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THE RELATIONSHIP BETWEEN ENTREPRENEURSHIP AND INNOVATION

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ABSTRACT

Entrepreneurship and innovation are gradually significant in all extents of business and management. Entrepreneurial start-ups stimulated the economy by classified new prospects and redirecting capitals. The reputable companies innovate to overcome or react to their competition as required abilities essential for the planning, development and launch of entrepreneurial and innovative projects. The study aimed to signify the relationship between entrepreneurship and innovation. The study used qualitative method in which various case studies were undertaken to compare different situations and understand the relationship between entrepreneurship and innovation. The data was collected by reviewed different articles from newspapers and magazines website to determine the relationship between entrepreneurship and innovation in Saudi Arabia had data collected up until 2017. The participation is entirely voluntarily and had option to withdraw the participation at any time. The data collected used the survey. The findings concluded that entrepreneurship and innovation were positively related and significant changes in the economy.

1 INTRODUCTION

Entrepreneurship is referring to an individual's ability to change idea into action [1]. Entrepreneurship also considered as a process which create and build new combination [2, 3]. Entrepreneurship also willingness of an individual or group in take risk and develop, organize and manage a business venture in competitive global village marketplace that is constantly evolving [4]. Nowadays, competitive world entrepreneurship has evolved beyond the characteristic start-up concept which includes business of all categories from small scale businesses to corporate level in all stages. Thus, entrepreneurship can be seen in slow and fast growing, old and new, small and large, private, non-profit organization and public sectors as wells.

In 2011, current number of entrepreneurs is 582 million which significant increase (of 45.5%) over 400 million based on latest Global Entrepreneurship Monitor report [5].

Being an entrepreneur is not profession and usually not a lasting condition. Entrepreneurs do not necessarily continue as business initiators which choose to work as manager as well. Nevertheless, from macroeconomic perspective then the entrepreneurs continue starting new businesses and companies which indicated as different. Hence, these serial entrepreneurs are very imperative and treated accordingly.

Innovation is very essential for the entrepreneurs and beneficial entrepreneurial activity that will help in setting up opportunities and bring on change in the macro factors. Innovation is an important dimension of restructuring and modernization policies within an economy based on knowledge and competitiveness [6]. The innovation is entrepreneurship tools [7]. Innovation is defined as new processes and new ways of doing things [8]. Innovation can be analyzed as an invention and its commercialization [6].

Innovation is physical form of idea which still inside the mind. Innovation is considered as process and outcome of inventing and creating new and valuable that produces broader effects in the economy and technological advances [9]. Innovation is usually correlated with doing something new or different [10]. The product or a service should be game changer for one to be considered as innovative in this process. There have been many creative ideas and unique innovative things. More innovators and creative people came and modified products and service accordingly. Creativity is an idea in the brain and innovation is the physical form of idea.

One thing that all aspiring entrepreneurs should pay attention to is the link between innovation and constant commercial growth. It is not only the way in which successful businesses persistently look to progress their functioning processes and IT functionality. Meanwhile, it is importance in order to maintain the core performance of a business. Companies that embrace the concept of customer facing innovation ultimately experience the most pronounced and rapid growth. Before

innovation, there is an idea and before idea there will always be a need that is meant to be satisfied and opens a void that can be fulfilled by humans who are entrepreneurs whose main aim is to fill the voids by developing opportunities and bridging gaps between different sectors in the market and in the economy. Need is the basic human aspect which made us to live, strive, evolve and become better. A thought cannot emerge in our brain if we do not need anything. If everyone in the world had everything that they wanted, then the need would no longer be there and there would be no chance of innovation.

There are many studies of entrepreneurship; however, there is no specific definition in relation to innovation which cannot be summed up into one single declaration. There are numerous models showing a contradictory correlation between innovation and entrepreneurship. There is a link between the two as one in which, if worked together in coordination there can be a perfect result in terms of the accomplishment of an entrepreneur. This may provide the basis for innovation and business growth and an optimistic influence on society in general. Many researchers have authorized a strong connection between the terms entrepreneurship and innovation. Entrepreneurs (individuals and companies) are considered as agents of innovation.

Other factors that contribute are poverty and education due lack of resources and training of skills will lessen up the chances of innovation and thereby entrepreneurship. It is very important to help the economy by bringing in the skilled workers along with good social and economic conditions. The study aimed to signify the relationship between entrepreneurship and innovation.

2 METHODOLOGY

Methodology was used to collect data and found information regarded the study topic. The methodology also described methods used to collect more data about the topic to find answer about study questions which support the study and realistic.

