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DRIVERS OF ENTREPRENEURIAL GROWTH IN SAUDI ARABIA

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Keywords: Entrepreneurship, business, growth, opportunities, venture capitalists, KSA.

ABSTRACT

The rise of entrepreneurship has been phenomenal over the years due to the market demand set by the people. They are now into opening up their own businesses and working even harder to make them work therefore causing rise in the field of entrepreneurship. There are certainly some drivers that promote entrepreneurial growth and these were studied in this work. The aim of this work is to analyze and understand the opportunities created by the entrepreneurial field and why and how did it grow rapidly and to explore the drivers of entrepreneurial growth in the Kingdom of Saudi Arabia (KSA). The methodology used is quantitative methodology, which involves use of survey generated from Google survey. The sample populations of this work were 85 entrepreneurs from Jeddah. The results of the survey showed that the number of entrepreneurs and entrepreneurial firms are increasing. The drivers of entrepreneurial growth in the KSA are education, training, venture capitalists, family and culture as well.

Keywords: Entrepreneurship, business, growth, opportunities, venture capitalists, KSA.

INTRODUCTION

Growing and developing skills to expand businesses has always been a barrier to entrepreneurs [1]. It is not new that many ventures continue to play the dominant roles in markets, while the weak fail to gain the same momentum. Studies have found that those ventures that follow advised timely strategies to maintain their organizational design and composition develop as stronger enterprises than those that choose to follow their own methods [1]. Furthermore, advancement of understanding such dynamics has been influenced by fragmentation within relevant management research [2].

These are two factors that have a major impact on the diversity of potential growth measures that a start-up venture could take [3]. The first is the political dependence of small firms struggling to be recognized by politicians. This leads to the possibility of job creation to reduce the unemployment rate in that country [3]. The second, however, is that economists can set the spirits of small enterprises on account of increasing ventures and the potential decline of employees in successful enterprises that already exist [3]. In addition, the development of compelling values for products and services is considered to be of paramount importance as it enhances the perception of the product in an

entrepreneurial firm. Likewise, in general, every firm goes through four stages in order to develop as an industry, which is introduction, growth, maturity and decline.

In introduction stage, the business is new and the lack of awareness in the consumer market lowers the rates by which the business would earn profits [4]. In the growth stage, consumers try out the products and services and tell others about it. This way the growth of assets and demands is faster and the industry starts doing large-scale productions to attract even more entrants. Sales are faster and it has the possibility of spreading to newer geographical markets, often globally. The Maturity stage is when the productions meet the highest peak of sales, slowing down the growth and competing with other similar industries [5]. Decline is when a product is finally out of hype with its original price falling so as to keep the sales continuous. Furthermore, a very small number of consumers are attracted and the company needs to regenerate revenue from new innovations or to radically improve the value proposition for its customers [5].

Economic vitality has been considered critical when taking decisions on how to promote businesses and how to improve products and services on a large scale [6]. Evidently, entrepreneurship depends heavily on the economic conditions of a country. By accessing longitudinal data from franchises, indirect economic effects on entrepreneurship can be demonstrated as direct effects [6]. Possibly, adverse economic conditions have even led to the listing of start-up enterprises by increasing entrepreneurship programmes. In the light of recent financial crises, in which prices of certain products are falling very low and certain services or taxes are becoming high, start-ups are faced with major challenges due to less market response [7].

Some of the main drivers of high-quality entrepreneurship discussed by Jandoust et al.[8] include capital, market, raw materials, labour, economic and social factors. In addition, it was pointed out that the increase in financial expenditure is due to a rise in income, which contributes, to the wealth creation process. In comparison, Burns [9] concluded that while arranging financial resources for start-ups may be a headache if it is an individual project, the income from effective purchases is far higher until the company continues to buy properties and runs. On the other hand, gender is another topic that can be discussed as a factor in entrepreneurial development. The preponderance of high-quality entrepreneurship highlights that the discrepancies between male and female companies have demonstrated predominantly different success rates. Gupta et al. [10] underscore stereotypic assumptions by demonstrating that women prefer to restrict their search of attractive jobs because they can not deter men's norms. Another study by Devece et al.[11] stated that there are three key factors that drive entrepreneurial growth, namely need-driven entrepreneurship, improvement-driven entrepreneurship and growth-driven entrepreneurship.

Many start-ups are considering how to scale up their ventures in Saudi Arabia (KSA), which is one of the world's largest oil exporters [12]. The country has reached heights in terms of economy and modernization. The 2030 vision has led to a number of organizations promoting international relations and public finances with the United States and other developed countries [13]. KSA has encouraged many young people to earn high-quality degrees and qualifications by providing scholarship programmes and competitive challenges to train them

in future employment sectors. In addition, studies have shown that Saudi Arabia and the UAE recognize the youngest successful entrepreneurs with 63% of young business owners [14]. With ever-changing consumer market demands, the country has managed to maintain a high growth market with continuous opportunities for new and inexperienced start-ups. Thus, based on this trend, this paper has investigated and explored the drivers of entrepreneurial growth in the KSA.

