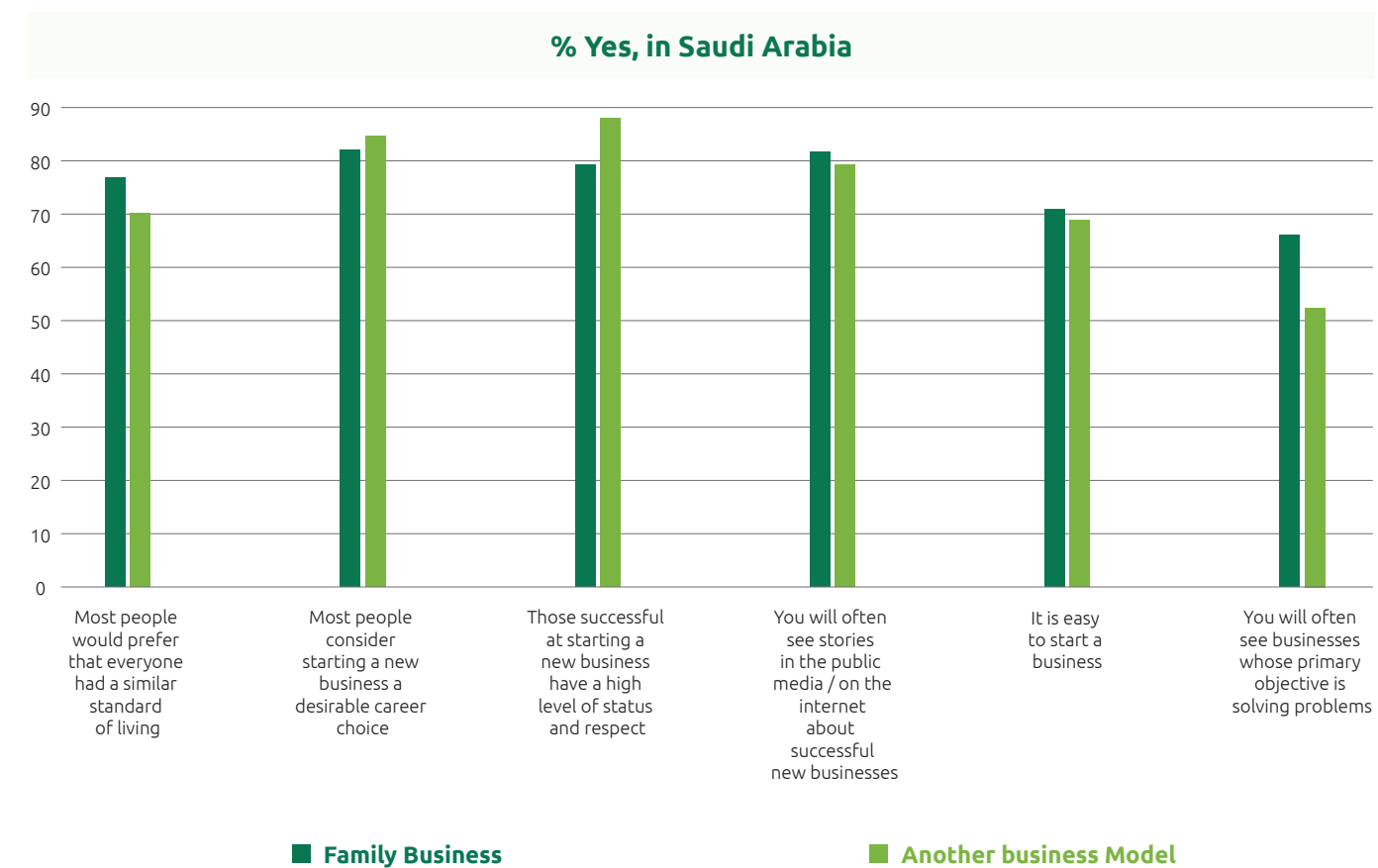


8.3. Main differences between individuals involved in family businesses and those involved in other business models regarding societal attitudes and individual self-perceptions about entrepreneurship

The behavior of individuals involved in family businesses appears to be not much different from those involved in other business models. The main and significative difference when talking about societal attitudes toward entrepreneurship is that those involved in family businesses more commonly perceive businesses as being primarily concerned with solving problems (see Figure 72). This suggests that family businesses give greater consideration to

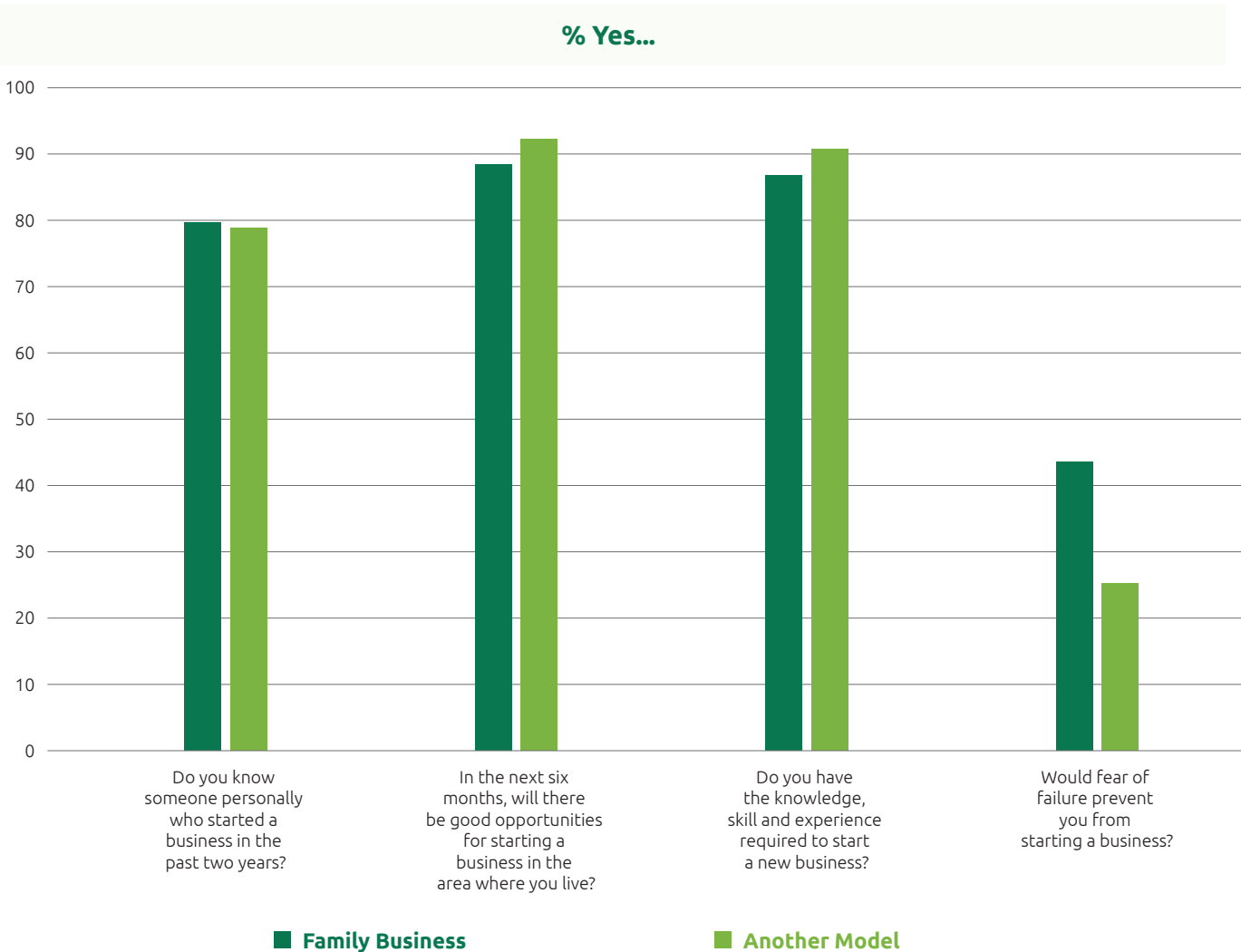
their social role and the contribution they make to the population’s wellbeing. Unsurprisingly, then, family businesses tend to be somewhat less competitive: those involved in them are more likely to believe that people would prefer everyone had a similar standard of living. The difficulties of running a family business are also reflected to some degree in the results, as those involved in family businesses are somewhat less convinced that starting a new business is a desirable career choice or that those successful at starting a new business enjoy a high level of status and respect. Nonetheless, the percentages of positive response are high for both groups, and family businesspeople have more positive views regarding media coverage of entrepreneurship and the ease of starting new ventures.

Figure 72. Proportions of positive responses about societal attitudes associated with entrepreneurship among family businesspeople in Saudi Arabia versus those involved in other business models, 2017



The behavior of individuals involved in family businesses appears likewise to be not much different from those involved in other business models regarding self-perceptions on entrepreneurship. The main and very significative difference is that individuals involved in other models show a lower proportion of instances in which fear of failure would prevent them from starting a new business. This result suggests that those involved in family businesses are probably more familiar with issues and difficulties around running businesses than those who would start up a different model.

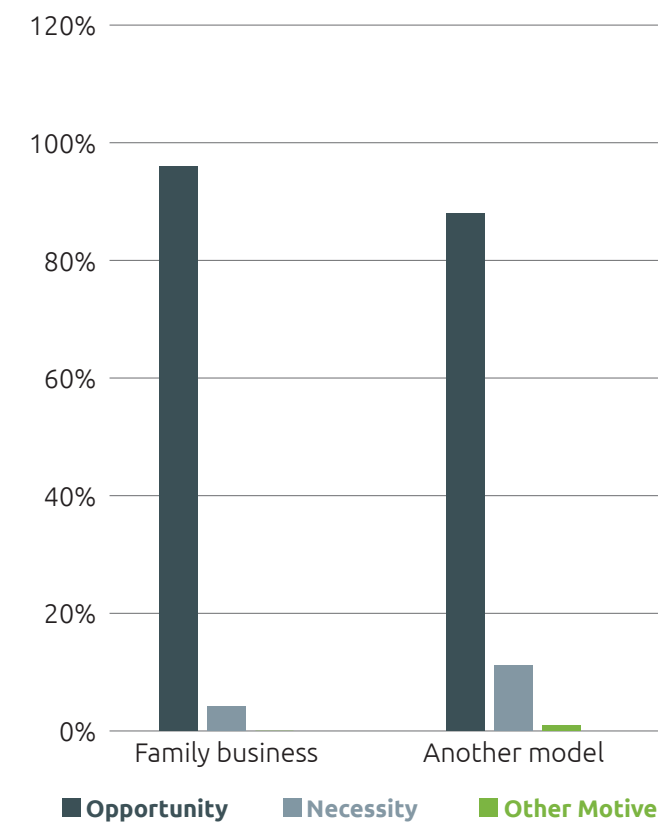
Figure 73. Proportions of positive responses about self-perception on entrepreneurship for individuals involved in family businesses in Saudi Arabia versus those involved in other business models, 2017



8.4. Main features of Saudi Arabian family businesses compared to other business models

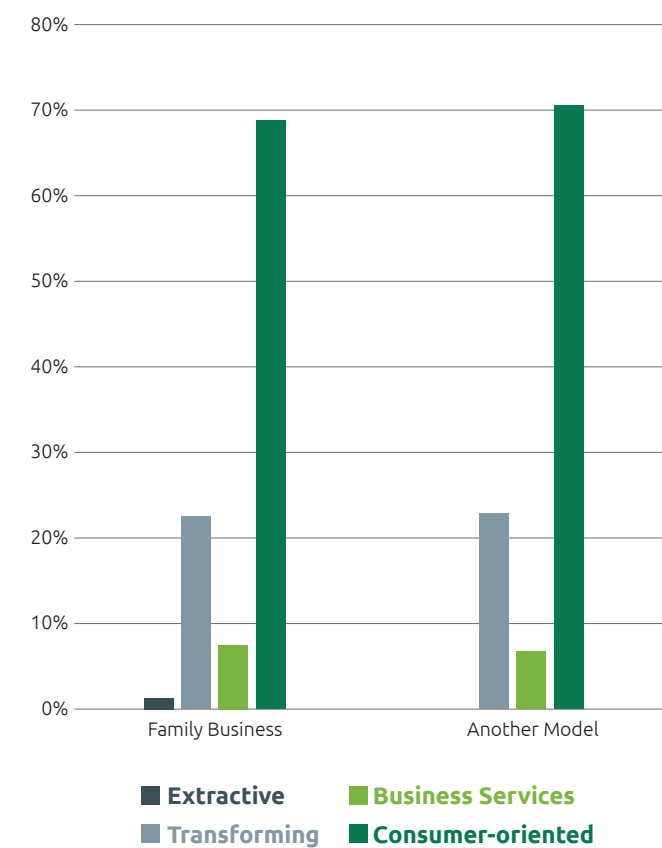
Analyzing the motivation to start up among entrepreneurs, those involved in family businesses show a somewhat higher proportion – not a big difference, but statistically significant – of cases driven by opportunity (see Figure 74).