The methodology involved reviewed literature survey and case study in Saudi Arabia. The data was collected by reviewed different articles from newspapers and magazines website to determine the relationship between entrepreneurship and innovation in Saudi Arabia had data collected up until 2017.

The participation is entirely voluntarily and had option to withdraw the participation at any time. The data collected used the survey. The current methodology tested the relationship between entrepreneurship and innovation.

The study hypothesis was innovation and entrepreneurship were positively related and brought on increase in the employment, productivity and economy. Figure 1 represented conceptual framework of the hypothesis.



Figure 1: Conceptual framework of the hypothesis

The phenomena of entrepreneurship in Saudi Arabia has been evolved in last one decade and is now heading for a major player in the growth of country. Mostly people are working in their medium size or small size entrepreneurship and doing remarkable in this sector the main boost up is the government initiatives to provide enough capital in form of loans so that they can start a new business of their own. Also, government is providing a lot of technical and vocational training to the Saudi youth in order to polish their techniques and skills.

If the country focus on these two areas and addressing the root causes of the issues through a coordinated effort, Saudi Arabia can achieve a higher ranking in the world of business. Saudi Arabia has addressed the need of foreign funding coming inside the Kingdom by building special rules and laws that give them more space to invest here and boosting opportunities for Saudi youth. Figure 2 represented condition improvement for entrepreneurship in MENA countries.

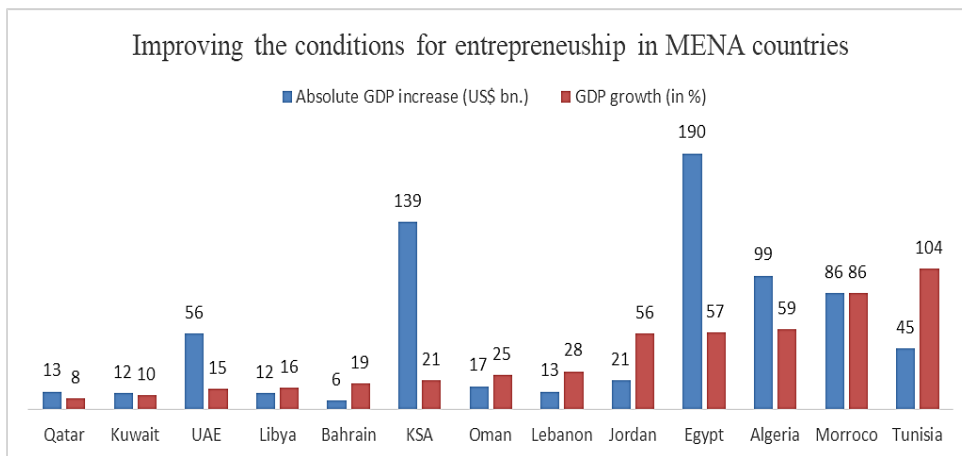


Figure 2: The condition improvement for entrepreneurship in MENA countries

3 RESULT AND DISCUSSION

3.1 Result

According to a recent survey done by HSBC’s private banking arm, Saudi Arabia and the UAE have youngest successful entrepreneurs in the world with 63 percent of young business owners that turnover of more than \$6.5 million in the two countries being under 35. The youth launched their business at the age of 26 averages

which is much younger than the average age in world. Figure 3 is shown country ranking based on ease of doing business.

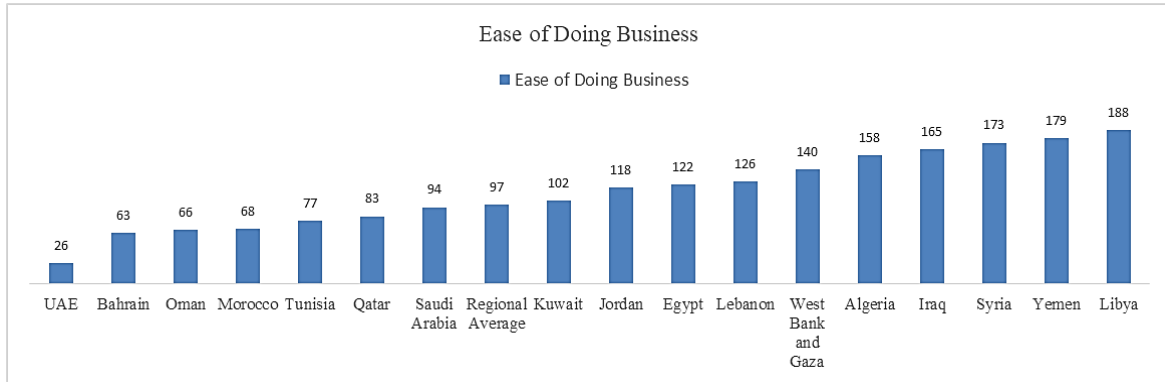


Figure 3: Country ranking based on ease of doing business

There were some notable support initiatives from government such as Kafalah, Riyadh Taqnia Capital, SMEA, STC Ventures and Waéd. The result concluded that most entrepreneurship support programs were run by the government or giant companies for youth development. Figure 4 showed increment in entrepreneurship through innovation in different parts of Saudi Arabia.

