The global pandemic has been a true test of resilience for every nation around the world, and businesses face an uncertain future. Navigating uncertainty is the everyday journey of an entrepreneur, and the ability to turn challenges into opportunities is what makes entrepreneurs the most crucial engine in our communities.

The GEM Saudi Arabia Report continues to be the most comprehensive study of the entrepreneurial ecosystem in the Kingdom, and over the past four years our extensive network of global experts has benchmarked the Kingdom against the most prominent economies in the world across North America, Europe, the Middle East and North Africa (MENA), and Australasia.

This year’s report is a clear testament to the tremendous progress the Kingdom has made to supercharge the entrepreneurial and innovative potential of our Saudi youth. Under the guidance of Vision 2030, Saudi Arabia’s national framework for entrepreneurship now ranks 14th among 54 countries, on a par with Germany and Canada, and places us on the trajectory of becoming a top 10 economy for entrepreneurship.

I am confident we will achieve this as the Kingdom now ranks in the top 10 for government policies, bureaucracy, and regulatory support measures. Another finding that brings me great pride is that our historic reforms toward women’s empowerment have resulted in us having the highest female-to-male ratio of participation in entrepreneurship in the world.

The positive sentiment of our communities toward pursuing entrepreneurial opportunities ranks among the highest in the world, and job creation through new ventures is at its highest level since 2016. Our entrepreneurs are not only locally competitive, but they are now the highest ranked in the world for exporting knowledge and services, showcasing our abilities to advance the Kingdom’s competitiveness through international commerce and innovation.

The data demonstrate the will of the government and its concrete actions to advance our national economy and competitive framework to foster the growth of the SME sector. Measures that once placed us near the bottom of the global country rankings now show that we have moved up to about the middle. There is no doubt that economies are facing immense challenges today. Navigating the turbulence successfully and achieving excellence will require unwavering commitment from both the public and private sectors, and I for one am confident that we will emerge stronger and more resilient from this year’s global health crisis.
FOREWORD: ZEGER DEGRAEVE, DEAN, MBSC

The fourth annual Saudi Arabia GEM Report comes at a pivotal juncture when changemakers within the Kingdom of Saudi Arabia are addressing the unprecedented challenges of a global pandemic.

While this version of the GEM report does not reflect the consequent effects of the outbreak upon the region, it does reflect and impress upon us how entrepreneurship and the relevant ecosystem within the Kingdom of Saudi Arabia has continued to develop and is now primed to draw upon the region’s Vision 2030-fueled transformative expansive reality for the economy.

I would like to thank our partners and stakeholders—MiSK Foundation, Lockheed Martin, Babson Global, Emaar the Economic City, and Prince Mohammad Bin Salman College of Business and Entrepreneurship’s (MBSC) team of faculty and researchers—whose generosity, unwavering support, and intellectual contributions have made the timely publication of this report possible.

Following the inaugural baseline issue of GEM Saudi Arabia in 2016, each subsequent report has captured the evolution of social, cultural, economic, and political factors that have encouraged entrepreneurship to mushroom across the Kingdom. Importantly, the 2019/2020 issue reports that, for the first time in Saudi Arabia, the participation of women in entrepreneurial activity outnumbers that of men. Moreover, backed by initiatives from government organizations such as Monsha’at, policies for entrepreneurship earmarked as a national priority were devised to boost innovation in the Kingdom. As of 2020, Saudi Arabia improved most of its framework conditions for entrepreneurship, and the intent to pursue entrepreneurship as a viable career option reached an all-time high among the Saudi populace.

Also, entrepreneurial finance, government-related programs, internal market dynamics, and physical infrastructures for Saudi Arabia were higher than the GEM average across 54 global economies.

With higher levels of education associated with increased perceptions of entrepreneurial opportunities and elevated confidence levels among Saudis, more than two thirds of entrepreneurs in the Kingdom are educated to a post-secondary or higher level, which testifies to the role of educational institutions as a critical cog in the entrepreneurial wheel of the Kingdom. Further, post-school entrepreneurship education in the country recorded its highest ever boost in ratings since the first edition of the report, which determines that the Kingdom’s efforts to bolster its educational sphere over the past year were channeled in the right direction.

Since its inception, MBSC in King Abdullah Economic City on the west coast, the preeminent institution for entrepreneurial education in the country—has played a significant role in promoting entrepreneurship. Focused on cultivating thought leadership and the next generation of entrepreneurially minded business executives for the region, MBSC has aligned itself with Saudi’s Vision 2030 agenda to foster value-creating initiative and entrepreneurship throughout the Kingdom. To that effect, the recently launched MBSC Venture Lab offers entrepreneurial ventures a launch pad to incubate or accelerate within Saudi Arabia and beyond.

While the 2020 GEM Saudi Arabia Report highlights the Kingdom’s journey over the past year, it also highlights which pillars of the ecosystem have borne fruit and which need to be further cultivated. Thus, by knowing where we stand and, more importantly, where we need to go, the launch of this year’s issue comes at the most opportune time for the Saudi Arabian entrepreneurial ecosystem as it sails into a new era, one that is unprecedented, untapped, and yet to be unlocked for the full potential it harbors.
FOUNDING AND SPONSORING INSTITUTIONS

Prince Mohammad Bin Salman | College of Business and Entrepreneurship

Mohammad Bin Salman College (MBSC) is a private higher education institution for both men and women, located in King Abdullah Economic City. It was established in 2015 through an international partnership between Emaar the Economic City, Babson Global (a wholly owned subsidiary of Babson College, United States), Lockheed Martin, and the Prince Mohammad bin Salman bin Abdulaziz Foundation (MiSK).

Through an educational program focused on hands-on experiential learning that is practical and pragmatic, MBSC is developing a new generation of transformative leaders who think creatively and act boldly. As the Kingdom experiences a great socioeconomic transformation, it needs leaders who can recognize and shape opportunities. MBSC programs are designed to meet this need by creating managers and Entrepreneurs of All Kinds (EAK®).

Babson Global Center for Entrepreneurial Leadership

The Babson Global Center for Entrepreneurial Leadership (BGCEL), located at MBSC, was established with a mission to promote a sustainable entrepreneurial leadership culture and ecosystem in the Kingdom and the surrounding region. To advance its mission, BGCEL facilitates entrepreneurship research, education, and outreach initiatives serving the business, education, and public sectors. In addition, BGCEL supports experiential learning opportunities for MBSC students.

King Abdullah Economic City

King Abdullah Economic City (KAEC) is one of the largest privately-run economic projects in the world. It is centered on the establishment of a 185 million square meter integrated city by the Red Sea coast north of Jeddah. KAEC aimed at being a major contributor to achieving the Kingdom’s Vision 2030 and to become a key enabler of socio-economic development in the Kingdom focusing on four strategic sectors: (I) Logistics and Industrial Services that includes the Industrial Valley (IV) which has attracted local, regional and international investors in various non-oil industries, and King Abdullah Port (KAP) the second largest port in the Kingdom, and ranked the fastest growing

Lockheed Martin

Lockheed Martin Corporation is a United-States-based multinational corporation operating in the aerospace, defense, security, and advanced technologies industries worldwide. As part of its offset program in the Kingdom of Saudi Arabia, Lockheed Martin generously supports the activities of BGCEL at MBSC.

Disclaimer

Although GEM data were used in the preparation of this report, their interpretation and use are the sole responsibility of the authors. The authors would like to express their gratitude to all participating GEM 2019 national teams for their crucial role in conducting the GEM survey in their respective economies. The usual disclaimer applies. The authors would like to extend special thanks to Jonathan Carmona, Alicia Coduras, and Forrest Wright for their contribution to data collection procedures and data analysis.

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port worldwide. (2) Quality of Life (Real Estate Development) which offers a wide variety of housing and living solutions to meet the lifestyle needs of a diverse residential population. (3) Tourism and Leisure, set to becoming a modern quality leisure & tourism destination on the red sea, including world class social, sports and leisure facilities. (4) The Business sector, that includes multitude of diverse programs for supporting and empowering youth and developing human talents. Emaar Economic City (EEC), the master developer of King Abdullah Economic City, is a Tadawul-listed public joint stock Saudi company established in 2006.

Misk Foundation

The Misk Foundation is a non-profit philanthropic foundation established in 2011 by H.R.H. Crown Prince Mohammad bin Salman bin Abdulaziz with the goal to foster a knowledge-centered society, encouraging talent development and youth potential by creating opportunities for young people. The Foundation is invested in educating the youth in three wide fields: Education, Media & Culture.
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EXECUTIVE SUMMARY

The 2019 GEM (Global Entrepreneurship Monitor) Saudi Arabia survey represents the fourth consecutive year in which GEM has tracked rates of entrepreneurship across multiple phases and assessed the characteristics, motivations, and ambitions of entrepreneurs, as well as the attitudes of Saudi society toward this activity. The subsections below discuss select major findings from the report.

SOCIETAL VALUES ABOUT ENTREPRENEURSHIP

Saudi Arabia continues to show a moderate-to-high cultural affinity for entrepreneurship in 2019, a strength reflective of the increased activity registered during the year. Almost 70% of Saudi adults consider starting a business to be a good career choice, and about 79% believe that entrepreneurs are well regarded and enjoy high status within society. Additionally, 72% believe that entrepreneurs garner substantial media attention. However, 74% favor an equal standard of living for all people, signaling less support for free competition.

SELF-PERCEPTIONS ABOUT ENTREPRENEURSHIP

Saudi Arabia continues to show a high percentage of adults with entrepreneurial affiliations and self-perceptions. In the population of working-age adults (18–64 years), 83% personally know someone who started a business in the last two years, 83% report having the required knowledge and skills to start businesses, and 74% see good opportunities around them for starting a business. Of those who see opportunities, 44% would be constrained from starting a business due to fear of failure, while 53% declare that it is easy to start a business in the Kingdom.

PHASES/TYPES OF ENTREPRENEURIAL ACTIVITY

In 2019, positive changes were seen in Saudi Arabia’s entrepreneurial activity, experienced across all stages. Entrepreneurial intentions increased by over 7% from 2018, reaching 36% of the adult population. Nascent activity increased almost 2%, and new activity showed a 26% gain; together, these two phases represent an increase in total entrepreneurial activity (TEA) of over 15%. In previous years, Saudi Arabia reported a relatively low rate of established business activity; in 2019, however, this indicator rose to over 5%, a 73% increase from 2018. Adding to these results, the business discontinuance rate of 14% in 2018 slowed to 2% in 2019. To conclude, this year’s entrepreneurial activity has shown promising signs in the Kingdom.
INDEPENDENT AND SPONSORED ENTREPRENEURIAL ACTIVITY

In Saudi Arabia, a significant portion of entrepreneurial activity, especially at the ‘new’ stage, is sponsored by an employer. Such activity allows employers to engage in the development of new ventures through collaborative agreements, investments, or other types of arrangements. In 2019, more than 20% of entrepreneurs—3% of the adult population—were starting or running new businesses sponsored by an employer.