Figure 74. Main motive to start a business in Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs



Regarding sectors of activity, there are no significant differences: both groups are distributed similarly across the four sectors (see Figure 75). There are no cases of non-family businesses in the extractive sector, however this is due to sampling because the proportion is very low in the general population – in other words, all the captured cases were family businesses by chance.

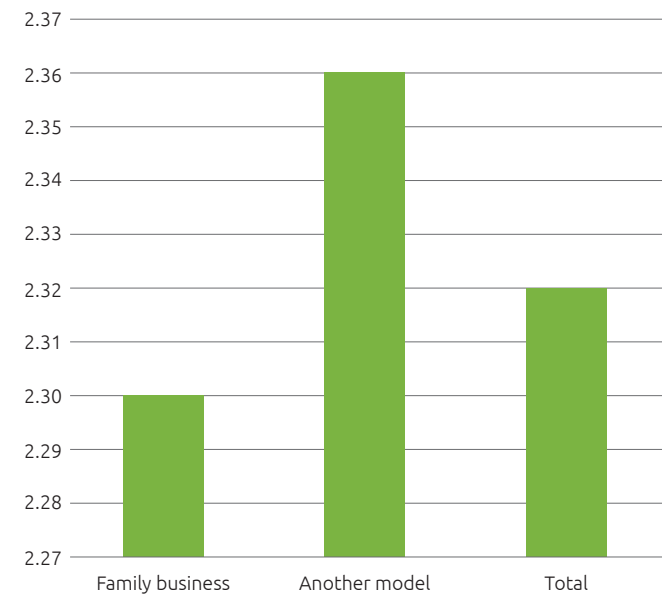
Figure 75. Main sector of activity in Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs



The average number of owners for each business is similar in both groups. For family and non-family businesses alike, the average of owners is slightly higher than two (see Figure 76). The difference between the two averages is not statistically significant.

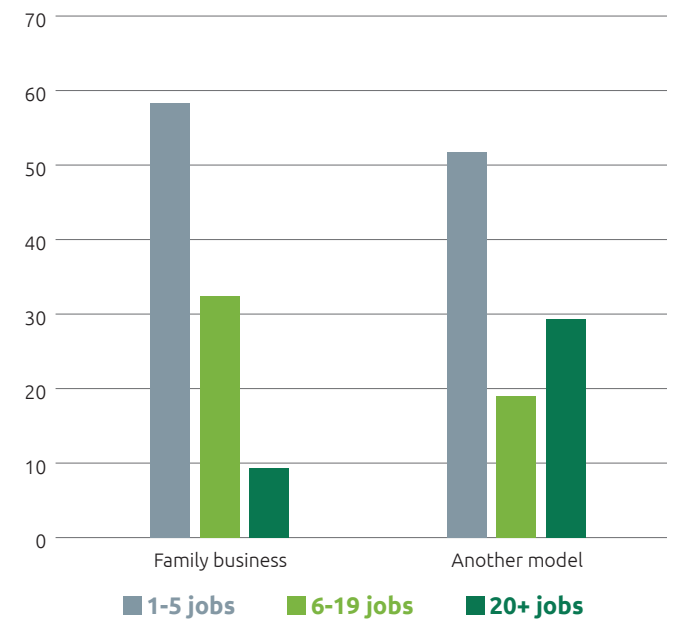
Those involved in family business show a somewhat higher proportion of cases driven by opportunity

Figure 76. Average number of owners in Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs



Regarding the current number of employees, more than half of both types of businesses have between one and five employees. However, non-family businesses show a significantly higher proportion of cases of 20 or more employees (see Figure 77). This result suggests that family businesses in Saudi Arabia are more limited than other models in creating jobs and that family members tend to be strongly committed to running the enterprise themselves. Including firms in the nascent and consolidation stages could be another determining factor, as it is possible that family members prefer being personally involved in the business during these early stages to avoid the risk of investing funds on hiring employees.

Figure 77. Number of employees in Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs

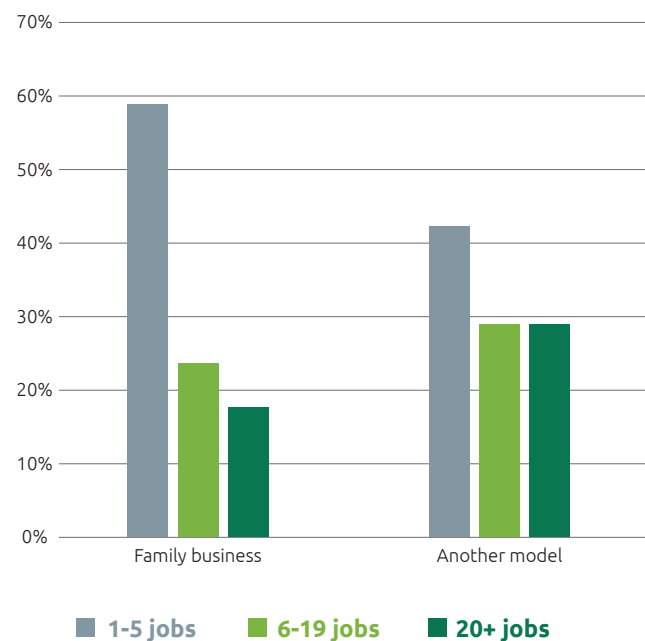


The more prudent character of family business entrepreneurs is reaffirmed in the results on expectations about job growth: only a relatively meagre 17.6% of family businesses expect to create 20 or more jobs in five years (see Figure 78), whereas significantly more non-family businesses expect to add employees. In other words, non-family business entrepreneurs appear to be more ambitious about generating job positions over the coming five years than are family business entrepreneurs.



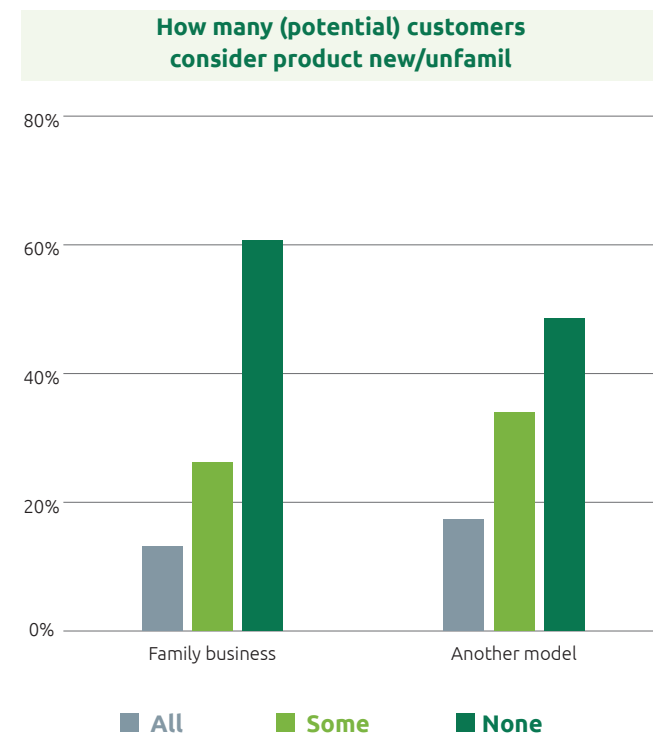


Figure 78. Expected number of employees in five years in Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs



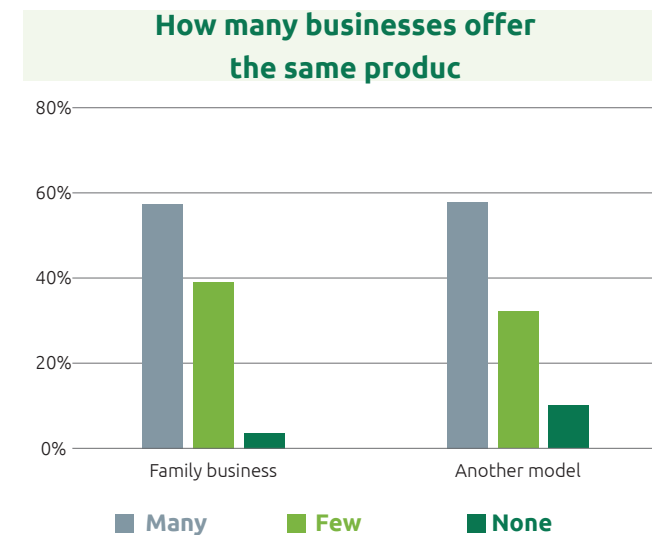
Non-family business entrepreneurs are shown to be developing innovative products and services in greater proportion than family business entrepreneurs: the percentage of cases with no innovative component is 48.6% for non-family businesses and 60.7% for family businesses (see Figure 79). The difference is statistically significant and suggests that family businesses tend to replicate products and services more than do non-family businesses.

Figure 79. Entrepreneurial activity with innovation component in Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs



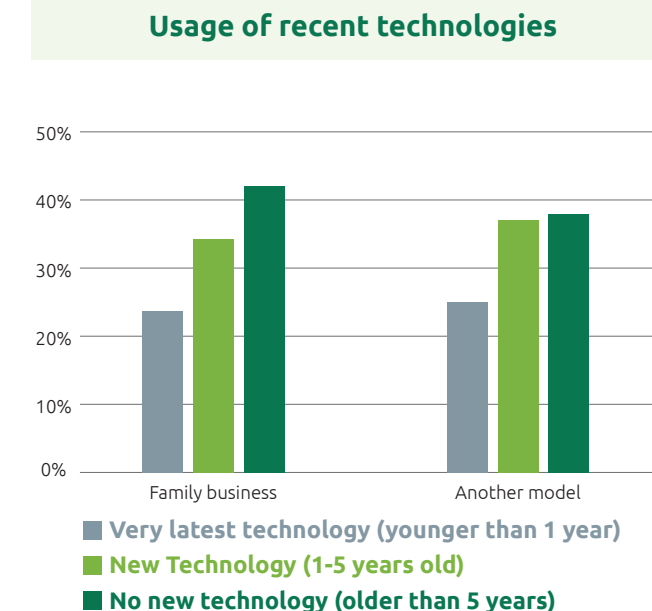
Similar to the previous result, non-family business entrepreneurs face no competing products more often than do family business entrepreneurs. The percentage of cases with no competing products is 10.1% for non-family businesses and 3.6% for family businesses (see Figure 80). The difference is statistically significant and suggests that, on average, family businesses are somewhat less competitive than non-family businesses.