METHODOLOGY

The methodology of the research is quantitative in nature that involved questionnaire survey. In this work, survey was conducted with the participants of the research. This work has utilized purposive sampling technique. In this method, the participants were selected on the basis of their knowledge, expertise or relation to the research subject. For this research, the authors have chosen people who are entrepreneurs in Jeddah, who would contribute to the research scope. The sample size is 85 entrepreneurs. The data were collected using survey questionnaire and were analyzed in terms basic statistics and were presented in graphical form.

RESULT AND DISCUSSION

Demographic Characteristics

Table 1 presents the demographic information of the respondents of this work. Based on Table 1, the age of the respondents are 16 – 21 years (24.7%), 22 – 29 years (56.5%), 30–39 years (15.3%), and 40 and above (3.5%). Furthermore, The genders of the respondents are males with 52.9% and females with 47.1%. Moreover, in terms of education level, respondents who have completed high school and below are 28.2%, diploma (15.3%), university degree (47.1%), masters' degree (7.1%), and PhD (2.4%).

Table 1. Demographic information

Age	
16 – 21 years old	24.7%
22- 29 years old	56.5%
30- 39 years old	15.3%
40 years old and above	3.5%
Gender	
Male	52.9%
Female	47.1%
Education Level	
High school or below	28.2%
Diploma	15.3%
University degree	47.1%
Master's degree	7.1%
PhD	2.4%

Questionnaire Analysis

The findings of the questionnaire are discussed in this section. The first statement of the questionnaire is “Entrepreneurship forms an important part of the business”. Based on Figure 1, the respondents replied to the statement in the

following manner: strongly disagree (3.5%), disagree (7.1%), neutral (28.2%), agree (30.6%), and strongly agree (30.6%).

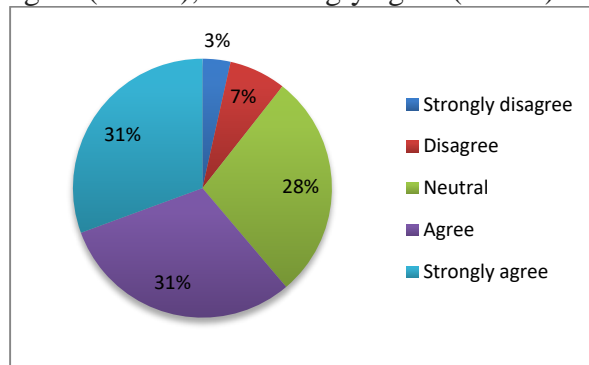


Figure 1. Entrepreneurship forms an important part of the business

The next statement of the questionnaire was “The number of entrepreneurs increased as well”. Based on Figure 2, the respondents replied to the statement in the following manner: strongly disagree (0%), disagree (8.2%), neutral (36.5%), agree (36.5%), and strongly agree (18.8%).

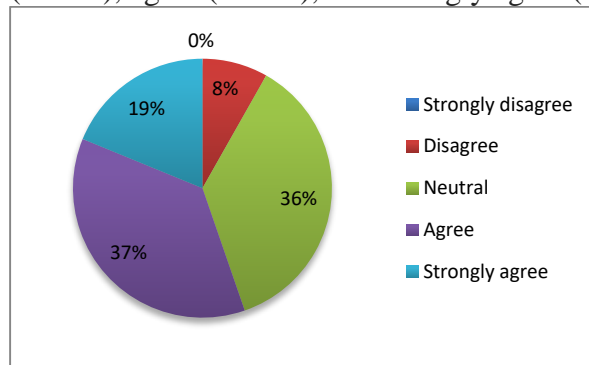


Figure 2. The number of entrepreneurs increased as well

entrepreneurs increased as well

The next statement of the questionnaire was “The number of entrepreneurial businesses are developing irrespective of their sizes “. Based on Figure 3, the respondents replied to the statement in the following manner: (3.5%), disagree (10.6%), neutral (36.5%), agree (34.1%), and strongly agree (15.3%).

