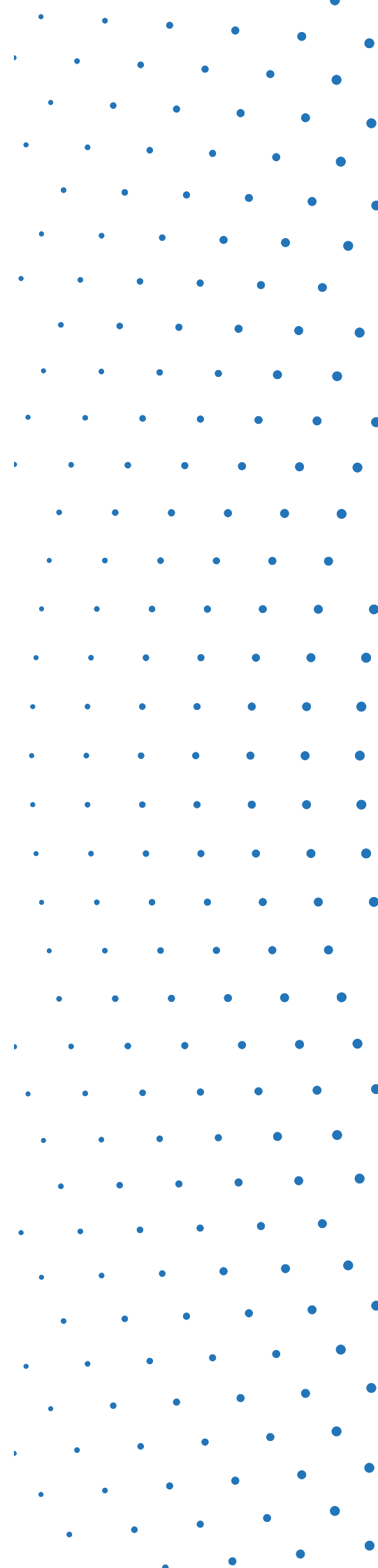


**KINGDOM OF  
SAUDI ARABIA**  
REPORT

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2018/2019



# TABLE OF CONTENTS

<b>Preface</b>	<b>05</b>
<b>Partners</b>	<b>06</b>
<b>Authors</b>	<b>07</b>
<b>Introduction</b>	<b>08</b>
<b>Executive Summary</b>	<b>10</b>
<b>Chapter 1.0</b> Perception of Societal Values Related To Entrepreneurship	<b>14</b>
1.1 Introduction	16
1.2 Perception of Societal Values Related to Entrepreneurship by Gender, Age Group, Educational Level, Involvement in Business Sector, Potential Entrepreneurship, and Region	17
1.3 Longitudinal Patterns	19
1.4 International Comparison	22
<b>Chapter 2.0</b> Individual Self-Perceptions about Entrepreneurship	<b>24</b>
2.1 Introduction	26
2.2 Individual Self-Perceptions about Entrepreneurship	27
2.3 Longitudinal Patterns	29
2.4 International Comparison	30
<b>Chapter 3.0</b> Entrepreneurial & Business Activity	<b>32</b>
3.1 Introduction	34
3.2 General Overview	35
3.3 Longitudinal Patterns	36
3.4 International Comparison	38
3.5 Entrepreneurial Employee Activity	40
<b>Chapter 4.0</b> Characteristics of Entrepreneurial Activities	<b>42</b>
4.1 Introduction	45
4.2 Motivation for Early-Stage Entrepreneurial Activity	45
4.3 Sector of Activity	48
4.4 Number of Owners	51
4.5 Number of Employees	51
4.6 Job Creation Expectations	52
4.7 Market Innovation	53
4.8 Use of Recent Technologies	54
4.9 Competitiveness	56
4.10 Internationalization	57
4.11 Startup Funding	58

<b>Chapter 5.0</b> Characteristics of Entrepreneurs	<b>60</b>
5.1 Introduction	62
5.2 Gender	62
5.3 Age Dimensions	64
5.4 Provinces and Regions within Saudi Arabia	64
5.5 Educational Level	65
5.6 Income	65
5.7 International Comparison	66
<b>Chapter 6.0</b> Informal Investment Activity	<b>68</b>
6.1 Introduction	70
6.2 Estimated Proportion of Adult Population Acting as Informal Investors	70
6.3 Characteristics of Informal Investors	71
6.4 Relationship between Informal Investors and Beneficiaries	72
6.5 International Comparison	73
<b>Chapter 7.0</b> Perception of The Quality of The National Entrepreneurship Framework Conditions	<b>74</b>
7.1 Introduction: The NECI	76
7.2 International Comparison of the Saudi Entrepreneurship Context in 2018	77
7.3 Average State of the National Entrepreneurial Framework Conditions and Longitudinal Results	78
<b>Chapter 8.0</b> Entrepreneurship and Family Business	<b>82</b>
8.1 Introduction	84
8.2 Family Business Rates in Saudi Arabia, 2018	84
<b>Chapter 9.0</b> Entrepreneurship and Gig Economies in Saudi Arabia	<b>86</b>
9.1 Introduction	88
9.2 Prevalence and Main Features of Businesses or Works Based on Digital Platforms in Saudi Arabia in 2018	89
<b>Conclusions</b>	<b>90</b>
<b>Technical Annex</b>	<b>92</b>
<b>Bibliography</b>	<b>94</b>



GOVERNMENT POLICIES AND SUPPORT PROGRAMS WERE RANKED AMONG THE HIGHEST OF THE NECI PILLARS FOR SAUDI ARABIA. THE KINGDOM'S TALENT POOL WAS SET TO RIDE THIS WAVE AND CAPITALIZE ON THE POSITIVE LONGITUDINAL TREND FOR YEARS TO COME. **WITH SAUDIS EXHIBITING THE HIGHEST LEVELS OF CONFIDENCE IN THEIR ABILITIES TO START A BUSINESS AMONG THOSE IN THE MENA REGION**, ORGANIZATIONS SUCH AS MONSHA'AT PLAYED AN EVER-CRUCIAL ROLE TOWARDS BOLSTERING THE ECONOMIC ENGINES OF THE ECOSYSTEM BY AUGMENTING THE ROLE OF SMES AND THEIR CONTRIBUTION.

## PREFACE

The launch of the third annual GEM Saudi Arabia report has come at a most opportune time for the Kingdom and the Prince Mohammad Bin Salman College (MBSC) of Business & Entrepreneurship. With the national blueprint of Vision 2030 beginning to make tangible and intangible impressions upon the socioeconomic fabric of the Kingdom, the 2019 GEM Saudi Arabia report serves as a milestone to remind us what we have achieved, and what we have yet to achieve.

I would like to thank Babson Global, Emaar Knowledge Company, Emaar Economic City, Lockheed Martin, faculty, researchers, partners, and our stakeholders, whose intellectual contribution, generosity, and unwavering support made the compilation of this report possible.

When the Babson Global Center for Entrepreneurial Leadership with MBSC baselined the Kingdom's entrepreneurship ecosystem in its inaugural issue back in 2017, the subsequent GEM publications have highlighted the evolving key social, cultural, and economic parameters. By identifying a strong entrepreneurial streak inherent within the population—a third of which was inclined to start a business within the next three years—the report shows that the Kingdom not only encouraged innovation, but was home to a healthy pipeline of prospective entrepreneurs. And with government policies and support programs ranked among the highest of the National Entrepreneurship Context Index (NECI) pillars for Saudi Arabia, the Kingdom's talent pool was set to ride this wave and capitalize on the positive longitudinal trend for years to come. With Saudis exhibiting the highest levels of confidence in their abilities to start a business among the Middle East and North Africa (MENA) region, organizations such as Monsha'at Saudi Small and Medium Enterprises Authority played an ever-crucial part in bolstering the economic engines of the ecosystem by augmenting the role of small and medium-sized enterprises (SMEs) and their contribution.

The role of academia has significantly evolved in its capacity as an entrepreneurial facilitator, now with the transformative journey of the Kingdom under the microscopic lens of the world. With nearly three-quarters of entrepreneurs and business owners having at least some form of postgraduate qualification, the need to cater our educational pedagogy towards ideation, implementation, and scalability is now more important than ever. While entrepreneurship-specific education did not rank high at the school stage, the Kingdom's diversification strategy towards an unprecedented non-oil future meant that the Saudi population had to innovate its way into tomorrow, with 76% identifying potential business opportunities.

MBSC, situated in King Abdullah Economic City, was established for this very purpose: to unlock creative talent and nurture thought leadership for generations to come. Being the first and only entrepreneurial institution of its kind in the region, the very core of MBSC is attuned to realizing the long-term strategy of Vision 2030 and educating leaders who can recognize and shape opportunities for economic and social impacts. And with neighboring Jeddah recording the highest levels of total early-stage entrepreneurial activity (TEA)—nearly twice as high as Riyadh—the Western part of the country was favorably positioned as an up-and-coming attractive startup location.

Placing Saudi Arabia on the global entrepreneurial map, the GEM Saudi Arabia report of 2019 allows its multitudes of stakeholders to see the efforts of the Kingdom to date. Saudi Arabia is at a crossroads, ready not only to benchmark itself against global standards, but to critically develop its entrepreneurial powerhouse of local talent to take on future challenges.

The launch of the 2019 Global Entrepreneurship Monitor Report on Saudi Arabia is not only the most comprehensive analysis of the Kingdom's entrepreneurship ecosystem, but is launched at a most opportune time with the inauguration of the MBSC Venture Lab, which will offer incubation and acceleration services to its students and other stakeholders, and co-working spaces for entrepreneurs, all the while augmenting the framework for entrepreneurship in the region.

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## Disclaimer

Although GEM data was used in the preparation of this report, interpretation of the data is 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.

## Prince Mohammad Bin Salman College of Business & Entrepreneurship



Prince Mohammad Bin Salman College of Business and Entrepreneurship (MBSC) is a new, private higher education institution for both men and women, located in King Abdullah Economic City. MBSC was established through an international partnership between Emaar, The Economic City, Babson Global Inc., Lockheed Martin, and the MISK foundation. MBSC aims to develop a new generation of transformative leaders who think creatively and act boldly. Saudi Arabia needs more job creators and not just job consumers. MBSC is designed to fill this void by creating Entrepreneurs of All Kinds®

## Babson Global Center for Entrepreneurial Leadership



The Babson Global Center for Entrepreneurial Leadership (BGCEL) was established with a gift from Lockheed Martin. Through research, entrepreneurship education, and outreach programs, BGCEL's mission is to promote a sustainable entrepreneurial leadership culture and ecosystem in Saudi and the surrounding region. BGCEL is located at MBSC.

## Lockheed Martin Corporation



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

## King Abdullah Economic City



King Abdullah Economic City (KAEC) is the largest privately-funded new city in the world. Situated on 181 square kilometers on the Red Sea. 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. KAEC is under development by Emaar Economic City, a publicly listed Saudi joint-stock company.

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# INTRODUCTION

The 2018/2019 GEM Saudi Arabia report comes at a time when Saudi Arabia is continuing its forward progress with Vision 2030, a transformational plan for economic diversification and globalization of Saudi society, and as many of its government institutions are focusing their efforts toward enabling entrepreneurs to thrive.

Vision 2030 positions the SME sector as one of the most important engines of economic growth for Saudi Arabia. Monsha'at was established in 2016 with a mandate to organize, support, develop, and sponsor the SME sector in accordance with best global practices, and to increase the productivity of these enterprises with a targeted contribution to the nation's GDP from a current 20% to 35% by 2030.

In implementing its strategic plan, Monsha'at is launching diverse programs to translate Vision 2030 into the SME sector by supporting innovation, facilitating business processes, enabling firm growth, developing entrepreneurial capacity, and creating suitable employment opportunities for citizens across the Kingdom. Entrepreneurship is being supported through such practices as improved regulations for the SME sector, easier financing, and more opportunities for international partnerships for local firms.

Another enabling entity is SAGIA, the General Investment Authority in Saudi Arabia. SAGIA has achieved great milestones in the past year, particularly in encouraging many foreign entrepreneurs to establish businesses in Saudi Arabia by providing them with licenses and visas in the Kingdom. SAGIA offers support and advisory services to address the business needs of organizations, facilitating the implementation of local solutions by drawing on a wealth of global knowledge and experience. In late 2017, SAGIA launched a dedicated program, TAYSEER, to stimulate investment in the private sector. TAYSEER is tasked with continuously improving the way business is conducted in the Kingdom, in an effort to create a conducive, mature, and stable environment for doing business.

Another example of the Kingdom's support for entrepreneurship is demonstrated in the Saudi Venture Capital Investment Company, which focuses on closing the investment gap for entrepreneurship in the Saudi market. This initiative was launched with 2.8 billion Saudi riyals in funding for startups in the Kingdom. Today, the government of Saudi Arabia has brought together over 20 government entities to work together toward the singular mission of enabling and growing the private sector. These are all positive indicators of the major changes that are impacting the entrepreneurship ecosystem in Saudi Arabia. With these positive reforms in Saudi Arabia, businesses can more easily grow and sustain their dynamism.

The 2018/2019 GEM Saudi Arabia report provides a comprehensive review of Saudi Arabia's entrepreneurship profile, highlighting areas of strengths and progress, and uncovering opportunities for continued support and the introduction of new targeted initiatives. As such, this report guides policymakers and other public and private stakeholders in their ongoing efforts to enhance entrepreneurship and its impact on Saudi society.

## Background on GEM

GEM produces data on rates of entrepreneurship across multiple phases of the process, profiles of entrepreneurs, including demographics, motivations, and ambitions, as well as characteristics of their businesses, such as level of innovativeness and industry participation. Additionally, GEM uncovers a range of

insights across the adult populations of the economies it has studied with multiple measures of societal attitudes, self-perceptions, and affiliations relative to entrepreneurship.

GEM provides a comprehensive set of indicators on entrepreneurship, allowing for the construction of detailed profiles

of entrepreneurship in each economy studied. GEM's Adult Population Survey (APS) captures both informal and formal activity, moving beyond a reliance on business registrations, which explain only a small proportion of entrepreneurship in many societies. And while firm-level studies can offer useful information, GEM's focus is on the people who start and run businesses.

GEM represents a primary source of data, generated through an APS of at

## GEM's Impact

GEM results are highly publicized in the media, in well-known global news publications such as the Wall Street Journal, The Economist, Financial Times, Business Week, Inc, Fortune, Forbes, and Entrepreneur. But at least as important is GEM's extensive reach into local, regional and national news outlets. This has resulted in a broad dissemination of GEM discoveries, influencing how the public and, more specifically, relevant practitioner and policy audiences understand and address entrepreneurship.

Researchers around the world have produced over 650 peer-reviewed research publications using GEM data. This research has often combined GEM data with those of the World Economic Forum, the World Bank, the Heritage Foundation, Transparency International, and many other sources. GEM representatives have presented research findings at the United Nations, the World Bank, the OECD, the U.S. State Department, the African Union, the Organization of Ibero-American States, the International Development Research Centre, and many national, regional, and global events. For educators, GEM has served as an informative resource to teach university students about entrepreneurship in other countries.

GEM global reports are launched each January at the GEM annual meeting in

least 2,000 randomly selected adults (18–64 years of age) in each economy. In addition, national teams collect expert opinions about components of the external entrepreneurship context through a National Expert Survey (NES). With a rigorous methodology, consistently followed by all GEM national teams and meticulously supervised and processed by a central data team, GEM enables cross-national comparisons.

global sponsor locations around the world. GEM has also issued regional reports covering Africa, the Middle East, Southeast Asia, Latin America, the Caribbean, and Europe. Additionally, GEM examines particular special topics relevant to entrepreneurship. These have included women's entrepreneurship, high-growth-oriented entrepreneurship, entrepreneurship education and training, employee entrepreneurship, social entrepreneurship, youth and senior entrepreneurship, and entrepreneurship policy. The global, national and special topic reports are available for download from the GEM website at [www.gemconsortium.org](http://www.gemconsortium.org).

Each year, research teams in each GEM economy issue national reports providing a more detailed examination of entrepreneurship in these economies, including changes from prior years, and leveraging their local knowledge about the nature of entrepreneurship and relevant conditions and initiatives influencing this activity. The 2018/2019 GEM Saudi Arabia report is based on an APS of 4,003 individuals between 18 and 64 years of age in Saudi Arabia, and a NES of 37 people with expertise in government, entrepreneurship, academia, finance, and other areas relevant to entrepreneurship. This report represents the third consecutive year that GEM has conducted research in Saudi Arabia, after previous data collection in 2009 and 2010.

# EXECUTIVE SUMMARY

The 2018/2019 GEM Saudi Arabia report provides a comprehensive profile of entrepreneurship in the country. This includes measures of societal attitudes, self-perceptions, and affiliations relative to entrepreneurship, rates of entrepreneurship across multiple phases of the process, profiles of entrepreneurs, including demographics, motivations, and ambitions, as well as characteristics of their businesses, such as level of innovativeness and industry participation. This report represents the third consecutive year that GEM has conducted research in Saudi Arabia, after previous data collection in 2009 and 2010. Select key findings of the report are summarized below.

## Societal Attitudes and Self-Perceptions

1. Among Saudi Arabia's working-age population (18–64 years), the majority of people (78%) believe that those who successfully start a new business enjoy a high level of social status and respect. Two-thirds consider starting a business a desirable career choice.
2. Supporting these positive attitudes are the ease of starting a business (65%) and frequent representations of successful entrepreneurs in the media (71%), both of which increased by over 4 percentage points from the prior year. Media attention for entrepreneurs in Saudi Arabia is among the highest in the MENA region.
3. Most people in Saudi Arabia (79%) personally know an entrepreneur, an 8 percentage point increase over 2017. A majority see good opportunities around them for starting a business (76%). People also express high confidence in their abilities to start a business (83%). On all three of these indicators, Saudi Arabia exhibited the highest rates in the MENA region.
4. One indicator to watch in future surveys is the moderately high "fear of failure" rate, which increased by 3 percentage points to 44% in 2018.

## Entrepreneurial Activity

1. In 2018, over 12% had started or were already running a new business (less than 3 ½ years old). Opportunity motives accounted for 69% of entrepreneurs, a slight increase over 2017. In about half of these cases, the primary incentive was to increase personal income.
2. At a regional level, Jeddah reported the highest TEA rate, jumping up to 23% in 2018, while Riyadh also exhibited high levels, particularly in 2016 (20.5%). This suggests that Riyadh is an established center for entrepreneurship while Jeddah is an up-and-coming attractive startup location.
3. Potential entrepreneurs, those who expressed their intention to start a new business in the next three years, made up slightly more than 33% of the population in Saudi Arabia.
4. Just over 3% of the adult population in Saudi Arabia were running matures businesses (older than 3 ½ years old).
5. In the year covering summer 2017 to 2018, 8.5% of the Saudi population exited a business. In over 40% of these cases, the business continued with someone else or changed its main activity. The other businesses were shut down. The most common reason given for discontinuation related to government bureaucracy and tax policy (43%).

## Potential Impact

1. The majority of entrepreneurs (80%) operated in the consumer sector, an increase of 8 percentage points from 2017. Participation in the transforming sector declined from 2017, accounting for less than 14% of entrepreneurial activity.
2. All entrepreneurs surveyed in 2018 expected to hire at least one employee in the next five years, with over 30% expecting to hire more than five employees.
3. Market innovation accounted for 37% of entrepreneurs in Saudi Arabia, where some or all customers would consider their products or services to be new or unfamiliar. These innovations are likely occurring in non-technology sectors given that high-technology businesses make up only 2% of entrepreneurial activity. However, entrepreneurs are leveraging the latest technology to start their businesses, with over 59% saying they are incorporating technology less than five years old into their business activities.
4. Another measure associated with innovation is the extent to which competitors are introducing similar products or services. Entrepreneurs in Saudi Arabia have become substantially more competitive in 2018, with over twice as many entrepreneurs (46%) stating they have no or few competitors compared to 2016 (21%).
5. Entrepreneurs in Saudi Arabia are highly active internationally, with 40% indicating that more than 25% of their sales were to international customers. However, this represents a drop of 9 percentage from 2017, perhaps due to increasing demand in the internal market.

## Startup Funding

1. The median startup capital for entrepreneurs in the nascent phase (less than 3 months old) was SAR 200,000, double that of 2016 and 2017—a result that suggests entrepreneurs are starting businesses with higher capital needs and that they have the fundraising abilities and personal resources to invest in their businesses. In the case of new business owners (3 months to 3 ½ years in business), the median also increased in 2018, to SAR 100,000.
2. Entrepreneurs in the nascent phase provided three-quarters of their startup capital, while new business owners provided half of their funding needs.
3. Entrepreneurs most commonly raise capital from family members and, collectively, other people they know, such as friends and those they work with. Banks are also key sources of finance for entrepreneurs in Saudi Arabia. Private investment including venture capital, appears to be gaining traction, with over 15% of nascent entrepreneurs accessing this funding source in 2018.

## Characteristics of Entrepreneurs

1. In Saudi Arabia, 14.7% of men, versus 8.5% of women identify themselves as entrepreneurs. This represents an increase over the prior two years for men, and a decline for women. Necessity plays a greater role in the motivation for entrepreneurship among women than among men.
2. In both 2017 and 2018, entrepreneurs in Saudi Arabia averaged 37 years of age, somewhat older than in 2016 (33.5 years). The age profile shows higher rates among the older age groups, indicating these individuals may have the resources, experience and networks to leverage. But it also reveals an opportunity to boost entrepreneurship among the younger population.
3. Most entrepreneurs and established business owners in Saudi Arabia have at least a post-secondary degree (about 75% for both). Entrepreneurs are more likely than established business owners to have graduate-level experience (36% versus 26%).
4. The majority of entrepreneurs are either in the top one-third of Saudi Arabia's household income level (53%) or the lowest one-third (31%). For the former, this indicates the availability of personal resources for starting and running a business. For the latter, it reveals the importance of entrepreneurship in generating income for families that may not hold among the highest levels of wealth in an economy.

## Informal Investment Activity

1. In 2018, 12% of the adult population in Saudi Arabia provided funds to entrepreneurs—the highest level in the MENA region, and nearly equal to Saudi Arabia's entrepreneurship rate. This is an increase over the prior two years and suggests some role in the upward movement in TEA.
2. The median amount of investment was 25,000 SAR, a decrease from that reported in 2017 (30,000 SAR). This may indicate that smaller amounts are being invested by more people, combined with a trend toward lower startup costs for many types of businesses.
3. In 2016, only a little more than one-third of the informal investors were women, but by 2018, women invested equally with men. Informal investors' mean age remained at around 38 years, virtually unchanged since 2017 and close to the average age of entrepreneurs in Saudi Arabia.
4. It is notable that investors in Saudi Arabia are about as equally likely to be in the lowest one-third income percentile as they were likely to be in the highest one-third income category. This coincides with the high proportion of entrepreneurs who are in the lowest one-third income group (31%). It may therefore be the case that people with less disposable income nonetheless are willing to help out entrepreneurs, particularly if these are family members and others they know.
5. Prior to 2017, the most frequent type of relationship between informal investors and beneficiaries was "close family member." But while other relatives are still investing at a high rate, participation of close family members began to decrease in 2017, and the types of investors became more diverse. Since 2017, investors have increasingly invested in strangers with good ideas, which may reflect the emergence of private equity finance for entrepreneurs.