MOTIVATION FOR ENTREPRENEURIAL ACTIVITY

In 2019, the most prevalent motivation for starting or running a business in Saudi Arabia was to earn a living because jobs are scarce (more than 72% of entrepreneurs). Additionally, 63% of entrepreneurs reported being motivated to build great wealth or a very high income, 36% engaged in this activity to continue a family tradition, and 45% were inspired to make a difference in the world.

INDUSTRY-SECTOR PARTICIPATION

The sector distribution of entrepreneurial activity in 2019 shows increases compared with the previous year. The industrial/transforming sector, which accounts for 18% of entrepreneurs in 2019, showed an increase of 33% in comparison to 2018. In the business services sector, there was an increase of 51% from 2018, accounting for 9% of entrepreneurs in 2019. Participation in the consumer-oriented sector declined by 11% in 2019 to 72%; this is a favorable result given that this sector more often comprises low-barrier-to-entry and less profitable businesses. Less than 1% of entrepreneurs operate in the primary or extractive sector. Participation in medium- or high-technology sectors is estimated at 1.3% of TEA and 1.9% of established business activity.

JOB CREATION PROJECTIONS

One-person ownership accounted for around

57% of all entrepreneurial activity
70% of established ownership

With some exceptions, business activities in Saudi Arabia are primarily led by individuals or small teams. One-person ownership accounted for around 57% of all entrepreneurial activity and 70% of established ownership. The average number of owners for both phases was slightly less than two: 1.9 for TEA and 1.7 for established business activity.

The 2019 results show high job creation potential among entrepreneurs in Saudi Arabia. The percentage of entrepreneurial activity with no employees is very close to zero. On the other hand, around 75% of entrepreneurs report more than five employees (compared with 62% in 2018). Almost 25% of entrepreneurs have between one and five employees. Entrepreneurs are also optimistic about job creation over the next five years: 13% expect to create 1–5 jobs, 51% anticipate 6–19 new jobs, and 36% project hiring more than 20 new employees. Aspirations among established owner-managers are more moderate but still positive: around 70% estimate they will create 1–5 jobs, 23% expect to create 6–19 jobs, and 7% project more than 20.
INTERNATIONALIZATION

The results on market scope indicate that just about all entrepreneurs have customers in the area they are located. Among these, 37% have customers elsewhere in the Kingdom, and 26% conduct business internationally. All established business owners also have customers in their local area, but only 11% have customers elsewhere in the country, and only 4% sell outside the Kingdom. Employee entrepreneurship shows the highest proportion of international activity: 41% of those starting businesses for their employers have customers coming from outside the country.

GEOGRAPHIC SCOPE FOR INNOVATION AND NEWNESS OF PROCESS TECHNOLOGIES

An analysis of innovation among entrepreneurs and established business owner–managers reveals that innovation is scarce, especially for owner–managers. Where it exists, it is mainly local or national. Only 10% of entrepreneurs reported products or services that were new to people in their local area, 0.9% reported innovations that were new to people in the country, and just 0.5% had new-to-the-world innovations. Among owner–managers, only 5% reported products or services new to people in the country, while the rest (95%) offered no new products or services.

With regard to the use of new technologies, the scope of this indicator was local or national only, with the majority of entrepreneurs and business owners using no new technologies in their businesses. In 2019, 8.9% of entrepreneurs and 0.9% of owner–managers reported using technologies new to people in their local area, while 4.3% of entrepreneurs and 6.1% of owner–managers reported the use of technologies new to people in the country.

PROFILE OF SAUDI ENTREPRENEURS

The typical Saudi entrepreneur is a 38-year-old male with a bachelor’s degree and an annual income of between 96,001 and 144,000 SAR. He works full time in his business and lives in a household of about 5.7 persons.

INFORMAL INVESTMENT ACTIVITY

In 2019, the percentage of informal investors increased to 15% of the Saudi adult population (from 12% in 2018). The median amount invested increased from 25,000 SAR to 30,000 SAR, most of which went to relatives: 35% of beneficiaries were close family members, and 30% were other relatives. Investors also provided funds to people they knew: 16% to work colleagues, 13% to friends or neighbors. Just 6% invested in strangers.

Monsha’at works to implement its strategic plans and launched various programs to translate Vision 2030 on the ground for the SME sector. The 2019/20 GEM Report’s outputs reflect the progress that has taken place in the entrepreneurial ecosystem in the Kingdom of Saudi Arabia.

Eng. Saleh Ibrahim Alrasheed, Governor, Monsha’at
ENTREPRENEURIAL MINDSET

The Saudi adult population shows a moderately positive entrepreneurial mindset. The average score of 3.2 points out of 5 represents the overall value on GEM’s Entrepreneurial Mindset Index (EMI), which is based on the Measure of Entrepreneurial Tendencies and Abilities (META) questionnaire (Ahmetoglu, 2015), a scientific tool specifically designed to identify entrepreneurial potential and predict entrepreneurial success. The tool combines scores on four components in a population: opportunism, proactivity, creativity, and vision.

Among the four META measures, creativity shows the most prevalence, with 64% of the Saudi population identified as creative. More than half were categorized as having vision (54%), while 33% were considered proactive, and 26% were associated with opportunism. The results suggest that many people in Saudi Arabia are attracted to novel experiences and originality, and consider themselves able to generate innovative business ideas. On the other hand, fewer possess the proactivity and opportunism needed to transform these qualities into effective entrepreneurial actions. Overall, however, the four basic components of entrepreneurial mindset are sufficiently present in the Saudi population to constitute a favorable foundation for entrepreneurship in line with its moderately high TEA rate.

NATIONAL ENTREPRENEURSHIP FRAMEWORK CONDITIONS

GEM teams assess the quality of the entrepreneurship context through a National Expert Survey (NES): a select sample of experts who score 12 framework conditions on a scale ranging from 0 (very insufficient) to 10 (very sufficient). When combined, these ratings represent an overall score on the National Entrepreneurship Composite Index (NECI).

Saudi Arabia’s framework conditions for entrepreneurship showed remarkable improvement in 2019. Currently, the Kingdom ranks 14th among 54 economies on the overall NECI, and ranks 3rd with regard to support and relevance of government policies. The Saudi context also stands out on government policies relating to taxes and bureaucracy (10th), internal market dynamics (13th), and government programs for entrepreneurs (15th). The framework conditions that need attention are those relating to entrepreneurship education, especially at the school stage, and in research and development (R&D) transfer, as well as those related to market regulations and burdens, and commercial infrastructure.

The aim of this report is to inform policymakers, socioeconomic organizations, academics, educators, and practitioners about the multidimensional nature of entrepreneurship in Saudi Arabia. Improvements and stability in GEM measures from year to year can demonstrate the value of long-term commitments by policymakers and public and private stakeholders in effecting change and providing the resources required for building more supportive entrepreneurship ecosystems. GEM’s goal is to improve and extend knowledge about entrepreneurship, and to guide decisions that can lead to conditions that enable entrepreneurship to thrive.
INTRODUCTION

**GEM has become the most ambitious global research program focused on primary data collection and analysis of the levels and characteristics of entrepreneurship around the world.**

Designed between 1997 and 1998 by London Business School and Babson College scholars (Professors Michael Hay, William Bygrave, and Paul D. Reynolds), GEM started operations in June 1998 as a pilot program conducted in five countries: Canada, Finland, Germany, the United Kingdom, and the United States. With its formal launch in 1999, GEM increased the number of participating countries to 10, launched several national reports and published the first GEM Global Report. Since then, research teams in 114 economies from all regions of the world have administered GEM’s adult population survey (APS) and NES.

In 2019, 50 economies of all sizes, income levels, and stages of development participated in the GEM research. Also, 2019 marked GEM’s 21st year and Saudi Arabia’s fourth consecutive year of participation since re-entering GEM in 2016. The purpose of GEM reports is to provide a range of stakeholders with results on a broad set of indicators, covering the level and nature of entrepreneurial activity, and entrepreneurial attitudes and perceptions, in the adult population of each participating economy. GEM also offers a diagnostic tool to gauge the average state of national entrepreneurial framework conditions—information that plays a significant role in assessment and policy design for national governments, international organizations (such as the World Bank, United Nations, World Economic Forum, European Commission, and Organisation for Economic Co-operation and Development), and other entities.

The GEM methodology

GEM analyses and reports are based on information provided by two surveys:

- **Adult Population Survey (APS)**
- **National Expert Survey (NES)**

All national teams participating in GEM apply the same methodology with standard questionnaires, with some opting to add questions relevant to their national context.

Specifically, the APS employs a random and representative sample of at least 2,000 working-age adults. It is an extensive questionnaire that assesses participants’ entrepreneurial intentions, activities, attitudes, motivations, and ambitions. The results are then cross-checked and quality-approved by GEM’s technical team. In the case of Saudi Arabia, 4,000 individuals were surveyed in 2019; the greater the number of people surveyed, the higher the level of representativeness of the sample and the lower the sampling error. This scale also allows for detailed analyses in areas such as gender, age, educational level, and other relevant sociodemographic variables.

Sources such as company registrations or VAT returns can provide firm-level data on businesses that are formally registered. The GEM approach, on the other hand, focuses on people, which allows for an assessment of societal attitudes and perceptions of the population toward entrepreneurship. In addition, this approach captures the involvement of individuals who are starting and/or own and manage a business. GEM’s methodology also provides information on the ‘informal’ economy—the diverse set of economic activities, enterprises, and jobs that are neither regulated nor protected by the state. This informal activity is obviously not captured by official statistics, but it can represent a considerable role in the national economy.

The NES is conducted using a standardized questionnaire to gain responses from at least 36 experts, all of whom are carefully selected because of their expertise and knowledge about the conditions considered to be most representative of the context for entrepreneurship, whether they encourage or discourage this activity. In this sense, the information provided by this survey allows for a diagnostic approach, based on subjective but expert perceptions of the economic, social, and political context in which entrepreneurs develop their activities.
What is new this year?

The 2019 GEM survey features improvements to some existing indicators and the addition of new ones. These will be featured in this report and include:

- Greater distinction between different forms of entrepreneurial activity, whether autonomous, sponsored (ownership shared with an employer), or developed for an employer (employee entrepreneurial activity).
- Improvements in the ways attitudes are measured, by adopting a 5-point Likert scale, from ‘Strongly agree’ to ‘Strongly disagree,’ rather than ‘Yes’/’No’ answers. This change allows for greater nuance in responses and substantially reduces the proportion of ‘Don’t know’ responses.
- Expanded measures of startup motivation, by providing a much wider choice of reasons for starting or running a new business.
- More detailed measures of impact, including geographic scope (local, national, and international) for sales and for both product and process innovation.

The GEM conceptual framework

GEM’s conceptual framework, shown in Figure 1, illustrates the relationship between entrepreneurship and its environment. The framework guides the data collection activities and research that contribute to GEM’s key aims, which are to:

- Uncover factors that encourage or hinder entrepreneurial activity, especially those related to societal values, personal attributes, and the entrepreneurship framework conditions.
- Provide a platform for assessing the extent to which entrepreneurial activity influences economic and social growth within individual economies.
- Uncover policy implications for enhancing entrepreneurial capacity in an economy.
- Provide a platform for the progressive incorporation of new developments on topics related to the entrepreneurial phenomenon.