Figure 80. Entrepreneurial activity with competitive component in Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs



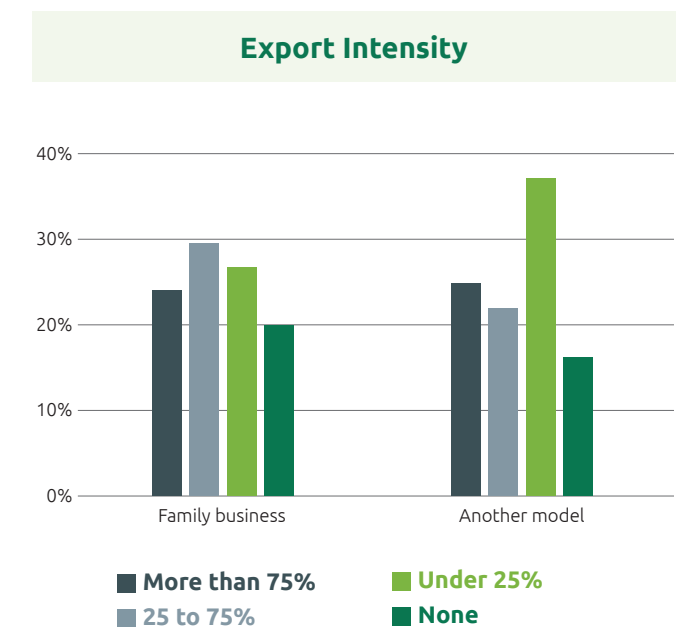
The previous differences detected between non-family and family business entrepreneurs are further confirmed by the fact that the percentage of instances with no usage of recent technology is somewhat lower for non-family businesses (38%) than for family business entrepreneurs (42%). The difference is not big, but it is significant (see Figure 81).

Figure 81. Entrepreneurial activity and usage of recent technologies in Saudi Arabia, 2017 – comparison between family and non-family business' entrepreneurs



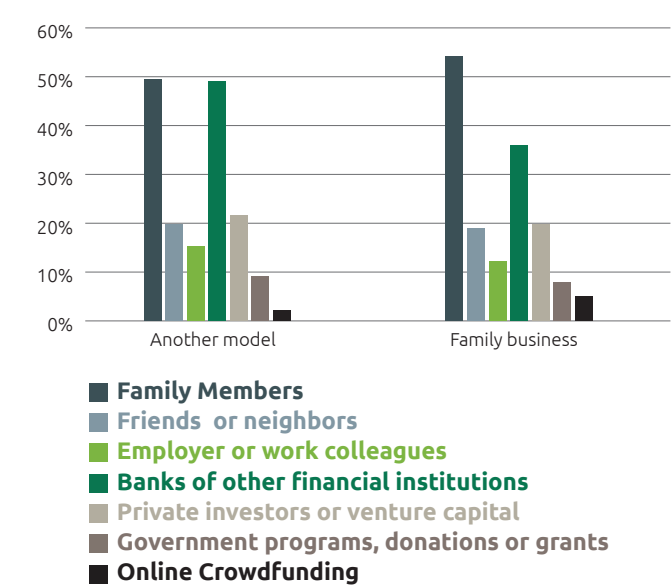
Although family businesses more frequently export none of their product, overall they exhibit a slightly higher export intensity (see Figure 82).

Figure 82. Entrepreneurial activity and internationalization in Saudi Arabia, 2017 – comparison between family and non-family business' entrepreneurs



Finally, there are not many differences around financing between entrepreneurs involved in family and non-family businesses. The average funds necessary to start the activity are quite similar for both groups: 220,432 SAR for family businesses and 292,526 SAR for non-family ventures. The channels of financing used to obtain funds appear similarly distributed, except for slight differences indicating that family business entrepreneurs more commonly ask family members for funds, while non-family entrepreneurs are more likely to approach banks and other financing institutions. Online crowdfunding is more extensive among family businesses, while government programs and private investors / venture capitalists appear to slightly favor non-family businesses. However, these latter differences are only minor (see Figure 83).

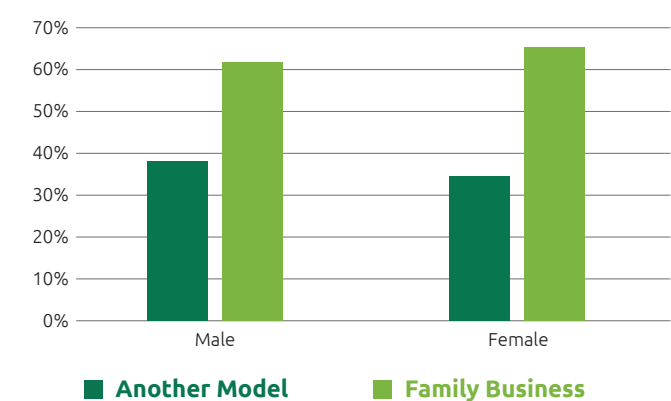
Figure 83. Entrepreneurial activity and financing channels used to start up in Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs



8.5. Main features of Saudi Arabian family business entrepreneurs compared to those that developed other business models

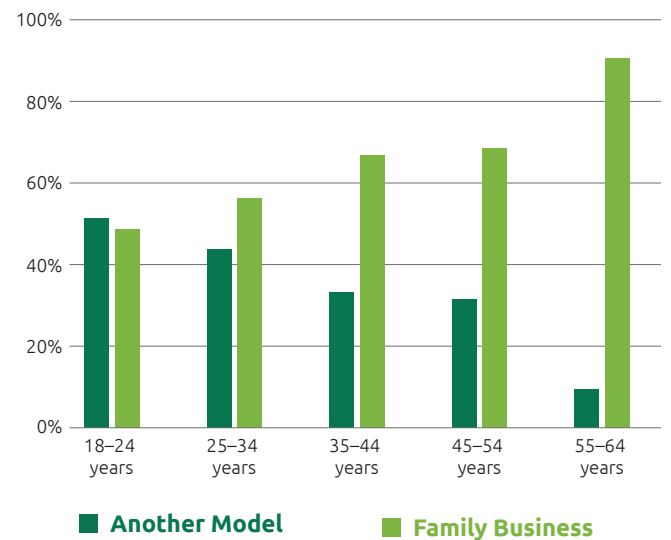
While there are, proportionally speaking, more women than men involved in family businesses than in non-family businesses, the difference is small and not statistically significant (see Figure 84). In both models, the gender distributions are very similar.

Figure 84. Gender distribution, Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs



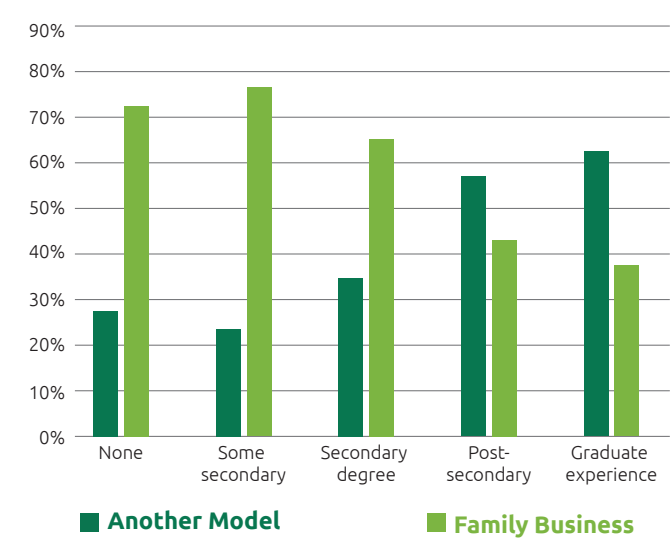
Rather, age is a significant factor: presently in Saudi Arabia, family businesses are dominated by older entrepreneurs (see Figure 85). Meanwhile, more than a half of the youngest entrepreneurs are involved in different business models. These results suggest that new business models are slowly taking over traditional ones in Saudi Arabia.

Figure 85. Age-group distribution, Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs



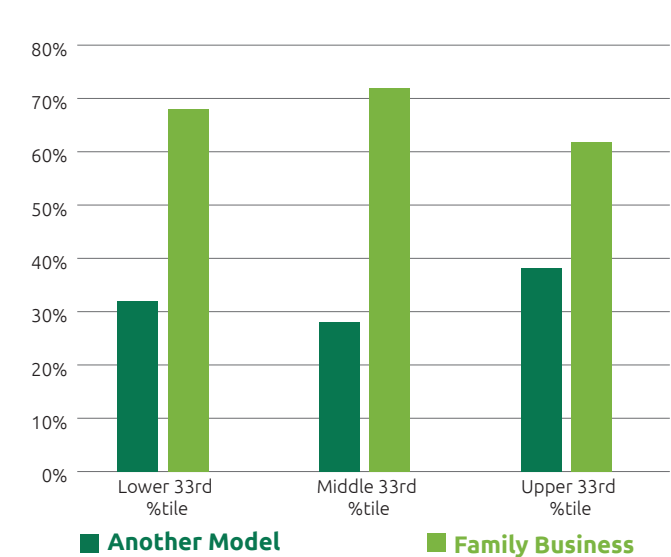
Education level is another important variable. The results shown in Figure 86 indicate that higher proportions of entrepreneurs with studies up to the secondary level are involved in family businesses, while for other models there are higher proportions of entrepreneurs who have studied at the post-secondary level and beyond. These results are consistent with the greater competitiveness detected in non-family businesses.

Figure 86. Education-level distribution, Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs



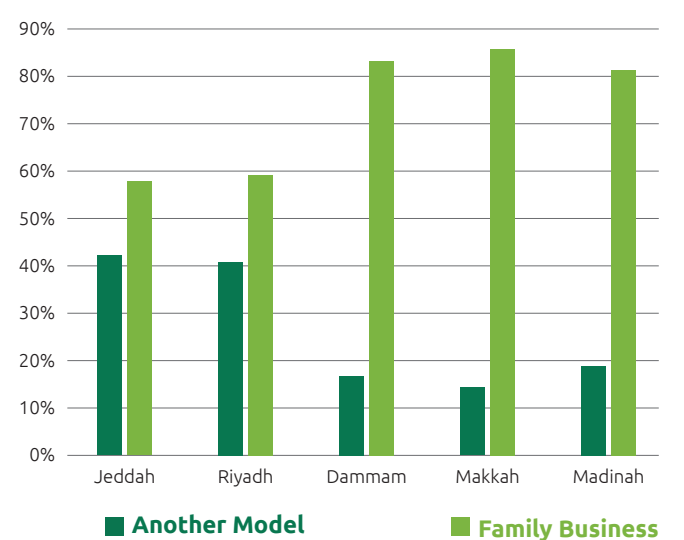
The previous result, however, is not influenced by the individual's income level. The distribution of this variable is similar for family and non-family models, and there are similar percentages of family and non-family business entrepreneurs in the lower, middle and upper income groups (see Figure 87).