## The Environment for Entrepreneurship: National Framework Conditions

1. In this report, GEM introduces a composite index, the "National Entrepreneurship Context Index" (NECI), which assesses the environment for entrepreneurship in an economy. The NECI is derived from the 12 framework conditions and weights the ratings on these conditions by the importance experts place on them, based on a 10-point scale.
2. The lowest-scoring conditions in Saudi Arabia are often rated low across the GEM sample. In many economies, entrepreneurship-specific education is increasingly popular at the university and vocational level but less common in primary and secondary education. R&D transfer also generates low ratings across the GEM sample as well.
3. The experts interviewed for the NECI indicated that sufficient funding was available from informal sources and private investors in Saudi Arabia, but crowdfunding and initial public offerings were less common.
4. Government policies and support, and government programs, received among the highest ratings on the NECI pillars for Saudi Arabia. Additionally, these pillars received higher ratings in 2018 than in the previous two years, showing a positive longitudinal trend. Experts identified support for new and growing firms as a high priority for both national and local governments, and cited the presence of government programs for these businesses.
5. Assessment on the commercial infrastructure and professional services pillar revealed a need for subcontractors, suppliers and consultants, which can help entrepreneurs operationalize these opportunities. Yet entrepreneurs have a strong physical infrastructure in which to conduct their business activities, including advanced and low cost communications and utilities.
6. Experts also revealed an increasingly positive national culture for entrepreneurship, pointing out support for individual success through one's personal efforts and the emphasis on self-sufficiency, autonomy and initiative.

## Family Business and the Gig/Sharing Economy

1. In 2018, 5.4% of the population aged 18–64 in Saudi Arabia was involved in a family business. A little less than half of these individuals identified themselves as owner/managers; they were the main owner of a business with most of the control over its management, and with family members working in the business. The remainder were involved in their family businesses in one or more of the following ways: as an owner, manager, or employee.
2. During 2018, 7.2% of the Saudi adult population received income from paid work obtained via a digital platform, and 5.5% received income from renting or leasing out their own goods or property, or granting access to services provided via a digital platform.



# 1.0

## PERCEPTION OF SOCIETAL VALUES RELATED TO ENTREPRENEURSHIP



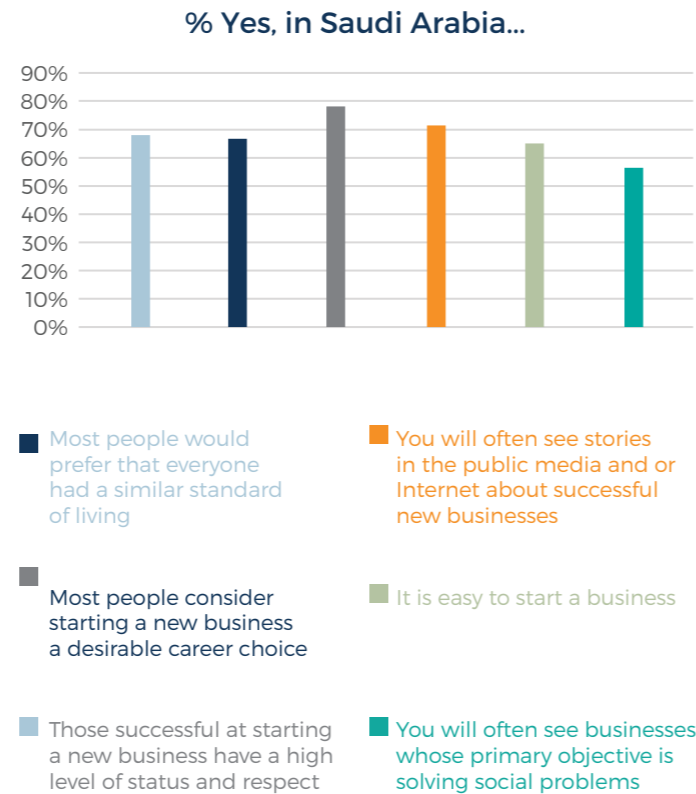


## 1.1. Introduction

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 the extent to which this activity will be supported. GEM assesses the following: whether people consider entrepreneurship to be a good career choice, the extent they feel that entrepreneurs are accorded high status, whether there are positive representations of entrepreneurs in the media, beliefs that people should have a similar standard of living, the ease of starting a business, and the extent to which they think businesses regard solving social problems as their primary objective.

Results for 2018 indicate that over two-thirds of Saudi Arabia's adult population believe that most people would want everyone in their society to have a similar standard of living. Two-thirds also perceive starting a new business as a desirable career choice, and even more think that those who successfully start a new business enjoy a high level of social status and respect, that public media and the Internet provide good coverage of successful new businesses, and that it is easy to start a new business. More than half of the Saudi adult population stated that businesses regard the solution of social problems as their primary objective (see Figure 1).

Figure 1. Perception of societal values related to entrepreneurship among working-age adults in Saudi Arabia (18–64 years).



## 1.2. Perception of Societal Values Related to Entrepreneurship by Gender, Age Group, Educational Level, Involvement in Business Sector, Potential Entrepreneurship, and Region

Although the perception of societal values related to entrepreneurship is moderately positive in the adult population of Saudi Arabia, it is interesting to note several subtle differences by gender, age, educational level, involvement in the business services sector, entrepreneurial intentions, and region. These differences, which are relevant from the standpoint of public policy design and an understanding of the entrepreneurial ecosystem, are summarized here (also, see Table 1):

In statistical terms, in 2018 men and women have the same perceptions about equality in standard of living and about media attention for entrepreneurs. In 2017, women were slightly less likely than men to perceive that people in Saudi Arabia would prefer a similar standard of living.

Women perceive Saudi Arabia's society as somewhat less favorable to entrepreneurship as a career choice than do men. They were also less likely to consider that those who are successful in starting a new business have a high level of status and respect.

Women are somewhat less prone than men to think that it is easy to start a new business in Saudi Arabia, but they are more likely than men to perceive entrepreneurs as having a primary aim of solving social problems.

Individuals with a secondary education degree perceive entrepreneurship to be a good career choice. Additionally, they believe that those who are successful in starting new businesses enjoy a high level of status and respect and that media highlights successful entrepreneurs.

As individuals' educational level increases, so does the perception that starting up a new business in Saudi Arabia is easy (although this is not perfectly linear). Individuals with a secondary level of

education are more likely than others to think that, in Saudi Arabia, businesses often see solving social problems as their primary aim.

People involved in the business services sector hold significantly more positive perceptions about societal values related to entrepreneurship in Saudi Arabia. A significantly greater proportion of them also agree with the perception of an egalitarian society compared with those not involved in the business sector.

People who intend to start businesses in the next three years are significantly more likely to hold more positive perceptions about societal values related to entrepreneurship than those without these intentions. However, they are less likely to agree that society should exhibit a similar living standard for everyone.

In Riyadh and Madinah, a high proportion of adults feel that most people would prefer a similar standard of living. Jeddah appears less likely to hold these beliefs.

In Jeddah, a greater proportion of the population thinks that, in Saudi Arabia, most people consider starting a new business to be a desirable career choice and that successful entrepreneurs enjoy a high level of status and respect. This region also has a significantly greater proportion of people who think the public media and/or the Internet often carry stories about successful new businesses. Riyadh has a smaller proportion of the population who think it is easy to start a business, and Jeddah has a smaller proportion of people who identify firms whose primary aim is to solve social problems.

Table 1. Perception of societal values related to entrepreneurship by gender, age, education, business involvement, potential entrepreneurs, and region (18–64 years)

In Saudi Arabia:

Categories for: gender, age, education, involvement in business sector, potential e-ship and region	01	02	03	04	05	06
	(%)	(%)	(%)	(%)	(%)	(%)
Male	67.8	68.6	80.0	70.8	66.6	53.9
Female	68.5	64.3*	75.8*	72.1	62.3*	59.8*
18–24 years	70.2*	64.5	76.3	69.4	63.0	52.6
25–34 years	67.7	68.3	77.8	73.1	65.2	57.2
35–44 years	68.2	68.2	78.9	72.5	65.4	57.7
45–54 years	65.9	66.5	78.6	67.7	65.2	54.2
55–64 years	70.3*	61.8	80.0	73.2	63.2	61.0
None	70.4	63.0	69.2*	70.8	61.9	67.9*
Some secondary	53.1*	79.8*	83.0*	83.0*	61.3	39.4*
Post-secondary	70.5	64.0	76.3	69.8	63.6	60.2
Graduate	72.9*	64.3	78.3	67.6	68.1*	59.9
Not in bus. sector	66.6	63.3	76.9	68.1	63.1	55.0
In bus. sector	75.6*	85.8*	84.5*	87.7*	72.6*	63.7*
Not potential ent.	70.1*	56.1	71.8	61.0	60.0	58.4*
Potential ent.	64.9	87.0*	88.0*	88.7*	72.1*	53.0
Riyadh	77.3*	58.7	80.3*	63.2	62.9*	65.4
Jeddah	53.8	83.7*	83.5*	85.3*	67.8	38.5*
Dammam	69.8	66.2	70.7	70.7	68.6	61.3
Madinah	67.8	63.3	64.8	64.7	68.5	68.7
Makkah	79.6*	51.6	67.4	68.3	50.9*	57.8*

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

### 1.3. Longitudinal Patterns

Saudi Arabia participated in GEM in 2009, 2010, 2016, and 2017. Comparing the indicators from these years on the perception of societal values related to entrepreneurship, it appears that the proportion of people who believed most of their compatriots would prefer everyone to have a similar standard of living increased. This indicator saw a decline in 2017, but increased again in 2018 (see Figure 2).

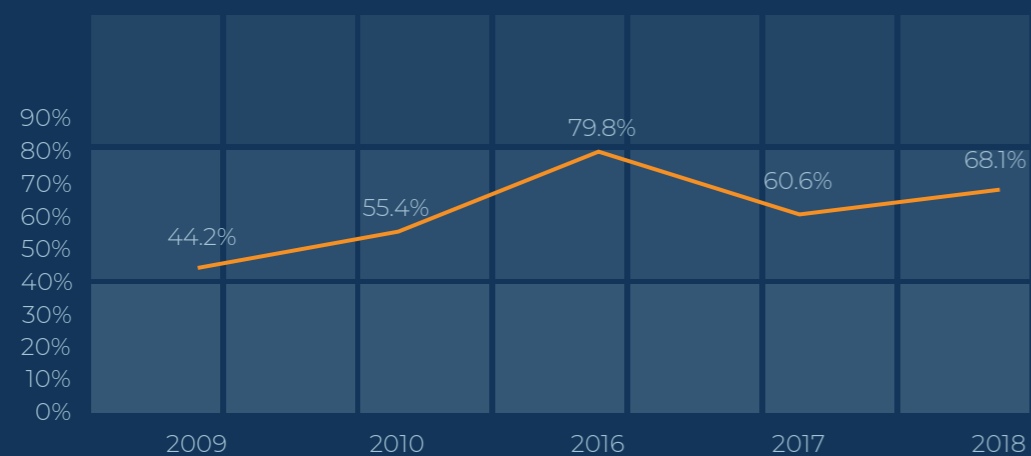
The proportion of the population that considers starting a business a good career choice was very similar in 2009, 2010, and 2016. In 2017, this indicator dropped 12 percentage points—a significant change that could be associated with the country's rapid development and the presence of attractive job options. The trend continued in 2018. GEM studies show that, as countries develop, entrepreneurial activity decreases because public and private employment increases. The proportion of the population that thinks successful entrepreneurs enjoy

a high level of status increased in 2018, which can be interpreted as a reflection of the new models of entrepreneurial businesses in the Saudi market, and a growing respect for entrepreneurs. This idea is supported by the significant increase in the proportion of the population that agrees that the public media and/or Internet often carry stories about successful new businesses (see Figure 2). In sum, perceptions about entrepreneurship as a good career choice continues to decrease progressively, while the visibility of successful entrepreneurs increased and remains high (see Figure 2). Since 2016, GEM has included questions about whether it is easy to start a business in Saudi Arabia and whether the population perceives that a significant proportion of business has the primary aim of solving social problems. These two indicators show a discrete but significant increase between the years 2017 and 2018 (see Figure 2), indicating that Saudi society believes it is easy to start a business and that solving social problems is more important than in 2017.

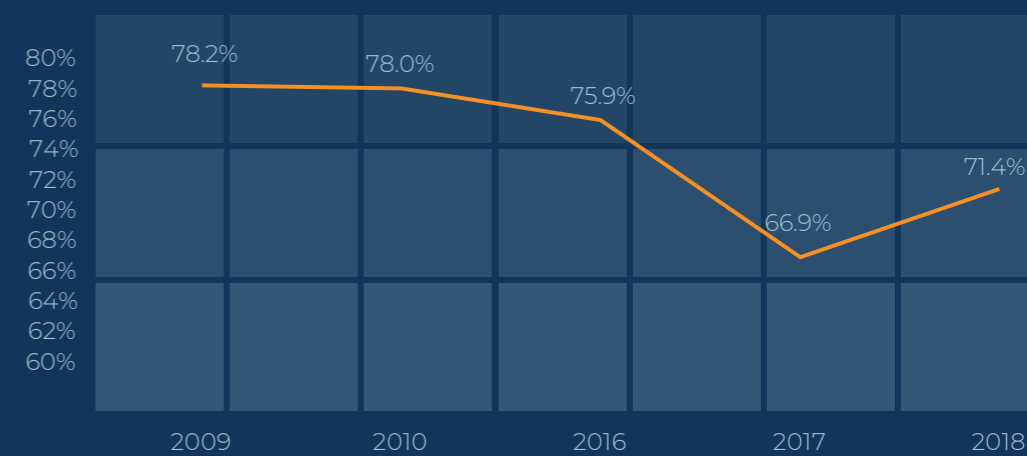


Figure 2. Longitudinal analysis of perception of societal values related to entrepreneurship among working-age adults (18–64 years) in Saudi Arabia.

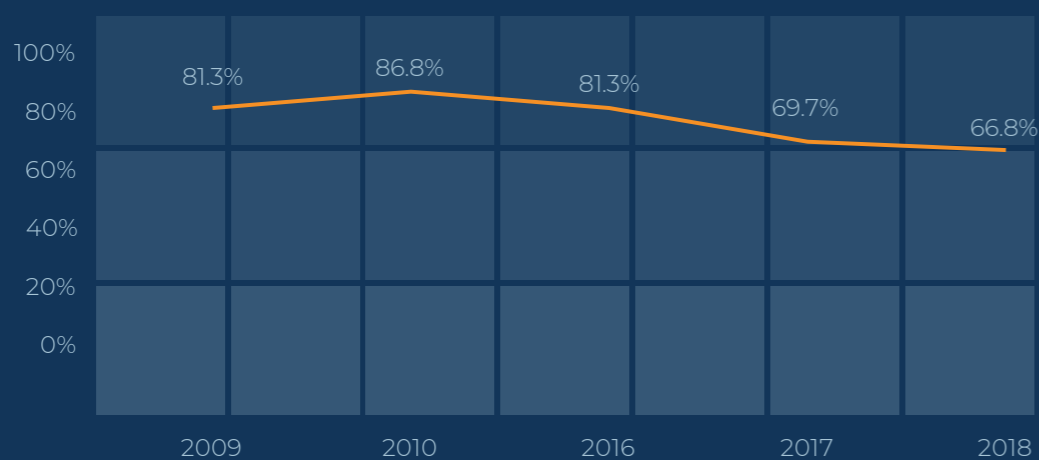
In Saudi Arabia, most people would prefer that everyone had a similar standard of living



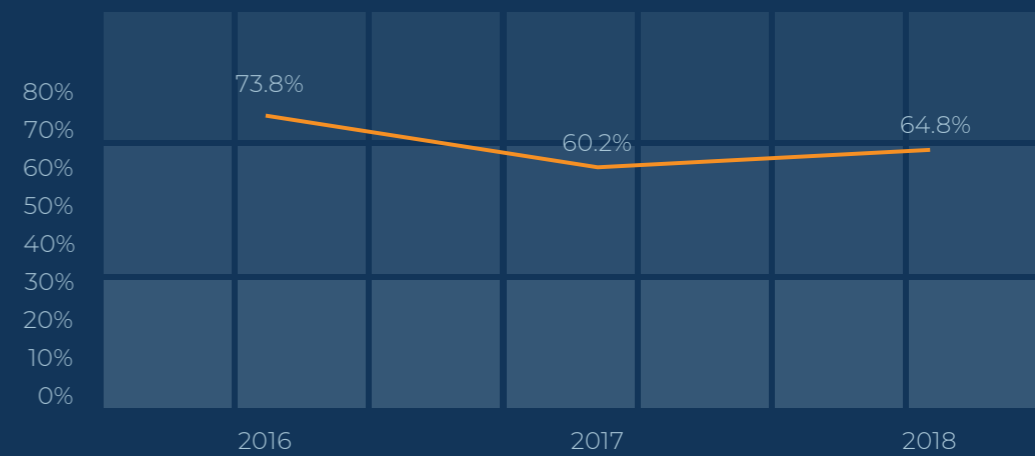
In Saudi Arabia, you will often see stories in the public media or Internet about successful new businesses



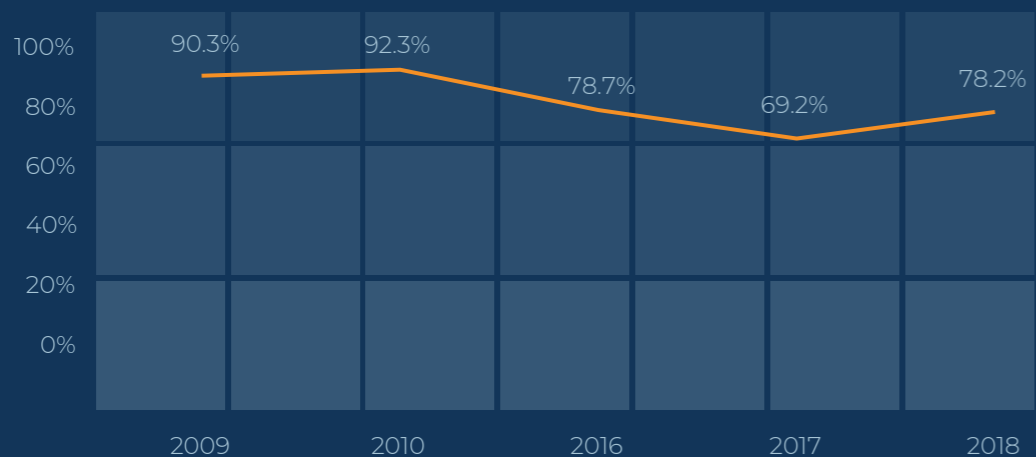
In Saudi Arabia, most people consider starting a new business to be a desirable career choice



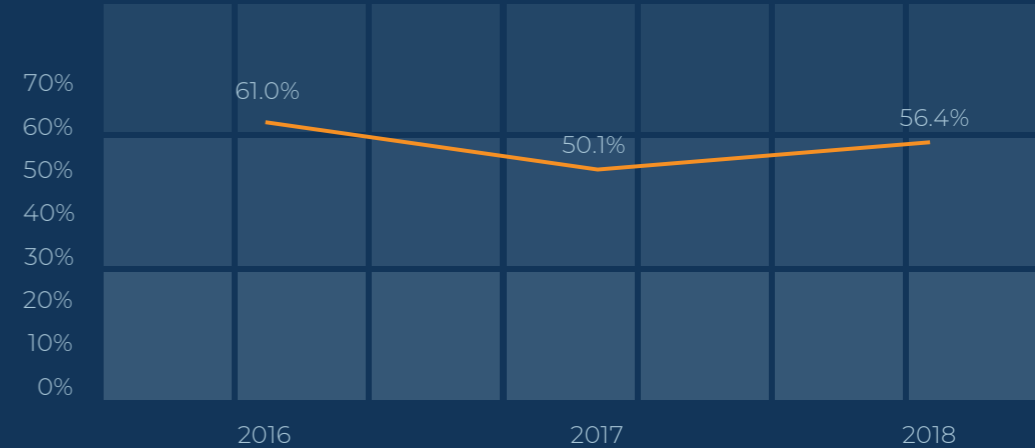
In Saudi Arabia, it is easy to start a business



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 Comparison

Figure 3 shows results from countries around Saudi Arabia on societal values related to entrepreneurship, along with those for the United States, and the average for the high-income nations (categories are established by the Global Competitiveness Report 2018), based on GEM 2018.

Turkey and Egypt's populations, by a notable margin, prefer a similar standard of living for everybody. By contrast, Iran and the United Arab Emirates (UAE) are the least likely societies in MENA to hold these views, with perceptions in Iran aligning with those in the USA.

MENA countries have large proportions of people who consider entrepreneurship a good career choice (except for Iran, where the proportion is significantly smaller).

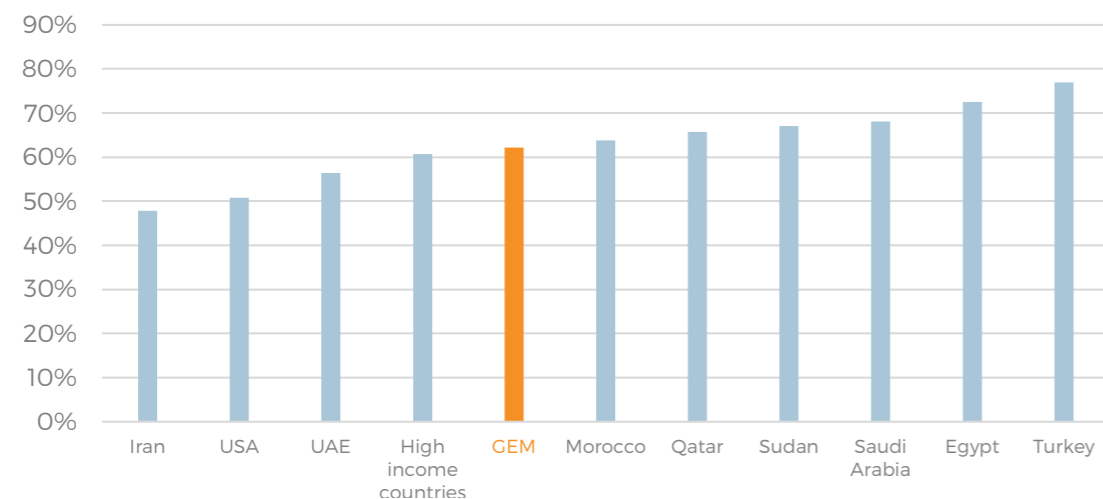
Notably, in these countries (except for Iran and Morocco) entrepreneurship is viewed as a good career choice by a greater proportion than the United States. Large proportions of the populations of Sudan, Egypt, and Iran (around 80%) perceive that successful entrepreneurs are accorded high social status and respect. This proportion is significantly smaller in Morocco, where it is less than 70%. Saudi Arabia exhibits an intermediate position within this group of countries.

Well over 72% of the adult population of the UAE considers that their respective media publicize successful entrepreneurs' activities, followed by Saudi Arabia. Both are under, but close to, the United State's rate. Other populations show more moderate results. The lowest rates are for Iran and Morocco, at slightly above 50%.

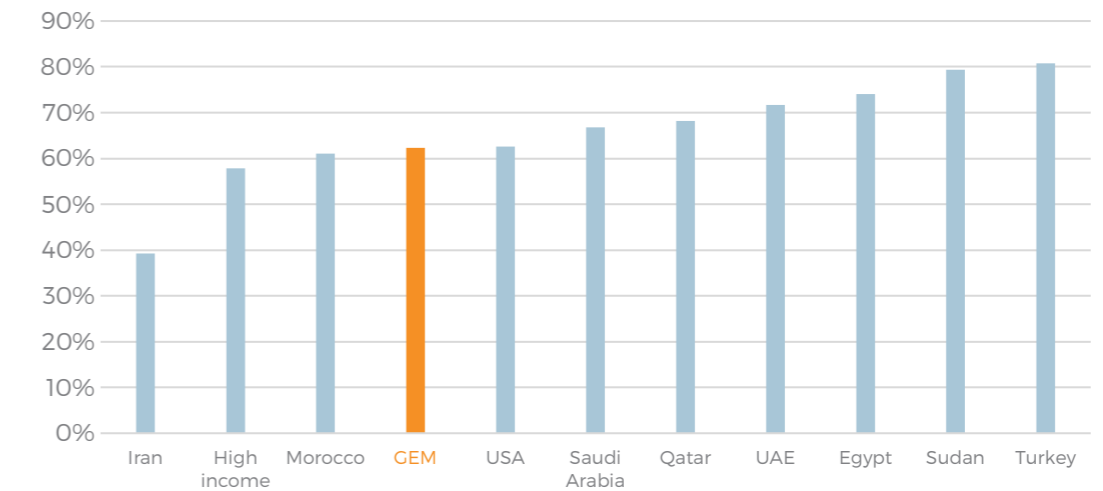
**MENA COUNTRIES HAVE LARGE PROPORTIONS OF PEOPLE WHO CONSIDER ENTREPRENEURSHIP A GOOD CAREER CHOICE (EXCEPT FOR IRAN, WHERE THE PROPORTION IS SIGNIFICANTLY SMALLER). NOTABLY, IN THESE COUNTRIES (EXCEPT FOR IRAN AND MOROCCO) ENTREPRENEURSHIP IS VIEWED AS A GOOD CAREER CHOICE BY A GREATER PROPORTION THAN THE UNITED STATES.**

Figure 3. International comparison of perception of societal values related to entrepreneurship.