Figure 1. The GEM framework

*SBO refers to established business activity, and EEA refers to employee entrepreneurial activity.

Source: GEM Global Report, 2018, 2019
The GEM framework shows how the social, cultural, political, and economic context influences entrepreneurship directly, as well as indirectly, through societal values and individual attributes. These influences can be positive or negative. Entrepreneurship, in turn, creates jobs and new value, which then contribute toward socioeconomic development.

The entrepreneurship framework conditions include: financing for entrepreneurs; government policies, taxes, and bureaucracy; government entrepreneurship programs; entrepreneurship education at school and post-school stages; R&D transfer; commercial and legal infrastructure; internal market dynamics and entry regulation; physical infrastructure; and cultural and social norms.

Societal values related to entrepreneurship include the extent entrepreneurship is considered as a good career choice, whether entrepreneurs have high social status, and the extent to which the media positively represents entrepreneurs.

Individual attributes include demographic characteristics (gender, age, etc.), self-perceptions (perceived capabilities, perceived opportunities, fear of failure), motives for starting a business, reasons for discontinuing a business, and involvement in entrepreneurship as an informal investor.

Figure 2 shows GEM’s key indicators, which include participation in various phases of a business’ development, from conceiving, starting, and running a new business, to the mature phase of fully established business ownership. The figure also shows business exits, after which entrepreneurs might start another business or continue to be involved in entrepreneurial activity in other ways. For the individuals involved, exiting a business can provide valuable experience and lessons that can be applied to future efforts and shared with other potential and actual entrepreneurs.

TEA is a key GEM indicator. It represents the proportion of the working-age adult population actively engaged in starting or running a new business. Specifically, TEA is the sum of those actively starting a new business (the ‘nascent entrepreneurs,’ who have not yet paid salaries for three months or more), plus those who are already running a new business (the new business owners, who have paid wages for more than three months but less than 42 months), minus any double counting (that is, entrepreneurs doing both). Those individuals who are running a business and have paid wages for 42 months or more are categorized as established business owners.

Figure 2. Entrepreneurial phases and GEM entrepreneurship indicators.
Economies participating in GEM 2019

In 2019, 50 economies participated in the GEM APS and 54 participated in the NES.¹ Thirty-two of these economies, which include Saudi Arabia, were classified as high income, based on the most recent World Economic Forum (WEF) Global Competitiveness Report.² This report features comparisons between Saudi Arabia and other economies in the Middle East/North Africa region shown in Table 1, classified by economic development level.

Table 1. Economies in the Middle East/North Africa region participating in the 2019 GEM survey, grouped by economic development level.

<table>
<thead>
<tr>
<th>Low income</th>
<th>Middle income</th>
<th>High income</th>
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<td>Egypt</td>
<td>Iran</td>
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<td>Morocco</td>
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<td>United Arab Emirates</td>
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This report highlights the results for the 2019 GEM survey in the Kingdom of Saudi Arabia, offering a detailed picture of the Kingdom’s entrepreneurship profile. Comparisons are made with results from the prior three years, and with other countries in the region and around the world.

² Schwab (2019). The low-income group contains both those classified by the WEF as low income and lower-middle income. The middle-income group includes those that the WEF places as upper middle. The largest group of GEM economies is made up of those that the WEF classifies as high income.

Saudi Arabia has been making significant strides in building its entrepreneurship ecosystem by improving relevant laws and conditions for innovation, access to finance, market linkages, workforce skills development, and the competitive environment.

Issam A. Abousleiman,
World Bank Country Director for Saudi Arabia
SOCIETAL ATTITUDES ABOUT ENTREPRENEURSHIP
1.1 OVERVIEW

Societal attitudes indicate how entrepreneurship is regarded within an economy. A society’s culture, history, policies, business environment, and other factors can influence its view of entrepreneurship. This view can, in turn, affect entrepreneurial ambitions and the extent to which entrepreneurial activity is supported. In this chapter, GEM Saudi Arabia provides indicators that summarize perceptions with regard to the presence of key entrepreneurial attitudes in society.
GEM ASSESSES THE FOLLOWING ELEMENTS:

- The extent to which entrepreneurship is considered a good career choice.
- Whether people feel that entrepreneurs are accorded high status.
- The degree to which entrepreneurs are represented positively in the media.
- Whether people think their society prefers free competition.
- The extent to which people believe that businesses regard solving social problems as a primary objective.

Abdullah Ba Mashmos
Lead Interactive Developer, Backyard Studios
Respondents were asked whether they agreed with the statements shown in Figure 3 based on a 5-point Likert scale, from 1 (completely disagree) to 5 (completely agree).

Saudi Arabia continues to show a moderate-to-high cultural affinity for entrepreneurship in 2019. The results (see Figure 3) indicate that a high proportion of Saudi Arabia’s adult population perceives that starting a new business is a desirable career choice (69.7%), and that those who successfully start a new business enjoy a high level of social status and respect (79.3%). Most respondents also indicated that public media and the internet provide good coverage of successful new businesses (71.8%). Somewhat fewer, but nonetheless a majority of people, stated that they often see businesses for which solving social problems is their primary objective (57.3%). However, 73.8% of Saudi Arabia’s adult population perceives that Saudis would prefer that everyone had a similar standard of living, suggesting less support for free competition.

Figure 3. Perceptions of societal values related to entrepreneurship among adults (aged 18–64) in Saudi Arabia.

Source: GEM, 2019
1.2 Perceptions of societal values about entrepreneurship by gender, age, educational level, and region

An analysis of societal values by gender shows relatively similar attitudes among men and women, with women displaying slightly more positive perceptions about entrepreneurship than men. With regard to age, the attitudes of 18–34-year-olds are generally the same as people aged 35–54, the only exception being whether one often sees businesses whose primary objective is to solve social problems: 18–34-year-olds (50.1%) are more likely to agree with this statement than the 35–54-year-olds (44.5%), perhaps showing that the younger generation is more aware of social issues.

Education appears to be the most influential variable in terms of perceptions of societal values. The results are significantly higher among individuals who have post-secondary or higher education levels, as shown in Figure 4. One notable result relates to whether entrepreneurship is seen as a desirable career choice. Compared with people with only a secondary or lower level of education, those that had at least post-secondary education are nearly 30% more likely to think that entrepreneurship represents a desirable career (67.5% vs 52.5%).

Figure 4. Perceptions of societal values related to entrepreneurship by education level in Saudi Arabia.

Source: GEM, 2019
EDUCATION APPEARS TO BE THE MOST INFLUENTIAL VARIABLE IN TERMS OF PERCEPTIONS OF SOCIETAL VALUES. THE RESULTS ARE SIGNIFICANTLY HIGHER AMONG INDIVIDUALS WHO HAVE POST-SECONDARY OR HIGHER EDUCATION LEVELS.

The results by region show some key differences (see Figure 5). In the capital region of Riyadh, societal perceptions about entrepreneurship are lower than in the other regions assessed. Dammam, on the other hand, shows the most positive attitude toward entrepreneurship as a career choice, with more respondents also perceiving high status and respect for entrepreneurs than in other regions.

Figure 5. Perceptions of societal values related to entrepreneurship by region in Saudi Arabia.

Source: GEM, 2019
1.3 International comparison on societal attitudes

Figure 6 compares measures of societal attitudes for Saudi Arabia with other countries in the MENA region, along with those for the United States, the average for 32 high-income economies, and the average for all 50 economies participating in the GEM 2019 survey.

Saudi Arabia, Morocco, and Qatar have populations that, by a notable margin, perceive a preference for a similar standard of living for everybody. By contrast, Iran is perceived as the most supportive of free competition in the region, with rates nearly aligning with those in the United States.

For the rest of these indicators, Saudi Arabia’s results fall generally in the middle of those in its region, but above the GEM average and similar to the United States in terms of entrepreneurship being perceived as a good career choice that affords high status and respect.

Figure 6. Perceptions of societal values related to entrepreneurship, by region and GEM/high-income average.
High status for successful entrepreneurs

Positive media attention for successful entrepreneurs

Visibility of businesses whose primary objective is solving social problems

Source: GEM, 2019
INDIVIDUAL AFFILIATIONS AND SELF-PERCEPTIONS ABOUT ENTREPRENEURSHIP
2.1 Overview

The results for Saudi Arabia in 2019 show that a large proportion of the adult population know entrepreneurs and have positive self-perceptions about entrepreneurship. Over 80% of adults report that they know an entrepreneur personally (see Figure 7). This percentage indicates substantial visibility and close affiliations with entrepreneurs who can serve as role models and mentors, as well as play various stakeholder roles, such as co-founders, investors, and value-chain partners. These strong relationships with entrepreneurs might also help explain why more than 80% of adults in Saudi Arabia believe they have the capabilities for starting a business.

A high percentage of people in the country (almost 74% of the adult population) see good opportunities for starting a business in the next six months. A slight majority, almost 53% of working-age individuals, feel it is easy to start a business in Saudi Arabia. This indicator has room to improve, particularly given Saudi Arabia’s position in the World Bank Doing Business 2019 report for the ease of starting a business (ranked 141 out of 190 economies). In addition, the results show a moderate level of fear of failure: 43.6% of those seeing entrepreneurial opportunities would not start a business for fear it might fail.

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THE RESULTS FOR SAUDI ARABIA IN 2019 SHOW THAT A LARGE PROPORTION OF THE ADULT POPULATION KNOW ENTREPRENEURS AND HAVE POSITIVE SELF-PERCEPTION ABOUT ENTREPRENEURSHIP.

Figure 7. Affiliations and self-perceptions about entrepreneurship among adults (aged 18–64) in Saudi Arabia.

- 82.6% You personally know someone who started a business in the past two years
- 73.8% In the next six months, there will be good opportunities for starting a business in the area where you live
- 63.0% You have the knowledge, skill, and experience required to start a new business
- 43.6% Fear of failure would prevent you from starting a new business (among those seeing opportunities)
- 52.9% In Saudi Arabia, it is easy to start a new business

Source: GEM, 2019
2.2 Individual affiliations and self-perceptions about entrepreneurship by gender, age group, educational level, and region

The results on affiliations and self-perceptions about entrepreneurship are similar among men and women in Saudi Arabia. Women and men are about equally likely to know entrepreneurs personally and to state that they personally have the capabilities for starting a business. Fear of failure is essentially the same in both genders. Women are slightly more likely than men to see opportunities around them and to state that it is easy to start a new business—a positive sign for gender equality in entrepreneurship.

In terms of age, younger people (18–34 years) are slightly less likely than those of mid-career age (35–54 years) to know an entrepreneur or to state that they have the capabilities for entrepreneurship (see Figure 8). Developing such relationships and having the necessary knowledge, skills, and experience might be associated with age and maturity in this country. Although younger people are slightly more likely than the middle age group to think it is easy to start a business in Saudi Arabia, they are also a little more likely to feel constrained by fear of failure. This pattern could serve as an example of a disconnect between enablers and constraints in a country—that is, there might be conditions that facilitate entrepreneurship, but young people might still be deterred by factors such as cultural perceptions about risk or the need to generate a stable income.

Figure 8. Affiliations and self-perceptions about entrepreneurship by age in Saudi Arabia.