Figure 87. Income-level distribution, Saudi Arabia, 2017 – comparison between family and non-family business' entrepreneurs



The region where the businesses are allocated, however, is a very determinant variable. The proportions of family businesses are much higher in Makkah, Dammam and Madinah and much lower in Riyadh and Jeddah (see Figure 88). These results are consistent with the higher economic and social development of the latter zones, where the modernization of entrepreneurial businesses is more intensively implemented.

Figure 88. Regional distribution, Saudi Arabia, 2017 – comparison between family and non-family business entrepreneurs



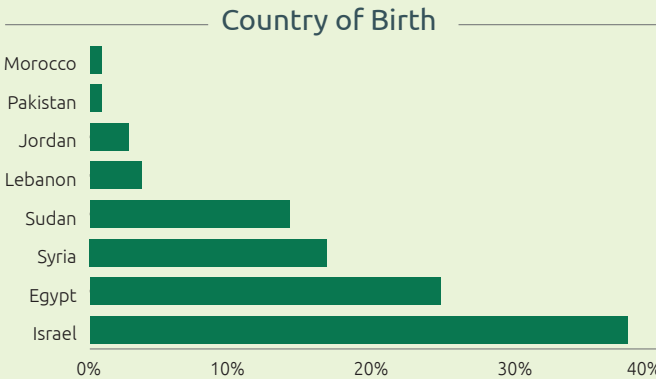
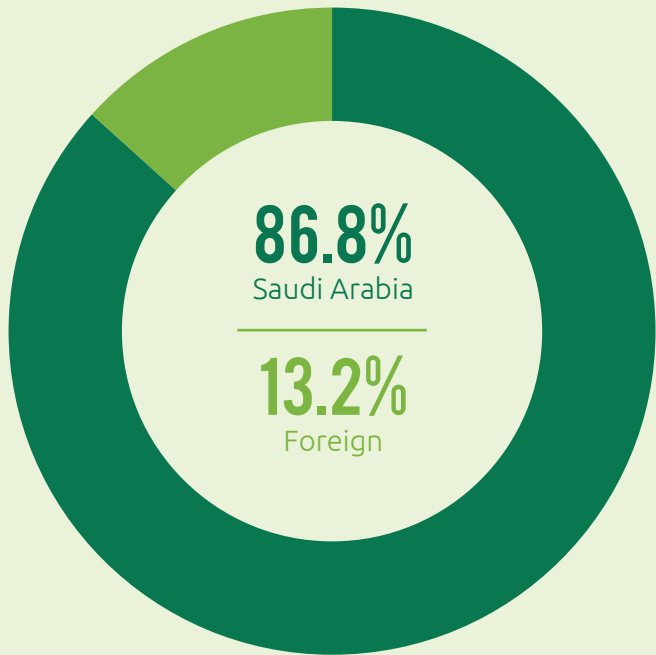


ENTREPRENEURSHIP AND ORIGIN

9.1 General Overview

The Saudi Arabian population is mainly composed of natives. Thus GEM’s 2017 adult population survey produced a sample distribution where 86.8% of the interviewees were born in Saudi Arabia and 13.2% were born out of the country. This foreign-born part of the population comes from countries relatively close to Saudi Arabia – Egypt, Syria, Sudan, Lebanon and Jordan – plus other, more distant, countries like Morocco and Pakistan.

Figure 89. GEM’s adult population sample, 2017 – distribution by origin and country of birth 2017



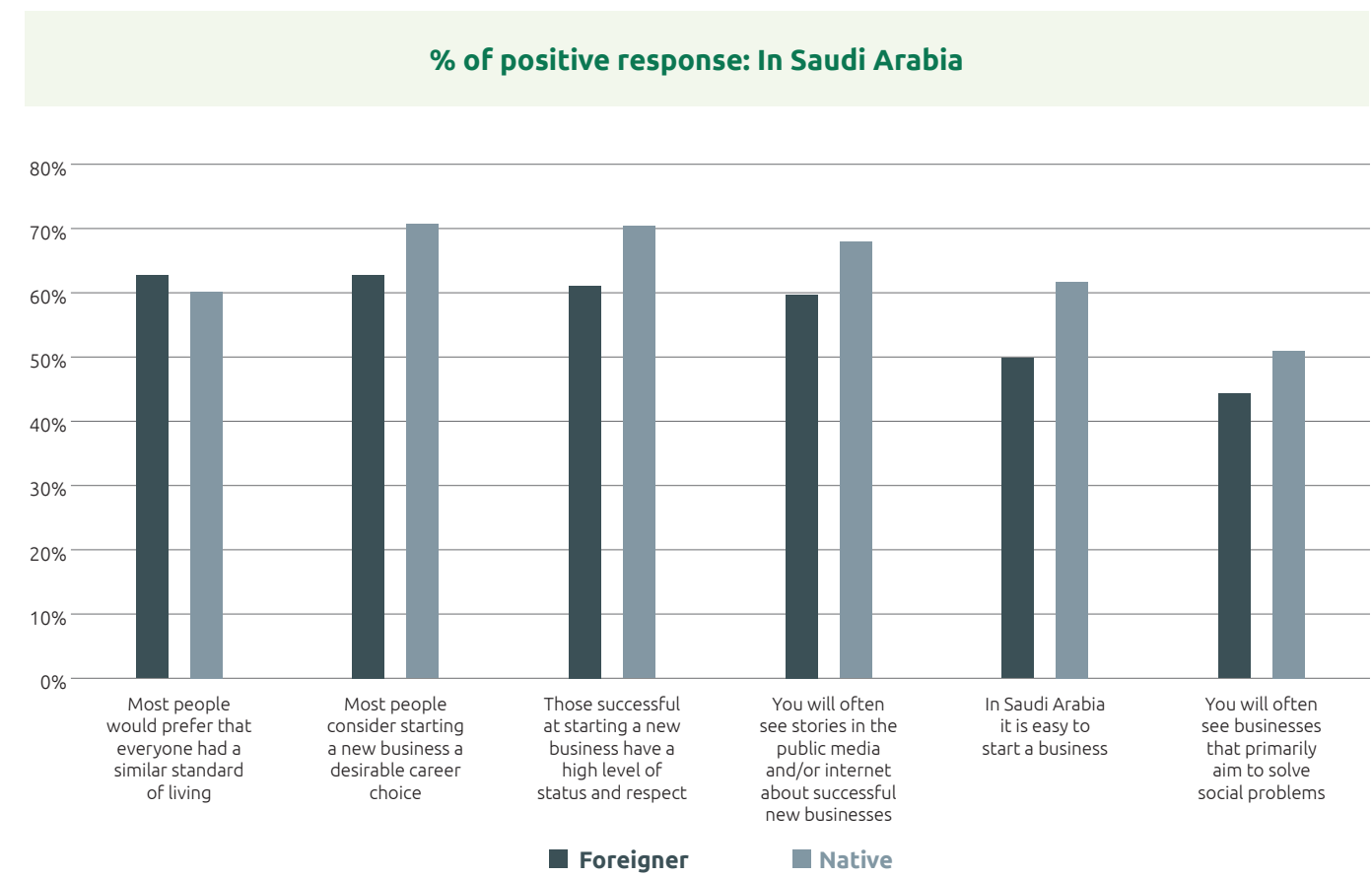
This section is devoted to showing the main features of entrepreneurial attitudes and activity among those born outside Saudi Arabia and to compare the general characteristics of their entrepreneurial activity with that of natives.

9.2. Foreigners’ perception of societal attitudes related to entrepreneurship

Compared to the native adult population, the perception among foreigners of societal attitudes related to entrepreneurship is somewhat weaker (although still positive, globally considered). The differences observed are statistically significant. GEM has observed that usually in developed economies foreigners show a stronger perception than natives of these societal attitudes, so the result for Saudi Arabia suggests that a big part of foreigners come to the country to take up jobs agreed in advance and that relatively few start their own ventures after some time of integration into Saudi society.

Looking at the results in Figure 90, it is possible to see that foreigners appear as somewhat less competitive and less convinced than natives that: entrepreneurship is a good career choice, those successful in starting new businesses get high level of status and respect, media support entrepreneurs, it is easy to start a business at the country, and businesses’ primary aim is often solving social problems. Nonetheless, perceptions among foreigners are, on the whole, remarkably favorable.

Figure 90. Perception of societal values related to entrepreneurship by origin, Saudi Arabia, 2017



9.3. Foreigners' individual self-perceptions about entrepreneurship

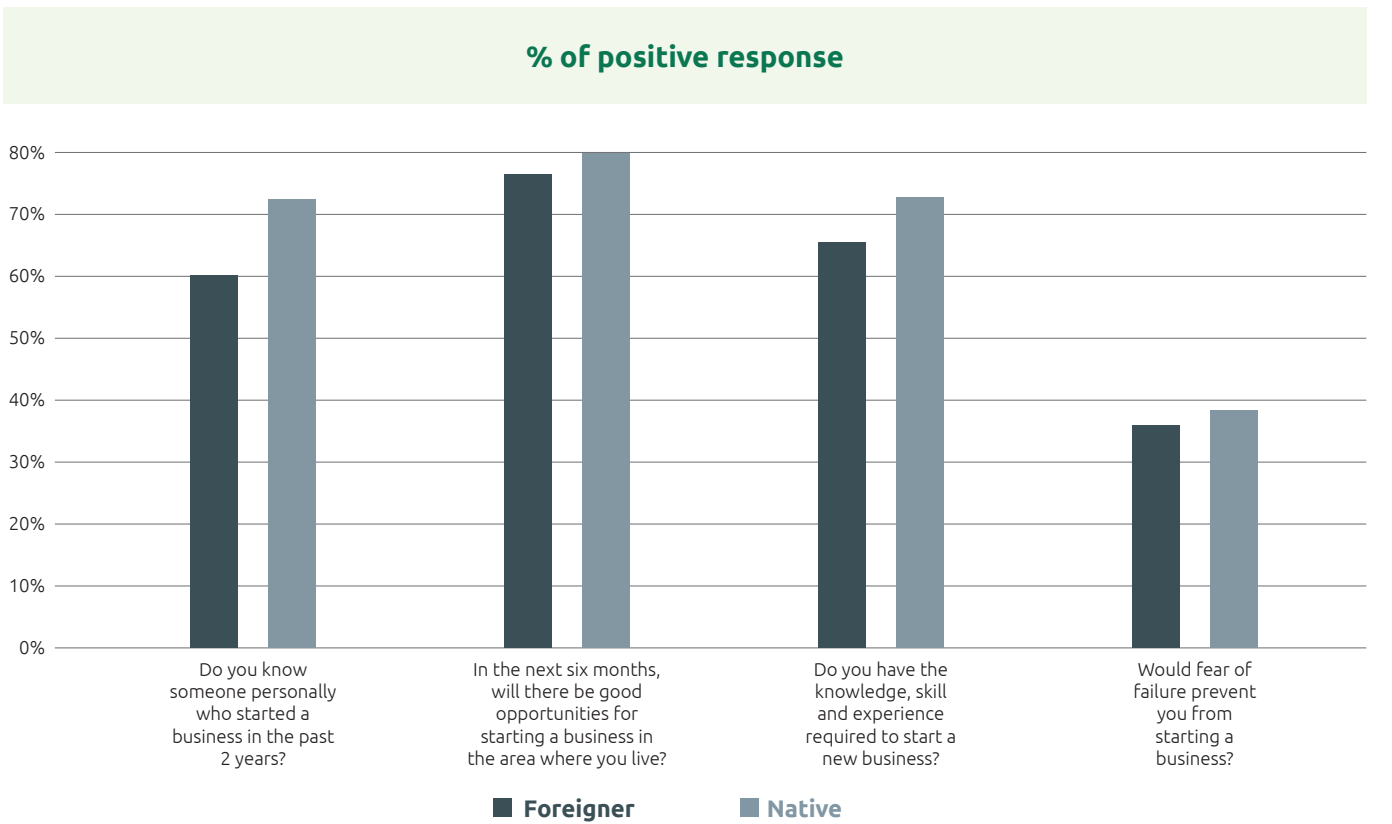
Foreigners and natives appear closer regarding individual self-perceptions about entrepreneurship. The reason is clear: foreigners were born in countries with high levels of entrepreneurial activity and cultural backgrounds supporting entrepreneurship, although many of these countries still don't have adequate frameworks to foster the modern vision of entrepreneurship.