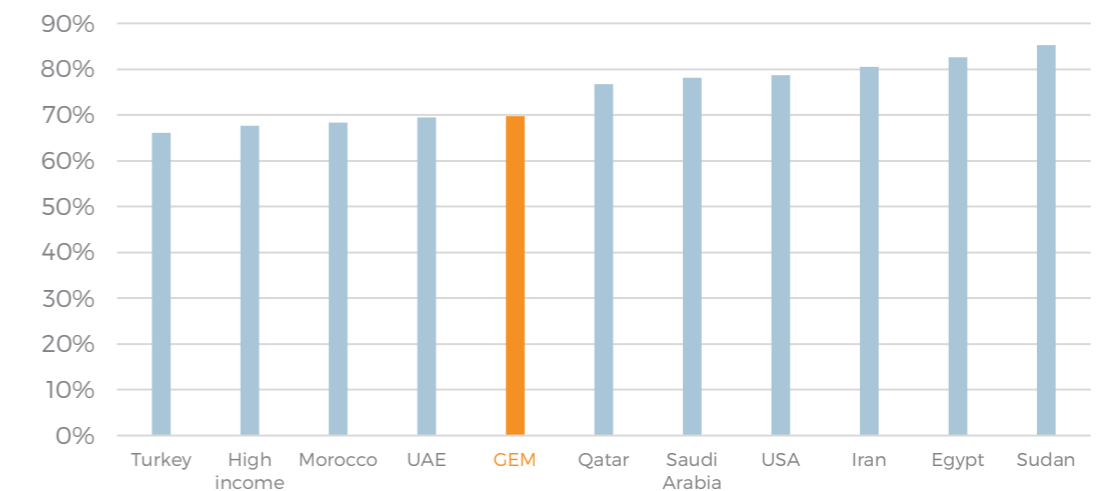
Percentage of the adult population (18-64) in Saudi Arabia who believe everyone should have a similar living standard



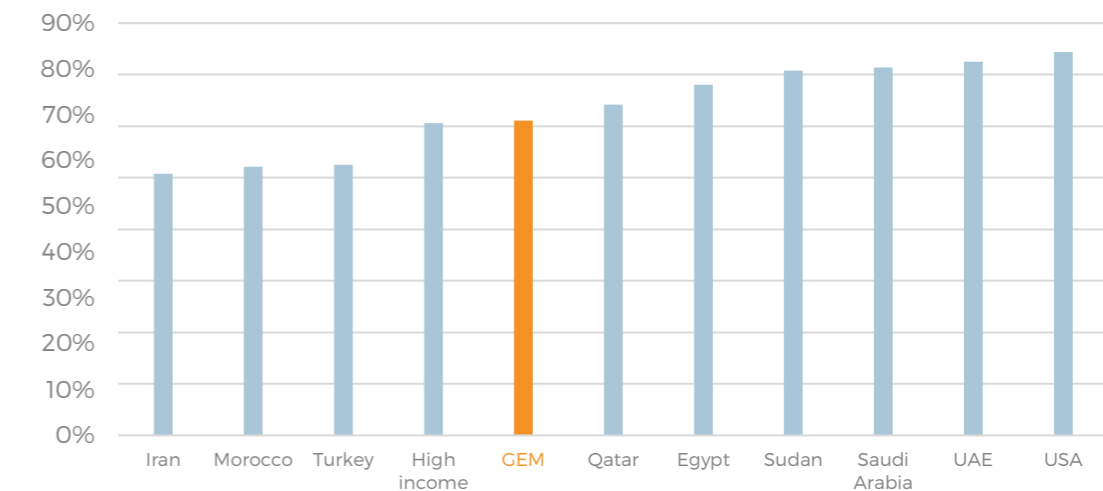
Percentage of the adult population (18-64) in Saudi Arabia who believe entrepreneurship is a good career choice



Percentage of the adult population (18-64) in Saudi Arabia who believe successful entrepreneurs hold high status in society



Percentage of the adult population (18-64) in Saudi Arabia who believe that successful entrepreneurs are represented in the media





# 2.0

## INDIVIDUAL SELF- PERCEPTIONS ABOUT ENTREPRENEURSHIP



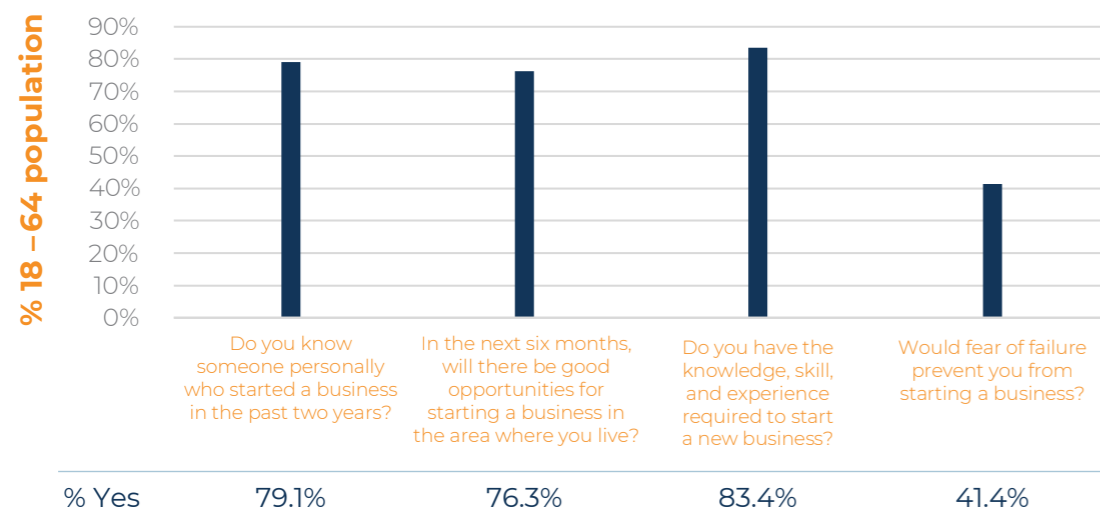


## 2.1. Introduction

In 2018, most working-age adults in Saudi Arabia personally knew someone who started a business in the last two years (see Figure 4). This result increased from 2017 by 8 percentage points and suggests an entrepreneurially active society. Personal contact with entrepreneurs can provide role models, mentors, co-founders, investors, and other types of stakeholders. In turn, most see good opportunities around them for starting a business. An even higher level of working-age individuals feel they have the knowledge, skills, and experience required to start a business (an increase of 11 percentage points from 2017).

Saudi Arabia's adult population continues to show positive perceptions about entrepreneurship. However, the percentage of those seeing opportunities who would not start a business due to fear of failure increased by approximately 3 percentage points in 2018. As countries develop, the labor market increases the availability of paid jobs, which can diminish one's willingness to assume personal economic risks by starting a business. In Saudi Arabia, this can be monitored in the future, and addressed through such initiatives as educational subjects that not only develop knowledge about entrepreneurship, but also build one's confidence and entrepreneurial spirit.

Figure 4. Self-perceptions about entrepreneurship among the adult population (18–64 years) in Saudi Arabia



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

The assessment of individual self-perceptions about entrepreneurship according to gender shows that, for the second consecutive year, Saudi Arabian men and women hold similar views with regard to fear of failure. In terms of knowing recent entrepreneurs, seeing entrepreneurial opportunities, and feeling one has sufficient knowledge, skills, and experience to start a business, the gender gap has decreased.

In terms of age, among those aged 35–44, and for the oldest group, the percentage of those who know recent entrepreneurs is somewhat higher than the other age groups. The percentage of those seeing opportunities does not indicate significant differences by age group and is high for all individuals. People aged 18–24 years have the lowest rate (although still high) of positive beliefs about entrepreneurial skills and they also report higher fear of failure compared with the oldest age group.

In 2018, adult populations with very low levels of education exhibited the lowest rate of knowing recent entrepreneurs. However, they reported higher rates of perceived opportunities compared to

people with high educational attainment, suggesting that low education encourages the search for opportunities. In addition, the businesses they have in mind may differ from those with higher levels of education, and the skills acquired through experience and necessity are different from those provided by the educational system. Finally, fear of failure decreases significantly as educational levels increase. This result is the same as in 2017, confirming that education helps to build confidence.

From a regional perspective, Riyadh contains a significantly higher percentage of people who know recent entrepreneurs, while Jeddah's population stands out for having a large proportion of people who see opportunities and believe they possess entrepreneurial skills. Both regions have lower percentages of people who fear failure. Dammam has a lower percentage of people who believe they have the skills for entrepreneurship. The results suggest the existence of some regional differences in entrepreneurial attitudes in Saudi Arabia, with a higher concentration of populations with positive self-perceptions in Riyadh and Jeddah. However, all regions studied show relatively high positive entrepreneurial self-perceptions compared with other regions of the world so, despite these interregional differences, the Saudi population is highly positive about entrepreneurship. All these results and the previous ones are summarized in Table 2.

Table 2. Individual self-perceptions about entrepreneurship by gender, age, education, business service sector involvement, and region among working-age adults (18–64 years) in Saudi Arabia, 2018.

In Saudi Arabia:

Categories for: gender, age, education, involvement in business sector, potential e-ship and region	01	02	03	04
	Do you personally know someone who started a business in the past 2 years? (%)	In the next 6 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 prevent you from starting a business? (%)
<b>Male</b>	80.4*	78.54*	84.9*	46.6
<b>Female</b>	77.3	73.4	81.4	45.3
<b>18–24 years</b>	75.7	74.0	79.5	49.5
<b>25–34 years</b>	77.2	78.4	83.8	46.3
<b>35–44 years</b>	81.7*	76.4	83.0	44.0
<b>45–54 years</b>	79.2	73.5	85.0	47.4
<b>55–64 years</b>	81.7*	78.9	87.6	43.8
<b>None</b>	57.7*	84.0*	77.8	55.6
<b>Some secondary</b>	82.8	88.2*	85.6	52.6
<b>Post-secondary</b>	77.0	74.2	82.9	48.7
<b>Graduate</b>	80.4	73.0	83.1	39.0
<b>Not in bus. sector</b>	76.9	72.7	80.1	50.6*
<b>In bus. sector</b>	89.5*	95.1*	98.1*	22.9
<b>Not potential ent.</b>	78.5	65.9	77.0	49.8*
<b>Potential ent.</b>	80.3	94.7*	92.7*	39.6
<b>Riyadh</b>	83.5*	70.0	85.5	35.7
<b>Jeddah</b>	73.7	90.3*	88.8	48.9
<b>Dammam</b>	76.6	73.3	66.5*	64.2*
<b>Makkah</b>	80.8	68.6	77.3	61.4*
<b>Madinah</b>	80.2	69.6	80.2	44.7

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

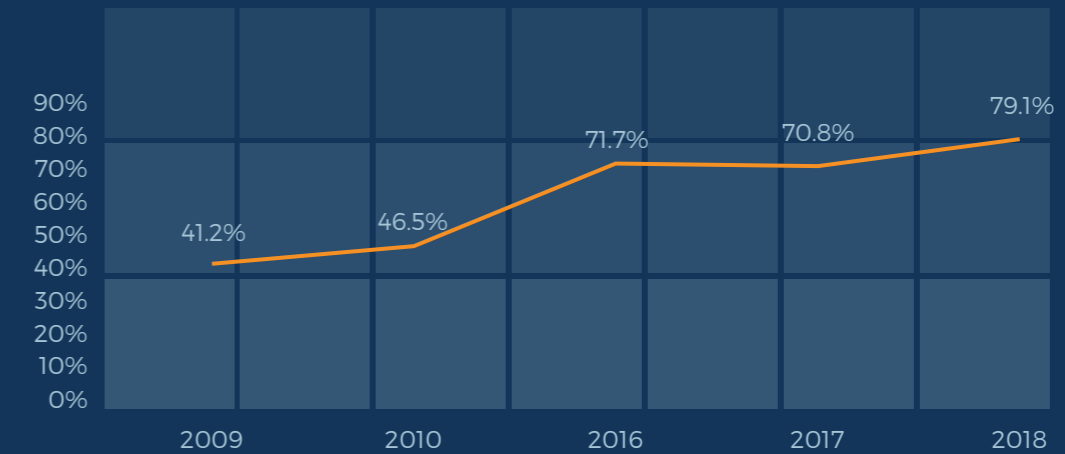
## 2.3. Longitudinal Patterns

Comparing the indicators on individual self-perceptions about entrepreneurship for 2009, 2010, 2016, and 2017 with the current figures reveals significant changes. The percentage of the population that knows recent entrepreneurs has increased by 8 percentage points between the years 2017 and 2018, suggesting progress in entrepreneurial activity in Saudi Arabia after a period of stability in 2016 and 2017. The number of people who say they perceive attractive entrepreneurial opportunities decreased slightly, by 3

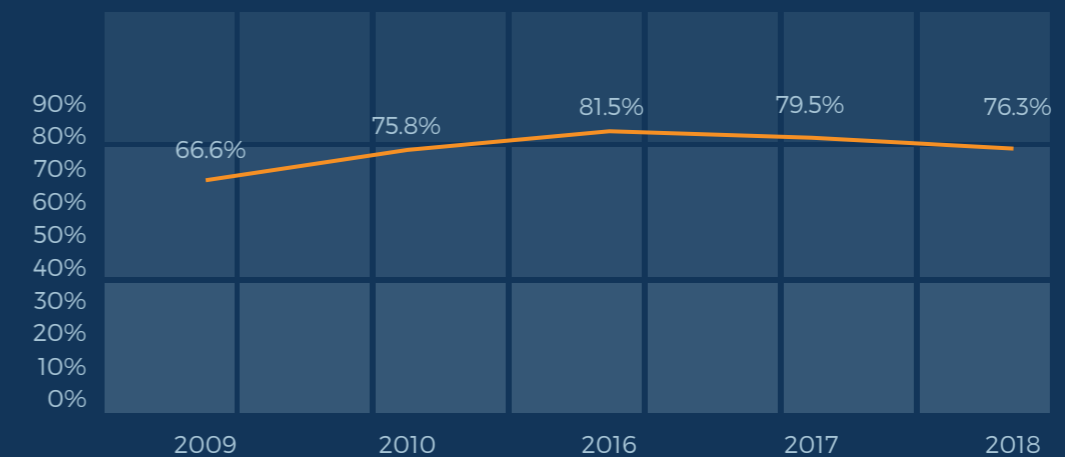
percentage points, compared with 2017. The proportion of the population that believe they possess entrepreneurial skills, however, has shown a large increase of over 12 points, demonstrating an increase in confidence and perceived entrepreneurial ability in Saudi Arabia. Finally, the number of respondents stating that they are afraid of failure returned to the level seen in 2010 (see Figure 5).

Figure 5. Longitudinal analysis of individual self-perceptions about entrepreneurship among working-age adults (18–64 years) in Saudi Arabia.

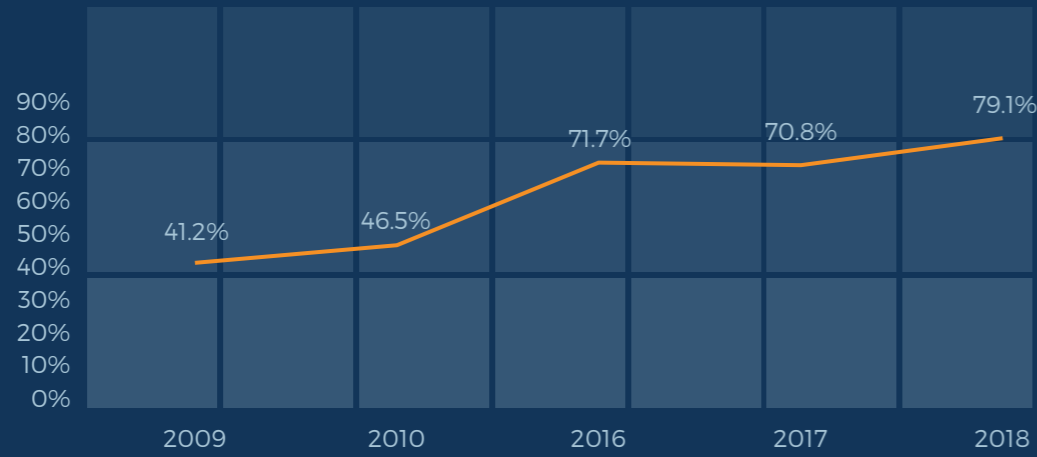
Do you know someone personally who started a business in the past two years?



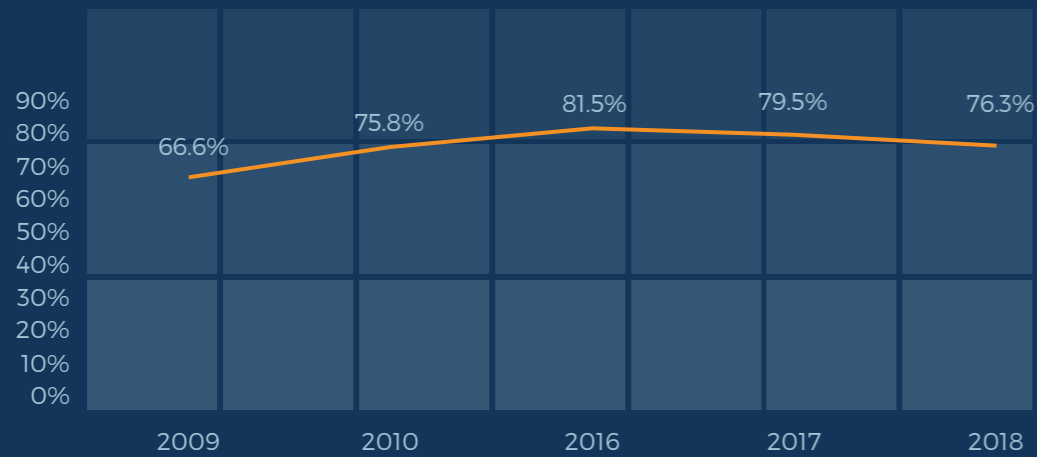
In the next six months, will there be good opportunities for starting a business in the area where you live?



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



Would fear of failure prevent you from starting a business?



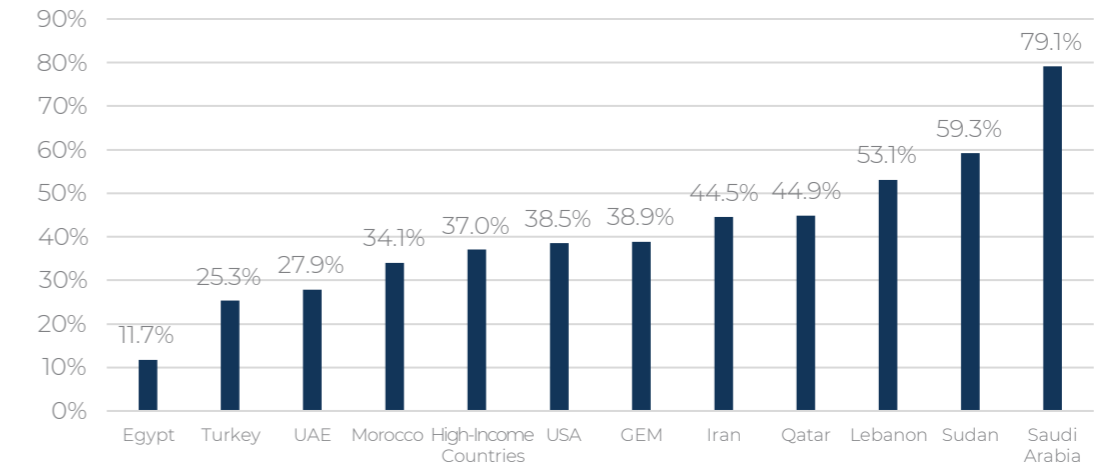
## 2.4. International Comparison

Figure 6 shows the proportions of populations in countries around Saudi Arabia that respond positively to questions on self-perceptions and values related to entrepreneurship, along with those for the USA and the high-income nations group (categorized and established by the Global Competitiveness Report 2018), based on GEM 2018.

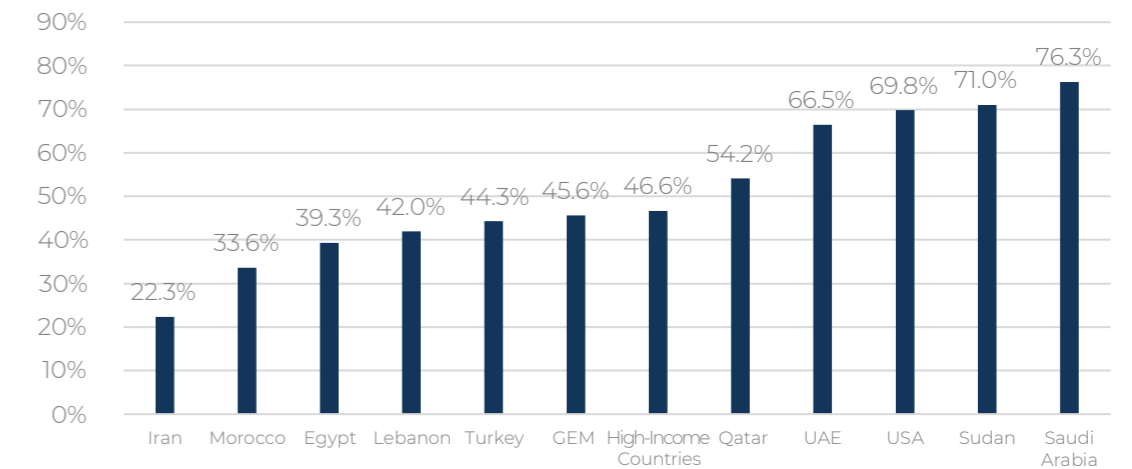
Among the MENA economies, Saudi Arabia has the greatest proportion of people who know recent entrepreneurs, perceive good opportunities to start new businesses, and possess entrepreneurial abilities, exceeding the average of the high-income countries. Fear of failure in the Middle Eastern zone is lowest in the UAE and greatest in Morocco. Saudi Arabia shows the third-highest rate, after Lebanon and Morocco.

Figure 6. International comparison of indicators of individual self-perceptions about entrepreneurship (18-64 age group).

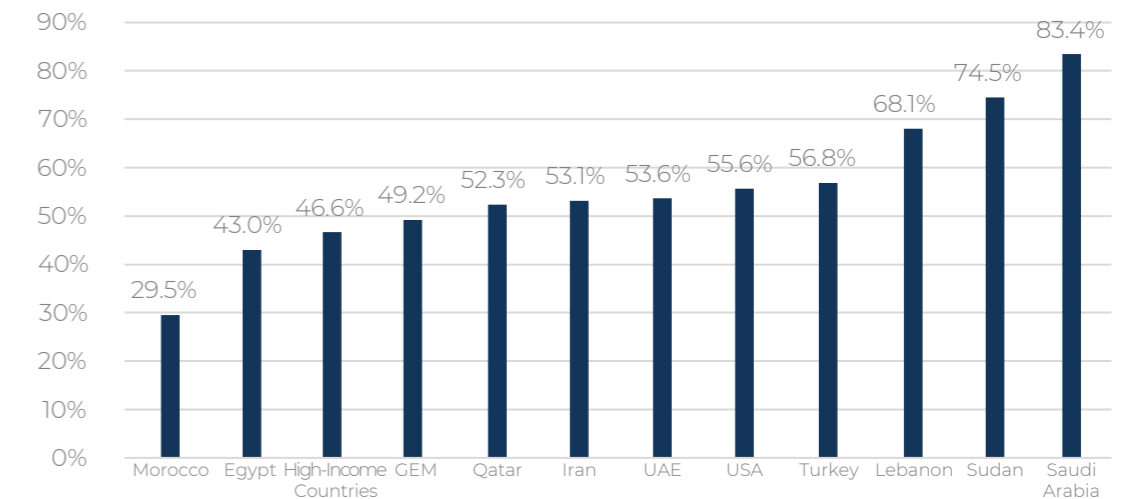
Do you know someone personally who started a business in the past two years?