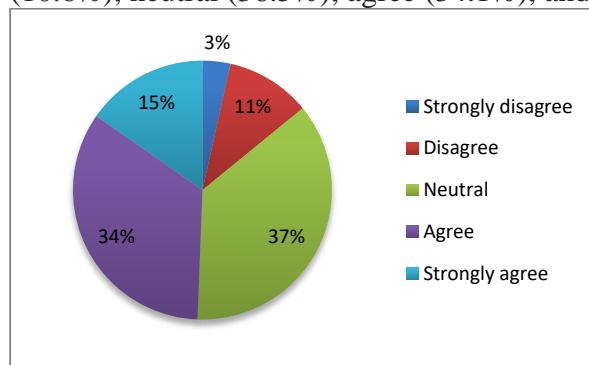


Figure 3. The number of entrepreneurial businesses are developing irrespective of their sizes

The next statement of the questionnaire was “Entrepreneurship is growing with time “. Based on Figure 4, the respondents replied to the statement in the following manner: strongly disagree (1.2%), disagree (11.8%), neutral (31.8%), agree (31.8%), and strongly agree (23.5%).



Figure 4. It is growing with time

The next statement of the questionnaire was “Entrepreneurship is included in the educational curriculum “. Based on Figure 5, the respondents replied to the statement in the following manner: strongly disagree (9.4%), disagree (8.2%), neutral (32.9%), agree (34.1%), and strongly agree (15.3%).

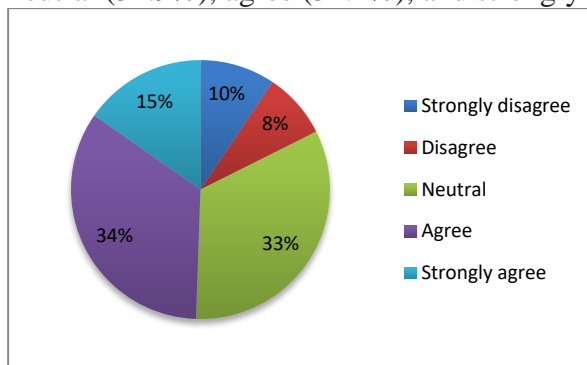


Figure 5. Entrepreneurship is included in the educational curriculum

The next statement of the questionnaire was “Training is provided to the young entrepreneurs “. Based on Figure 6, the respondents replied to the statement in the following manner: strongly disagree (2.4%), disagree (8.2%), neutral (32.9%), agree (22.4%), and strongly agree (34.1%).

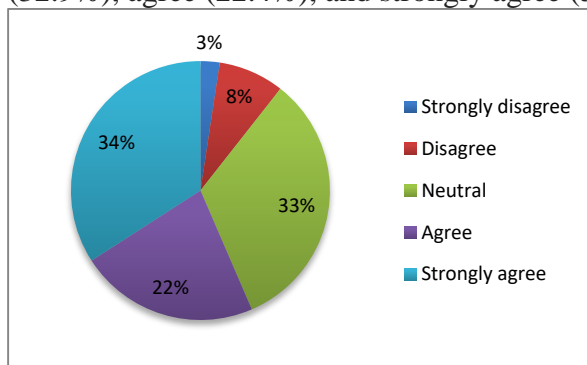


Figure 6. Training is provided to the young entrepreneurs.

The next statement of the questionnaire was “Loans are provided to help support the business “. Based on Figure 7, the respondents replied to the statement in the following manner: strongly disagree (5.9%), disagree (16.5%), neutral (38.8%), agree (17.6%), and strongly agree (21.2%).

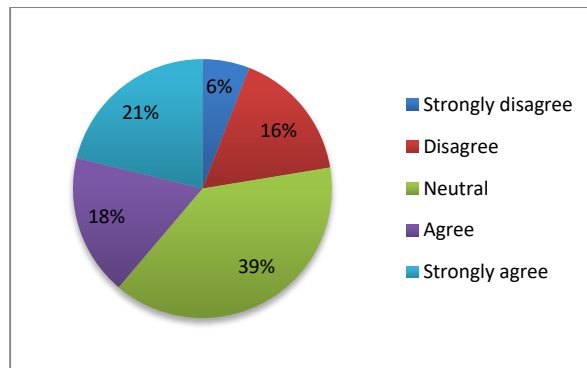


Figure 7. Loans are provided to help support the business

The next statement of the questionnaire was “Entrepreneurship is encouraged by both family and the culture “. Based on Figure 8, the respondents replied to the statement in the following manner: strongly disagree (7.1%), disagree (9.4%), neutral (35.3%), agree (30.6%), and strongly agree (17.6%).