The results presented at Figure 91 show that, although foreigners are less likely to know recent entrepreneurs than are natives, the percentage is high and demonstrates that they receive the influence of entrepreneurial environments. Also, the proportion of individuals perceiving good opportunities to start businesses in the zone where they live is very high, and furthermore similar between foreigners and natives; the same can be said regarding the levels of fear

of failure as an element preventing potential entrepreneurs from starting up. Foreigners see themselves somewhat less often as possessed of entrepreneurial skills, but the proportion is still high and reveals that many of the adults who come to Saudi Arabia have valorous elements to contribute in developing entrepreneurial activities.

In conclusion, most of the foreign adults that come to Saudi Arabia belong to countries where entrepreneurship has features in common with those of Saudi Arabia. This should make their integration into the Saudi process easy, provided policy makers analyze what actions might be necessary to help realize their potential contributions.

Figure 91. . Individual self-perceptions about entrepreneurship by origin, Saudi Arabia, 2017



9.4. Foreigners’ entrepreneurial activity

The rate of entrepreneurial activity among foreigners is very similar, overall, to the natives’ rate (see Table 38). However, there are interesting differences between both groups at each phase of the entrepreneurial process. Natives show a higher rate of entrepreneurial intention: 34.7% of their adult population manifested an intention to start up over the next three years, compared to 26.7% among foreigners. Also, the results reveal that foreigners are progressively entering in the Saudi market: the proportion of nascent ventures among foreigners is higher than among natives (5.1% against 4.7%), while there are relatively less new (6.3% against 6.8%) and established (1.8% against 3.8%) foreign entrepreneurs. The rate of discontinuation is lower among foreigners (7.5% against 9%), a result which suggests that they are affected as Saudis by high volatility but trying harder to stay.

Table 38. Foreigner and native entrepreneurial activity through the phases of business in Saudi Arabia, 2017

	Activity at each phase of business creation and development					
	Potential	Nascent	New	TEA (total)	Established	Discontinuation
Foreigner	26.7%	5.1%	6.3%	5.1+6.3=11.4%	1.8%	7.5%
Native	34.7%	4.7%	6.8%	4.7+6.8=11.5%	3.4%	9.0%
Percentages of foreign-born and native Saudi Arabian population aged 18–64 involved in each phase						

9.5. Main features of foreigners’ entrepreneurial activity

The survey results about the main features of foreigners’ entrepreneurial (TEA) and established (EB) activity are summarized in Table 39. Male participation is greater at both stages, but the female rate is not far behind. Most of the activities are opportunity-driven, but the necessity rate is notably high. A large majority of the ventures are devoted to the consumer-oriented

sector, especially among recent entrepreneurs; established owner-managers also show a significant proportion linked to the transforming sector. The extractive sector has no presence among either group, and just a small proportion of recent entrepreneurs are involved in the business services sector. The innovative component and lack of competitors is a very indistinct



feature within foreigner activity, although usage of the latest technologies is notable. Less than 6% of foreign entrepreneurial firms have 20% or more employees, while this proportion is around 13% among established businesses. In both groups, more than 10% are optimistic about high job-creation expectation and more than 75% indicate that they are involved in export activities.

Table 39. Main features of foreigners’ entrepreneurial and established activity in Saudi Arabia, 2017

TEA Indicators	% foreign population aged 18-64
TEA, total for foreigners	11.4
TEA male	11.8
TEA female	10.8
TEA opportunity motive	6.2
TEA necessity motive	5.1
TEA other motive	0.2
Involved in TEA purely by opportunity motive	3.1
Involved in TEA partly by opportunity motive	3.1
Involved in TEA by necessity motive	5.1
Involved in TEA by other motive	0.2
% of TEA: transforming sector	11.4
% of TEA: business services sector	4.8
% of TEA: consumer-oriented sector	83.7
% of TEA with innovative component	2.4
% of TEA with no competitors	2.7
% of TEA using very latest technology	32.8
% of TEA with 20 or more jobs	5.7
% of TEA that expects creating 20 or more jobs in 5 years	10.3
% of TEA with some export activity	87.5
EB Indicators	% foreign population aged 18-64
EB, total for foreigners	1.8
EB male	1.9
EB female	1.7
Involved in EB purely by opportunity motive	1.1
Involved in EB partly by opportunity motive	0.2
Involved in EB by necessity motive	0.6
Involved in EB by other motive	0.0
% of EB: transforming sector	32.6
% of EB consumer-oriented sector	67.4
% of EB with innovative component	12.0
% of EB with no competitors	0.0
% of EB using very latest technology	21.2
% of EB with 20 or more jobs	13.2
% of EB that expects creating 20 or more jobs in 5 years	11.6
% of EB with some export activity	79.2



THE IMPACT OF THE DOWRY ON YOUNG SAUDI'S ENTREPRENEURSHIP DEVELOPMENT

10.1. Introduction

Typically, a dowry is the transfer of parental property to the daughter at the time of her marriage. The purpose of this tradition is to provide the woman with security in case of her husband's death or negligence; eventually, the dowry may go to providing for her children. But dowries are not applied in the same manner in every part of the world. In the Arab countries, it is not the bride's side that has to pay the dowry; instead, the groom has to take care of providing not just a dowry (Mahr) but also has to, in some cases, take care of other wedding expenses.

In recent times the average age at which Arabs get married has increased along with the cost of marriage. Today, the typical Mahr ranges from 50,000–150,000 SAR (approximately 13,500–40,000 USD). Times have changed, and getting this amount is not easy for many families; thus, the preservation of tradition impacts the average age of marriage.

In the 2017 survey, GEM Saudi Arabia posed a couple of statements to estimate what impact this tradition has on youth entrepreneurship expectations. The results are analyzed in the following sections.

10.2. Opinion on the dowry as an obstacle to young entrepreneurship

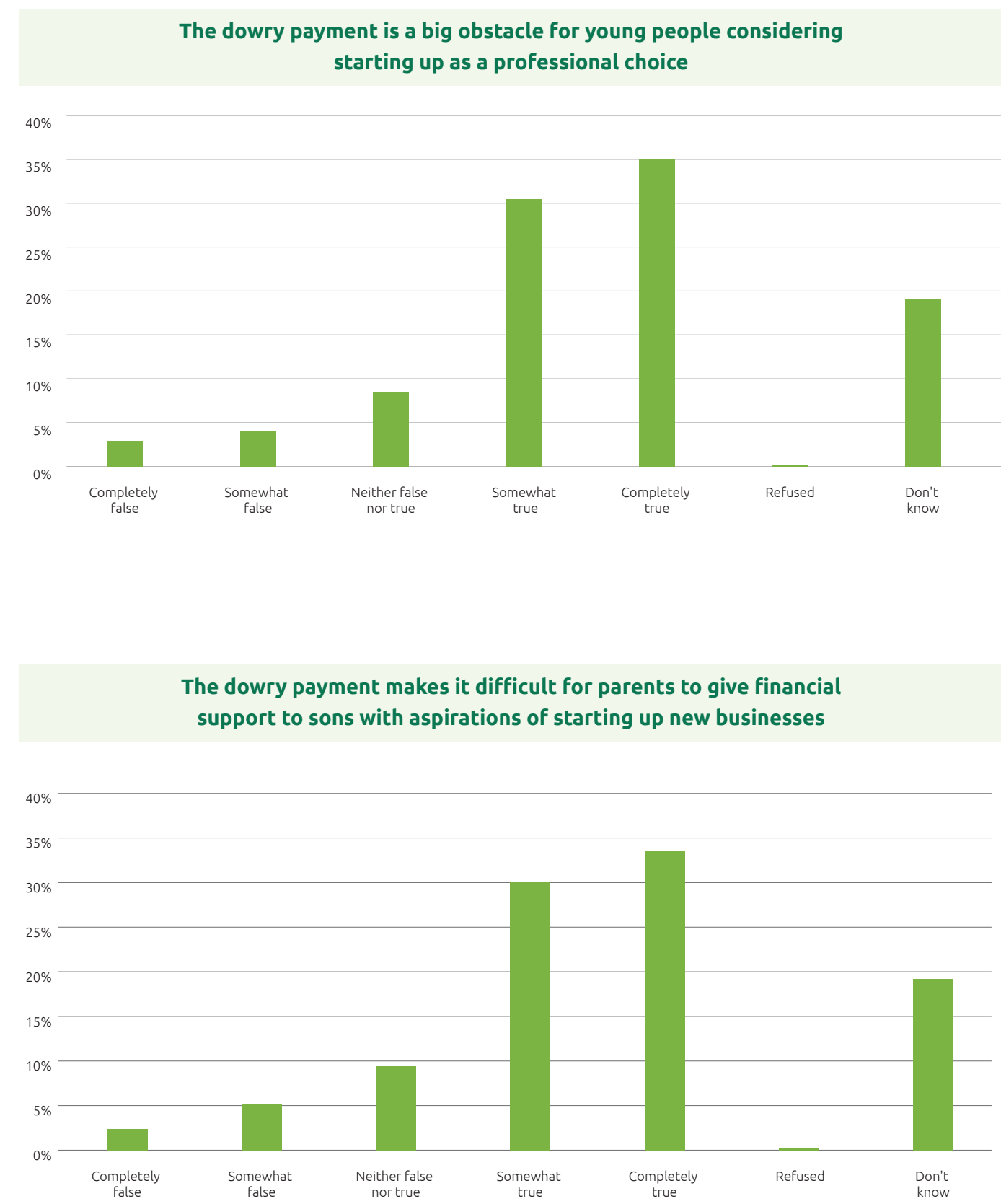
On average, the Saudi adult population sees the dowry as an obstacle to young people considering starting up as a professional choice, as well as for parents hoping to give financial support to sons with entrepreneurial aspirations. Responses to both statements got high average scores: 4.12 and 4.08 respectively, where 1 = completely disagree and 5 = completely agree.

The complete distribution of responses to the two statements is shown in Figure 92. As can be seen, 65.3% of the adult population thinks that it is more true than false that the dowry is a big obstacle to young potential entrepreneurs, while 63.6% thinks it more true than false that this payment makes it difficult for parents to give financial support to sons with aspirations of starting up new businesses. Around 19% of the population did not have an opinion; less than 8% considered these statements false.

The average responses strongly indicate that under the current economic framework and global context, the conditions of the dowry should be revised to facilitate marriages at proper ages and the professional development of young people, especially when this hinges upon the investment of personal or family funds.