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, skills, and experience to start a new business?





# 3.0

## ENTREPRENEURIAL & BUSINESS ACTIVITY



### 3.1. Introduction

**GEM CONCEPTUALIZES ENTREPRENEURSHIP AS A PROCESS THAT BEGINS WITH ENTREPRENEURIAL INTENTIONS AND CONTINUES THROUGH SUCCESSIVE PHASES OF STARTUP, NEW BUSINESS ACTIVITY, BUSINESS MATURITY (ESTABLISHED ACTIVITY), AND BUSINESS DISCONTINUATION (SEE FIGURE 7). THIS CHAPTER PROVIDES RESULTS ON ALL OF THESE PHASES FOR SAUDI ARABIA IN 2018.**

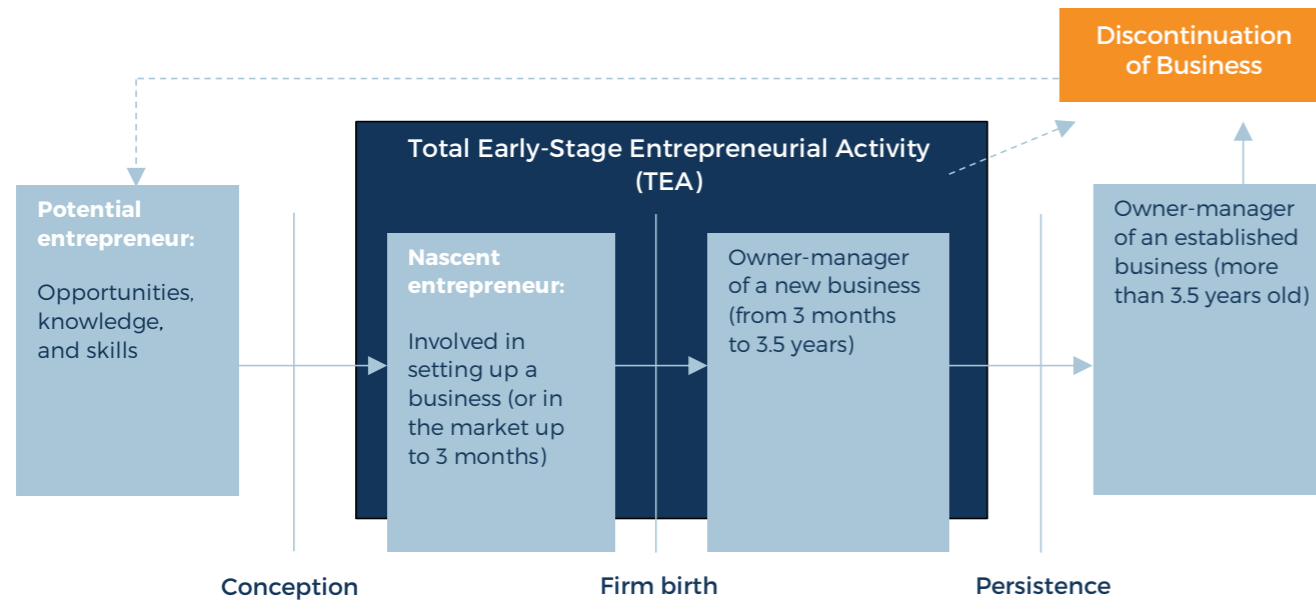


Figure 7. Business phases.

### 3.2. General Overview

In 2018, slightly more than 33% of the population in Saudi Arabia expressed their intention to start a new business in the next three years. Over 5% had started a nascent business not more than three months old, and nearly 7% were running new businesses between 3 months and 3 ½ years in operation. Together, those involved in the nascent and new phases show that a total of 12% of Saudi Arabia's adult population was involved in early-stage entrepreneurial activity. (Table 3)

Table 3. Phases of entrepreneurial activity in Saudi Arabia, 2018

Activity at each phase of entrepreneurial activity					
Potential	Nascent	New	TEA (Nascent and New)	Established	Discontinued
33.3%	5.3%	6.8%	5.3 + 6.8 = 12.1%	3.1%	8.5%
Percentages of Saudi Arabia's population aged 18-64 involved in each phase					

In Saudi Arabia, just over 3% of the adult population was involved in an established business, suggesting that a large proportion of startup activity has not yet reached a mature phase. As Table 4 shows, 8.5% of the population exited entrepreneurship in the prior year. Over 40% of the cases, the businesses continued with someone else or changed its main activity. The remainder indicated that the business stopped operations.

Table 4. Outcomes of business discontinuance in Saudi Arabia, 2018, % of total (% of discontinued)

Discontinued	Business continued in other hands	Business continued but main activity changed	Business exited the market completely
8.5% (100%)	3.2% (37.5%)	0.4% (4.1%)	5.0% (58.4%)

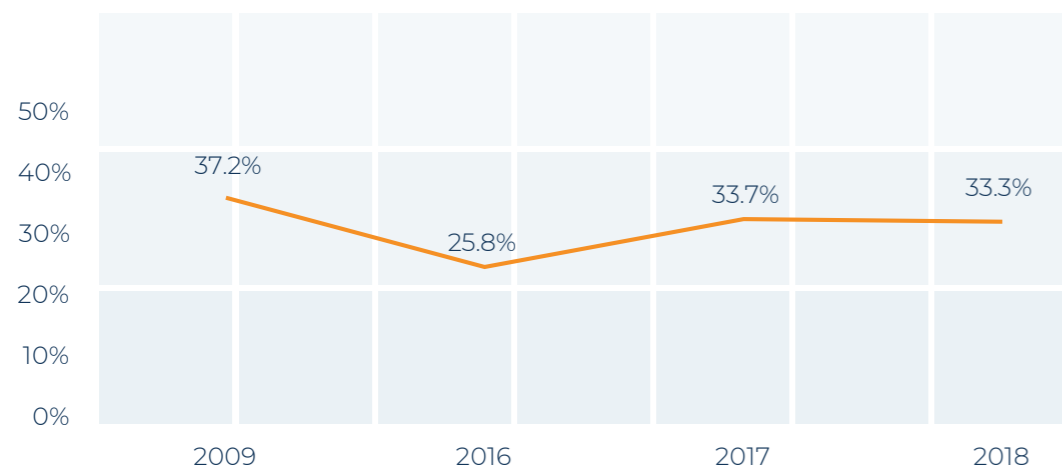
### 3.3. Longitudinal Patterns

Figure 8 shows longitudinal results for activity across the business creation process. These results suggest that the market—formerly supported by traditional businesses and an economy effectively dependent on oil—has opened its doors to modern entrepreneurs, who began to assume a greater role in the economy. In addition, the indicator of potential activity remained stable—in the period from 2016 to 2018, around 33% of the population expressed entrepreneurial intentions.

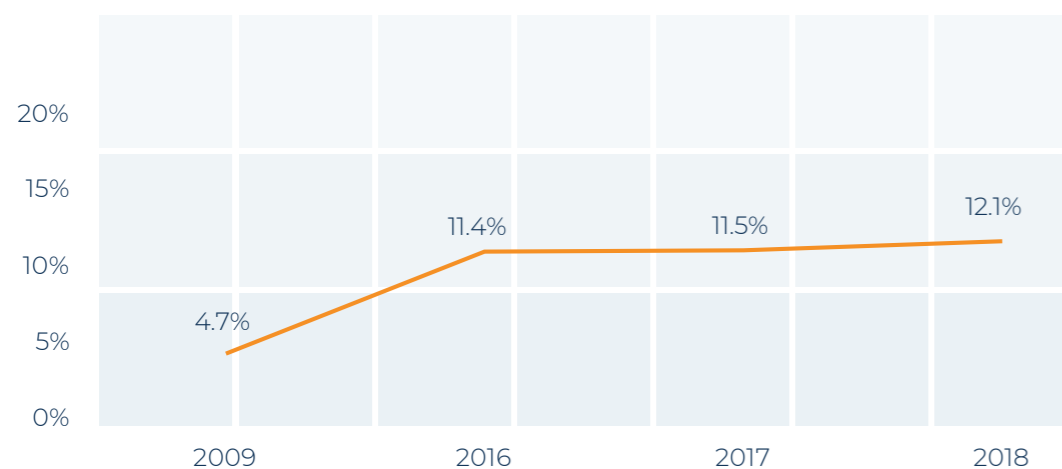
TEA rates between 2016 and 2018 exhibit a higher rate than in 2009, and the indicator for activity in established businesses has remained fairly stable in 2017 and 2018 at around 33%. The business exit rate shows a slight increase, likely reflecting the increase in TEA rates. A dynamic entrepreneurial society contains individuals willing to start businesses, but in order to benefit from these efforts, it must be accepted that some will exit this activity after some time, with their businesses either ceasing operations or continuing to operate with other owners.

Figure 8. Longitudinal analysis of the main indicators of business development in Saudi Arabia.

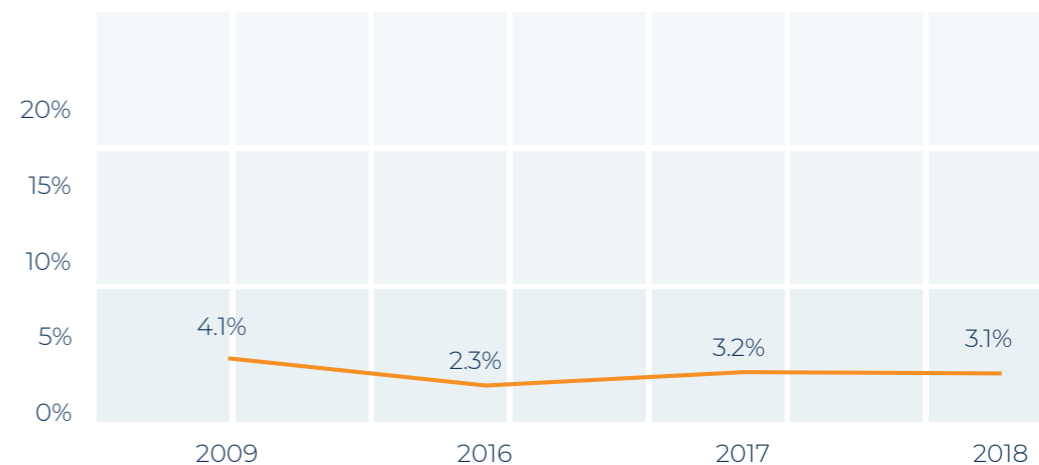
Are you, alone or with others, expecting to start a new business, including any type of self-employment, within the next three years?



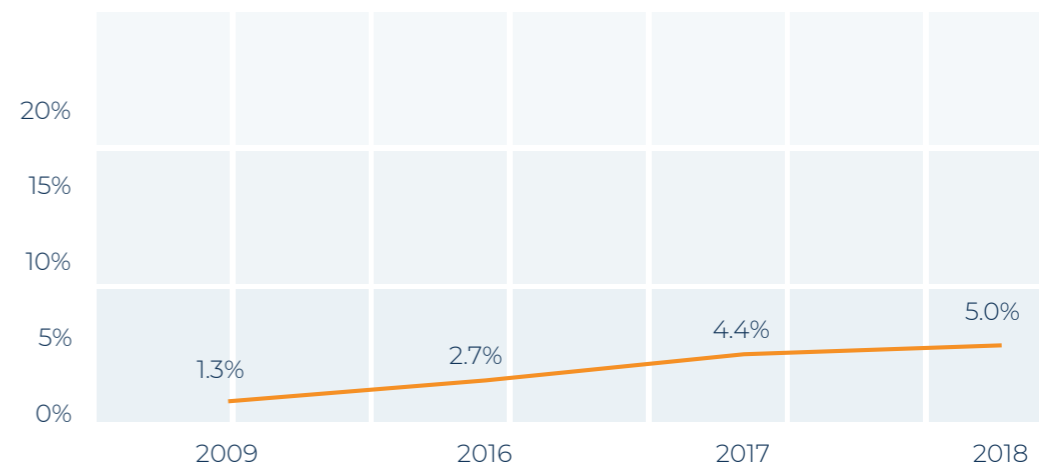
TEA activity (between 0 and 42 months in the market)



Established activity (more than 42 months in the market)



Exited businesses (in the last 12 months before July)





### 3.4. International Comparison

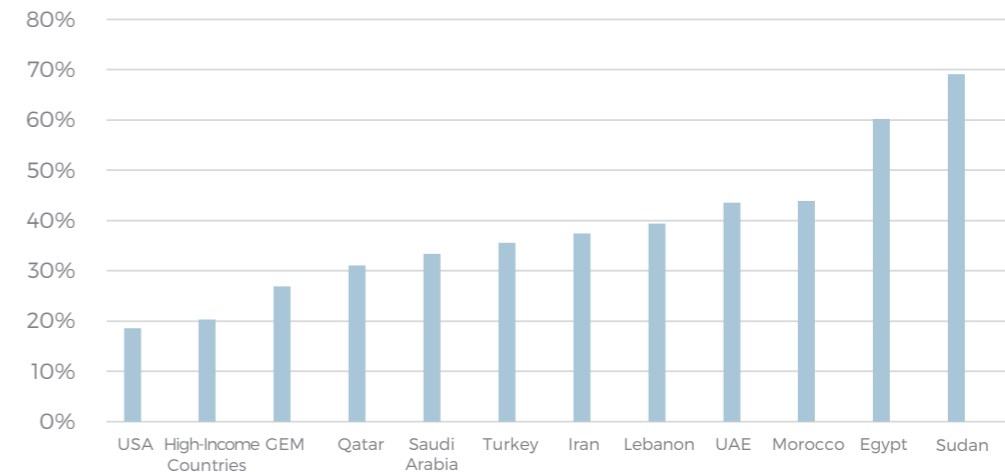
Among the countries in the MENA region, Saudi Arabia occupies an intermediate position with regard to the percentage of the adult population that declares its intention to start a new business within the next 3 years. As can be seen in Figure 9, countries at lower levels of economic development show much higher rates of entrepreneurial intentions. As Saudi Arabia develops, entrepreneurial intentions may be progressively less influenced by necessity, where people are compelled to create their own source of employment, and more by the development of an entrepreneurial-minded society as the country advances with its Vision 2030 plan.

Saudi Arabia's TEA rate is broadly in line with the GEM average and ranks Saudi Arabia fourth among the selected countries highlighted in Figure 9, between Turkey and the UAE. The difference between the Saudi Arabian and U.S. rates narrowed in 2018. Lebanon continues to exhibit the highest TEA rate in the region; apart from the activity of the Lebanese population, the country may benefit from activity initiated by refugees who started businesses in order to create their own jobs. With regard to established business rates, Saudi Arabia's rate is similar to that of Morocco, Qatar, and the UAE.

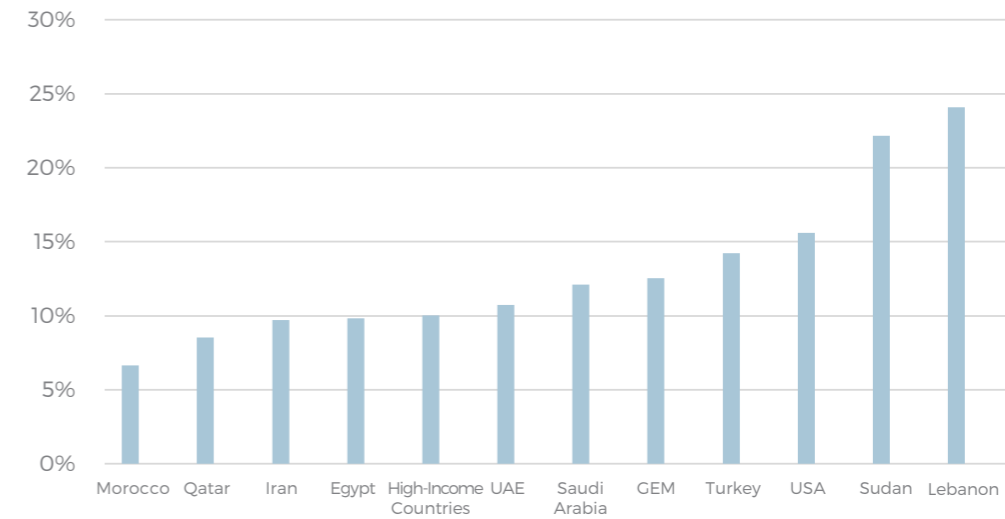


Figure 9. International comparison on indicators of phases of entrepreneurship and business ownership.

Potential entrepreneurship (entrepreneurial intention for the next 3 years)



Total early-stage entrepreneurial activity rate (0-42 months in the market)



Established businesses (more than 42 months in the market)

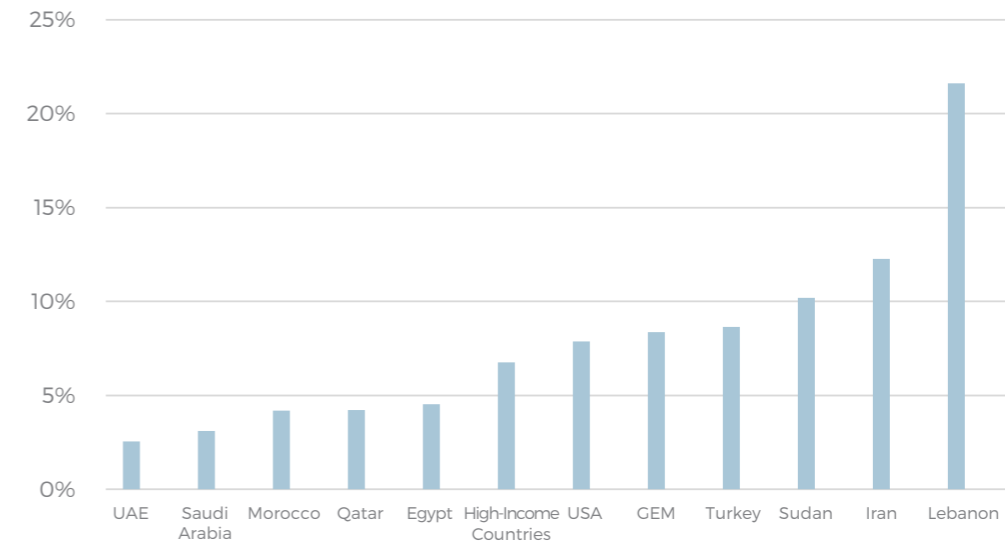




Table 5 shows a low discontinuation rate for Qatar. In contrast, Morocco and Sudan have high rates of discontinuation, although in Sudan the population reported the greatest proportion of cases where businesses continued in other hands. The rate of businesses continued by others, while lower in Saudi Arabia and Lebanon, is still significant compared with other countries.

Table 5. International comparison with respect to business discontinuation

	Discontinuation (%)	Business continues in other hands (%)	Business exited the market (%)
<b>Qatar</b>	3.0	1.0	1.9
<b>High-income countries</b>	3.8	1.3	2.5
<b>USA</b>	4.7	1.9	2.8
<b>GEM</b>	5.0	1.7	3.3
<b>UAE</b>	5.0	1.8	3.2
<b>Turkey</b>	5.2	1.9	3.2
<b>Iran</b>	6.1	2.0	4.1
<b>Egypt</b>	7.6	1.5	6.1
<b>Lebanon</b>	8.0	3.4	4.6
<b>Saudi Arabia</b>	8.5	3.2	5.0
<b>Morocco</b>	10.1	4.0	6.1
<b>Sudan</b>	17.3	9.5	7.8

### 3.5. Entrepreneurial Employee Activity

Employee entrepreneurship—as developed in private companies and public agencies—is increasingly recognized as an important contributor to a society’s economic progress. This activity is often referred to as “intrapreneurship” and involves innovation, diversification, and revenue growth in an organization. Through intrapreneurship, employees in different positions can channel their ideas into projects that benefit their organizations. In 2018, nearly 3% of the adult population in Saudi Arabia was involved in intrapreneurial activities, leading new business activities for their employers during the past three years.





# 4.0

## CHARACTERISTICS OF **ENTREPRENEURIAL ACTIVITIES**



MOTIVATION IS ONE DETERMINANT OF THE QUALITY OF EARLY-STAGE ENTREPRENEURIAL ACTIVITY. **GEM CLASSIFIES EARLY-STAGE ENTREPRENEURIAL INITIATIVE AS BEING MOTIVATED BY NECESSITY, OPPORTUNITY, OR OTHER FACTORS.** POTENTIAL ENTREPRENEURS ARE DRIVEN BY NECESSITY WHEN THEY HAVE NO BETTER ALTERNATIVES FOR WORK, AND NEED TO CREATE THEIR OWN SOURCE OF INCOME. IN CONTRAST, ENTREPRENEURS ARE DRIVEN BY OPPORTUNITY WHEN THEY CHOOSE TO PURSUE THEIR IDEAS.

## 4.1. Introduction

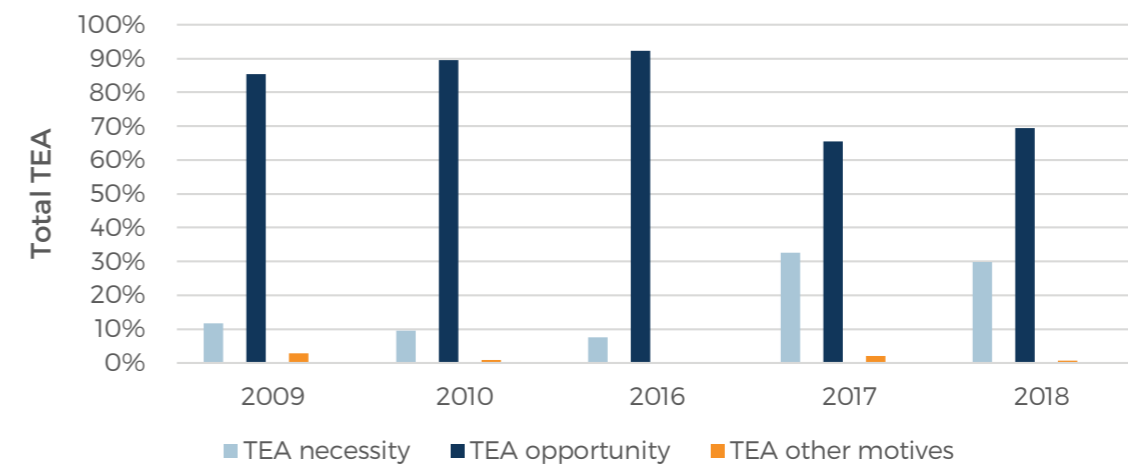
As discussed previously, it is the quality of entrepreneurial activity, rather than the quantity, that determines its effective contribution to economic and social development. GEM provides a comprehensive set of indicators that characterize entrepreneurship. This part of the report offers detailed results on the following aspects: entrepreneurship motivation, sector of activity, number of owners, number of employees, job creation expectations, innovation, use of recent technologies, competitiveness, internationalization, seed capital invested, and motivation for exited businesses.

## 4.2. Motivation for Early-Stage Entrepreneurial Activity

Motivation is one determinant of the quality of early-stage entrepreneurial activity. GEM classifies early-stage entrepreneurial initiative as being motivated by necessity, opportunity, or other factors. Potential entrepreneurs are driven by necessity when they have no better alternatives for work, and need to create their own source of income. In contrast, entrepreneurs are driven by opportunity when they choose to pursue their ideas. After a significant decrease in 2017, the proportion of entrepreneurial businesses motivated by opportunity has recovered somewhat in 2018 (see Figure 10).