Source: GEM, 2019
Some interesting differences in self-perceptions can be seen relative to education level (see Figure 9). Although they are about equally likely to know entrepreneurs, those people with post-secondary or higher levels of education are more likely to see opportunities around them, and less likely to be deterred by fear of failure, compared with those with a secondary or lower education level. Those with higher education levels are also more likely to state that they have the capabilities for starting a business and to believe that it is easy to get one started. This difference indicates the empowering effect of the higher education system in Saudi Arabia and the potential for inspiring and preparing college students to create businesses that can generate jobs and provide new products and services for society.

**Figure 9. Affiliations and self-perceptions about entrepreneurship by education level in Saudi Arabia.**

<table>
<thead>
<tr>
<th>Perception</th>
<th>Up to secondary education</th>
<th>Post-secondary education</th>
</tr>
</thead>
<tbody>
<tr>
<td>You personally know someone who started a business in the past two years</td>
<td>83.9%</td>
<td>81.4%</td>
</tr>
<tr>
<td>In the next six months, there will be good opportunities for starting a business in the area where you live</td>
<td>54.1%</td>
<td>77.2%</td>
</tr>
<tr>
<td>You have the knowledge, skill, and experience required to start a new business</td>
<td>54.7%</td>
<td>73.6%</td>
</tr>
<tr>
<td>Fear of failure would prevent you from starting a new business (among those seeing opportunities)</td>
<td>48.2%</td>
<td>42.6%</td>
</tr>
<tr>
<td>In Saudi Arabia, it is easy to start a new business</td>
<td>31.5%</td>
<td>45.8%</td>
</tr>
</tbody>
</table>

Source: GEM, 2019
Finally, a regional analysis indicates that there are no significant differences between regions in terms of the percentage of people who know recent entrepreneurs, who believe they possess entrepreneurial skills, and who are constrained by fear of failure (see Figure 10). On the other hand, Dammam, Mecca, and Madinah stand out this year as regions that perceive the most opportunities for starting a business. The relatively lower level in Riyadh perhaps reflects the competitiveness and cost of doing business in the capital.

Figure 10. Affiliations and self-perceptions about entrepreneurship, by region in Saudi Arabia.
2.3 International comparison on individual affiliations and self-perceptions

Figure 11 shows affiliations and self-perceptions in the adult population for Saudi Arabia and countries in the MENA region, as well as for the United States, the average for 32 high-income economies, and the average for all 50 economies participating in GEM 2019.

Among the countries featured, Saudi Arabia shows the highest proportion of adults who personally know a recent entrepreneur. The Kingdom also shows the highest rate of those who believe they have the capabilities for starting a business. Both indicators are well above the GEM average. A significant proportion of the Saudi population also perceive the presence of good opportunities for starting new businesses, just below Qatar.

On the other hand, Saudi Arabia shows a moderate level of fear of failure, but not as high as in Jordan, Egypt, or Morocco. Saudi Arabia also shows relatively moderate perceptions about the ease of starting a business, below the United States, Qatar, the UAE, Egypt, and Oman. Overall, this sends an important message: People in the Kingdom have affiliations with entrepreneurs, see opportunities, and are confident they can start a business; however, relative to other countries, they might feel somewhat more constrained by fear of failure and face some barriers to getting a business started.

Figure 11. Affiliations and self-perceptions about entrepreneurship, by region and GEM/high-income average.

[Bar chart showing data for various countries including Saudi Arabia, United States, Jordan, Iran, etc., with labels indicating percentage of people who personally know someone who started a business in the past two years and those who believe there will be good opportunities for starting a business in the next six months.]
CHAPTER TWO | INDIVIDUAL AFFILIATIONS AND SELF-PERCEPTIONS

You have the knowledge, skill, and experience required to start a new business

Fear of failure would prevent you from starting a new business (among those seeing opportunities)

In my country, it is easy to start a new business

Source: GEM, 2019
ENTREPRENEURSHIP AND ESTABLISHED BUSINESS ACTIVITY
3.1 Overview

As stated in the introduction to this report, GEM conceptualizes entrepreneurial activity as a complex process (see Figure 2) that begins with entrepreneurial intentions and continues with successive phases: nascent and new activity, which together make up TEA; established business ownership; and business discontinuance. This chapter provides results for all of these phases for Saudi Arabia in 2019.
3.2 General background

In 2019, almost 36% of the adult population in Saudi Arabia reported intentions to start a new business in the next three years, and 14% were involved in entrepreneurial activity (both nascent and new businesses—TEA). For the next phases, 5.4% of the adult population were owner–managers of established businesses, and 5.1% discontinued a business (see Table 2).4

Table 2. Levels of participation of Saudi Arabia’s population aged 18–64 across each phase of business activity.

<table>
<thead>
<tr>
<th>Intentions</th>
<th>Nascent</th>
<th>New</th>
<th>TEA (total)</th>
<th>Established</th>
<th>Discontinued</th>
</tr>
</thead>
<tbody>
<tr>
<td>35.7%</td>
<td>5.4%</td>
<td>8.6%</td>
<td>5.4% + 8.6% = 14%</td>
<td>5.4%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Source: GEM, 2019

4 The GEM APS collects information on exits from a business, asking respondents if they left any business during the previous 12 months. Positive responses are then classified to determine the proportion of businesses that were discontinued, and the proportion that continued in other hands or changed their activity. In 2019, it is estimated that 46.6% continued in the market, while 53.4% discontinued, the latter group is featured in this chapter.
3.3 Longitudinal analysis

Figure 12 shows a longitudinal analysis of entrepreneurial intentions, TEA, established business activity, and discontinuance of businesses. In 2019, intentions, TEA, and established business activity each exhibited an increase of around two percentage points. TEA's increase was due to growth in new business ownership, with nascent activity relatively consistent with 2018. Business discontinuation, on the other hand, did not change. The results suggest that conditions are favorable in Saudi Arabia. While the same number of people are in the process of starting a business, more of those who started have managed to sustain their ventures beyond the early phase and also transition their businesses into maturity.

Figure 12. Longitudinal analysis of the main indicators of entrepreneurial and business activity in Saudi Arabia.

Source: GEM, 2019
3.4 International comparison on entrepreneurship and established business activity

When compared with other countries in its region, the United States, the average for the 32 high-income economies, and the overall GEM average, Saudi Arabia shows a relatively moderate level of entrepreneurial intentions (Figure 13). TEA is moderately high, due to high levels of new business ownership. Although established business activity is relatively low, the longitudinal results suggest that this indicator is moving in a positive direction.

This positive trend toward higher levels of mature business activity in Saudi Arabia is often exhibited in developed economies: Starting a business becomes more selective, perhaps due to the presence of other income-generating opportunities, but those people who do start are more able to maintain and grow their businesses.
Entrepreneurial employee activity is a special type of entrepreneurship, which in some societies acts as a substitute for independent entrepreneurship. In others, it coexists with, and often complements, business startup activity (Kelley, 2017). In 2019, 3.2% of the adult population in Saudi Arabia (representing 4.9% of the employee population) had led new business development activities for their employers during the past three years, exhibiting a 13% increase from 2018. This is a comparatively moderate level of employee entrepreneurship. In the Middle East and Africa region, less than 1% of the populations in low- and middle-income countries are engaged in this activity, while high-income countries show higher levels. Notable is the UAE, with 8.2% of its population involved in employee entrepreneurship.

Among those starting businesses outside an organizational context, the activity might nonetheless involve an employer through sponsored entrepreneurial activity—that is, businesses part-owned with an employer. The results indicate that 22% of TEA is sponsored by an employer. For entrepreneurs, this percentage shows the important role of employers in startup activities in Saudi Arabia. For employers, this type of arrangement enables them to engage with entrepreneurial individuals outside their organizations.
04
MOTIVATION FOR ENTREPRENEURSHIP
4.1 OVERVIEW

People are inspired to start businesses for various reasons. GEM traditionally examined ‘necessity’ and ‘opportunity’ motives, with the latter further qualified as a desire for income or for independence in one’s work. In 2019, GEM revised its definition of motives to include four reasons: to make a difference in the world; to build great wealth or a very high income; to continue a family tradition; and to earn a living because jobs are scarce. As expected, most of the respondents identified with more than one of these options, making it evident that the decision to undertake a new venture is usually made for several reasons.
4.2 Motivations for entrepreneurship in the Saudi population

In Saudi Arabia, for those in the early and established business stages, the most prevalent motivation for starting a business is to earn a living because jobs are scarce (see Figure 14). The higher level for this motivation among established business owners could reflect a different environment for starting a business in previous years compared to 2019.

The second most cited reason for both business stages is to build great wealth or a very high income. In this case, entrepreneurs are more likely to cite this motive, suggesting that those starting businesses in the current environment see an opportunity for high financial gains.

Perhaps most noticeable is the frequency with which entrepreneurs cited that they started their businesses ‘to make a difference in the world,’ while few established business owners indicated this motive. This variance suggests that there is a growing interest in social impact and sustainability among entrepreneurs, while it might have been less important for business owners starting in past years.

‘To continue a family tradition’ is a lesser motivation for both stages but is still prevalent, demonstrating the role of family business in the Kingdom. For all four motives, almost identical results can be seen in male and female entrepreneurs, demonstrating that gender does not explain differences in motivation for entrepreneurs in Saudi Arabia.

Figure 14. Motivations for starting a business among entrepreneurs (TEA) and established business owners in Saudi Arabia.

Source: GEM, 2019
4.3 International comparison on motivation for entrepreneurship

An international comparison shows that motives in Saudi Arabia based on making a difference in the world and continuing a family tradition are on a par with the GEM average (see Figure 15).

Financial motives, however, are much more prevalent in the Kingdom—either to build great wealth or to earn a living because jobs are scarce. Wealth appears to be a popular motivator in other Middle East countries as well; Egypt, Qatar, the UAE, and Iran show higher levels than Saudi Arabia on this indicator.

The highest motivating factor in Saudi Arabia is to earn a living because jobs are scarce, and it is higher only in Jordan, suggesting that this necessity-based motive is quite prevalent in Saudi Arabia, especially compared with its neighbors. It is also notable because Saudi Arabia is classified as a high-income country; necessity is often a greater driver of startup activity in low- or middle-income countries.

Figure 15. Motivations for starting a business among entrepreneurs (TEA), by region and GEM/high-income average.

Source: GEM, 2019
CHARACTERISTICS OF ENTREPRENEURIAL AND ESTABLISHED BUSINESS ACTIVITY
5.1 OVERVIEW

Beyond the number of entrepreneurs in a society, it is the quality of entrepreneurial activity that is key to entrepreneurship’s overall contribution to economic and social development. Taking this into consideration, GEM provides a comprehensive set of indicators that characterize entrepreneurship and established business activities. This chapter offers detailed results on: sector of activity; number of owners; number of employees; job creation expectations; national and global scope of innovation; internationalization; and reasons for discontinuing businesses.
In 2019, entrepreneurship in Saudi Arabia exhibited somewhat greater industry-sector diversification compared with 2018 (see Figure 16). Entrepreneurship in Saudi Arabia is more highly concentrated in the consumer-oriented sector, which tends to have comparatively more business activity with low barriers to entry and is crowded with ‘me-too’ competition. It is therefore promising to note the 11% decrease in this sector, coupled with a 33% increase in the capital-intensive transforming sector and a 51% increase in the knowledge-intensive business services sector, compared with 2018. Established business activity showed a 9% decline in 2019, but exhibited significant growth of 32% in business services. Consumer service activity remained relatively similar.