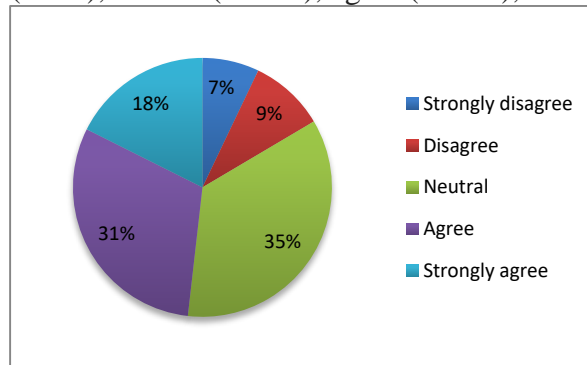


Figure 8. Entrepreneurship is encouraged by both family and the culture

The next statement of the questionnaire was “KSA has seen evident growth of entrepreneurship “. Based on Figure 9, the respondents replied to the statement in the following manner: strongly disagree (5.9%), disagree (8.2%), neutral (28.2%), agree (25.9%), and strongly agree (31.8%).

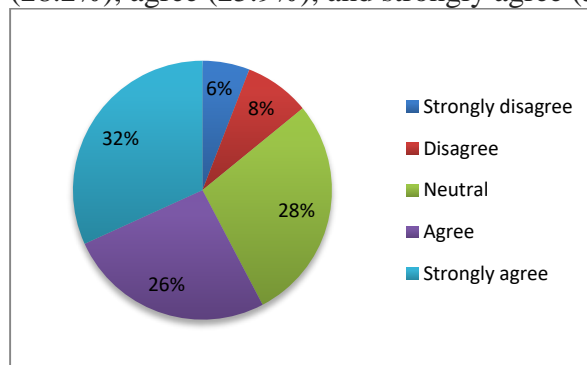


Figure 9. KSA has seen evident growth of entrepreneurship

The next statement of the questionnaire was “Entrepreneurship has helped in the improvement of the economy and the general market as well “. Based on Figure 10, the respondents replied to the statement in the following manner: strongly disagree (5.9%), disagree (9.4%), neutral (25.9%), agree (28.2%), and strongly agree (30.6%).

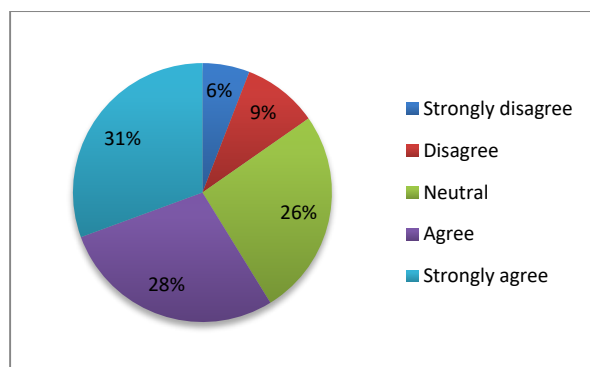


Figure 10. Entrepreneurship has

helped in the improvement of the economy and the general market as well

Overall Discussion

In this work, majority of the respondents were in the age group of 22- 29 years old, which shows that there are young group of entrepreneurs who are developing in Saudi Arabia. In addition, majority of the respondents were males, which indicates the entrepreneurship field is currently dominated by the male genders. Furthermore, in terms of education, majority of the respondents have completed university degree, which indicates that the entrepreneurs are well educated. Entrepreneurship forms part of most of the businesses and also focused on the increase in the number of entrepreneurs and the businesses as well irrespective of them being small, medium, and large and are growing with time. Most of the educational institutions are even including the field of entrepreneurship in the curriculum thus encouraging the students to pursue in it later in the future. If they are interested, training is also provided to the young entrepreneurs as well. Most people were neutral about provision of loans to help support the business. But venture capitalists do help in advancing the business. Most of the entrepreneurs have families to support them and are even supported by the culture. Entrepreneurship is also able to meet the needs and demands of the potential customers in the market. KSA has witnessed increase in the entrepreneurial growth and has helped in the improvement of the economy as well as general market as well [14]. In terms of entrepreneurship growth, the findings have shown that overall; the entrepreneurship community is growing at a healthy rate in Saudi Arabia. Thus, this has shown the commitment of the government of Saudi Arabia in providing the necessary elements for the entrepreneurship sector to develop, which is the main motive of its vision 2030. Furthermore, by this development, the entrepreneurship sector is contributing to the overall economic growth of Saudi Arabia and this trend looks to continue for several decades ahead. It is therefore confirmed that the growth of entrepreneurship contributes to the development of the nation in terms of its economic status, which is also agreed and in line with the work of Akinwale et al.[14], where it was asserted that entrepreneurship is important for the economic development of a nation.

CONCLUSION

This work has investigated and explored the drivers of entrepreneurial growth in the KSA. The overall results it has become evident that entrepreneurship has changed the outlook of the businesses as more and more people are turning into entrepreneurs with more resources available and opportunities that are present in the market. With people developing skills and abilities to run the businesses, a lot of demand for various businesses have risen up all around the world.

Because of this, the economic conditions of many countries have improved as well and even brought about development in the general growth of the countries.

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