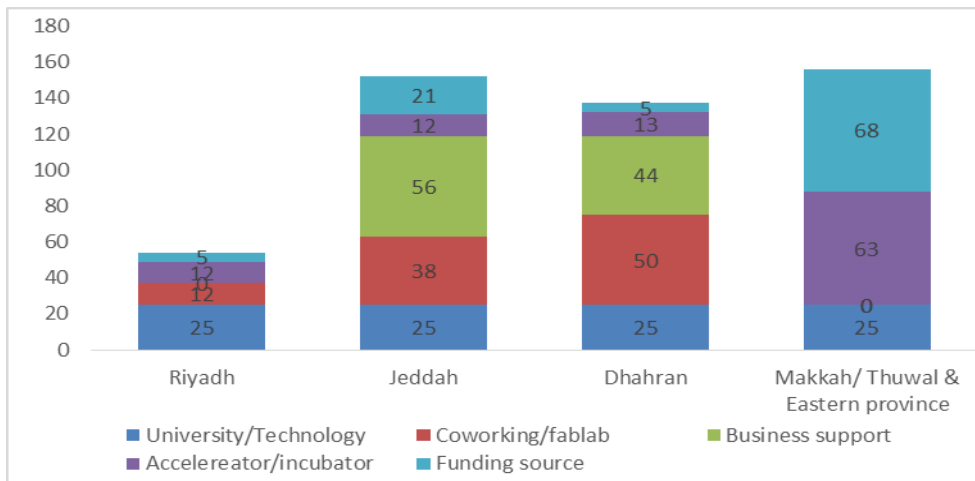


Figure 4: Increment in entrepreneurship through innovation in different parts of Saudi Arabia

Table 1 shows that innovation extent in technology and Saudi Arabia was thrived in this field. The potential in Saudi youth and their innovation was leading in the Gulf and other regions of world. This result had truly affected the business ecosystem

in the Saudi Arabia. Saudi Arabia have highest number of patents with total of 1643 and country have lowest patents number is Oman. The percentage of patents is illustrated in Figure 5.

Table 1: Increment of patents in different countries in MENA especially Saudi Arabia

GCC Country	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	All GCC
No.patents	29	69	17	46	1643	89	1893
% patents	1.5	3.6	0.9	2.4	86.8	4.7	100

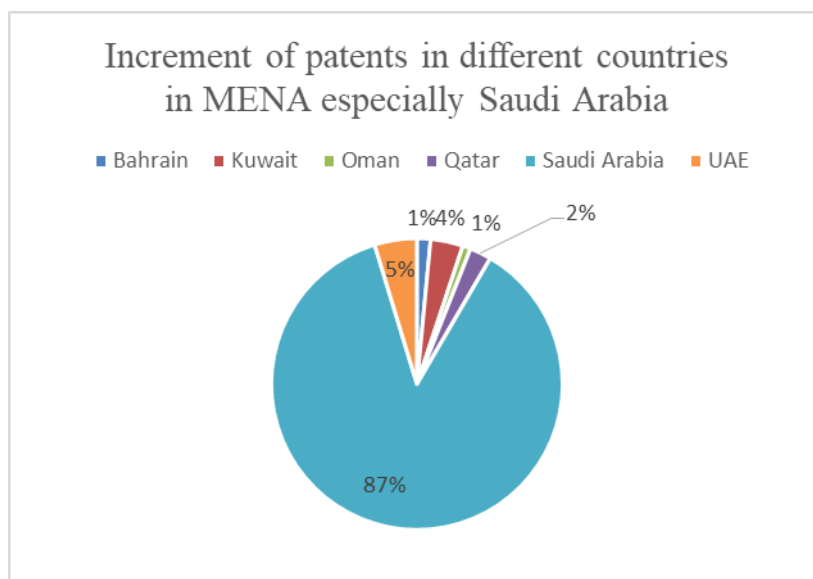


Figure 5: Increment of patents in different countries in MENA especially Saudi Arabia

In Table 2, the economy in Saudi Arabia also observed increment in employment opportunities. Figure 6 is represented percentage of patents delivered per GCC country (until February 2015).