Today, the typical Mahr ranges from 50,000–150,000 SAR. Times have changed, and getting this amount is not easy for many families

Table 92. Opinion on the dowry as an obstacle to young entrepreneurship in Saudi Arabia, 2017 – complete distribution



10.3. Opinion on the dowry as an obstacle to young entrepreneurship according to socio-demographic characteristics

Although the dowry is perceived as an obstacle to young entrepreneurship, the opinions change somewhat depending on some socio-demographic features which are of relevance to policy makers hoping to address the problem and design possible solutions.

Gender and age do not influence the average responses to the proposed statements; however, educational level, income level and other variables do, to a low but statistically significant extent. As shown in Figure 93, those with a post-secondary degree agree more strongly with the statements. Similarly, one can see in Figure 94 that the level of agreement increases as the level of income does. Figure 95 indicates that people who are working agree less with the proposed statements.

Figure 93. Opinion on the dowry as an obstacle to young entrepreneurship in Saudi Arabia, 2017 – average score by educational level

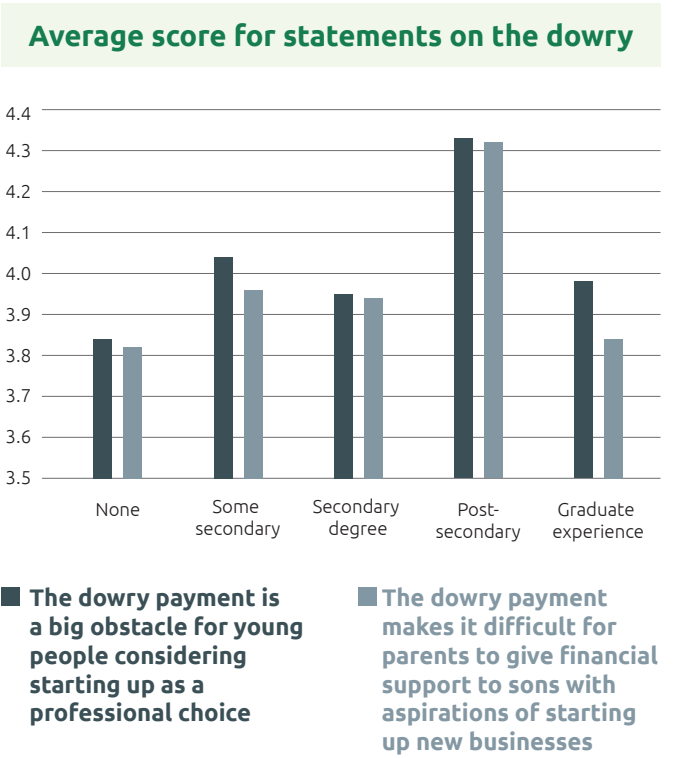


Figure 94. Opinion on the dowry as an obstacle to young entrepreneurship in Saudi Arabia, 2017 – average score by income level

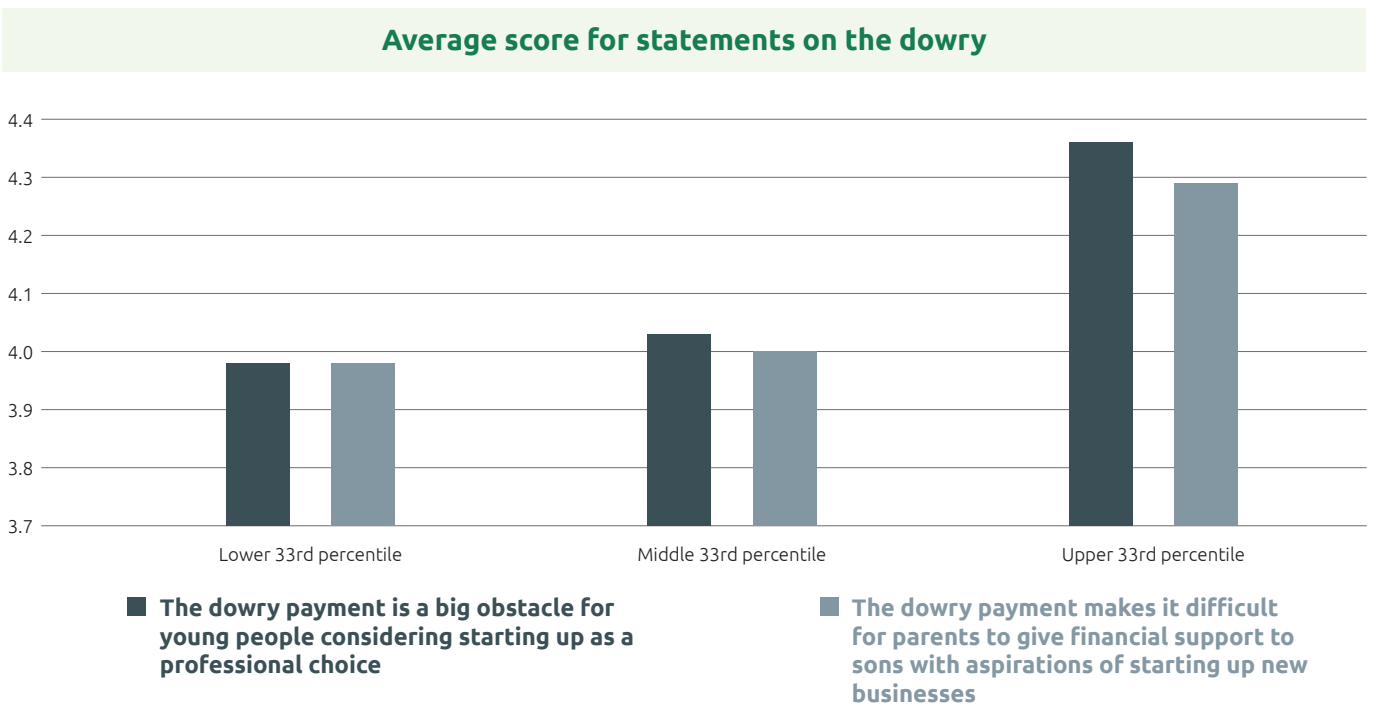
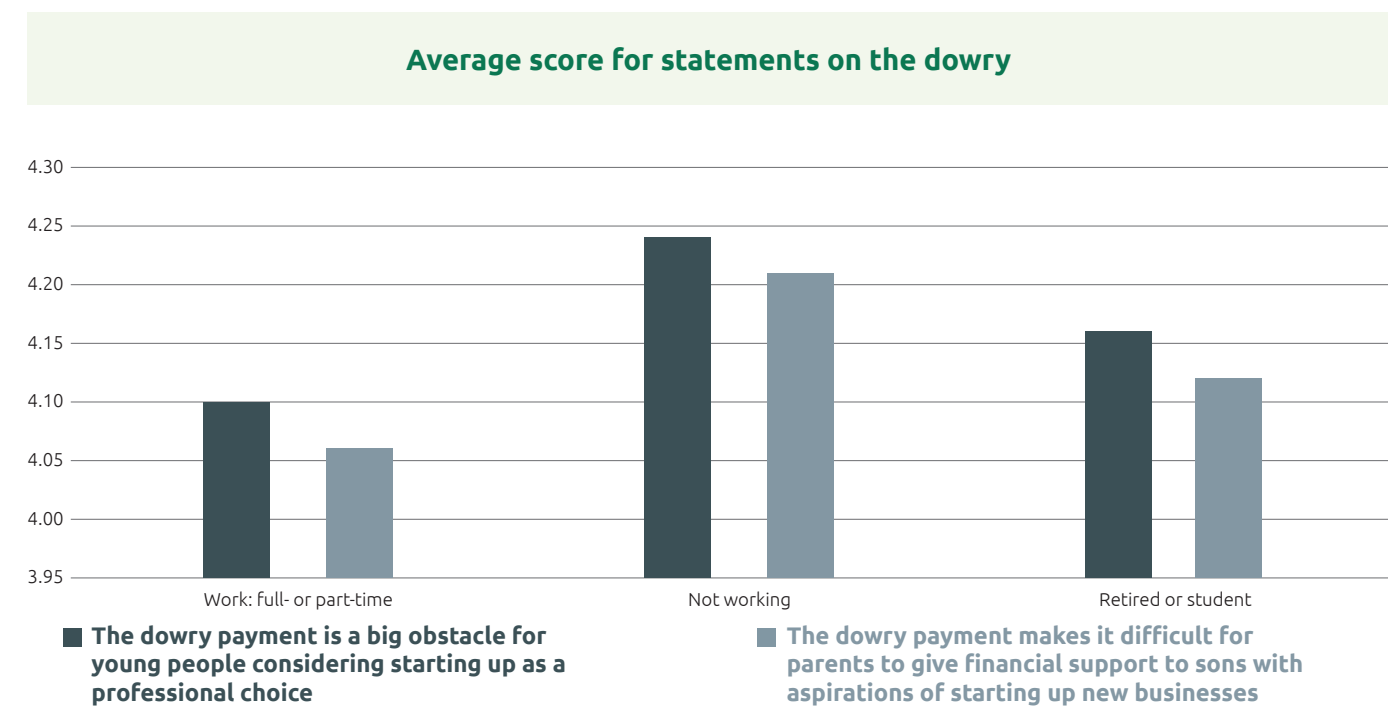
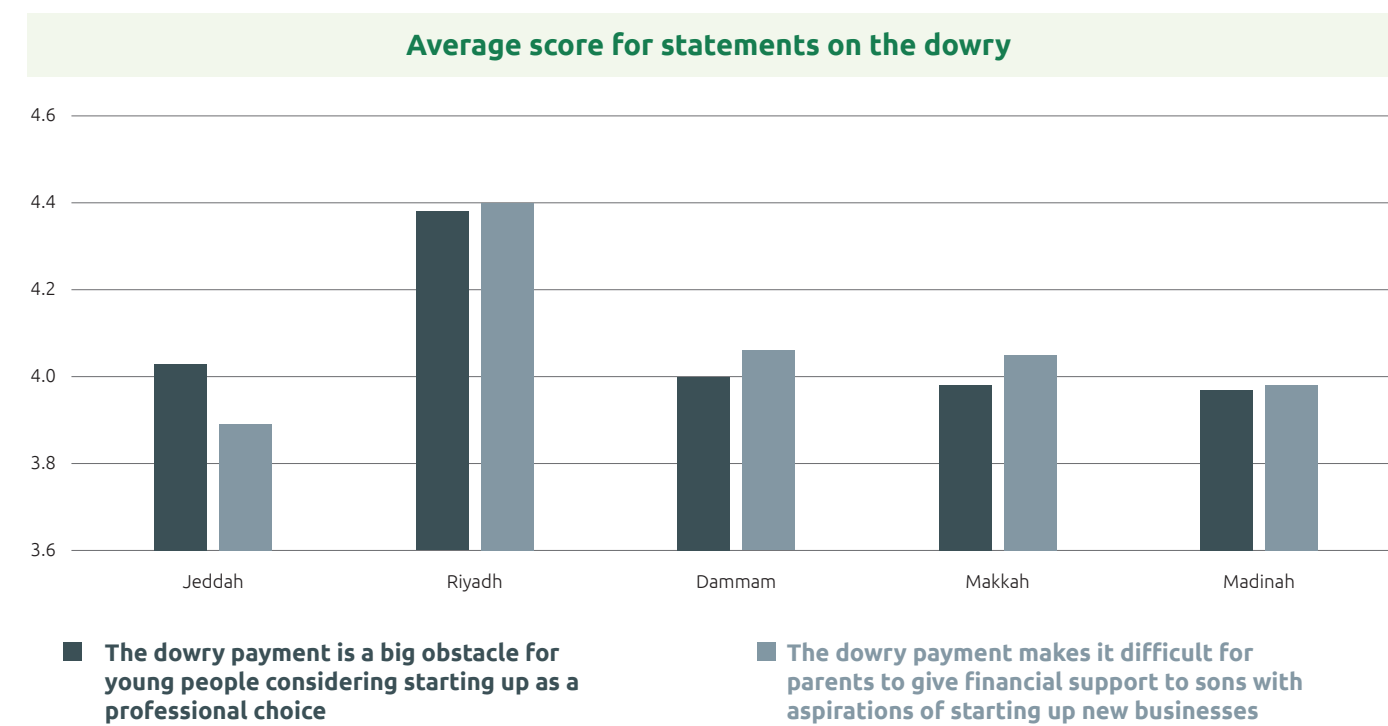