Opportunity-driven entrepreneurship is valuable to economies because it is more often associated with innovation, productivity, and competitiveness. However, necessity-driven entrepreneurship contributes to the economies of some nations by enabling many people to create their own jobs. It is therefore important to acknowledge that many variables complete the picture of entrepreneurship in a society. What might 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.

Figure 10. Distribution of motivation for early-stage entrepreneurial activity in Saudi Arabia





In 2018, most Saudi Arabian entrepreneurs and established business owners with opportunity-driven motives stated that they chose to pursue an opportunity mainly to increase their personal income (see Table 6). Gaining greater independence is still quite prevalent in the distribution of incentives, but a substantial shift occurred since 2016, signaling greater interest in boosting personal and family incomes.

Among opportunity-motivated entrepreneurs, the proportion who seeks to improve their situation, either through

increased independence or through increased income (as opposed to simply maintaining their income) are considered “improvement-driven opportunity” (IDO) entrepreneurs. To assess the relative prevalence of IDO entrepreneurs, as opposed to those motivated by necessity, in 2015 GEM created the Motivational Index. In 2018, there were 1.5 times as many IDO entrepreneurs as necessity-motivated ones, illustrating the prevalence of entrepreneurs who are motivated to improve their situation through the pursuit of opportunity.

Table 6. Longitudinal results for main incentives among opportunity-motivated entrepreneurs (TEA) and established business owners (EB).

	Greater independence	Increase personal income	Just maintain income	Other
<b>% 2009</b>				
TEA	49.2	39.7	11.1	0.0
EB	55.9	41.4	1.4	1.4
<b>% 2010</b>				
TEA	37.3		2.4	0.0
EB	53.1	43.8	3.0	0.0
<b>% 2016</b>				
TEA	51.9	44.2	3.8	0.0
EB	58.8	35.7	5.6	0.0
<b>% 2017</b>				
TEA	45.7	48.5	4.3	1.5
EB	20.5	74.4	5.0	0.0
<b>% 2018</b>				
TEA	41.7	49.5	5.7	3.1
EB	32.2	59.4	6.3	2.1

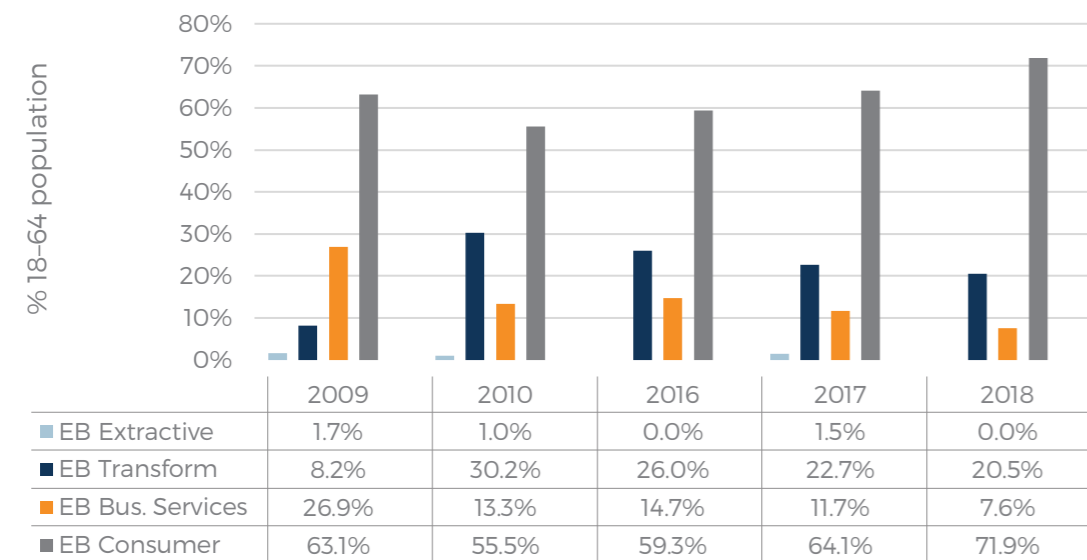
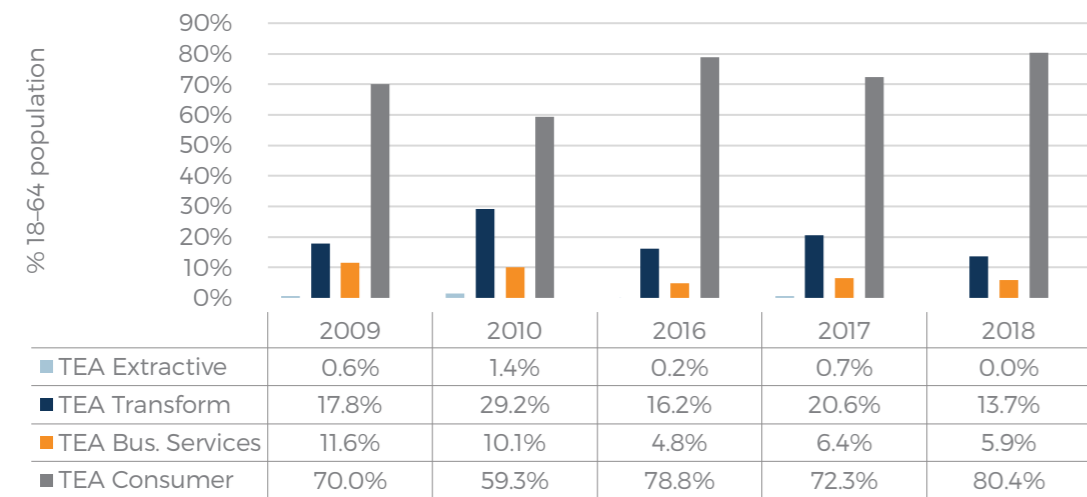




### 4.3. Sector of Activity

GEM classifies business activity into four large sectors: extractive, transforming, business services, and the consumer-oriented sector. Figure 11 shows the distribution of entrepreneurs (TEA) and established business activity by sector in recent years. Like most countries, Saudi Arabia has a high concentration of activity in the consumer-oriented sector. GEM did not capture any activity in the extractive sector in 2018, which implies that either entrepreneurs are not participating in this sector, or that some cases were classified as part of the transforming sector, where some further processing is conducted. Activity in the business services sector is decreasing, signaling an opportunity to boost participation in this often more advanced business arena. An emphasis on entrepreneurship in the extractive and business services sectors may therefore play a role in maximizing the value of Saudi Arabia's natural resources and educated society.

Figure 11: Longitudinal analysis of total entrepreneurial activity and established business ownership by sector in Saudi Arabia





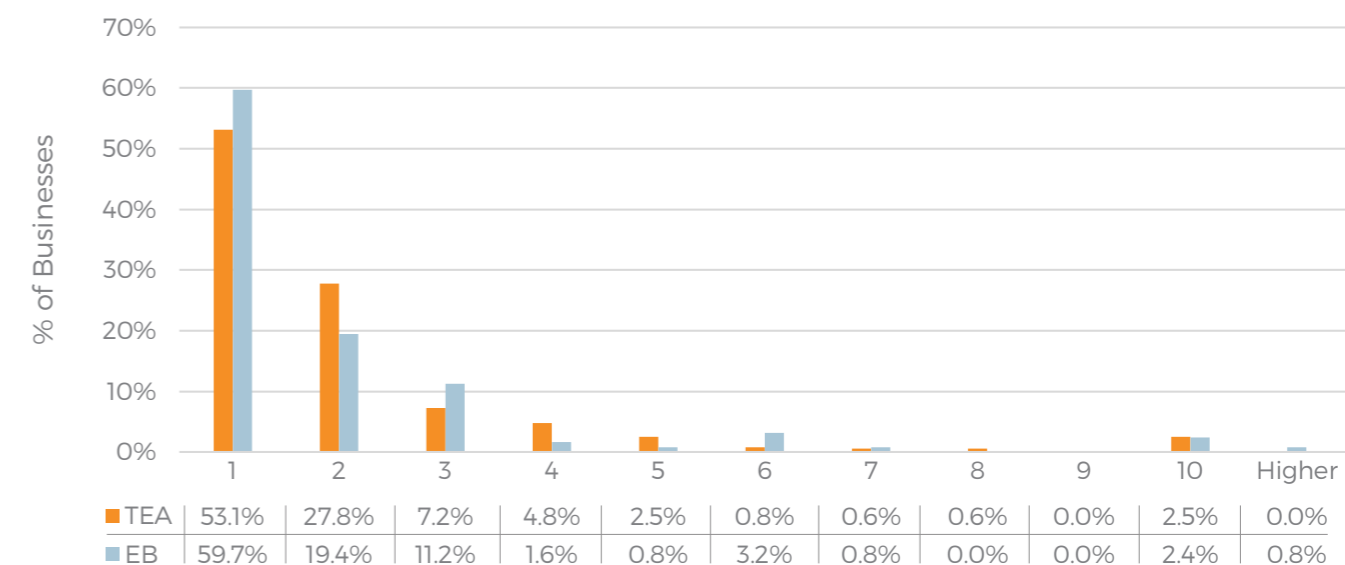
SAUDI ARABIA SHOWS A HIGH CONCENTRATION OF ACTIVITIES STARTED BY A SOLE ENTREPRENEUR OR BUSINESS OWNER, **BUT ALSO A SUBSTANTIAL PROPORTION WHO ARE PARTNERING WITH A CO-FOUNDER**



#### 4.4. Number of Owners

With few exceptions, entrepreneurial activities are initiated by an independent entrepreneur or by very small entrepreneurial teams. Saudi Arabia shows a high concentration of activities started by a sole entrepreneur or business owner, but also a substantial proportion who are partnering with a co-founder (see Figure 12).

Figure 12. Distribution of the number of owners of businesses at different stages of activity, Saudi Arabia, 2018



#### 4.5. Number of Employees

Entrepreneurial activity comprises businesses ranging from those with no employees or just a few employees to those employing thousands of people—in aggregate contributing to notable job creation in Saudi Arabia. Those in the earliest stages (nascent entrepreneurs in operation less than three months) may not have yet conducted much hiring, but new entrepreneurs had a median of four employees in 2018, up from a median of three employees in 2017. Established business owners employed a median level of six employees in both 2017 and 2018.

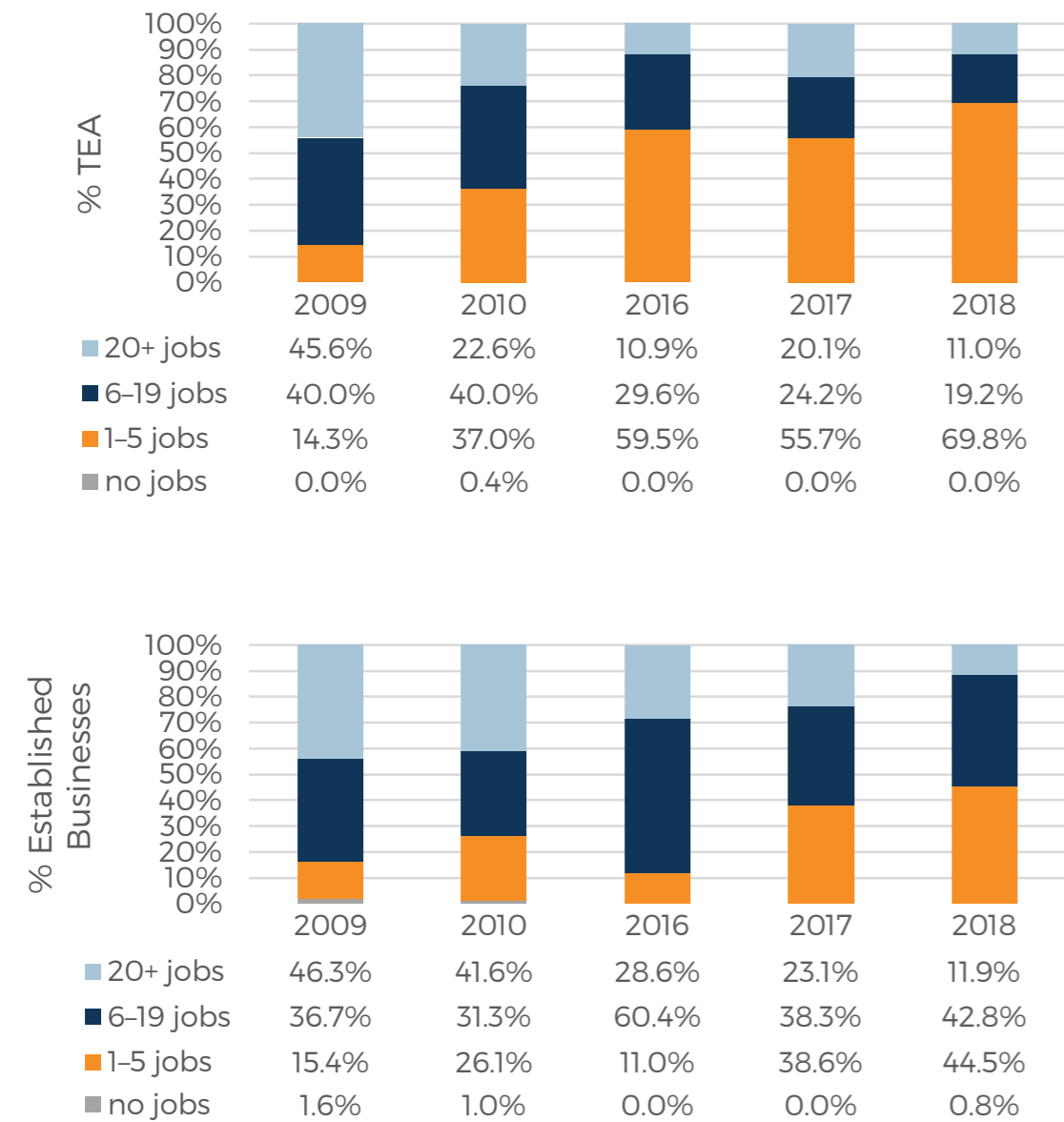


### 4.6. Job Creation Expectations

GEM assesses job creation expectations in the coming five years among early-stage entrepreneurs and established business owners. Figure 13 shows these results for Saudi Arabia between 2009 and 2018. The first chart is for early-stage entrepreneurial activity, and the second is for established firms. In general, early-stage entrepreneurs are optimistic about job creation; most of them expect to be creating jobs in the next five years. However, in 2018, their expectations

are somewhat less ambitious than in 2017, with established business owners reporting a similar result. In many developed countries, entrepreneurs are increasingly operating on their own or with smaller-sized businesses, instead working within a network of outside partners, generally enabled by technology and the types of businesses that rely on advanced infrastructure. This may also be a trend influencing this indicator in Saudi Arabia.

Figure 13. Longitudinal analysis of expected number of employees in five years among early-stage entrepreneurs and established business owners in Saudi Arabia

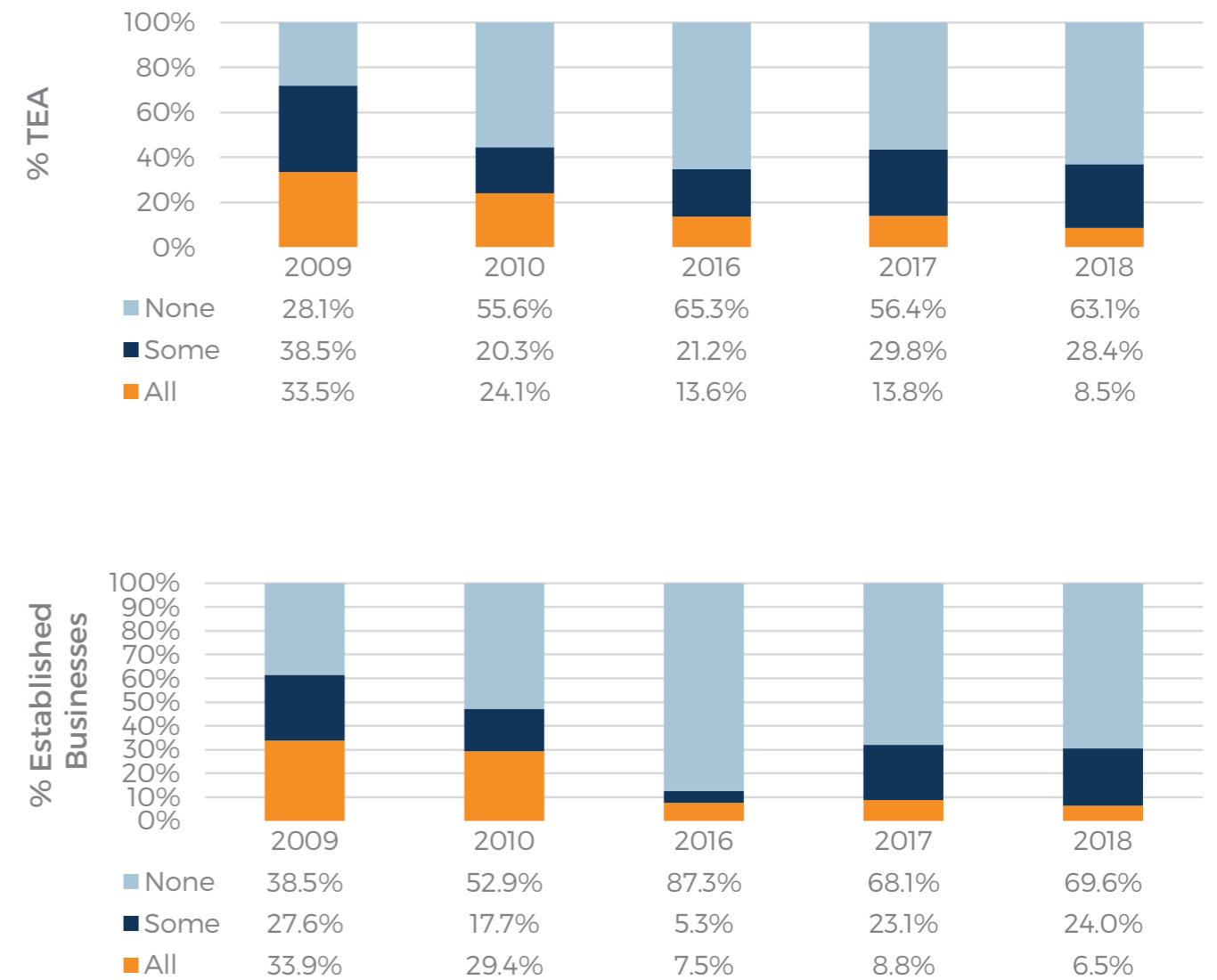


### 4.7. Market Innovation

GEM assesses market innovation among entrepreneurs and established business owners by asking how many (potential) customers would consider the product/service they offer to be new or unfamiliar. The distributions of responses to this question, and recent trends, are shown in Figure 14. The results indicate that early-stage entrepreneurs report a somewhat larger proportion of innovative activities

compared with established firms. However, compared to 2016, both early-stage entrepreneurs and established business owners show an increase in the percentage reporting at least some innovation in 2017 and 2018.

Figure 14. Longitudinal analysis of market innovation among early-stage entrepreneurs and established business owners in Saudi Arabia



Innovation may also be associated with businesses developing new technologies, although participation in high-technology sectors is not common among entrepreneurs in many countries, despite the high publicity they may receive. In Saudi Arabia, innovations may occur in non-technology sectors, although a slight increase in the technology sector can be seen in the past two years, compared to 2016 (see Table 7).

Table 7. Participation in the technology sector among early-stage entrepreneurs and established business owners in Saudi Arabia



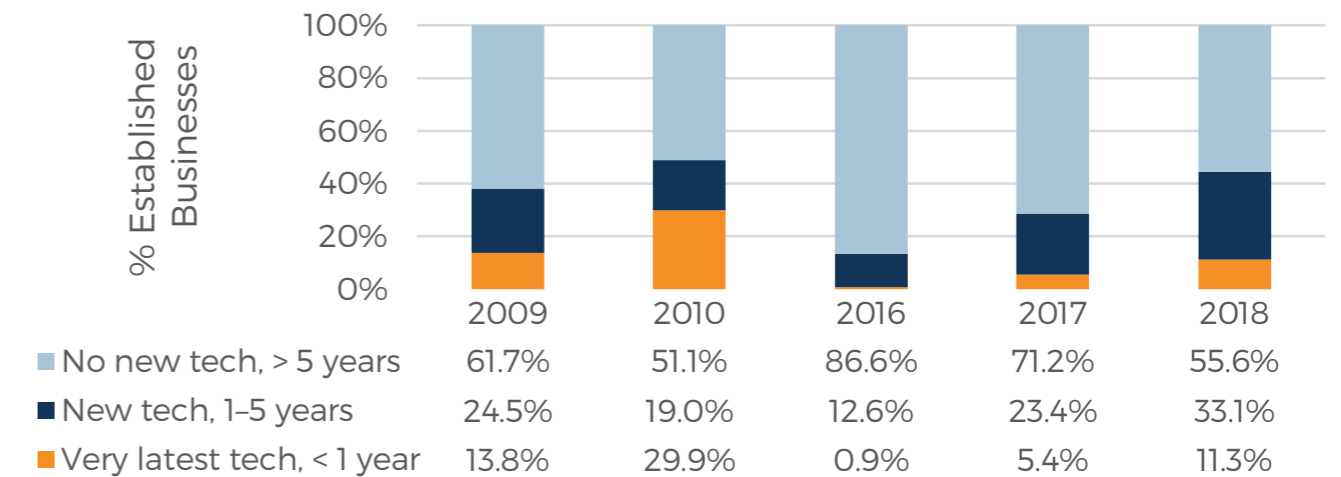
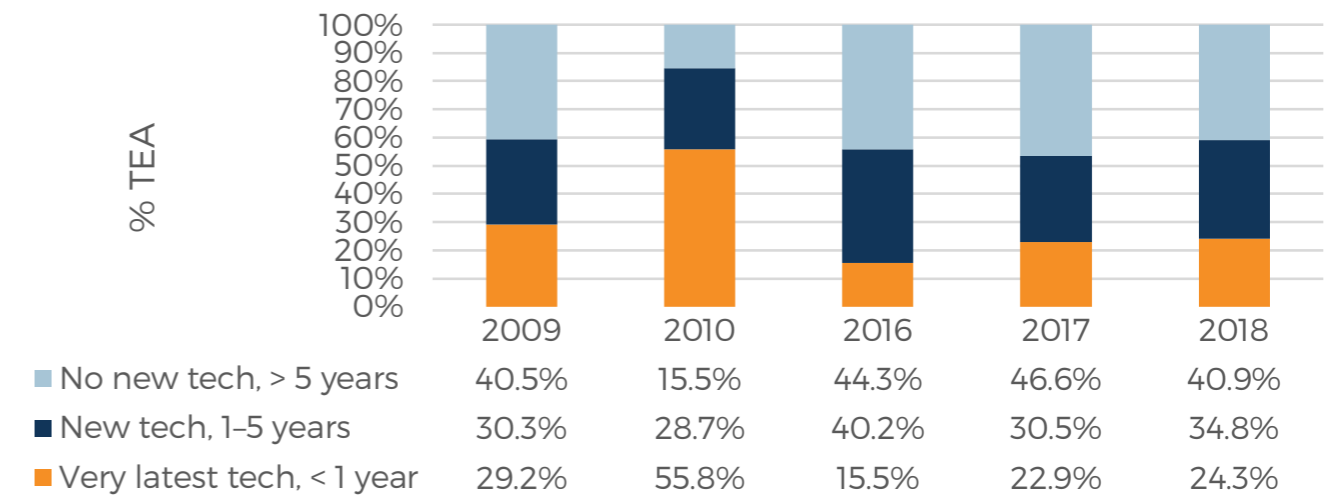
Technological level	(% TEA)				(% EB)			
	2010	2016	2017	2018	2010	2016	2017	2018
None/low-technology sector	98.5	99.2	98.5	97.7	97.3	100.0	97.3	97.6
Medium-or high-technology sector	1.5	0.8	1.5	2.3	2.7	0.0	2.7	2.4

### 4.8. Use of Recent Technologies

Another important criterion 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 the proportion of entrepreneurs that use the very latest (< 1 year old), new (1-5 years old), and non-new (> 5 years old) technology. The results for Saudi Arabia in the period 2009-2018 are shown in Figure 15. They paint a positive picture, leaving aside the atypical result in 2010; the series shows a positive

trend over the last three years for early-stage businesses and also for established firms, although with a smaller proportion using new or the very latest technology (see Figure 15). Increasingly, entrepreneurs and business owners in Saudi Arabia are creating value by leveraging the latest technologies.