Table 2: Number of patents delivered per GCC country (until February 2015)

GCC Country	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	All GCC
No.patents	5	9	1	7	197	13	232
% patents	2.15	3.87	0.43	3.01	84.91	5.6	100

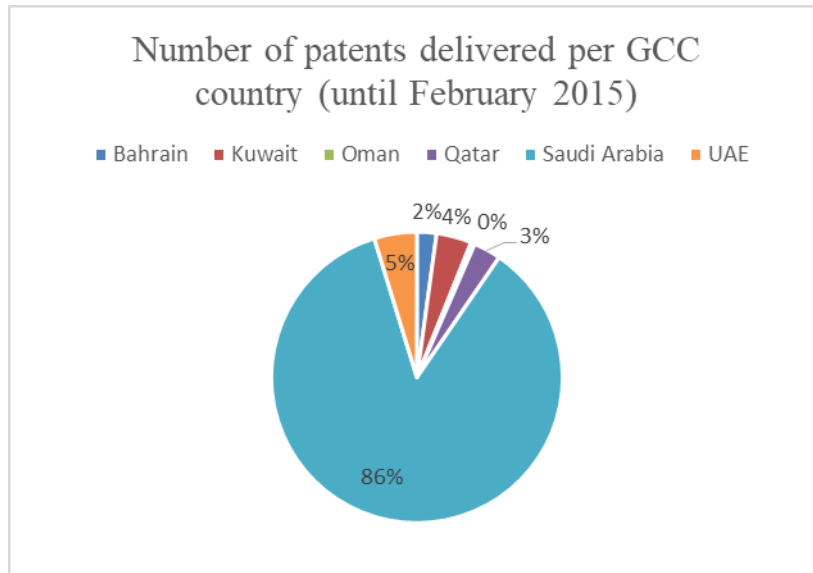


Figure 6: Increment of patents in different countries in MENA especially Saudi Arabia

3.2 Discussion

Innovations or innovative ideas have drastically changed the landscape of business inside Saudi Arabia. Saudi Arabian government has been encouraging innovation by building strategic partnership with universities and corporates with establishing King Abdul Aziz City for Science and Technology (KACST) [11]. As the population of Saudi Youth is more than 70% of the total population, thus the flow ideas will be enormous as tried to make their livelihood better. Due to the low oil prices in last 3 years the economy of country was tumbling and the need of diversification boost up.

In last year the Saudi Economy suffered a gigantic 100-billion-dollar deficit which was covered by releasing foreign reserves. As we know that necessity is the mother of all inventions and so rises the innovations in Saudi Arabia. The diversification of economy under 2030 vision is the spear head which all the fields are so diversify that the oil industry will account for only 10% of the GDP in 2030. In the retail business, the Saudi youth has started numerous small businesses in which they are buying products from outside of the country and then selling it in the country through their website or small application.

These products are mainly electronic equipment from china, clothes from Turkey and Europe and health products from USA. People are directly contacting the companies and from their factories they are getting cheap rates and selling here at moderate prices due to a lot of competition.

According to Vision 2030, total national economy will have 20-30% of GDP comprise of small and medium enterprises which will lower the rate from 11.6 to 7% accordingly. The Saudi government has already launched the innovative structure to achieve more progress by Nitaqat which will decrease the number of expatriate and increase the involvement of Saudi Youth in all sectors.

The government is spending more money to support its programs such as infrastructural development, health-related courses, education and training, and strengthening of financial institutions. The refining process is very crucial in the innovation which means that if someone is doing a business and improved with some adjustment. There are many Saudi Youth working on and made their business better with their own ideas and struggle. If someone is selling the product at a moderate rate than other are thinking on how to sell it much cheaper rate. Therefore, a race in how to get more benefit from retail by finding more suitable distributor and companies in the world.

Saudi Arabia's entrepreneurial ecosystem had been significantly growing during past five years due to innovative ideas that the youth was brought and gain help from government policies and banks. The result suggested Jeddah and Riyadh were best regions in terms of financial and non-financial support which included training and innovative ideas. Makkah and other province were more focused on created specialized sectors within universities to support entrepreneurship.

There are three of GCC countries (Bahrain, Kuwait and Oman) have weak capacity to innovate due to several reasons such as funding and lack of skills and administrative capabilities [12]. One hypothesis on the relationship between entrepreneurship and innovation had been explained. Therefore, that entrepreneurship and innovation were positively correlated which increased the opportunities in Saudi Arabia and shifted its orientation of oil industries to different businesses, ventures and industries in Saudi Arabia.

4 CONCLUSION

In conclusion, innovation was special tool used by the entrepreneurs in business development. However, there was no specific way of measuring economy performance with relationship of entrepreneurship and innovation. The role of entrepreneurs was important for development and progress of the economy and brought necessary changes that helped in understanding of the scenario.

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