Figure 95. Opinion on the dowry as an obstacle to young entrepreneurship in Saudi Arabia, 2017 – average score by work status



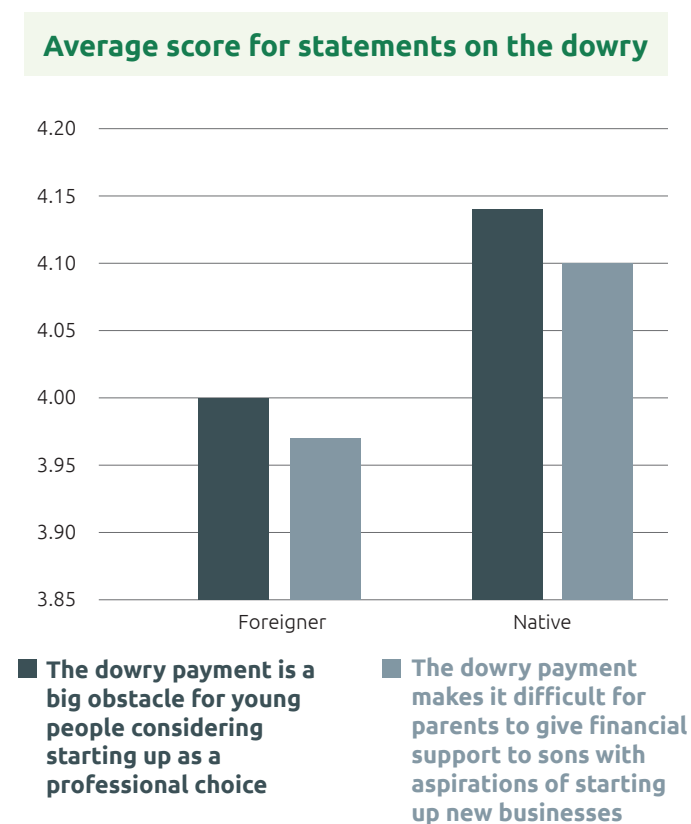
The results by region indicate that Riyadh's population most strongly agrees with the statements, while Makkah, Madinah and Jeddah show lower average scores.

Figure 96. Opinion on the dowry as an obstacle to young entrepreneurship in Saudi Arabia, 2017 – average score by region



The origin of respondents is another variable that makes some difference, although many foreigners come from countries where there are similar cultural backgrounds about the dowry. Figure 97 shows that foreigners agree less strongly than natives about the proposed statements.

Figure 97. Opinion on the dowry as an obstacle to young entrepreneurship in Saudi Arabia, 2017 – average score by origin of respondents



Finally, it has been interesting to discover that those with aspirations of staring up new businesses agree more strongly that the dowry is an obstacle to their aspirations than those without any intention (see Figure 98), while those involved in any business agree less strongly with the statements than those not involved in any business (see Figure 99). The result suggests that the dowry issue is better managed by those that are running businesses because it is probably contemplated by them as an obligation to be met with disposable profits, while those hoping to start a new venture find that it is a big obstacle because it is a big challenge to get sufficient funds for both within a short period of time.

Figure 98. Opinion on the dowry as an obstacle to young entrepreneurship in Saudi Arabia, 2017 – average score by entrepreneurial intention

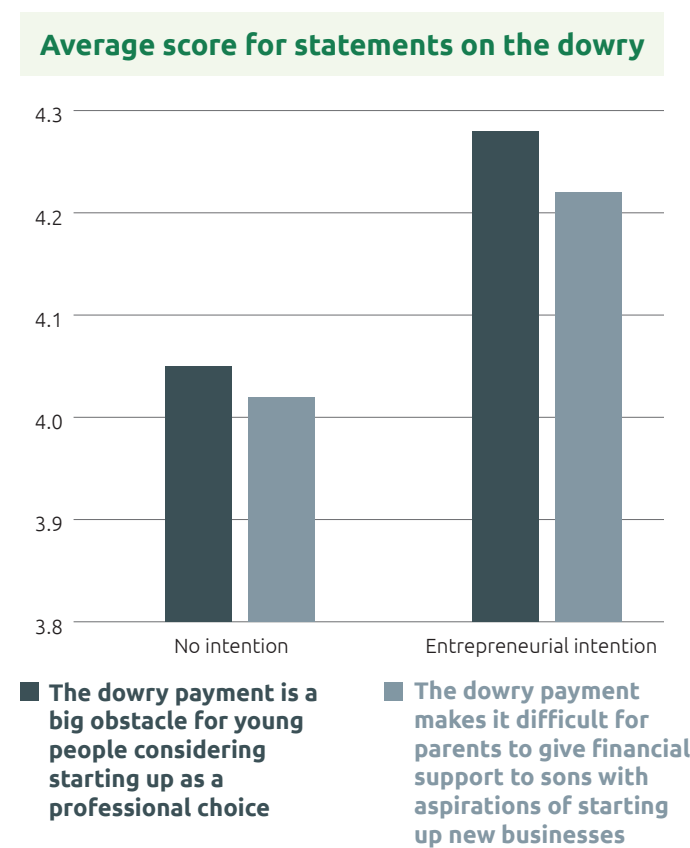
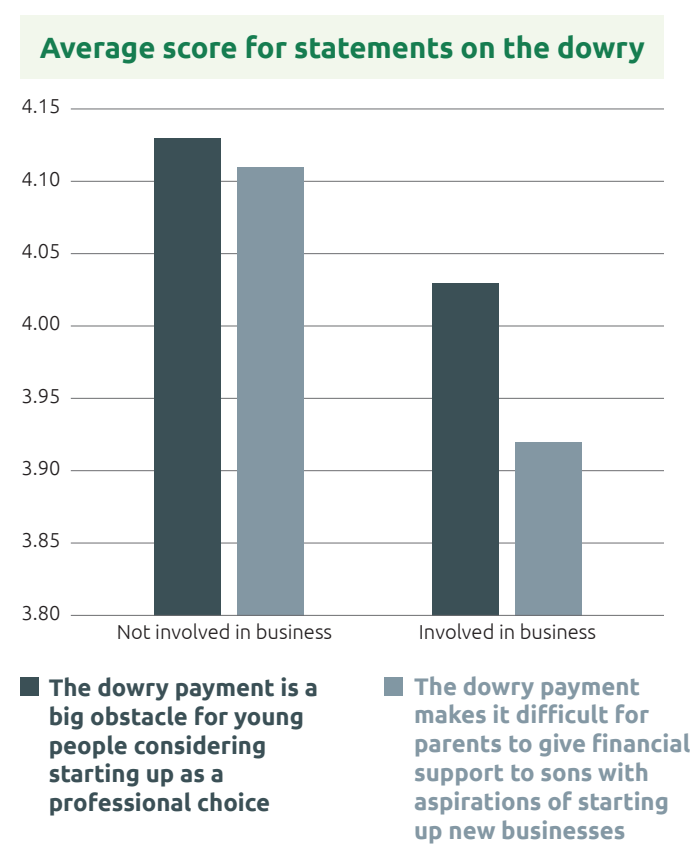


Figure 99. Opinion on the dowry as an obstacle to young entrepreneurship in Saudi Arabia, 2017 – average score by involvement in business



EPILOGUE

KEY PLAYERS IN SAUDI ARABIA'S ENTREPRENEURSHIP ECOSYSTEM¹

¹ Ashri, O.M. (2013). Navigating Saudi Arabia's Entrepreneurship Ecosystem. Independent research project.



It takes an ecosystem to get a fledgling start-up off of the ground. To thrive, entrepreneurs need an enabling environment encompassing an array of domains that includes

- Policies advocating entrepreneurship by lowering the barriers to starting and growing businesses.
- Access of capital for startups and SMEs such as bank loans, venture capital, and angle investment.
- A host of support entities including professional services providers, incubators, co-working spaces. This also encompasses a solid logistical and digital infrastructure
- A culture that promotes the status of entrepreneurs, celebrating their successes and tolerating their failure.
- Human capital, which entails a quality labor pool and effective education system that encourage entrepreneurship.
- Venture-friendly markets that provide early, open-minded customers for new products and services and that facilitate entrepreneur's network

What is an Entrepreneurship Ecosystem?

An entrepreneurship ecosystem could be perceived as a system whose different domains (afore-mentioned above) must interact in a coherent way with the purpose of creating and enabling environment where entrepreneurs and thrive and prosper.

Key players in Saudi Arabia's Entrepreneurship Ecosystem:

Saudi Arabia's Entrepreneurship Ecosystem has witnessed a proliferation of entities and initiatives cultivating its different domains. While key policy-related initiatives have been elaborated on in the introduction section of this report, here we would like highlight some of the key players contributing to the progress of entrepreneurship in Saudi Arabia – namely, funding institutions and support organizations.

FUNDING ORGANIZATIONS

Kafalah program

Kafalah program aims to provide access to finance for SMEs. Backed by this program, Saudi banks will be in a position to finance eligible customers for up to SAR 2 million. Kafalah is a mutual credit guarantee scheme. The program is designed for SMEs that have economically feasible business but don't have enough collateral to qualify for bank loans. The program is a collaboration between the government and Saudi-based banks whereby the government guarantee up to 80% in case the enterprise defaults on the loan.

www.kafalah.gov.sa/Pages/default.aspx

Wadi Jeddah ventures

WJ Ventures is a post-MVP seed fund that invests and provides support to startups, that work with innovation-based business models and provide creative products and services. WJV's objectives are to: Support the Saudi startup ecosystem by providing financial support and mentoring to early stage innovation-based startups, and Establish best practices in seed funding in KSA and early stage support to maximize the success rate for startups.