The Saudi economy is blessed with a big market, strong government support, and an ambitious, skillful pool of talent. We’ve now reached a stage where barriers to entry for startups have been largely removed and we now need to switch gears and start working on removing barriers to scale. This will require a different approach to public–private partnerships and rethinking what kind of environment is required for the ecosystem to scale.

Waleed Alballaa, Venture Capital Investor and Venture Partner at STV

5.2 Sector of activity

In 2019, entrepreneurship in Saudi Arabia exhibited somewhat greater industry-sector diversification compared with 2018 (see Figure 16). Entrepreneurship in Saudi Arabia is more highly concentrated in the consumer-oriented sector, which tends to have comparatively more business activity with low barriers to entry and is crowded with ‘me-too’ competition. It is therefore promising to note the 11% decrease in this sector, coupled with a 33% increase in the capital-intensive transforming sector and a 51% increase in the knowledge-intensive business services sector, compared with 2018. Established business activity showed a 9% decline in 2019, but exhibited significant growth of 32% in business services. Consumer service activity remained relatively similar.
Figure 16. Sector distribution of TEA and established business ownership.

Despite the media attention they attract in many countries, technology startups actually comprise a small proportion of business activity. As such, Saudi Arabia shows very little startup activity in medium- or high-technology sectors, accounting for 1.3% of entrepreneurship and 1.9% of established business ownership in 2019.

5.3 Number of owners

The majority of entrepreneurs in Saudi Arabia (61%) initiate their businesses individually, with the rest generally starting with small teams of between two and five people. Businesses started with multiple owners are often thought to benefit from the resources, diverse experience, and perspectives of a team. This could contribute to higher innovation and growth, as well as longer-term business sustainability.

However, in many countries, even developed ones, more businesses are being started with single owners. These may be self-employment scenarios, perhaps in lifestyle businesses. On the other hand, single owners might have chosen not to bring others inside but to work within a network of partners, often enabled by advances in communications technologies.
5.4 Number of employees for entrepreneurs and established business owners

Most entrepreneurial activity starts with few or no employees, which is not surprising since the majority of these efforts have not yet gained traction in the market or generated enough cash or funding commitments to justify substantial hiring. However, in Saudi Arabia, 76% of entrepreneurs reported more than five employees (see Figure 17), a result suggesting that these entrepreneurs are contributing to job creation in this country. This is a large jump from the previous three years, when only around 40% of entrepreneurs reported this employment level.

Among established business owners, 55% reported more than five employees, not only in 2019 but also in the previous two years. With fewer businesses reporting 20 or more employees than in the past two years, it is worth considering whether most business owners are not hiring substantially after startup, whether they expand their businesses after they start up only to reduce them later, or whether it is the smaller businesses that are more likely to survive. This could be an important question to investigate further because, although job creation is important, job stability is equally critical, particularly if job mobility is not common. This needs to be examined, along with the discontinuation of businesses, covered later in this chapter (5.7).

Figure 17. Current number of employees for TEA and established business activity.
5.5 Job creation expectations

Prospective hiring can indicate the ambition of entrepreneurs and their potential contribution to jobs in an economy. While many of these predictions will not evolve as projected and, in fact, some of these efforts will fail, it can be reasoned that most entrepreneurs who have grown their businesses had prior ambitions to do so. In general, though, entrepreneurs are optimistic about their prospects. This is certainly the case for Saudi Arabia in 2019: 87.5% of those starting or running a new business projected more than five new jobs in the next five years (see Figure 18). This is a huge jump from the previous three years, where the majority of entrepreneurs expected to create between one and five jobs.

Established businesses, on the other hand, might have reached their mature size and their owners therefore project very little additional hiring. Their predictions are possibly more accurate because they have past history on which to base them. However, the rate of the decline in job projections among established business owners in Saudi Arabia is of concern: only 29.9% predict more than five jobs, continuing a steady decline since 2016, when 89% made similar projections. This will be a key indicator to track in future years, particularly as entrepreneurs in 2019 demonstrate high levels of ambition.

Figure 18. Expected number of new employees in five years for TEA and established business activity.

---

**Source:** GEM, 2016–2019
5.6 National and global scope of entrepreneurial and established business activity

Figure 19 shows that all entrepreneurs and established business owners sell locally, but far fewer sell outside the local area into national and international markets. This is especially the case with established business owners. While we might consider that a wide geographic reach could be riskier and that local sellers are more likely to stay in business, it is more likely that entrepreneurs will sell more expansively. Technology, globalization, and other factors can facilitate this. Therefore, we would expect a corresponding increase to be reflected in established business activity in future years.

Compared with entrepreneurs and established business owners, those starting businesses for their employers are less likely to be locally focused, being much more international. This makes sense, considering the global nature of most corporate activity.

Figure 19. Market scope for TEA, established business activity, and employee entrepreneurial activity.

Source: GEM, 2019
An ‘innovation’ represents newness to a customer, and this can depend on who is assessing a product or service, and whether people locally, nationally, or globally would consider it to be new. As Figure 20 demonstrates, this year’s results for Saudi Arabia suggest that the vast majority of entrepreneurs and established business owner–managers have not introduced innovations into their markets. Although scarce, innovation is relatively more frequent among entrepreneurs compared with established business owners. However, most entrepreneurs with innovations state that their products and services are new to local, rather than to national or international, customers. On the other hand, established owner–managers with innovations indicate a more national scope.

**Figure 20. Scope of innovation for TEA and established business activity.**

![Graph showing scope of innovation](image)

Source: GEM, 2019

Similarly, process technologies (those deployed in operating a business) can be new to the local area, and nationally or globally. However, most entrepreneurs and established business owners do not use new technologies in their businesses (see Figure 21). However, entrepreneurs are more likely than established business owners to be deploying new process technologies. For those entrepreneurs they are more likely to state that the technologies are new only on a local level, with a smaller amount stating that they are new on a national level.

**Figure 21. Scope of process technology usage for TEA and established business activity.**

![Graph showing scope of process technology usage](image)

Source: GEM, 2019
5.7 Reasons for business discontinuation

In 2019, the main reason for discontinuing a business in Saudi Arabia was cited as government/tax policy/bureaucracy (39.5% of cases), which is a persistent problem, but this is at a lower level than in 2018 (see Figure 22). This result might indicate some improvement in constraints relative to taxes and bureaucracy for new businesses, but also indicates a need for continued attention to reducing these barriers. The second most common reason people discontinued businesses was lack of profitability, a result similar to 2018. Family or personal reasons, and retirement showed a significant increase, as did planned exits and the pursuit of another job or opportunity. Positively, problems with finance declined significantly compared with 2018, a result that suggests that various aspects related to financing—from better management by entrepreneurs to better access to resources—have improved.

Figure 22. Primary reasons for business discontinuation in Saudi Arabia.

<table>
<thead>
<tr>
<th>Reason</th>
<th>2019 %</th>
<th>2018 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government/tax policy/bureaucracy</td>
<td>39.5%</td>
<td>49.1%</td>
</tr>
<tr>
<td>The business was not profitable</td>
<td>14.6%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Family or personal reasons</td>
<td>6.2%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Retirement</td>
<td>2.5%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Problems getting finance</td>
<td>7.6%</td>
<td>16.2%</td>
</tr>
<tr>
<td>The exit was planned in advance</td>
<td>7.0%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Another job or business opportunity</td>
<td>7.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>An opportunity to sell the business</td>
<td>3.2%</td>
<td>3.0%</td>
</tr>
<tr>
<td>An incident</td>
<td>1.1%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: GEM, 2018–2019
5.8 International comparison on characteristics of entrepreneurship

With regard to industry-sector participation, a comparison with neighboring countries, the United States, and the high-income and overall GEM averages, shows the dominance of the consumer-oriented sector in Saudi Arabia (Figure 23). However, transforming businesses are relatively less prevalent among entrepreneurs in Saudi Arabia.

Business services activity is also proportionately low in Saudi Arabia. Morocco and Egypt, both low-income countries, and middle-income Jordan, have lower proportions of business services entrepreneurs compared with Saudi Arabia. On the other hand, countries exhibiting higher percentages of entrepreneurs in this sector are mostly high-income economies. This knowledge-intensive sector therefore tends to be more prevalent in developed economies.

Figure 23. TEA by industry sector, region, and GEM/high-income average.

Source: GEM, 2019
Figure 24 reveals the proportion of entrepreneurs participating in medium- or high-technology sectors. Saudi Arabia is among the countries with low participation in technology-based entrepreneurship. The results across this sample might indicate the extent to which technology business activity has established itself in a country, as well as any conscious efforts by the government, or characteristics of the private sector (for example, corporations that have entrepreneurs in their value network), that boost this activity among entrepreneurs.

**Figure 24. Percentage of TEA in medium- or high-technology sectors, by region and GEM/high-income average.**

![Bar chart showing the percentage of TEA in medium- or high-technology sectors by region and GEM/high-income average.](image)

Source: GEM, 2019

An international comparison of the number of owners for TEA reveals that Saudi Arabia is on a par with the average for high-income countries (see Figure 25), although it appears that many Middle East countries have, on average, larger startup teams.

**Figure 25. Average number of owners for TEA, by region and GEM/high-income average.**

![Bar chart showing the average number of owners for TEA by region and GEM/high-income average.](image)

Source: GEM, 2019
The Kingdom’s entrepreneurial ecosystem has strengthened year after year, putting us on a par with some of the largest global economies. I am humbled and excited that women’s participation in entrepreneurship ranks among the top three worldwide, and this is a testament to the impact of Vision 2030 and our continued transformation toward a more creative, innovative, and digital economy.

Wafa S. Al-Hameedi, CIO, KAEC and CEO, MBSC

As mentioned previously, high growth expectations can indicate the extent to which there are ambitious entrepreneurs and the potential for significant job creation in a society. Figure 26 shows that a high proportion of Saudi Arabia’s entrepreneurs (35%) project creating 20 or more new jobs in five years. Only Qatar and the UAE have higher percentages of entrepreneurs with these expectations (around 42%).

Figure 26. Percentage of adult populations with expectations of fewer than 20 new jobs and 20 or more new jobs in five years, by region and GEM/high-income average.
Traditionally, it was thought that internationalization processes followed a path of establishing one’s business locally, then reaching out to nearby regions, then sequentially expanding the business to more distant markets. Increasingly, though, factors such as communications technologies, networking, knowledge-based products and services, and lower shipping costs enable entrepreneurs to internationalize early on, even during the startup phase. The literature on entrepreneurship and internationalization finds that the earlier in its history a firm internationalizes, the faster it seems to grow (Oviatt & McDougall, 2005). Saudi Arabia stands out as having the highest proportion (19.4%) of entrepreneurs who receive between 75% and 100% of their revenue from outside the country (Figure 27). Morocco ranks lowest, with just .3%.