Figure 15. Longitudinal analysis of age of technologies used by entrepreneurs (TEA) and established business owners (EB)

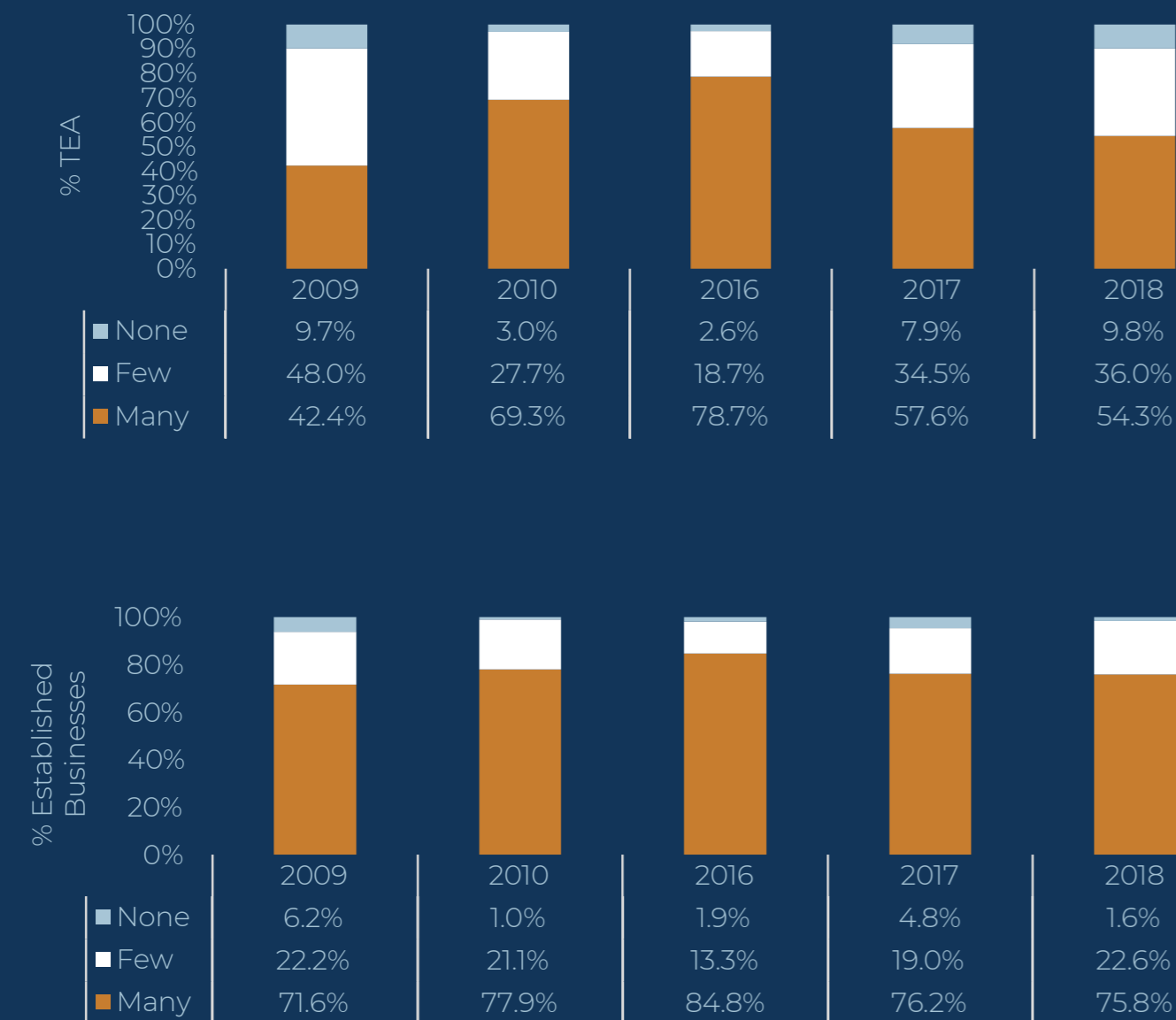


### 4.9. Competitiveness

GEM estimates the competitiveness of entrepreneurship and established business ownership by measuring the proportion who consider there to be many, few, or no firms offering the same products/services in their target markets (see Figure 16). The findings indicate that entrepreneurs in Saudi Arabia have become substantially more competitive in

2018 compared to 2016, with nearly four times as many entrepreneurs stating they have no competitors, and twice as many saying they have only a few competitors. Among established business owners there was an increase in those who indicates having just a few competitors in 2018 compared to 2016.

Figure 16. Longitudinal analysis of competition faced by entrepreneurs and established business owners in Saudi Arabia

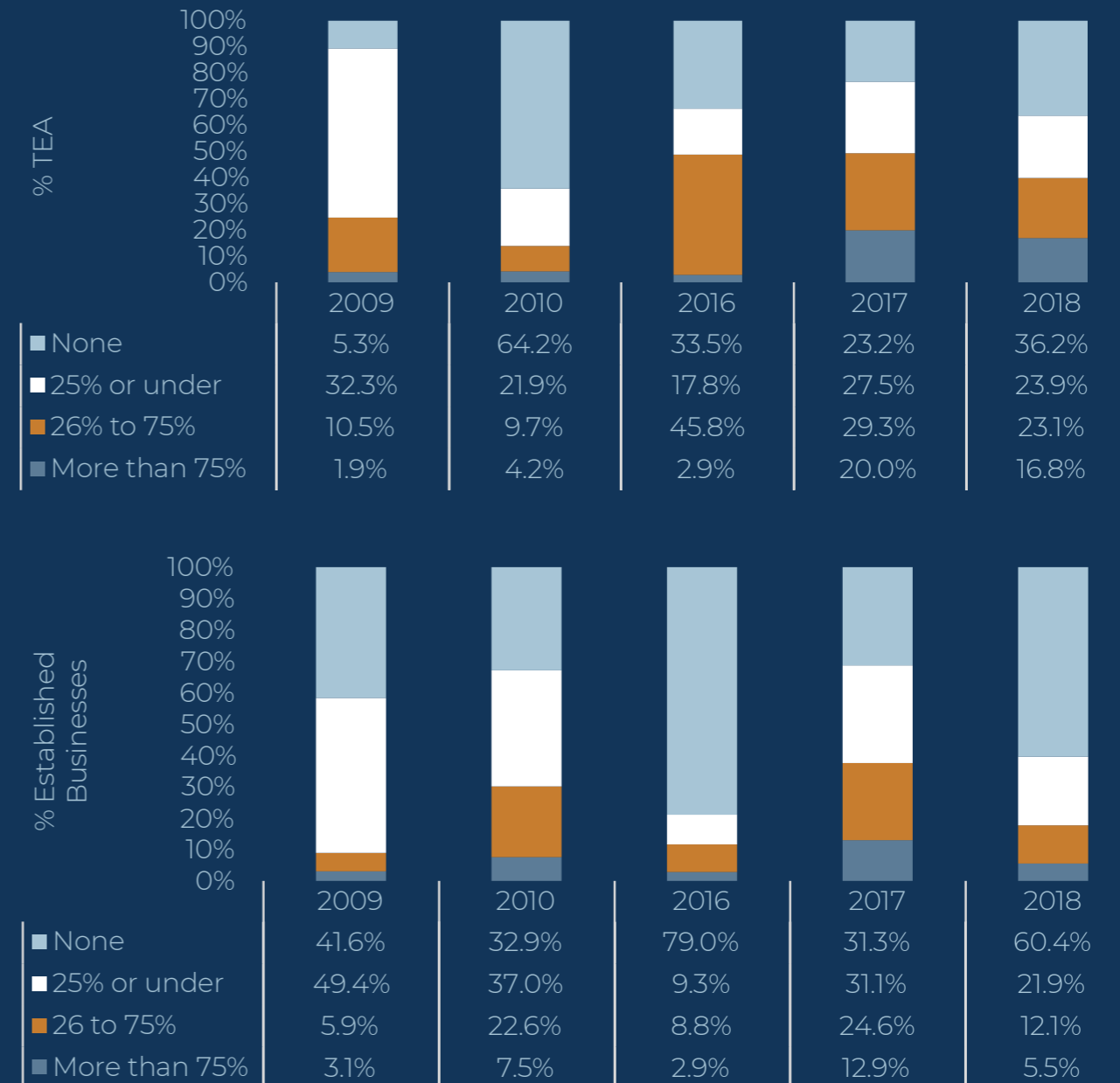


### 4.10. Internationalization

In today's global context, internationalization is key to an economy's national competitiveness. GEM estimates internationalization by asking owner-managers about the approximate percentage of their sales to customers outside their country. The results for Saudi Arabia are shown in Figure 17. As this figure shows, fewer entrepreneurs have a high international emphasis in 2018 compared to the previous year. This may be due to a growing domestic market

for products and services, revealing opportunities for entrepreneurs to serve these needs. At the same time, it must be noted that over 40% of entrepreneurs report more than 25% of their sales to international customers. This is a high rate, compared to 13% in the United States and 30% in Israel. These findings may reveal that entrepreneurs are able to capitalize on both international opportunities and a growing internal market.

Figure 17. Longitudinal analysis of internationalization among entrepreneurs and established business owners in Saudi Arabia





## 4.11. Startup Funding

Table 8 shows the median amount of startup capital needed by entrepreneurs in the nascent and new business phases in the years 2016, 2017, and 2018. The median startup capital required for nascent firms in 2018 was SAR 200,000, double that of 2016 and 2017—a result that suggests entrepreneurs are starting

businesses with higher capital needs. In the case of new firms, the median also increased in 2018, to SAR 100,000. Entrepreneurs in the nascent phase provided 75% of their startup capital. New business owners provided half of their funding needs, perhaps because they were able to raise funds from others for their more developed businesses.

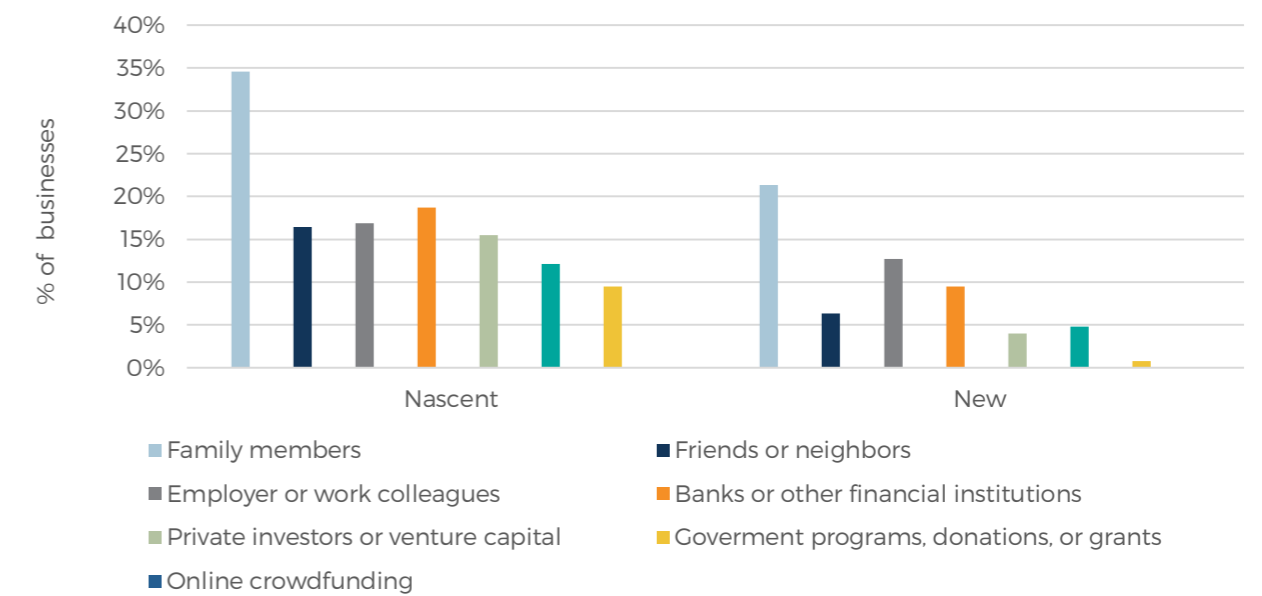
Table 8. Median startup capital needed to start nascent and new businesses, and median amount of funding provided by the entrepreneurs, Saudi Arabia

Capital	Nascent entrepreneur (up to 3 months)		New entrepreneur (3-42 months)	
	Median startup capital required by nascent entrepreneurs	Amount provided by the nascent entrepreneurs' own sources	Median startup capital required by new business owners	Amount provided by the new business owners' own sources
2018	200,000	150,000 (75%)	100,000	50,000 (50%)
2017	100,000	100,000	80,000	66,734
2016	100,000	75,000	60,000	50,000

Entrepreneurs access startup funds from a variety of sources. As Figure 18 shows, entrepreneurs most commonly raise capital from family members and, collectively, other people they know, such as friends and those they work with. Banks are also key sources of finance for entrepreneurs in Saudi Arabia. Nascent entrepreneurs make more use of private investors, government programs, and crowdfunding than new

entrepreneurs. This may indicate the availability of these funds for those in the earliest stages or a recent increase in access of these sources by people just starting businesses, while this is not yet reflected in later-stage venture activity. Overall, this analysis shows the importance of personal sources, relationships, and a variety of outside financiers in generating the capital needed for entrepreneurs.

Figure 18. Sources of finance for nascent and new entrepreneurs in Saudi Arabia, 2018



# 5.0

## CHARACTERISTICS OF **ENTREPRENEURS**



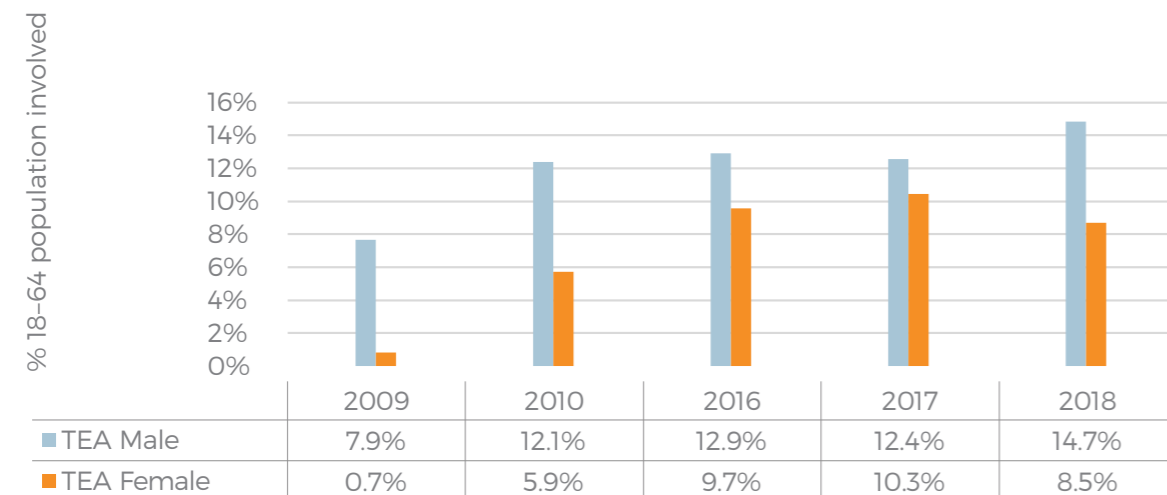
## 5.1. Introduction

GEM is unique in conducting primary data collection (instead of using secondary sources) and interviewing people, rather than relying on firm registration data. This enables the examination of a range of characteristics of entrepreneurs and owner-managers, as well as capturing the activities of informal investors and intrapreneurs, and assessing attitudes and perceptions in the general adult population. The results create a unique profile of entrepreneurship in each economy, informing policymakers, practitioners, media, educators, researchers, and other stakeholders interested in this phenomenon. This chapter shows characteristics of Saudi Arabian entrepreneurs in 2018.

## 5.2. Gender

In most economies, men are more likely to start businesses than women. Every year, GEM only identifies a handful of economies with gender parity in TEA rates. In Saudi Arabia in 2018, 14.7% of men, versus 8.5% of women identified themselves as entrepreneurs. This represents an increase over the prior two years for men, and a decline for women.

Figure 19. Longitudinal analysis of TEA by gender in Saudi Arabia

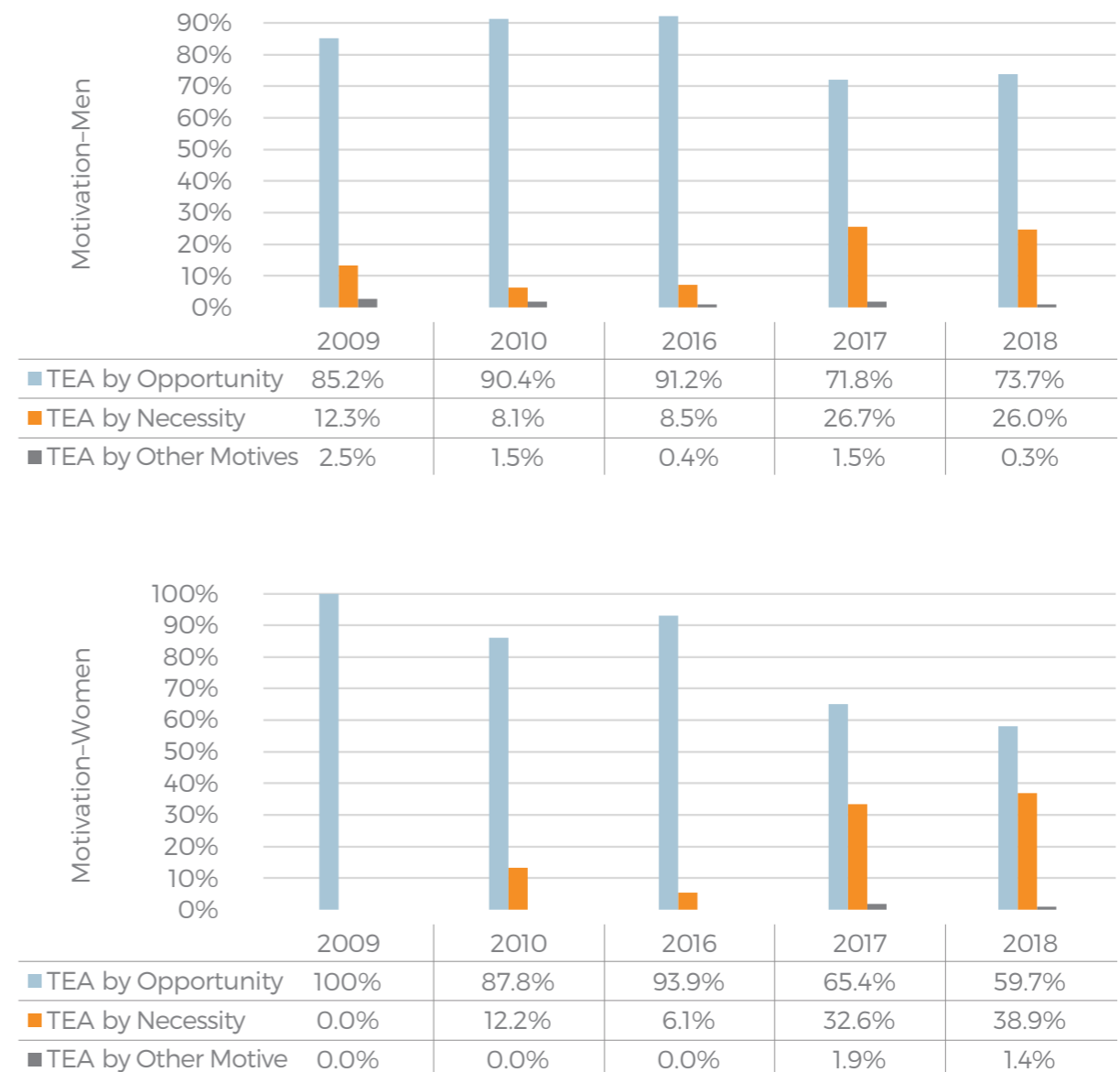


## THE RESULTS CREATE A UNIQUE PROFILE OF ENTREPRENEURSHIP IN EACH ECONOMY, INFORMING POLICYMAKERS, PRACTITIONERS, MEDIA, EDUCATORS, RESEARCHERS, AND OTHER STAKEHOLDERS INTERESTED IN THIS PHENOMENON.

An analysis of motivations for early-stage entrepreneurial activity by gender (see Figure 20) shows some differences between male and female entrepreneurs in 2018. Though declining in importance since 2016, opportunity is the predominant motivation for both

genders; but this indicator has recovered somewhat in the case of men while continuing to decrease for women in 2018. Necessity plays a greater role in the motivation for entrepreneurship among women than among men.

Figure 20. Longitudinal analysis of entrepreneurial motivation by gender in Saudi Arabia





### 5.3. Age Dimensions

In both 2017 and 2018, entrepreneurs in Saudi Arabia averaged 37 years of age, somewhat older than in 2016 (see Table 9). Established owner-managers are slightly older than entrepreneurs—this is not surprising given they are running mature businesses that were started when they were younger. However, the age of established business ownership

decreased from 2016, possibly due to a lagged effect of younger entrepreneurs prior to 2017, resulting in a transition to mature business activity at a younger age. Finally, the average age of those who exited a business in 2018 was the highest among these groups, a result influenced by retirement in some cases, among a range of other reasons.

Table 9. Mean ages for phases of entrepreneurship and business activity in Saudi Arabia, 2016–2018

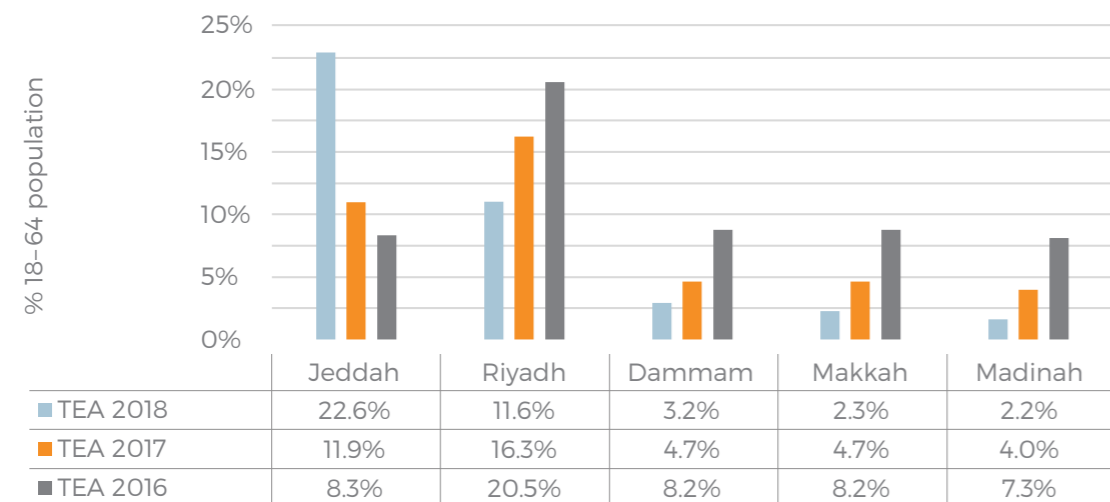
Collective	Mean Age (Years)		
	2016	2017	2018
All Population Aged 18–64	35.1	34.8	36.5
Potential Entrepreneurs	36.4	34.8	36.4
TEA	33.5	36.8	37.4
EB	42.8	39.3	39.5
Exited Business Owner-Managers	37.3	37.1	40.5

### 5.4. Provinces and Regions within Saudi Arabia

This section shows the distribution of early-stage entrepreneurial activities among the most populous regions in Saudi Arabia. Jeddah reports the highest TEA rate in 2018, while Riyadh also has exhibited high levels of entrepreneurship, particularly in 2016 (see Figure 21). This

suggests that Riyadh is an established center for entrepreneurship, while Jeddah is just becoming an attractive startup location. The Jeddah region includes the King Abdullah Economic City, which is rapidly expanding its business activities and updating its infrastructure.