<http://wj-ventures.com/>

Vision Ventures

Vision Ventures (VV) is a corporate venture capital firm established in Saudi Arabia and is one of Sahara Net's Group of companies. VV invests in innovative startups in the seed and early stage helping them realize their dreams and making a difference.

www.visionvc.co

The Riyadh Taqnia Fund (RTF)

The Riyadh Taqnia Fund (RTF) is a venture capital fund between two entities: Riyadh Capital, the investment arm of Riyadh Bank and TAQNIA, which acts as Technical Advisor to Riyadh Capital. The involvement of both entities allows portfolio companies to benefit from each investor's strengths and unique characteristics. RTF focuses on: ICT, Energy and Sustainability, Advanced Materials

<https://www.taqnia.com>

The Angel Investor Network (Sirb)

The Angel Investor Network (Sirb) was established as an initiative of King Abdul Aziz City for Science and Technology (KACST) in line with KACST vision towards a knowledge economy. Sirb is an Angel Investor Network with Angel Investors who typically invest entrepreneurs' new startup companies at very early stages. Sirb angel investors play a critical role to proof the project, and make it marketable for a large investment round later on by large Venture Capitalist (VCs). Sirb contributes to increase the success rates of small and mid size projects at early stages through sustainable administrative and material support offered by angel investors.

www.sirb.sa

Wa'ed Venture Capital (VC)

Wa'ed's Venture Capital (VC) provides direct equity investment to companies that are looking for a venture partner. Investing in a broad range of early-stage companies through existing corporations looking to expand, Wa'ed VC aims to support the development of small and medium-sized enterprises, with the overall objective of fostering economic development in the Kingdom of Saudi Arabia. Wa'ed VC is comprised of an eclectic, broad-ranging yet unified group of individuals who promote an open and welcoming environment, ripe for prosperity and innovation.

For a deeper understanding of the entrepreneurs' needs, in order to better support them, Wa'ed VC promotes an atmosphere that encourages real-time engagement with entrepreneurs.

Wa'ed VC advocates an approach that differs from typical Venture Capital functions that focus exclusively on one objective: profit. At Wa'ed VC, the focus is not only on profit, but also on the creation of quality jobs and economic diversification in Saudi Arabia. Therefore, it is a VC function with a national agenda.

www.waед.net/en/venture-capital.html

Inspire Ventures

Founded in 2016, Inspire Ventures is an emerging Saudi Venture Capital Company based in Riyadh with the objective to invest in ideas with high growth potential. Inspire Ventures founding team is a group of diversified Saudi entrepreneurial pioneers with a huge investment background and are passionate about innovation, technology, and building solid businesses.

We offer funding to early-growth stage startups mainly in Saudi Arabia and other GCC countries with the aim to be a value-added strategic investor via actively engaging with portfolio companies and providing them with guidance, support, access to the right network in addition to other means to direct their businesses toward success.

<https://inspire.sa/>

STC Ventures

STC Ventures is an independently managed venture capital fund whose anchor investor is the Saudi Telecom Company. Our goal is to empower entrepreneurs to create market leading technology businesses. We are focused on equity investments that will help to build leading companies in the information technology, telecommunications, and digital media/entertainment sectors. One of the key objectives of our fund is to support the development of innovative technology companies in the GCC, wider MENA region and Turkey, in addition to funding globally minded international companies seeking capital and access to the MENA region.

Raed Ventures

It is a Saudi Arabian corporate venture capital firm established by Almajdouie Holding LLC in 2015. It provides funding for the seed and early stage startups in Saudi Arabia and MENA region.

RAED Ventures is Almajdouie Holding foray into the world of tech investing. The primary goal of the fund is to create substantial financial and strategic returns to its investors, while delivering exceptional value to its portfolio companies.

<http://raed.vc>

Oqal Group

Oqal Group (combined from the two Arabic words "Oqool: meaning minds" and "AmwaL: meaning money"). It is a non-profit organization, the first angel investor network in Saudi Arabia with the main objective of growing the SME sector in the country. OQAL connects entrepreneurs with local/regional investors who are willing to invest in startups, and provides aid to entrepreneurs through guidance from members with specific expertise in knowledge areas such as marketing, finance, accounting, etc.

Oqal investors search for local early-stage highly scalable startups with high potential growth across all sectors. Oqal members make their own investment decisions either individually or in groups in the range of \$80,000 to \$1.3 million.

www.oqal.org

SUPPORT ORGANIZATIONS

Entrepreneurship at KAUST

The Entrepreneurship Center at KAUST offers training and mentorship to entrepreneurs both on and off campus, from scientists and students looking to spin out their inventions into new companies, to Saudi business owners interested in adopting an entrepreneurial approach to business growth.

KAUST helps entrepreneurs at all stages of the process, from ideation to launch to funding and beyond. KAUST is particularly interested in supporting new ventures that are aligned with the university's research activities and that will have local or regional impacts and create jobs.

<https://innovation.kaust.edu.sa/entrepreneurs/>

Small and Medium Enterprises General Authority

Small and Medium Enterprises General Authority is working on reviewing regulations, removing barriers and facilitating access to finance. Moreover, helping young people and innovators in marketing their ideas and products. At the same time, we will seek to establish more business incubators, training institutions and specialized venture capital funds to help entrepreneurs develop their skills and innovations. We will also help small national enterprises to export their products and services and marketing through e-marketing support and coordination with relevant international bodies.

<https://smea.gov.sa>

Bab Rizq Jameel

Small Business Support is one of the most important programs offered by Bab Rizq Jameel. Since it was launched in 2004 the Small Business Program has provided support for more than 25,000 small projects of all kinds

Young people who have good ideas but lack finance can benefit from this program. Bab Rizq Jameel offers them interest-free loans starting from SR 6,500 upto SR 200,000, with a repayment period that can reach 5 years

<http://programs.babrizqjameel.com>

Deem Al-Manahil

Deem Al-Manahil Fund is a private non-profit fund established upon an initiative by Al-Manahil Company aiming at helping the Saudi woman to practice free work and owning small projects in Riyadh.

<http://deem-almanahil.org>

BIAC

The Business Incubators and accelerators company "BIAC" focuses on setup, operation, maintenance and management of business incubators and accelerators as well as entrepreneurship support platforms, innovation programs and technology transfer. BIAC provides project management services, specialized consultations and training services to enhance human resource

capabilities. BIAC seeks to contribute to the growth and development of the innovation and entrepreneurship environment and to support emerging technology companies, in line with the vision of the Kingdom 2030 and its objectives which include supporting entrepreneurship and small and medium enterprises and increasing their contribution to GDP.

<http://www.biac.com.sa>

Prince Sultan Fund for Women Development

Small and medium sized enterprises are one of the key sectors in building the national economy, and this is what the Business Support and Funding Center is working on by providing a platform for launching women's ideas and translating it into reality by starting their own business or developing existing ones, in a way that aims on creating valid job opportunities to ensure their integration in the society and their transformation into productive members

<http://www.psfw.org>

King Salman Youth Center

KSYC is a non-profit organization founded to support and inspire the youth to build professional leaders and successful entrepreneurs. In addition to establish a platform to connect youth with officials and organizations

<http://www.ksyc.org.sa>

Namaa Al Munawara

Namaa Al Munawara was established as a non-profit organization for providing the required support to small and medium enterprises. It provides several initiatives for supporting the sector Madinah.

MiSK Foundation

MiSK focuses on the country's youth and provides different means of fostering talent, creative potential, and innovation in a healthy environment that paves the way toward opportunities in the arts and sciences.

The Foundation is invested in educating the youth in three wide fields; Education, Media & Culture. These pillars of knowledge will support and advance our country's future. Enabling the Saudi people to learn is a means to develop and drive advances across the business, technological, literary, cultural, and social aspects of our nation.

MiSK Foundation, established by HRH Prince Mohammed bin Salman, pursues these goals by both establishing programs and partnering with local and global organizations in diverse fields. Through a variety of incubators, the Foundation is helping to develop intellectual capital and unlock the potential of all Saudi people.

misk.org/

Aramco - Entrepreneurship Incubation

Wa'ed established its own business incubator, StartUp Lab, to provide incubation support for early-stage businesses. StartUp Lab is a space designed to house startup companies and provide them with a range of services such as training and mentorship in addition to office space and amenities.

Training:

Wa'ed offers workshops in several disciplines designed to provide the know-how and necessary skill-set sought out by early stage startups, entrepreneurs, and those with potential ideas. These workshops include Business Plan Formulation, Pitching, Ideation, and Business Model Canvas.

Funding:

Funding offerings include debt funding in the form of non-collateral loans, venture capital funding offering minority equity partnerships, and non-repayable micro-funding "Seed Fund" for incubated startups. Whether you're an established business owner seeking to expand or an aspiring entrepreneur seeking to grow, at Wa'ed you'll find a funding program catered to your business.

www.waед.net

Endeavor - Saudi Arabia

ENDEAVOR is leading the global movement to select, mentor, and accelerate the best entrepreneurs around the world. High-Impact Entrepreneurs are those who:

- Possess the biggest most innovative ideas and the capacity to realize them.
- Scale their businesses creating significantly more wealth and high quality jobs.

- Reinvest their knowledge, credibility, and financial gains in the generation of entrepreneurs.

<http://endeavor.sa>

Wadi Makkah Company

Wadi Makkah company aims to contribute effectively in developing a knowledge-based economy in Saudi Arabia through partnership between educational and research institutions, and business communities. MTVC focuses on technology localization, development and transfer in order to serve the national economy and achieve sustainable development. Wadi Makkah company aims to provide an attractive and stimulating environment for local and international research and development centers to strengthen collaboration with the university, develop scientific activities and foster the commercialization of research and innovation.

Thus, Wadi Makkah company has two main objectives:

- (1) Management and commercialization of university innovation.
- (2) Establishing and managing Makkah Techno Valley (MTV), a Science and Technology Park in UQU.

<http://wadimakkah.sa/>

Flat6Labs Jeddah

Flat6Labs Jeddah fosters and invests in bright and passionate Saudi entrepreneurs with cutting-edge ideas. Launched in 2013, Flat6Labs Jeddah assists and encourages entrepreneurs throughout the critical first steps of development. The target for the accelerator program is to graduate 15 successful and scalable startup businesses each year.

<http://www.flat6labsjeddah.com>

TECH- NICAL

ANNEX

The Saudi Arabia GEM survey is based on collecting primary data through an adult population survey (APS) of a randomly selected sample of adults representative of the 18–64-year-old Saudi population in terms of gender and geographical distribution. In addition, the GEM Saudi Arabian national team collected opinions about components of the entrepreneurship ecosystem through a national experts’ survey (NES). Table 40 shows the APS and NES fieldwork sheet, including the technical details regarding the sampling and methodology applied to these surveys for 2017.

Table 40. Saudi APS and NES fieldwork sheet

Sampling features	Information
APS = GEM adult population survey	
Target population	Adult (aged 18–64 years) residents in Saudi Arabia
Target population size	29,908,808 persons
Sample size	4,048 persons
Sample design	Multiple strata, each sampled at identical rate
Type of sample	Random
Confidence level	95%
Sampling error	±1.54%
Maximum variance	p = q = 0.5
Sampling period	May–July 2017
Interview method	Face-to-face assisted by tablet and mobile telephone (CAWI and CAPI)
Sampling methodology	Random routes and random selection of house from list and random dial from list
Fieldwork carried out by	Top-Level Mena
Data recording and SPSS database creation	Top-Level Mena
Monitoring, quality control, final verification	Opinometre Institute, LLS
NES	
Target population	Experts in nine entrepreneurial conditions
Sample	40 experts
Type of sample	Convenience sample
Sampling period	March–July 2017
Interview method	Online, email and face-to-face
Fieldwork carried out by	GEM KSA National Team
Data recording and SPSS database creation	GEM KSA National Team

APS vendors’ information

TOP-LEVEL MENA, Market Research Provider
KSA Office: Office N 412, 4th Floor, Burj Elmamlka El Tojari, Elmalk Fahd St., Jeddah
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Relevant web sites and web documents:

http://vision2030.gov.sa/sites/default/files/NTP_En.pdf
vision2030.gov.sa/download/file/fid/417