**Figure 27. Internationalization of entrepreneurs, by region and GEM/high-income average.**

Source: GEM, 2019
As noted earlier, the main reason cited by those discontinuing business in Saudi Arabia during the past year was government/tax policy/bureaucracy. As Figure 28 illustrates, this reason was less evident in other countries in the region, where profitability was more problematic than in Saudi Arabia. In many of the countries, particularly Iran, the UAE, and Morocco, not obtaining finance was a major reason for discontinuing a business, while it was less significant in Saudi Arabia.

SAUDI ARABIA STANDS OUT AS HAVING THE HIGHEST PROPORTION (19.4%) OF ENTREPRENEURS WHO RECEIVE BETWEEN 75% AND 100% OF THEIR REVENUE FROM OUTSIDE THE COUNTRY.

Figure 28. Three main reasons for discontinuing a business, by region and GEM/high-income average.

Source: GEM, 2019
SOCIODEMOGRAPHIC CHARACTERISTICS OF ENTREPRENEURSHIP IN SAUDI ARABIA
CHAPTER SIX | SOCIODEMOGRAPHIC CHARACTERISTICS OF ENTREPRENEURSHIP

6.1 OVERVIEW

GEM’s focus on individuals enables each participating economy to develop a profile of its entrepreneurs, which provides valuable information on those who are starting businesses, but also those who are not, for various reasons. This chapter covers the demographic characteristics of entrepreneurs, including gender, age, educational level, income, and geographic region.
6.2 Gender

For many years, GEM reports have shown that, in most economies, men are more likely than women to start new businesses. However, since increasing female participation in entrepreneurship is a targeted policy objective in many countries, that situation is progressively changing. Saudi Arabia is an example of how the adoption of recent policies and regulations has resulted in a significant and important trend. For the first time in the Kingdom, the estimated proportion of women involved in entrepreneurial activity (14.7%) is higher than the proportion of men engaged in entrepreneurship (13.4%). This result should be taken with caution, in order to determine whether it is a sustained pattern. It will thus be important to assess the 2020 survey data to see if there are similar results or a trend in either direction.

6.3 Age

In 2019, the average age among entrepreneurs was 37, compared to about 38 years of age in previous years. The age distribution of entrepreneurs, shown in Figure 29, reveals the highest TEA rates among 35–44-year-olds (18.5%), while the lowest is in the 18–24 age group (9%). The results of the analysis are in line with recent studies (Azoulay, Jones, Kim, & Miranda, 2018), which conclude that modern…

Figure 29. Percentage of the population (aged 18–64) involved in TEA by age group in Saudi Arabia.
entrepreneurship requires previous experience and enough funding to undertake new activities, as well as the ability to offer innovative products or services and add economic value.

Further age analysis revealed that the average age for those with entrepreneurial intentions is around 36 years. Established business owners are older than entrepreneurs on average (at 44.7 years), reflecting the fact that they would have started their businesses at a younger age and subsequently have been running them for some time.

6.4 Education level

This report previously noted that those with at least a post-secondary degree have positive attitudes, such as beliefs about entrepreneurship being a desirable career choice and entrepreneurs receiving high respect and media visibility. Those with this higher level of education are also more likely to see opportunities and believe that they have the capabilities for starting a business. They are more likely to believe that it is easy to start a business, and their fear of failure is lower. With regard to actual startup activity, the results show that slightly more than two thirds of entrepreneurs have a post-secondary or higher degree of education. This indicates that positive attitudes and perceptions are accompanied by actual activity. In other words, the majority of entrepreneurs are well educated, again showing the impact of the higher education system in Saudi Arabia.

6.5 Income

GEM divides those involved in entrepreneurial and established business activities into three household income percentiles. Figure 30 shows that 82.4% of entrepreneurs are either in the middle- or high-income earning categories. This might be surprising, given this report previously showed that 72.4% of entrepreneurs stated they started their businesses because jobs were scarce. These two results could suggest that many of those who created their own jobs when there were few options were not necessarily doing so out of poverty. By itself, the result on income shows that entrepreneurship is dominated by the moderately and highly wealthy, perhaps because they have the resources to start businesses. However, it also raises questions about whether low-income families have limited opportunities to create their own income source.

A little over half of established business owners are in the upper income percentile. Of course, it might be the case that their businesses have enabled them to earn a high income. It is also possible that a high income better enables them to maintain their businesses in maturity.

Figure 30. Income distributions for TEA and established business activity.

![Figure 30. Income distributions for TEA and established business activity.](source: GEM, 2019)
6.6 Regional patterns for entrepreneurial activity

For 2019, the capital, Riyadh, has the highest entrepreneurship rate among the five regions in Saudi Arabia (see Figure 31). The proliferation of activity in Jeddah and scant activity in regions outside Jeddah and Riyadh in 2018 seems to have been replaced by more uniform participation across the regions. This would suggest that interest in entrepreneurship has become a national phenomenon, perhaps with different regions leveraging their specific strengths.

For example, Madinah, despite having the lowest rate of the five regions, shows positive change that can be attributed to several factors. The region enjoys an extended and intensive trade tradition and its religious significance makes it one of the most visited places in the Islamic world; it receives more than 8 million Muslim pilgrims each year. The city has expanded rapidly since the 1970s and, due to its rapid growth, the government has invested heavily in physical infrastructure, which has attracted workers from all over the Kingdom and other countries, resulting in further growth. The population growth has exerted pressure on its geographic boundaries, creating more demand for land and an explosion in land subdivision.

Currently, the capital city of this region is enjoying its inclusion in the Future Saudi Cities Program promoted by the United Nations Human Settlements Program and the Ministry of Municipal and Rural Affairs in the Kingdom of Saudi Arabia. One of the main objectives of this initiative is to respond to national and local urban challenges. In the case of Medina, efforts are directed toward improvements in productivity, employment, and other aspects detailed in the Madinah City Prosperity Index Profile 2018 report. The region is also developing an MIT REAP (Regional Entrepreneurship Acceleration Program) focused on the city of Hejaz and the regional capital of Madinah.

The team has strong university stakeholders, including Umm Al-Qura University and King Abdullah University of Science and Technology (KAUST) (Future Saudi Cities Program, 2018). All these elements are gradually changing the regional context, making it more attractive for potential entrepreneurs.

Figure 31. Regional rates of TEA in Saudi Arabia.

Source: GEM, 2018, 2019
6.7 International analysis on gender and age

This section compares results on gender and age for Saudi Arabia with those of other countries in the MENA region, the United States, the overall average for all 50 economies participating in GEM in 2019, and the average for the 32 economies classified as high income (see Figure 32). With regard to gender, Qatar has equal entrepreneurship rates for women and men, while in Saudi Arabia, women are more active. Egypt shows the greatest gender gap, where women are starting businesses at less than half the male rate. In the other countries in the region, women engage in entrepreneurship at between half and three quarters of the male rate.

Figure 32. TEA by gender, region, and GEM/high-income average.

Most economies report the highest rates of entrepreneurship among 25–34-year-olds and 35–44-year-olds (Figure 33). Saudi Arabia shows a slightly higher age profile than the GEM average and compared to the average for the high-income economies, with 35–44-year-olds participating most frequently, followed by 45–54-year-olds. Iran and Oman, in particular, exhibit a younger profile, while Qatar has a much older age distribution compared to Saudi Arabia.

Figure 33. TEA by age group, region, and GEM/high-income average.

Source: GEM, 2019
INFORMAL INVESTMENT ACTIVITY
7.1 Overview

Entrepreneurs may finance their businesses with their own personal capital or obtain funding from formal equity or debt sources. They may also obtain informal funding from family, friends, work colleagues, and so forth—key sources of finance for entrepreneurs in many economies. As Figure 34 demonstrates, the TEA rate and the percentage of informal investors show a high and statistically significant linear correlation (0.98). This lends support to the idea that informal investment is closely tied to entrepreneurial activities in Saudi Arabia.

In 2019, the proportion of informal investors in the 18–64-year-old population grew, as did entrepreneurship, perhaps reflecting confidence in the economic climate and positive expectations about investing in others’ businesses.
Figure 34. Informal investment and TEA rates in Saudi Arabia.

Source: GEM, 2016–2019
7.2 Estimated amount of informal investment

The median amount of funding provided by an informal investor declined substantially between 2016 and 2018, and then increased in 2019 (see Table 3). Given that the proportion of investors also increased during the two most recent years, it could be the case that more people, perhaps representing a broader array of the population, are investing in entrepreneurs, although at lower median amounts than in 2016.

Table 3. Median amount of informal funds invested in Saudi Arabia.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median invested amount (SAR)</td>
<td>40,000</td>
<td>30,000</td>
<td>25,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Median invested amount (USD)</td>
<td>10,666</td>
<td>7,996</td>
<td>6,667</td>
<td>8,000</td>
</tr>
</tbody>
</table>

Source: GEM, 2016–2019

7.3 Characteristics of informal investors

In 2019, informal investors were more likely to be male (see Table 4). This gap follows two years of increasing gender parity. The average age of informal investors in 2019 was about 38 years, as was the case in the previous two years. Interestingly, this is close to the average age of entrepreneurs in this country, suggesting that entrepreneurs and their stakeholders are in the same age group.

The largest group of informal investors came from middle-income households in 2019. It is notable that the previous two years reported a high percentage of investors from either low- or high-income households, showing that people with fewer resources were willing, nonetheless, to help an entrepreneur, alongside those who had more means to invest. The results indicate that, increasingly, investors include more middle-class people.

Table 4. Demographic characteristics of informal investors.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male (% of total)</td>
<td>65.4</td>
<td>53.4</td>
<td>49.8</td>
<td>59.1</td>
</tr>
<tr>
<td>Female (% of total)</td>
<td>34.6</td>
<td>46.6</td>
<td>50.2</td>
<td>40.9</td>
</tr>
<tr>
<td>Average age</td>
<td>39.6</td>
<td>38.2</td>
<td>38.4</td>
<td>37.8</td>
</tr>
<tr>
<td>Annual income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lowest 33% percentile</td>
<td>72.9</td>
<td>43.4</td>
<td>36.0</td>
<td>19.0</td>
</tr>
<tr>
<td>Middle 33% percentile</td>
<td>16.1</td>
<td>17.5</td>
<td>23.6</td>
<td>45.7</td>
</tr>
<tr>
<td>Highest 33% percentile</td>
<td>11.0</td>
<td>39.1</td>
<td>40.4</td>
<td>35.3</td>
</tr>
</tbody>
</table>

Source: GEM, 2016–2019
IT IS NOTABLE THAT THE PREVIOUS TWO YEARS REPORTED A HIGH PERCENTAGE OF INVESTORS FROM EITHER LOW- OR HIGH-INCOME HOUSEHOLDS, SHOWING THAT PEOPLE WITH FEWER RESOURCES WERE WILLING, NONETHELESS, TO HELP AN ENTREPRENEUR, ALONGSIDE THOSE WHO HAD MORE MEANS TO INVEST. THE RESULTS INDICATE THAT, INCREASINGLY, INVESTORS INCLUDE MIDDLE-CLASS PEOPLE.
7.4 Relationship between informal investors and beneficiaries

Informal investors most frequently invest in close family members or other relatives, as shown in Figure 35. In 2019, nearly two thirds of investors funded people to whom they were related. However, substantial investments also go to other people the investors know—work colleagues, friends, or neighbors—reinforcing the importance of networks. Only a small number of investors fund strangers with good ideas.