Figure 21. Entrepreneurial activity (TEA) among regions in Saudi Arabia, 2016, 2017, 2018



### 5.5. Educational Level

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

Most entrepreneurs and established business owners in Saudi Arabia have at least a post-secondary degree (about 75% for both). Entrepreneurs are more likely than established business owners to have graduate-level experience (36% versus 26%). Overall, this reveals a high level of education among both groups, but particularly among those currently starting businesses.

### 5.6. Income

GEM also classifies those involved in entrepreneurship and established business activities by their household income level. This variable is summarized in three categories: lowest third, middle third, and upper third. The majority of entrepreneurs and established business owners are in the top one-third of Saudi Arabia's household income level (53% for both). This indicates, on the one hand, the availability of personal resources for starting and running a business. On the other hand, and particularly for established business owners, it reveals the high returns that can be realized from running a business.

What's perhaps most interesting is that there are also many entrepreneurs (31%) and established business owners (39%) in the lowest one-third income category. This might demonstrate that some businesses are not highly profitable, or not yet profitable in the case of entrepreneurs. But it also reveals the importance of entrepreneurship and business ownership in generating income for families that may not be among those with the highest levels of wealth in an economy.

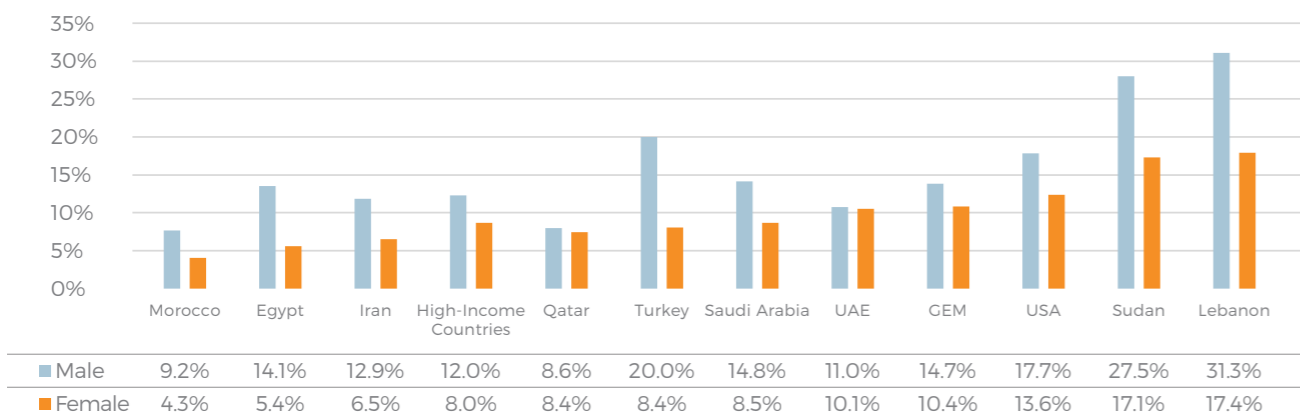




### 5.7. International Comparison

This section compares Saudi Arabia's TEA by gender and age group with MENA countries, as well as the United States, the average for the high-income countries, and the results for GEM overall. The results in Figure 22 show that female entrepreneurial activity is proportionally lower than male activity in all the economies and groups, except in Qatar, where both rates are similar. Lebanon has the highest rate of female activity, and Morocco has the lowest. Saudi Arabia has an intermediate position on this indicator, close to the Turkey and Qatar averages, and slightly above the mean for the high-income countries.

Figure 22. TEA by gender, 2018

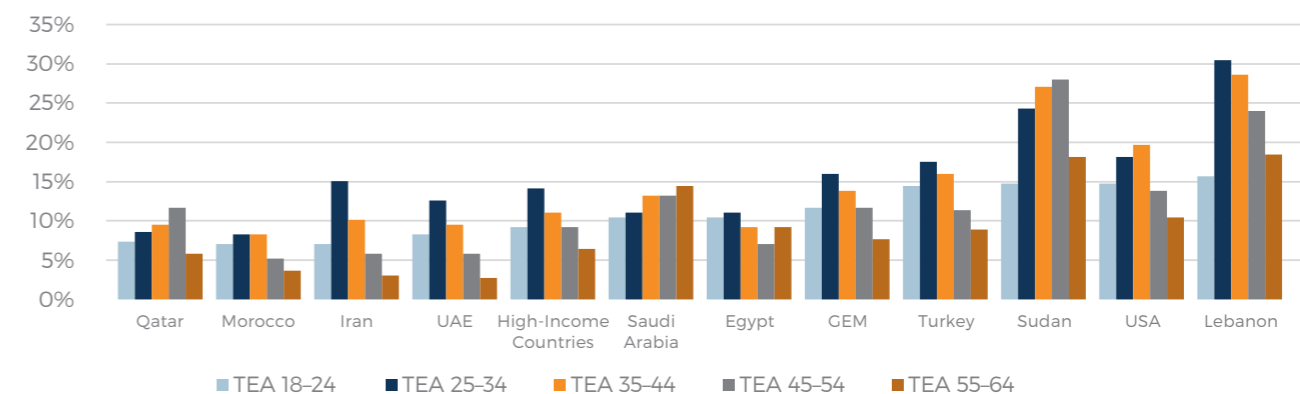


Note: Ordered by TEA female.

Figure 23 shows TEA rates by age group. Relatively speaking, the second age group (25-34 years) have the highest rate of entrepreneurship on average among the high-income countries and among the entire GEM sample. Lebanon, Turkey, and Iran follow the same overall pattern as these groups while the USA, Sudan, and Qatar have more entrepreneurs among older age groups. What's most interesting about this chart, though, is the contrast between Saudi Arabia and its neighbor Egypt. Egypt has nearly as many 18 to 24 year-olds starting businesses as the next highest age group (25-34 year olds). This may reflect this country's population demographics as the under 25 age group

makes up over half of the population. But it may also indicate the importance of entrepreneurship in enabling young people to pursue opportunities and generate income for themselves and others. In contrast, the oldest age group (55-64 years) has the highest startup rate in Saudi Arabia. This age group may have the resources, experience, and networks they can leverage in a new business. But this result also reveals an opportunity to boost Saudi Arabia's overall TEA rate through the promotion of entrepreneurship among youth, who often have the ambition and ideas they can channel into startups.

Figure 23. TEA by age, 2018



Note: Ordered by TEA 18-24.



# 6.0

## INFORMAL INVESTMENT ACTIVITY





## 6.1. Introduction

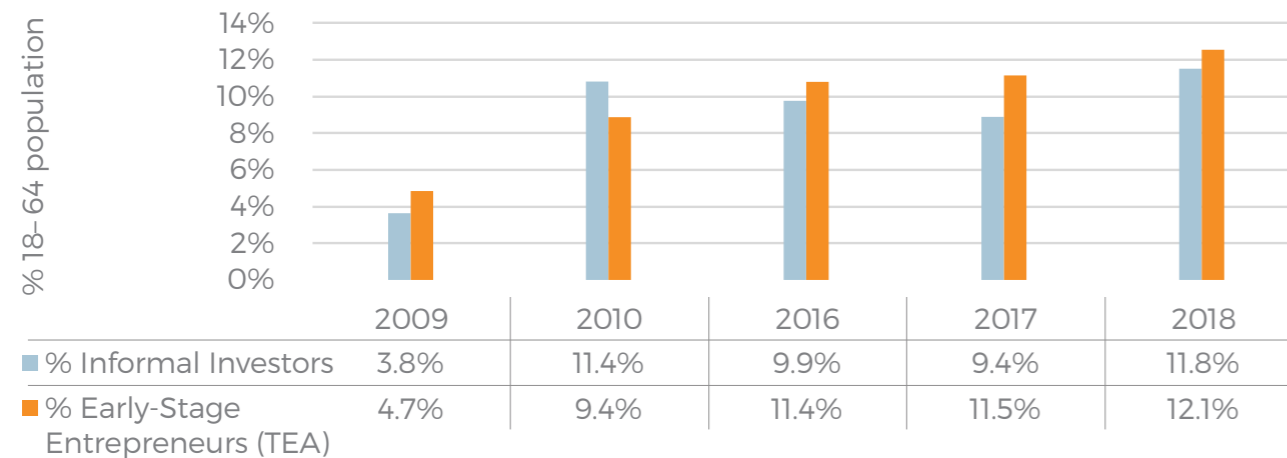
GEM generates unique data on “informal” investment; that is, the provision of funds to entrepreneurs by family, relatives, friends, work colleagues, neighbors, strangers, or via any other informal financing channel. These sources of financing are critical for entrepreneurs at the startup stage, enabling them to get their ventures up and running, either to the point where their businesses can sustain themselves or when they can attract growth capital. This section reports on the proportion of the adult population in Saudi Arabia who are informal investors, the median amount they invested, their relationship to the entrepreneurs they funded, and other details.

## 6.2. Estimated Proportion of Adult Population Acting as Informal Investors

In 2018, 12% of the adult population in Saudi Arabia provided funds to entrepreneurs, nearly equal to the entrepreneurship rate. This is an increase over the prior two years and suggests some role in the upward movement in TEA. The median amount of investment was SAR 25,000, a decrease from that reported in 2017 (SAR 30,000). This may

indicate that smaller amounts are being invested by more people, combined with a trend toward lower startup costs for many types of businesses—for example, technology can enable low-cost marketing and logistics.

Figure 24. Longitudinal analysis of informal investment in entrepreneurs in Saudi Arabia



Note: No data available 2011–2015.

## 6.3. Characteristics of Informal Investors

This section describes the personal characteristics of informal investors in Saudi Arabia, based on the longitudinal results shown in Table 10. In 2016, only a little more than one-third of the informal investors were women, but by 2018, women invested equally with men. Informal investors’ mean age in 2018 was around 38 years, virtually unchanged since 2017 and close to the average age of entrepreneurs in Saudi Arabia.

It is notable that investors in Saudi Arabia are about as likely to be in the lowest one-third income group as in the highest one-third income category in 2018. This is in line with the high proportion of entrepreneurs who are in the lowest one-third income group (31%). It may therefore be the case that people with less disposable income nonetheless are willing to help out entrepreneurs, particularly if they are family members and others they know.

Table 10. Longitudinal analysis of characteristics of informal investors

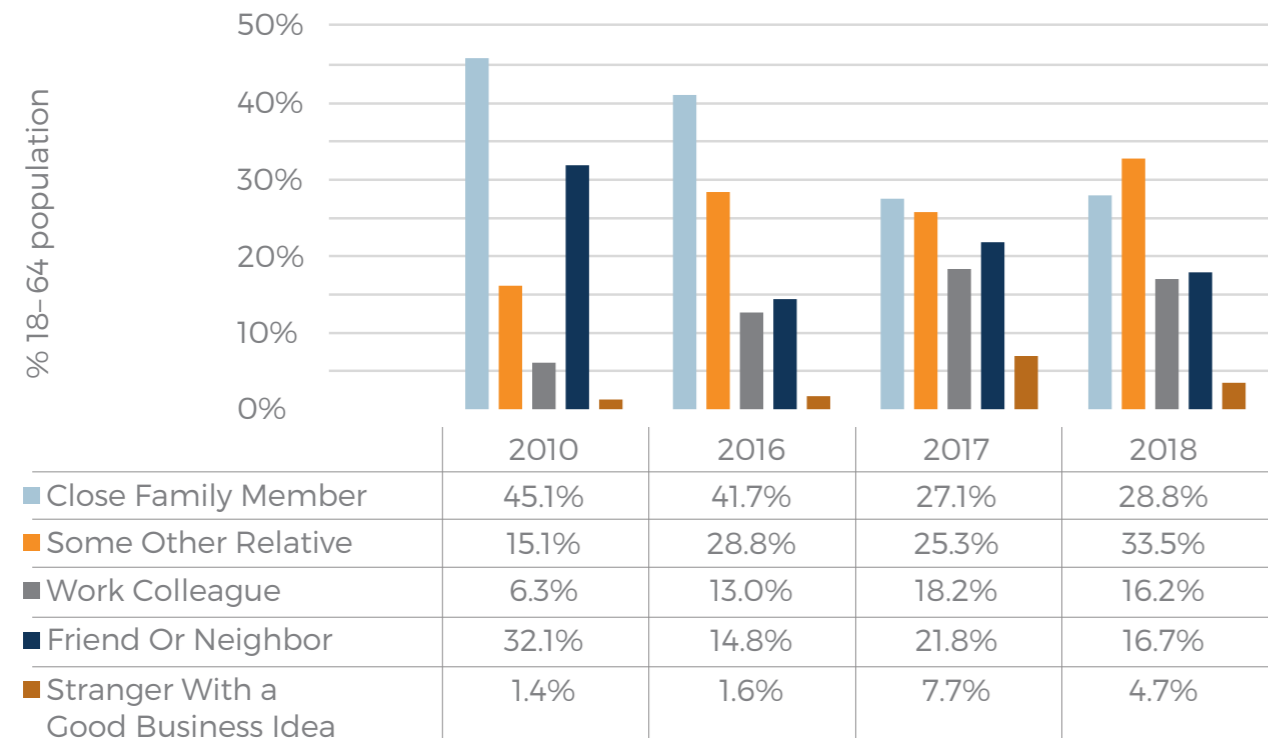
Characteristic	2009	2010	2016	2017	2018
<b>Gender</b>					
Male (%)	73.0	67.2	65.4	53.4	49.8
Female (%)	27.0	32.8	34.6	46.6	50.2
<b>Age</b>					
Mean Age	29.9	33.1	39.6	38.2	38.4
<b>Annual Income</b>					
Lowest 33%	31.0	17.1	72.9	43.2	36.0
Middle 33%	2.0	5.1	16.1	17.5	23.6
Highest 33%	67.0	77.8	11.1	39.1	40.4

## 6.4. Relationship between Informal Investors & Beneficiaries

GEM provides information on the relationship between informal investors and the entrepreneurs they fund. The results in Figure 25 show the distribution of these relationships between the years 2010 and 2018. Prior to 2017, the most frequent type of relationship between informal investors and beneficiaries was “close family member.” But while other

relatives are still investing at a high rate, participation of close family members began to decrease in 2017, and the types of investors became more diverse. It is noteworthy that, since 2017, investors have increasingly invested in strangers with good ideas. This may reflect the emergence of private equity finance for entrepreneurs.

Figure 25. Longitudinal analysis of the relationships between informal investors in Saudi Arabia and the entrepreneurs they fund

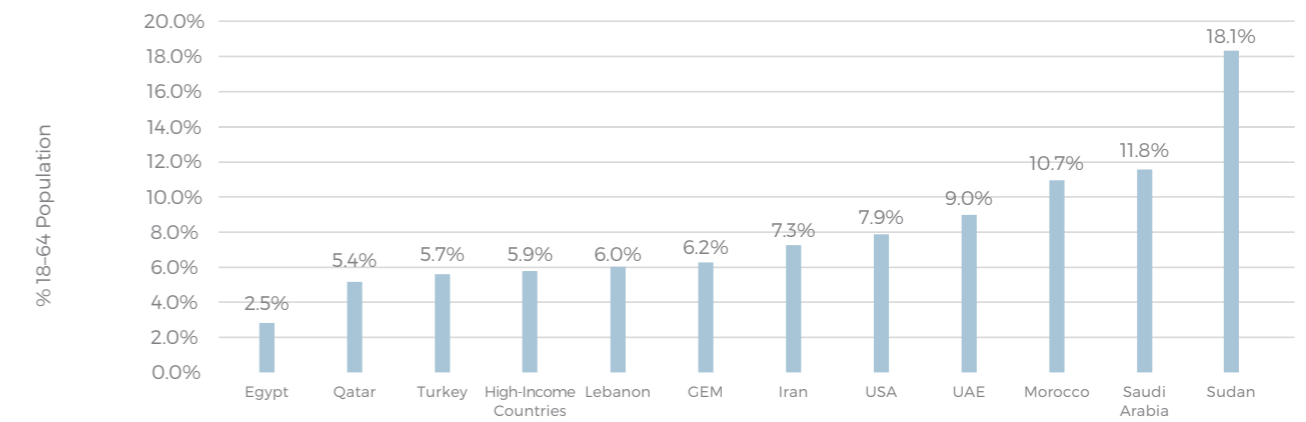


Note: No data available 2011-2015.

## 6.5. International Comparison

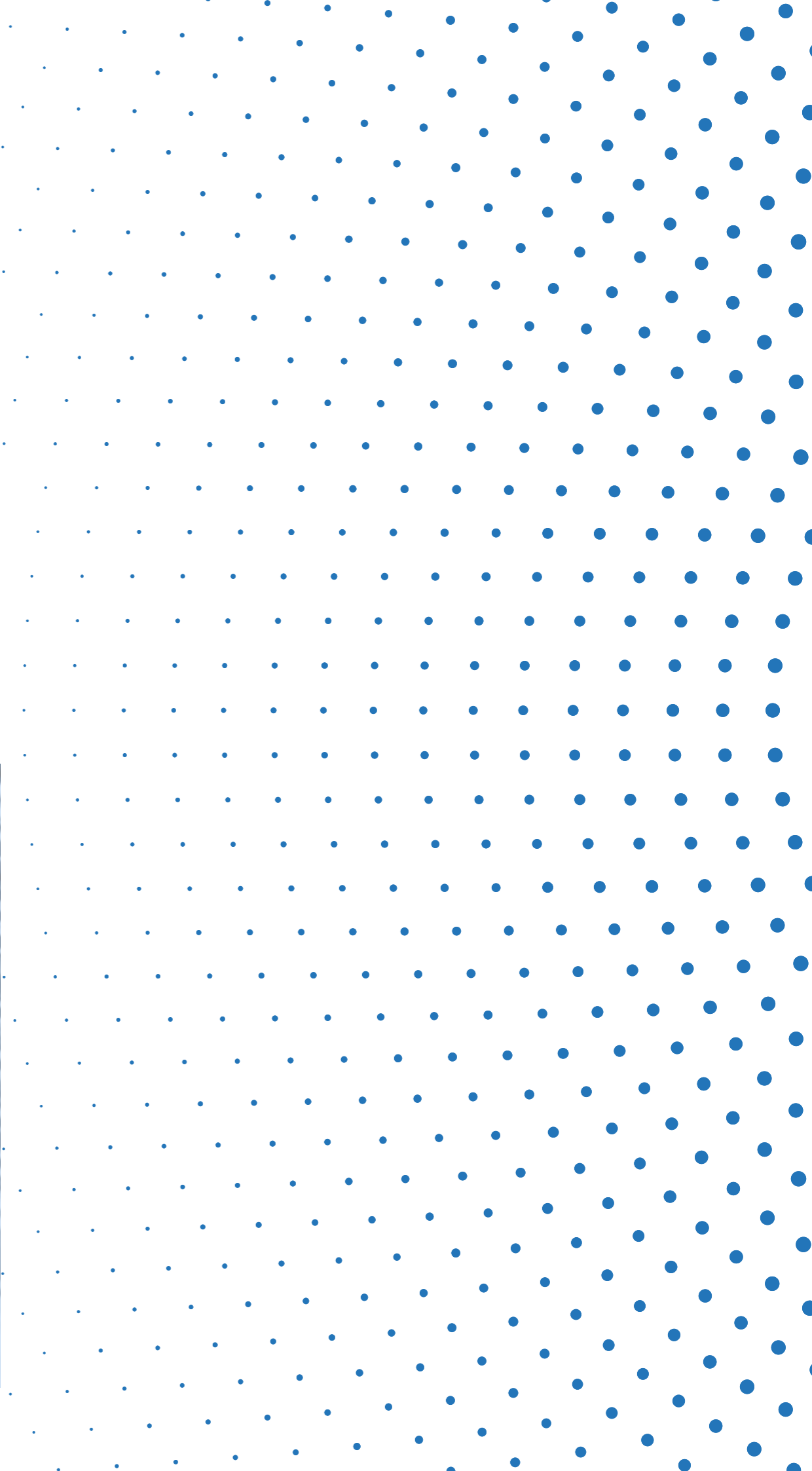
Figure 26 shows that Saudi Arabia's population has a high level of informal investment in entrepreneurs compared to other countries in the MENA region, and also higher than the United States and the average for high-income economies. Only Sudan has a greater investment level in the region. This demonstrates both the willingness of people to finance entrepreneurs and the critical importance of this funding source for entrepreneurs in Saudi Arabia.

Figure 26. Estimated percentage of population acting as informal investors, 2018



# 7.0

## PERCEPTION OF THE QUALITY OF **THE NATIONAL ENTREPRENEURSHIP FRAMEWORK CONDITIONS**





## 7.1. Introduction: The NECI

As this report and previous GEM reports have shown, each economy has its own specific profile in terms of activity rates across various aspects of entrepreneurship, the characteristics of entrepreneurs and their businesses, and the attitudes and perceptions people hold about entrepreneurial activity. Likewise, the environment in which they operate has its own profile, containing strengths entrepreneurs can leverage and constraints they must overcome in order to start their businesses.

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 cultural and social norms.

In this report, GEM introduces a composite index, the NECI, which assesses the environment for entrepreneurship in an economy. The NECI is derived from the 12 framework conditions and weights the ratings on these conditions by the importance experts place on them. The NECI represents an inaugural effort to inform policy, practitioner, and other key stakeholder audiences about the strength of the overall environment for entrepreneurship.

### How the NECI is calculated

At least 36 experts in each economy—including entrepreneurs and those involved in entrepreneurship in various areas such as finance, government, and education—score statements (answer questions) about the 12 framework conditions, using a 9-point Likert scale. They are also asked about the importance of each factor in stimulating and supporting entrepreneurship in their economy. The survey responses are compiled and factor ratings and importance values are generated for each framework condition. Next, each factor's ratings (rescaled into 10 points) are multiplied by its importance. The sum of these results over all the factors is then divided by the sum of the importance ratings, articulating a weighted average, to generate NECI individual values. These values are then used to calculate national averages and rank the participating economies on a 10-point scale.

## 7.2. International Comparison of the Saudi Entrepreneurship Context in 2018

The NECI index is expressed on a 10-point Likert scale, with 10 points representing the highest level (see Table 11). In 2018, Saudi Arabia received an overall score of 4.4 points, falling around the middle of the scores for countries in the Middle East and Africa region. The Saudi economy is strong and has been based primarily on oil for decades. Now, as the government has highlighted entrepreneurship as a

key element for developing its Vision 2030, attention paid to fostering and supporting this activity will manifest in a highly favorable environment for starting businesses. Modern and innovative entrepreneurs are now seen as key actors in leading the country's transformation toward a more diversified economy, more open to globalization and innovation.