Figure 35. Relationship between informal investors and recipients of their funding.

Source: GEM, 2016–2019
7.5 International comparison on informal investment activity

Figure 36 shows that, in the region, Saudi Arabia has the highest proportion of its population providing informal investment to entrepreneurs. However, countries in the region show high variation in the median amount of funding provided by informal investors (see Figure 37). Oman stands out, with a median investment of about 20,000 USD, followed by Qatar, and then Saudi Arabia at a significant distance. Jordan ranks the lowest, with a median level of just under 350 USD.

Figure 36. Informal investors among the adult population, by region and GEM/high-income average.

Source: GEM, 2019
Figure 37. Estimated median funds invested by informal investors, in USD.

Source: GEM, 2019
08

ENTREPRENEURIAL MINDSET
8.1 OVERVIEW

In 2019, GEM launched the EMI, which is a simple index based on the META approach (Ahmetoglu, 2015), a scientific tool specifically designed to identify entrepreneurial potential and predict entrepreneurial success. META has been validated with people from over 25 different countries.

The EMI sees successful entrepreneurs as opportunity-driven people who, through their creativity, drive, and vision, create economic and social value. This is somewhat different from the traditional GEM definition of an entrepreneur—that is, anyone who starts their own business, no matter its scale or impact.
The complete META tool comprises four constructs—opportunism, proactivity, creativity, and vision—assessed by 40 items (10 per construct), plus 5 additional items to test for social desirability bias.

The following definitions describe the four constructs.

- **OPPORTUNISM**: the tendency to spot new business opportunities (this relates to being alert, informed, and detecting future trends)
- **PROACTIVITY**: the tendency to be proactive about projects and to ‘get stuff done’ (this relates to energy, confidence, and self-determination)
- **ENTREPRENEURIAL CREATIVITY**: the ability to generate innovative business ideas (this relates to non-conformity, originality, and a preference for novel experiences)
- **VISION**: the ability to see the bigger picture and the motivation to bring about change and create progress (this relates to having values and a higher sense of purpose)

To capture these four characteristics of the entrepreneurial mindset, GEM added the following four statements to its questionnaire, recording responses on a 5-point Likert scale:

- You rarely see business opportunities, even if you are very knowledgeable in the area (this indicator is reverse-coded to show level of opportunism).
- Even when you spot a profitable opportunity, you rarely act on it (this indicator is reverse-coded to show level of proactivity).
- Other people think you are highly innovative (creativity)
- Every decision you make is part of your long-term career plan (vision)

Entrepreneurs are opportunity-driven people who, through their creativity, drive, and vision, create economic and social value.
8.2 The EMI in the Saudi population

Of these four components of the entrepreneurial mindset, creativity appears to be the most prevalent in the Saudi population (see Figure 38), which suggests that many people in Saudi Arabia are attracted by novel experiences and originality, and they believe they can generate innovative business ideas. In addition, the results indicate that more than half of the population have the vision to see the bigger picture and are motivated to bring about change and contribute to progress in society. However, fewer people are proactive in relation to taking on projects, and even fewer are alert to new business opportunities.

Figure 38. Entrepreneurial mindset indicators in the Saudi population.

Source: GEM, 2019

8.3 International comparison on entrepreneurial mindset

A comparison on the entrepreneurial mindset indicators among countries in the region shows comparatively low opportunism and moderate proactivity in Saudi Arabia (see Figure 39). Saudi Arabia’s high rating on creativity is closely matched or exceeded by Jordan, Egypt, Qatar, and Iran. Many countries in the region score high on vision. However, only just over half of the people in Saudi Arabia believed they were visionary.

Figure 39. Entrepreneurial mindset indicators, by region and GEM/high-income average.

Source: GEM, 2019
THE CONTEXT FOR ENTREPRENEURS: NATIONAL ENTREPRENEURSHIP FRAMEWORK CONDITIONS
9.1 OVERVIEW

Entrepreneurs start and run new ventures in distinct environments containing a wide range of local and national conditions that can facilitate—or hinder—these efforts. Through its annual NES, GEM Saudi Arabia assesses the average state of the national context for entrepreneurship.
GEM requires that at least four experts in each of the nine topic areas complete the NES. In 2019, 39 experts in Saudi Arabia were carefully selected for the survey, based on their knowledge and experience in at least one of the framework conditions.

Twelve entrepreneurial framework conditions are evaluated using a questionnaire organized into nine blocks of items, which include:

- Entrepreneurial finance
- Government policies
- Government programs for entrepreneurs
- Entrepreneurship education and training
- R&D transfer
- Commercial and professional infrastructure
- Internal market dynamics and burdens
- Physical infrastructure and services
- Cultural and social norms
9.2 National entrepreneurship framework conditions in Saudi Arabia

In 2019, most of the Saudi national entrepreneurship framework conditions received higher ratings from the experts compared with previous years (see Figure 40). Among those receiving the highest ratings (and improvements compared to 2018), were entrepreneurial finance and government policies and programs. Internal market dynamics, physical infrastructure, and cultural and social norms were also rated highly, in line with previous years. As is the case in the vast majority of GEM countries, entrepreneurship education at school stage was rated the lowest in Saudi Arabia; however, the results in 2019 were more positive than in previous years. R&D transfer also exhibited an increase from lower ratings reported previously.

Figure 40. Average expert ratings on 12 national entrepreneurship framework conditions in Saudi Arabia.

Source: GEM, 2019
Table 5 shows Saudi Arabia’s ranking among the 54 economies completing the NES in 2019. The highest ranking is in the support and relevance of government policies for entrepreneurship. However, Saudi Arabia also ranks highly on taxes and bureaucracy, government programs, internal market dynamics and burdens, and cultural and social norms.

Table 5. Saudi Arabia’s ranking among 54 economies on 12 national entrepreneurship framework conditions.*

<table>
<thead>
<tr>
<th>Entrepreneurial framework conditions</th>
<th>2019 rank</th>
<th>2019 average score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial finance</td>
<td>19</td>
<td>5.01</td>
</tr>
<tr>
<td><strong>Government policies: support and relevance</strong></td>
<td>3</td>
<td>6.03</td>
</tr>
<tr>
<td><strong>Government policies: taxes and bureaucracy</strong></td>
<td>10</td>
<td>5.14</td>
</tr>
<tr>
<td><strong>Government programs</strong></td>
<td>15</td>
<td>5.32</td>
</tr>
<tr>
<td>School: entrepreneurship education and training</td>
<td>29</td>
<td>2.96</td>
</tr>
<tr>
<td>Post-school: entrepreneurship education and training</td>
<td>42</td>
<td>4.16</td>
</tr>
<tr>
<td>R&amp;D transfer</td>
<td>26</td>
<td>4.09</td>
</tr>
<tr>
<td>Commercial and professional infrastructure</td>
<td>36</td>
<td>4.75</td>
</tr>
<tr>
<td><strong>Internal market dynamics</strong></td>
<td>13</td>
<td>5.92</td>
</tr>
<tr>
<td><strong>Internal market burdens, or entry regulation</strong></td>
<td>18</td>
<td>4.74</td>
</tr>
<tr>
<td>Physical infrastructure and services</td>
<td>35</td>
<td>6.54</td>
</tr>
<tr>
<td><strong>Cultural and social norms</strong></td>
<td>18</td>
<td>5.85</td>
</tr>
</tbody>
</table>

*Light blue shading indicates rank of 18 or higher.

Source: GEM, 2019
Compared with the average for the 54 economies (see Figure 41), Saudi Arabia shows a higher relative rating for entrepreneurial finance, all conditions relating to government and market factors, and cultural and social norms. Scores similar to the GEM average can be seen in physical infrastructure and services, and R&D transfer. Only conditions relating to entrepreneurship education and training, and commercial and professional infrastructure, fall slightly below the GEM averages.

**Figure 41. Positioning of Saudi Arabia with respect to the average of 54 GEM economies on 12 entrepreneurship framework conditions.**

![Diagram showing positioning of Saudi Arabia with respect to the average of 54 GEM economies on 12 entrepreneurship framework conditions.](image)

Source: GEM, 2019
9.3 The NECI: An overall view of conditions for entrepreneurship

The NECI is obtained by averaging the ratings on the NES conditions, following advice from experts from the European Commission’s Joint Research Centre. Figure 42 shows the overall NECI ranking and scores (out of a possible 10) for the 54 economies that completed the 2019 GEM NES. Saudi Arabia falls within the top 30% of economies, with a rating similar to that of Germany.

Figure 42. NECI for 54 economies.
### 9.4 A detailed assessment of the national entrepreneurship framework conditions

An analysis of individual items underlying each NES pillar provides more specific details about the conditions for entrepreneurship in Saudi Arabia.

#### ENTREPRENEURIAL FINANCE

Informal investment is perceived as the most accessible source of finance for entrepreneurs in Saudi Arabia, followed by equity funding, government subsidies, venture capital, and debt funding. It may be surmised that informal funding is a common source of finance for a broad range of entrepreneurs. However, other funding sources (e.g., venture capital) could be critical for ventures with higher resource needs, a longer time to profitability, and greater risk, yet with a large potential upside, such as those based on innovation or advanced technology. Government subsidies could boost innovation and technology development, and also promote the development of particular industries or support underserved populations. Professional business angels and crowdfunding, popular sources of funding for entrepreneurs in many countries, are not yet prevalent in Saudi Arabia.

#### GOVERNMENT POLICIES

The experts recognize that support for new and growing firms is a high priority at the national and local levels in Saudi Arabia. On the other hand, they signaled concerns about difficulties related to government bureaucracy, regulations, and licensing requirements. They also indicated that government policies do not sufficiently favor new firms (for example, through public procurement).

#### GOVERNMENT PROGRAMS FOR ENTREPRENEURS

The strongest components of this pillar include the support provided by science parks, business incubators, and similar services for new and growing firms, and the availability and effectiveness of government programs for entrepreneurs. The experts somewhat agreed that government programs offer assistance to new and growing firms, and that people working for government agencies are competent at providing these services. However, there appears to be a call for a central agency through which new and growing firms can obtain government assistance.

#### ENTREPRENEURSHIP EDUCATION AND TRAINING

The results point to a need for primary and secondary education to encourage creativity, self-sufficiency, and personal initiative—characteristics considered to be fundamental entrepreneurship values. Education in schools also needs to provide adequate instruction in market economic principles and give consideration to entrepreneurial thinking and the creation of new firms. In contrast, post-school entrepreneurship education was rated more highly, although there is still a long way to go before experts perceive this training to be broadly implemented across the higher educational system. Business and management education was considered more likely than vocational and university education to provide adequate preparation for starting up and growing new firms.
R&D TRANSFER
The experts indicated that new firms are now closer to being able to afford the latest technology. Additionally, the results show progress over previous years, relative to the extent to which science and technology in the country support the creation of world-class, new technology-based ventures. There is also an indication that support is available for engineers and scientists who commercialize their ideas through new firms. Areas for improvement include the transfer of knowledge from universities and research centers to companies, and access to research by the business sector.

COMMERCIAL AND PROFESSIONAL INFRASTRUCTURE
The main finding on this pillar relates to a need for consultants, suppliers, and subcontractors for entrepreneurs to operationalize their activities.

INTERNAL MARKET DYNAMICS AND BURDENS
The experts perceive the domestic market to be dynamic and continuously changing, revealing opportunities for new goods and services. On the other hand, although they admit that entrepreneurs have sufficient market access, they also indicate the presence of some barriers by established companies, and that antitrust legislation could be better enforced.
CHAPTER NINE | CONTEXT FOR ENTREPRENEURS

9.5 Expert recommendations about national entrepreneurship conditions

The NES questionnaire contains open-ended questions about key constraints, supports, and recommendations relative to the context for entrepreneurship. Several experts indicated in their comments that government programs and the Kingdom’s Vision 2030 are highly appreciated, as well as the role of Monsha’at as an entity to centralize and develop the entrepreneurship sector in the country. They also cited the increasing number of incubators and accelerators, and other elements that promote entrepreneurship. Other areas highlighted include the availability of high-quality venture capital for some types of business, the large market with good purchasing power, and societal support. Their key recommendations are to continue developing financial support and government policies for entrepreneurs, improve entrepreneurship education (especially at the school stage), reinforce the commercial infrastructure, and continue to invest in effective government programs.

CULTURAL AND SOCIAL NORMS

Entrepreneurial values are high among the populace. Experts strongly believe that the national culture is highly supportive of individual success achieved through personal efforts. They also strongly agree that Saudi Arabia’s culture supports self-sufficiency and personal initiative. Also positive, but a little less so, is their belief about the promotion of entrepreneurial risk-taking, creativity, and innovativeness in society, and the extent to which people can take responsibility for managing their own lives.

PHYSICAL INFRASTRUCTURE AND SERVICES

The strongest aspects of physical infrastructure include the availability and reliability of electricity, water, gas, and similar services, as well as communications and the internet. Although sufficient, improvements can be made to roads and other logistics factors.

SEVERAL EXPERTS INDICATED IN THEIR COMMENTS THAT GOVERNMENT PROGRAMS AND THE KINGDOM’S VISION 2030 ARE HIGHLY APPRECIATED, AS WELL AS THE ROLE OF MONSHA’AT AS AN ENTITY TO CENTRALIZE AND DEVELOP THE ENTREPRENEURSHIP SECTOR IN THE COUNTRY.
Society-wide awareness of and appreciation for entrepreneurship in Saudi Arabia are demonstrated by the high percentage of the adult population who are personally acquainted with entrepreneurs, who believe entrepreneurs merit high status, and who respect entrepreneurship as a good career choice. Mentoring and role models can be key to inspiring and guiding entrepreneurs, and can occur through mechanisms that promote personal connections and enhance the visibility of entrepreneurs to whom people can relate. Additionally, entrepreneurs rely on a variety of stakeholders, such as customers, suppliers, investors, employees, and advisers. Continuing to foster these positive attitudes will contribute toward ensuring that entrepreneurs build networks and receive the support they need to start and grow their businesses.

High self-perceptions about the presence of opportunities, and both the capabilities and the intentions to pursue them, show Saudi society’s readiness for entrepreneurship. However, some people indicate that they would feel constrained by fear of failure and the impression that it is difficult to start a business. In addition, a substantial proportion of those discontinuing a business cite bureaucracy as a reason for closing their businesses. Identifying and addressing the underlying reasons for these constraints could break down some of the barriers that may prevent potential entrepreneurs from translating their ideas and ambitions into action, and create the foundation for sustained survival and growth of their ventures.

The impact of higher education on entrepreneurship is clear. Results indicate that people with post-secondary or higher levels of education have stronger beliefs about the high status and positive career choices of entrepreneurs, more secure perceptions about the prevalence of opportunities and confidence in their capabilities, and lower fear of failure. In addition, over two thirds of entrepreneurs in Saudi Arabia have at least a post-secondary degree, which demonstrates the benefits of higher education but also the prospects for building entrepreneurship curriculum, pedagogies, and programs in colleges and universities in the Kingdom. Although entrepreneurship subjects are not largely taught in primary and secondary schools, instilling creative inspiration and business principles at an early age can provide a positive foundation for entrepreneurship.

Great strides in gender equality are highlighted in results showing that women are proportionately more likely than men to be starting businesses in Saudi Arabia. This corroborates other results showing that, compared to men, women are equally likely to know an entrepreneur and to state that they have the capabilities for starting a business. They are slightly more likely to see lots of opportunities around them, and to state that it is easy to start a business. Continued efforts will ensure that this is a sustainable outcome. Additionally, this success could be repeated with other groups in society that exhibit lower participation levels, such as young people or those from low-income households.

Chapter 9 provided a detailed assessment of national framework conditions that can inform continuous efforts to enhance the environment for entrepreneurship in Saudi Arabia. The increase in TEA and established business rates reported in 2019 are reflective of the attention and initiatives that have been directed toward building the entrepreneurship sector in the Kingdom, which are evident in the increase in expert ratings on most conditions for entrepreneurship. To improve understanding, dialogue, and decision-making, this report concludes with the select insights detailed below.
The regional analysis shows more uniform participation in entrepreneurship among the cities studied in 2019. While entrepreneurship may thrive in certain areas of the country, it is increasingly evident that it is accessible more broadly across Saudi Arabia. There may, in fact, be certain areas where starting a business is a particularly compelling solution for boosting employment and economic growth. Different regions may leverage particular strengths or resources and foster a dynamic startup culture to meet government and private sector objectives. A regional lens on entrepreneurship recognizes that each place is unique.

Results on industry sector distribution showed a shift from consumer-oriented businesses toward transforming and business services activities. It is a relatively small change, and consumer-related entrepreneurs are still highly prominent in Saudi Arabia. However, this change is a positive sign that should continue to progress through policies and initiatives that transition entrepreneurship from what are typically low barrier-to-entry businesses toward higher-potential-capital and knowledge-intensive companies.

Entrepreneurship’s contribution to job creation and economic growth in Saudi Arabia can be seen in the current employment levels and hiring plans revealed in this report. Job expectations exhibited a sizable jump from 2018, reflecting both the aspirations of entrepreneurs and the encouraging environment in which they conduct their activities. In contrast, established business owners reported smaller businesses with less ambitious hiring intentions. While many businesses don’t survive into maturity and others either stay or become small, stable jobs and economic vitality depend on ensuring that sufficient businesses can survive and grow into maturity.
These data were collected in the summer of 2019, when the idea that the world would face an unprecedented health crisis could not have possibly been imagined. Some economic impact from the COVID-19 pandemic is certain, but the extent of this impact is not clear at the time of the writing of this report. GEM has shown that economic downturns have had major effects on the rates and nature of entrepreneurship in a country. For example, the 2007-2009 recession was accompanied by plummeting opportunity perceptions in the United States, after which entrepreneurship rates declined precipitously in 2009, and again in 2010. Those who did start businesses in the United States during that time were more likely to do so out of necessity. In economically stressed environments, entrepreneurs may find few stakeholders to support their journey; investors, customers, employees, and so forth are likely to take a path of caution. Yet there are sure to be opportunities in a changed world for those with the vision, motivation, and resourcefulness to pursue them.

Entrepreneurs can advance a nation’s competitiveness through international commerce and innovation. Selling internationally means that an entrepreneur must enter what are most likely unfamiliar markets, adapting their approach to compete against local players. This approach not only provides opportunities to sell beyond one’s national borders, but also means that an entrepreneur can operate on a global scale. Moreover, to the extent that entrepreneurs introduce innovations, especially beyond their local area, they provide the basis for sustainable advantage. While entrepreneurs in Saudi Arabia appear to be selling into international markets, they are less likely to introduce innovations internationally or, for that matter, nationally. Support for innovative and global entrepreneurship will require particular conditions in the environment, such as access to advanced technologies, intellectual property protection, export assistance, and highly skilled labor.

The high and increasing level of informal investment in entrepreneurship in Saudi Arabia is an encouraging sign. Moreover, this rate appears to parallel entrepreneurship levels, at least for the past two years. This demonstrates the key role that informal investors play in supporting the initial startup phase. Although these investments tend to occur between people who know each other, it could be surmised that mechanisms for expanding networks could further expand these connections.
APPENDIX: TECHNICAL DETAILS

The Saudi Arabia GEM Report is based on the collection of primary data through an APS of a randomly selected sample of adults. The sample is representative of the Saudi population in terms of age, gender, and geographical distribution. In addition, the GEM Saudi Arabia national team collected expert opinions about national conditions for entrepreneurship through an NES.

Table A1 shows the APS and NES fieldwork sheet, which includes technical details about sampling and methodology for the 2019 data collection cycle.

Table A1. GEM Saudi Arabia 2019: APS and NES fieldwork sheet.

<table>
<thead>
<tr>
<th><strong>Sampling features</strong></th>
<th><strong>Information</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APS</strong></td>
<td></td>
</tr>
<tr>
<td>Target population</td>
<td>Adult (18–64 years of age) residents in Saudi Arabia</td>
</tr>
<tr>
<td>Target population size</td>
<td>31,273,932 persons</td>
</tr>
<tr>
<td>Sample size</td>
<td>4,003 persons</td>
</tr>
<tr>
<td>Sample design</td>
<td>Multiple strata, each sampled at identical rate</td>
</tr>
<tr>
<td>Type of sample</td>
<td>Random</td>
</tr>
<tr>
<td>Confidence level</td>
<td>95%</td>
</tr>
<tr>
<td>Sampling error</td>
<td>±1.54%</td>
</tr>
<tr>
<td>Maximum variance</td>
<td>( p = q = 0.5 )</td>
</tr>
<tr>
<td>Sampling period</td>
<td>May–July 2019</td>
</tr>
<tr>
<td>Interview method</td>
<td>Face-to-face, assisted by tablet and mobile telephone</td>
</tr>
<tr>
<td>Sampling methodology</td>
<td>Random routes, random selection of houses from list, and random dial from list</td>
</tr>
<tr>
<td>Fieldwork carried out by</td>
<td>Field Interactive MR</td>
</tr>
<tr>
<td>Data recording and SPSS database creation</td>
<td>Field Interactive MR</td>
</tr>
<tr>
<td>Monitoring, quality control, and final verification</td>
<td>Opinômetre Institute</td>
</tr>
</tbody>
</table>

| **NES**               |                 |
| Target population     | Experts in nine entrepreneurship conditions |
| Sample                | 39 experts |
| Type of sample        | Convenience sample |
| Sampling period       | March–July 2019 |
| Interview method      | Online |
| Fieldwork carried out by | GEM Saudi Arabia national team |
| Data recording and SPSS database creation | GEM Saudi Arabia national team |
APS vendor information

Field Interactive MR
https://fieldinteractive-mr.com/

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