Table 11. Middle Eastern and African Countries ordered by NECI ratings in 2018

Country	NECI Average	Std. Dev.	Income Stage
<b>Qatar</b>	6.69	1.01	High
<b>UAE</b>	5.92	1.42	High
<b>Israel</b>	5.08	0.84	High
<b>Egypt</b>	4.72	1.00	Lower-Middle
<b>Lebanon</b>	4.67	0.69	Upper-Middle
<b>Saudi Arabia</b>	4.40	0.75	High
<b>Sudan</b>	4.29	1.16	Lower-Middle
<b>Iran</b>	4.29	1.02	Upper-Middle
<b>Morocco</b>	4.26	0.97	Lower-Middle
<b>Madagascar</b>	4.14	0.87	Lower
<b>Angola</b>	4.13	0.95	Lower-Middle
<b>Mozambique</b>	3.15	0.65	Lower

As seen in other GEM studies, analyses of the environment for entrepreneurship show that one size does not fit all. The values of the NECI correspond to very different models across countries. For example, in some high-income economies, entrepreneurs are acknowledged as major contributors to their economies and enjoy a relatively favorable environment in which to start and operate their businesses (for example, the United States, the Netherlands, Taiwan, and Switzerland). In others, entrepreneurs are not seen as principal actors in the economy (for example, Spain, France, Germany, and Greece). The NECI must therefore be interpreted with caution: behind each value is a

concrete set of specific features that contribute to the overall rating of this indicator. Each economy exhibits strengths along some factors, while signaling a need for attention in others. The ultimate goal is to maintain healthy conditions across all aspects of the entrepreneurial environment. This highlights the importance of addressing the whole range of relevant factors. While entrepreneurs may be resourceful in leveraging strengths and overcoming challenges, it could also be argued that poor conditions in a few areas could limit the willingness and the ability of people to start businesses, despite strengths in other areas.

### 7.3. Average State of the National Entrepreneurial Framework Conditions and Longitudinal Results

Table 12 shows ratings on the NECI pillars that compose the overall results seen in Table 11. The pillars are sorted in order of the lowest to highest ratings. As this table shows, entrepreneurship education and training is among the lowest-rated pillars. This is not unusual in the GEM sample. In particular, entrepreneurship education and training in school consistently receives the lowest rating across the GEM sample. In many economies, entrepreneurship-specific education is increasingly popular at the university and vocational level but not common at the school stage (primary and secondary education). Given that most entrepreneurs in Saudi Arabia have a post-secondary (college) degree (75%, as reported previously), it is likely that the higher ratings on post-school entrepreneurship education plays a critical role in equipping people with the skills and confidence to start businesses.

R&D transfer is rated relatively low in Saudi Arabia compared to the other pillars. This factor generates low ratings across the GEM sample as well. For example, it is among the lowest-rated pillars in the United States. While few entrepreneurs compete in technology-based industries (just over 2% in Saudi Arabia), many are leveraging the latest technology in launching their businesses (nearly 60% in Saudi Arabia are using technology less than five years old). This shows both the breadth of entrepreneurship—that it's not just about high tech—and that technology still factors in as a key enabler. Still, it could be useful to examine R&D investment levels by both the government and the private sector, and the extent to which new innovations are being introduced into the market, including the desired balance between commercialization of these by large corporations versus startups.

Previously, this report showed that entrepreneurs in the earliest nascent phase funded, on average, 75% of the capital required by their businesses. In addition, 12% of the adult population

in Saudi Arabia are providing funds to entrepreneurs. And among those discontinuing businesses, only 13% stated they exited because of problems getting finance. This suggests that finance is less a problem for entrepreneurs in Saudi Arabia.

The experts interviewed for the NECI also indicated that sufficient funding was available from informal sources and private investors, but crowdfunding and initial public offerings were less common. However, even in the most sophisticated financial markets, it is important to recognize that the capital needs of entrepreneurs differ from traditional forms of financing. This will be particularly important to address when there is an emphasis on promoting those with innovations and high growth orientation.

Government policies and support, and government programs, received among the highest ratings on the NECI pillars for Saudi Arabia. Additionally, these pillars received higher ratings in 2018 than in the previous two years, showing a positive longitudinal trend. Experts identified support for new and growing firms as a high priority for both national and local governments and cited the presence of government programs for these businesses. They indicated a need for policies that favor new firms, and for improving the ease through which one can comply with regulations, including obtaining licenses and permits. Additionally, their responses on market dynamics call for more effective and well-enforced antitrust legislation.

Entrepreneurial opportunities can surface in markets that are frequently changing. This appears to be the case in Saudi Arabia, where experts pointed to a moderate level of change in the markets for goods and services. Assessment on the commercial infrastructure and professional services pillar revealed a need for subcontractors, suppliers, and consultants, which can help entrepreneurs operationalize

these opportunities. Yet they have a strong physical infrastructure in which to conduct their business activities, including advanced and low-cost communications and utilities.

Experts also revealed an increasingly positive national culture for entrepreneurship, pointing out support for individual success through one's personal efforts and the emphasis on self-sufficiency, autonomy, and initiative. They indicated some concern about whether the national culture encourages risk-taking, and this report previously indicated a moderate level of fear of failure in the APS. However, the experts seemed more inclined to say that the national culture encourages creativity

and innovativeness. Often the prospects of an innovation and the manifestation of one's creativity can draw someone into entrepreneurship even amid some hesitancy about the risks involved.

Government efforts to promote entrepreneurship are garnering influence across Saudi Arabian society. Messages extolling the benefits of entrepreneurship have been highly visible and prevalent since 2015. Saudi Arabia's national strategic plan, Vision 2030, clearly encourages and supports entrepreneurship. This vision is spreading broadly across the national consciousness, with more people seeing innovation and entrepreneurial activity as a viable option.

Table 12. Ratings of the 12 national entrepreneurial framework conditions (NECI pillars) for Saudi Arabia, 2016–2018

National Entrepreneurial Framework Conditions	2016	2017	2018
<b>School: Entrepreneurial Education &amp; Training</b>	2.1	2.1	1.8
<b>R&amp;D Transfer</b>	3.0	2.9	2.8
<b>Post-school: Entrepreneurial Education &amp; Training</b>	3.7	3.5	3.1
<b>Entrepreneurial Finance</b>	3.9	3.9	3.2
<b>Bureaucracy &amp; Taxes</b>	4.0	3.6	3.6
<b>Internal Market Burdens</b>	4.0	3.8	3.7
<b>Commercial &amp; Legal Infrastructure</b>	3.9	3.2	3.8
<b>Governmental Programs</b>	3.4	3.8	4.0
<b>Government Policies &amp; Support</b>	3.9	3.9	4.4
<b>Internal Market Dynamics</b>	4.8	5.5	5.0
<b>Cultural &amp; Social Norms</b>	4.6	5.0	5.4
<b>Physical Infrastructure &amp; Services</b>	6.8	5.7	6.2

GOVERNMENT EFFORTS TO PROMOTE ENTREPRENEURSHIP ARE GARNERING INFLUENCE ACROSS SAUDI ARABIAN SOCIETY. **MESSAGES EXTOLLING THE BENEFITS OF ENTREPRENEURSHIP HAVE BEEN HIGHLY VISIBLE AND PREVALENT SINCE 2015. SAUDI ARABIA'S NATIONAL STRATEGIC PLAN, VISION 2030, CLEARLY ENCOURAGES AND SUPPORTS ENTREPRENEURSHIP.**



Compared with the average for the high-income economies participating in GEM, Saudi Arabia shows higher averages for cultural and social norms, and equal ratings on government policies, government programs, and internal market dynamics. The results also show that physical infrastructure is highly developed in Saudi Arabia. Further development of an entrepreneur-specific financial sector, commercial and legal infrastructure, and R&D transfer will help promote and support innovative and

high-growth entrepreneurship. GEM's adult population survey reveals a high level of entrepreneurial talent in Saudi Arabia's population, with 84% stating they have the capabilities for starting a business. Nevertheless, a continued emphasis on bringing entrepreneurship education into schools, universities, and vocational training will reinforce the knowledge and inclination for starting businesses among Saudi Arabia's populace.

Figure 27. Expert ratings of entrepreneurial framework conditions in Saudi Arabia versus high-income country averages



Note: Ratings are relative to the state of the 12 main entrepreneurial framework conditions.



# 8.0

## ENTREPRENEURSHIP AND **FAMILY** **BUSINESS**





## 8.1. Introduction

In 2018 GEM analyzed family involvement in entrepreneurship and established business ownership. This interest in family business is driven by the prevalence of this form in most countries, including in the MENA region, with Saudi Arabia being no exception. Family businesses can differ from non-family businesses on aspects such as management structure and style, executive succession, and other aspects, and they often have unique needs that warrant particular consideration. This section provides detail on the family business activities in Saudi Arabia.

## 8.2. Family Business Rates in Saudi Arabia, 2018

In 2018, 5.4% of the population aged 18–64 in Saudi Arabia was involved in a family business. A little less than half of these individuals identified themselves as owner-managers; they were the main owner of a business with most of the control over its management, and with family members working in the business. The remainder were involved in their family businesses in one or more of the following ways: as an owner, manager, or employee.

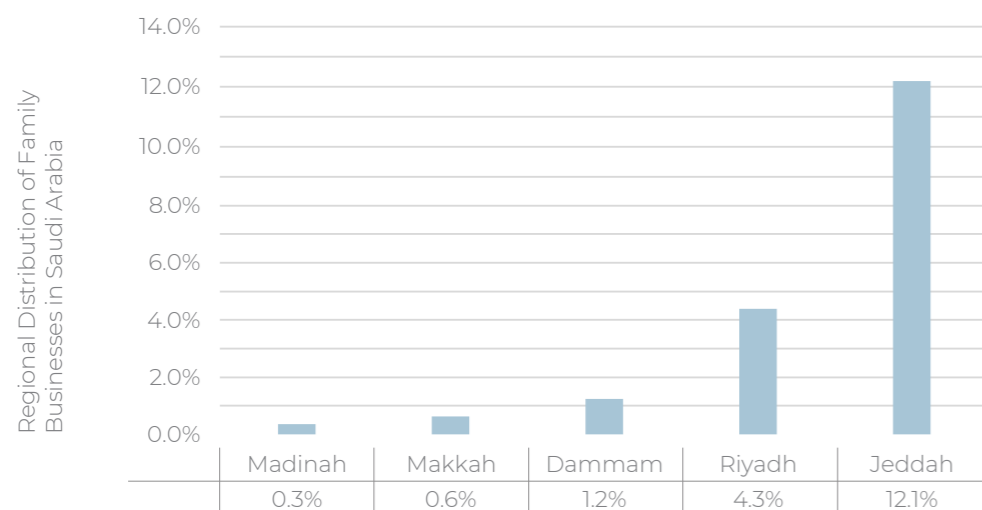
Among owner-managers of family businesses, 42% were women and 58% were men, exhibiting a slightly higher female/male ratio than TEA overall. Their average age was 37.5 years, similar to the results for TEA. They were about as likely to be from the lowest one-third of household income (42%) as from the highest one-third (43%). This differs from overall TEA, where there were more

entrepreneurs (53%) in the highest one-third income group and fewer (31%) in the lowest one-third income group. Three-fourths of family owner-managers had earned at least a college degree, about the same as for TEA overall, but they were less likely than TEA to have graduate level education (26% of family owner-managers versus 36% of TEA).

From a regional perspective, highest rates of family business owner-managers exhibited in Jeddah (Figure 28). The role of Riyadh as the country's capital suggests that lower rates relative to Jeddah could be due to the presence of large multinational companies and governmental and administrative offices, which provide substantial employment. Also, the capital may attract entrepreneurial firms built on models different from family businesses.



Figure 28. Regional distribution of family businesses in Saudi Arabia, 2018



Note: All types or models of family business.

The distribution of Saudi family business owner-managers by main industry sector shows results similar to TEA overall. Most operate in the consumer-oriented sector (almost 75%), while 16.5% operate in the transforming sector, and nearly 9% are in the business services sector. Family owner-managers were about as likely as overall TEA to be innovative—34% stated that all or some customers would consider their products or services new or unfamiliar, and half indicated that few or no competitors offer the same product or service.

Differences from overall TEA can be observed in the use of recent technologies. Less than half of family business owner-managers (47%) incorporate technologies that are less than five years old into their businesses, while 59% of TEA report this result. In addition, family business owner-managers are less international: 28% report more than 25% of their sales going to customers outside Saudi Arabia, versus 40% for TEA overall. Notably, family business owner-managers have high job creation potential: 40% expect to create more than five jobs in the next five years, compared to 30% for TEA overall.

# 9.0

## ENTREPRENEURSHIP AND THE **GIG ECONOMY** IN **SAUDI ARABIA**





## 9.1. Introduction

In 2018, GEM conducted an examination of the gig economy. The gig economy is a free market system in which temporary positions are common and organizations contract with independent workers for short-term engagements. A related concept is the sharing economy, where participants make available (share) their own goods and services, generally through online platforms. The trend toward a gig economy has increased markedly in the past decade in many countries. For example, the Intuit 2020 Report predicts that, by 2020, 40% of American workers will be independent contractors.

The digital age is progressively leading to the rise of short-term jobs. The workforce is much more mobile than it was prior to 2010, and it is increasingly able to work from anywhere. As a consequence, jobs and locations are more frequently decoupled, and freelancers can select temporary jobs and projects around the world. For employers, the pool is far more diverse and allows them to select the most suitable candidates, rather than be restricted to those available in a given area. Other consequences of the digital age include a decrease in certain types of jobs, as technology replaces employees; financial pressure on business, leading to further staff reductions; and the entrance of the “millennial” generation into the workforce.

The new norm is for people to change jobs several times throughout their working lives; the gig economy can be considered an evolution of that trend. In a gig economy, businesses save resources in terms of benefits, office space, and training. From the perspective of the freelancer, a gig economy can improve work-life balance over what is possible in most jobs. Ideally, the model is powered by independent workers selecting jobs that interest them, rather than being forced into a position where, unable to attain employment, they pick up whatever temporary gigs they can land (Intuit 2020 Report).

**THE GIG ECONOMY IS A FREE MARKET SYSTEM IN WHICH TEMPORARY POSITIONS ARE COMMON AND ORGANIZATIONS CONTRACT WITH INDEPENDENT WORKERS FOR SHORT-TERM ENGAGEMENTS. A RELATED CONCEPT IS THE SHARING ECONOMY, WHERE PARTICIPANTS MAKE AVAILABLE (SHARE) THEIR OWN GOODS AND SERVICES, GENERALLY THROUGH ONLINE PLATFORMS. THE TREND TOWARD A GIG ECONOMY HAS INCREASED MARKEDLY IN THE PAST DECADE IN MANY COUNTRIES.**

## 9.2. Prevalence and Main Features of Businesses or Works Based on Digital Platforms in Saudi Arabia in 2018

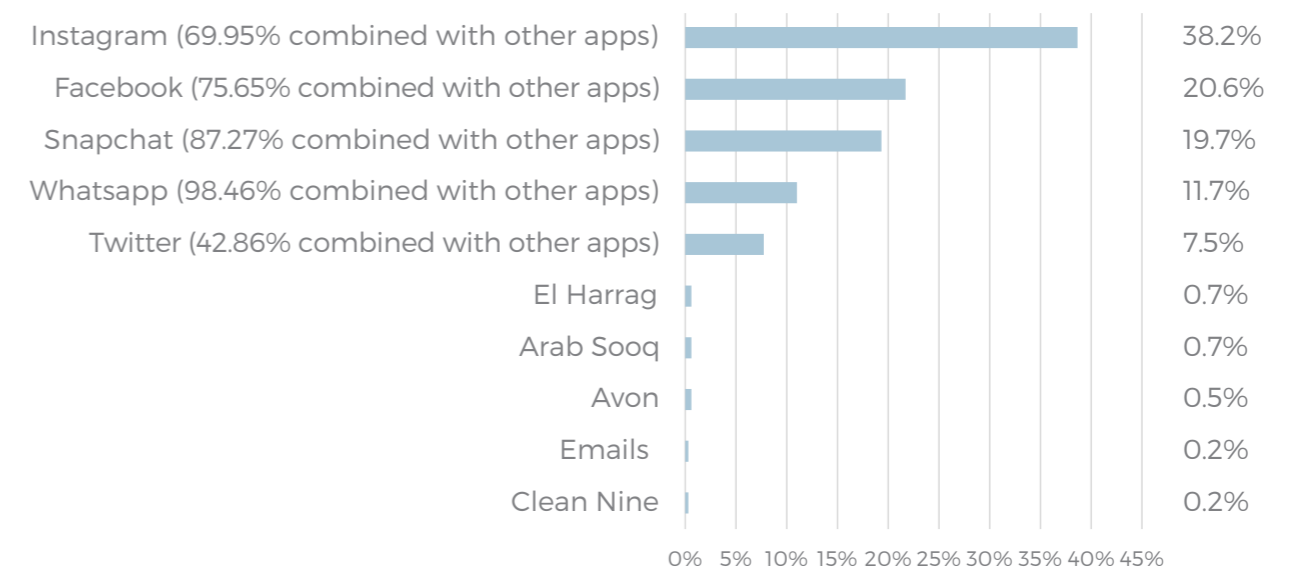
During 2018, 7.2% of the Saudi adult population received income from paid work obtained via a digital platform. Taking into consideration that this figure is greater than half of the current TEA rate in Saudi Arabia (12.1%), it is safe to say that work based on digital platforms is rapidly becoming popular in this country. Additionally, the average time allocated by people involved in gig activities is substantial. In Saudi Arabia, 78% of individuals allocated between 10 and 40 hours per month to these activities, while 18.5% allocated more than 40 hours.

For people involved in gig activities, the main motive for using digital platforms is to earn supplementary income for the household (59%). However, the proportion of respondents who claimed that running a business was their main motive is quite significant, representing nearly 36% of cases. On average, the income they generate contributes toward 16.5% of their household's total monthly income.

With regard to the sharing economy, 5.5% of the Saudi adult population declared they received income from renting or leasing out their own goods or property, or granting access to services provided via a digital platform. Renting rooms in apartments or homes, for example, is changing the options for tourist accommodation in many countries. It is expected that these practices will continue in most countries, and that they will be applied to other goods and services as enabling technologies and environmental responsibility gain prominence and people become more receptive to sharing.

The most popular app used by people involved in work activities on digital platforms in Saudi Arabia in 2018 has been Instagram—alone or combined with other applications (see Figure 29). Facebook and Snapchat are also popular, followed by WhatsApp and Twitter. The technological support for gig activities clearly appears to be dominated by applications with international scope.

Figure 29. Most popular apps used by people in work on digital platforms, Saudi Arabia, 2018



# CONCLUSIONS

It is clear from the results highlighted in this report that Saudi society holds entrepreneurs and entrepreneurship in high regard. The potential for entrepreneurship is evident in the large proportion of the population who see opportunities and believe they have the capabilities for starting a business. Saudi Arabia has a healthy pipeline of prospective entrepreneurs in the high percentage of adults who express intentions to start a business.

People can draw inspiration for starting businesses from the visibility of entrepreneurs in the media, the role models they associate with, and the widespread support for entrepreneurship in the society around them. Family members, friends, and other acquaintances have demonstrated their willingness to help finance startup businesses in Saudi Arabia, and entrepreneurs are increasingly reaching out to private equity, which is particularly appropriate for ventures with large resource requirements and high uncertainty.

Entrepreneurs are having a positive impact on Saudi Arabia. They are adopting the latest technology in launching their ventures, introducing products and services that are new to customers and not commonly offered by rivals, and contributing to job creation with their growth ambitions. They are selling to international customers, which contributes to their country's global competitiveness.

**Further efforts to stimulate entrepreneurship may address areas such as the following:**

**Combating fear of failure.** While no one wants to fail, if failure prevents one from pursuing an opportunity, that eliminates any chance for success. Risk aversion in a society could be a function of such aspects as societal values that frown on failure or bankruptcy laws that hold business owners personally liable. Any effort to promote entrepreneurship needs to take into account that failure is a possibility when one ventures into highly uncertain contexts.

**ENTREPRENEURS ARE HAVING A POSITIVE IMPACT ON SAUDI ARABIA. THEY ARE ADOPTING THE LATEST TECHNOLOGY IN LAUNCHING THEIR VENTURES, INTRODUCING PRODUCTS AND SERVICES THAT ARE NEW TO CUSTOMERS AND NOT COMMONLY OFFERED BY RIVALS, AND CONTRIBUTING TO JOB CREATION WITH THEIR GROWTH AMBITIONS. THEY ARE SELLING TO INTERNATIONAL CUSTOMERS, WHICH CONTRIBUTES TO THEIR COUNTRY'S GLOBAL COMPETITIVENESS.**

**Ensuring business maturity.** Businesses that become established provide long-term value for stakeholders such as employees who want stable, rewarding jobs, funders who want to see their investments grow, and customers and society who benefit from ongoing improvements and innovations in products and services. While not all businesses will or should continue into maturity, every business should nonetheless be given the best chance possible to build itself into a sustainable, growing organization.

**Diversifying industries for startups.** The consumer sector is often highly competitive, with low barriers to entry and low profitability. Encouraging industry diversity will protect against downturns in any one sector and increase Saudi Arabia's competitiveness through a range of products and services for the national and global market.

**Investing in technology.** R&D investments by both the government and the private sector need to move from the lab to commercialized innovations. There is likely a desired balance between the role of large corporations versus startups in introducing products and services based on advanced science and technology.

**Diversifying funding sources.** Even in the most sophisticated financial markets, it is important to recognize that the capital needs of entrepreneurs differ from traditional forms of financing. This will be particularly important to address when there is an emphasis on promoting those with innovative ventures and high growth orientation.

**Continuing to strengthen government's commitment to entrepreneurship.** Saudi Arabia's government received among the highest ratings of the NECI conditions. To build on this foundation, experts suggest addressing the ease through which one can comply with regulations, including obtaining licenses and permits, and instituting more effective and well-enforced antitrust legislation.

**Reinforcing the positive culture for entrepreneurship.** Saudi Arabia's national culture encourages creativity and innovativeness. Often the prospects of an innovation and the manifestation of one's creativity can draw someone into entrepreneurship even amid some hesitancy about the risks involved. Continued attention to cultural aspects can ensure that Saudi Arabia's entrepreneurial energy is continually stimulated and supported.

## TECHNICAL ANNEX

The Saudi Arabia GEM survey is based on the collection of primary data through an APS of a randomly selected sample of adults (aged 18–64) in the Saudi population. The sample is representative in terms of gender and geographical distribution. In addition, the Saudi Arabia national team collected expert opinions about components of the entrepreneurship ecosystem through the NES. Table A1 shows the APS and NES fieldwork sheet, including the technical details regarding the sampling and methodology applied to these surveys for 2018.



Table A1. Saudi APS and NES fieldwork sheet

Sampling Features	Information
<b>APS</b>	
<b>Target Population</b>	Adult (18–64 years old), resident in Saudi Arabia
<b>Target Population Size</b>	30,660,717 persons
<b>Sample Size</b>	4,003 persons
<b>Sample Design</b>	Multiple strata, each sampled at identical rate
<b>Type of Sample</b>	Random
<b>Confidence Level</b>	95%
<b>Sampling Error</b>	±1.54%
<b>Maximum Variance</b>	p=q=0.5
<b>Sampling Period</b>	May–July 2018
<b>Interview Method</b>	Face-to-face, assisted by tablet and mobile phone
<b>Sampling Methodology</b>	Random routes, random selection of households from list, and random dial from list
<b>Fieldwork Carried Out By</b>	Top Level Mena
<b>Data Recording and SPSS Database Creation</b>	Top Level Mena
<b>Monitoring, Quality Control, Final Verification</b>	Opinometre Institute, LLS
<b>NES</b>	
<b>Target Population</b>	Experts in nine entrepreneurial conditions
<b>Sample</b>	37 experts
<b>Type of Sample</b>	Convenience sample
<b>Sampling Period</b>	March–July 2018
<b>Interview Method</b>	Online
<b>Fieldwork Carried Out by</b>	GEM Saudia Arabia National Team
<b>Data Recording and SPSS Database Creation</b>	GEM Saudia Arabia National Team

### APS vendor information

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 Jeddah Info@toplevel-mena.com

Monitored by  
 Opinometre Institute, LLS  
 Av. de Josep Tarradellas, 8, 08029 Barcelona, Spain  
<http://es.opinometre.com>



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<https://whatis.techtarget.com/definition/gig-economy>

Intuit 2020 Report

[http://http-download.intuit.com/http.intuit/CMO/intuit/futureofsmallbusiness/intuit\\_2020\\_report.pdf](http://http-download.intuit.com/http.intuit/CMO/intuit/futureofsmallbusiness/intuit_2020_report.pdf)



