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Factors Influencing Entrepreneurship Dynamics in Saudi Arabia

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Abstract
This study aims to analyze the factors influencing the dynamics of entrepreneurship in the Kingdom of Saudi Arabia, in the context of the economic and developmental transformations the Kingdom is undergoing, particularly within the framework of Saudi Vision 2030. Entrepreneurial dynamics are a modern concept that focuses on studying the evolution of entrepreneurial activity and the factors that influence the creation, growth, and sustainability of ventures within the economic, social, and institutional environment. The study concluded that entrepreneurial dynamics in the Kingdom are influenced by a set of interrelated factors, including supportive government policies, access to financing, human capital development, and the promotion of innovation and digital transformation. The study further concludes that Saudi Arabia possesses a well-developed entrepreneurial ecosystem that contributes to supporting entrepreneurial dynamics and stimulating innovation; however, the continued achievement of these goals requires strengthening integration among the various components of the entrepreneurial ecosystem, developing entrepreneurial skills, and increasing financing and investment opportunities in promising sectors. The study emphasizes that Vision 2030 represents a strategic opportunity to strengthen the Kingdom's position as one of the leading entrepreneurial ecosystems at the regional and global levels.
Keywords: entrepreneurship, ecosystem, Vision 2030, Saudi Arabia, digital transformation, startups.
Résumé :
La présente étude vise à analyser les facteurs influençant la dynamique de l'entrepreneuriat au Royaume d'Arabie saoudite à la lumière des transformations économiques et de développement que connaît actuellement le Royaume, notamment dans le cadre de la Vision 2030 saoudienne. La dynamique de l'entrepreneuriat est un concept moderne qui s'attache à étudier l'évolution de l'activité entrepreneuriale ainsi que les facteurs influençant la création, la croissance et la pérennité des entreprises au sein de l'environnement économique, social et institutionnel. L'étude conclut que la dynamique entrepreneuriale au Royaume est influencée par un ensemble de facteurs interdépendants, notamment des politiques

gouvernementales favorables, l'accès au financement, le développement du capital humain et la promotion de l'innovation et de la transformation numérique. Elle conclut que l'Arabie saoudite dispose d'un écosystème entrepreneurial bien développé qui contribue à soutenir la dynamique entrepreneuriale et à stimuler l'innovation ; toutefois, la poursuite de ces objectifs nécessite de renforcer l'intégration entre les différentes composantes de l'écosystème entrepreneurial, de développer les compétences entrepreneuriales et d'accroître les opportunités de financement et d'investissement dans les secteurs prometteurs. L'étude souligne que la Vision 2030 représente une opportunité stratégique pour renforcer la position du Royaume en tant que l'un des principaux écosystèmes entrepreneuriaux aux niveaux régional et mondial.
Mots-clés : entrepreneuriat, écosystème, Vision 2030, Arabie saoudite, transformation numérique.

Introduction

In recent decades, the world has witnessed a fundamental shift in economic theories related to development, with the focus shifting from natural resources and physical capital to knowledge, innovation, and entrepreneurship as key sources of sustainable economic growth. In this context, entrepreneurship has become a strategic tool for enhancing economic competitiveness and achieving comprehensive development. The Kingdom of Saudi Arabia is among the countries that have adopted ambitious initiatives to promote entrepreneurship within the framework of Vision 2030, through which it seeks to diversify sources of national income and reduce dependence on oil. This has been reflected in the establishment of numerous institutions supporting startups, the development of the legislative environment, and the improvement of financing and investment mechanisms. These transformations raise academic questions regarding the nature of the factors influencing the dynamics of entrepreneurship in the Kingdom, and the extent to which the economic, institutional, social, and technological environments contribute to fostering the growth of startups.

The Research Problem

Despite the development of the entrepreneurial ecosystem in the Kingdom of Saudi Arabia in recent years, the success and sustainability of entrepreneurial ventures remain contingent on a set of interrelated factors that vary in nature, importance, and impact. Accordingly, the following central research question is posed:

What are the most important factors influencing the dynamics of entrepreneurship in Saudi Arabia?

Sub-questions

The main research question encompasses the following sub-questions:

- What is meant by the dynamics of entrepreneurship, and what are its most important theoretical dimensions?
- What is the nature of the entrepreneurial ecosystem in the Kingdom of Saudi Arabia?
- What is the impact of economic factors on the development of entrepreneurial activity in the Kingdom?
- What is the role of Saudi Vision 2030 in developing the entrepreneurial ecosystem?

Main Hypothesis

Entrepreneurial dynamics in Saudi Arabia are influenced by an integrated set of economic, institutional, social, and technological factors that contribute, to varying degrees, to the creation, growth, and sustainability of startups.

Sub-hypotheses

- There is a positive relationship between the development of the economic environment and the growth of entrepreneurial activity in Saudi Arabia.
- The entrepreneurial ecosystem contributes to higher rates of startup creation.
- The prevalence of an entrepreneurial culture and entrepreneurial education positively influences the increase in investment initiatives.
- Economic factors play a major role in the development of entrepreneurial activity in the Kingdom.
- The Kingdom's Vision 2030 has effectively contributed to improving the entrepreneurial ecosystem.

Objectives of the Study

The study aims to:

- Define the conceptual framework for the dynamics of entrepreneurship.
- Analyze the current state of the entrepreneurial ecosystem in the Kingdom of Saudi Arabia.
- Examine the impact of economic factors on entrepreneurial activity.
- Analyze the impact of social and cultural factors on the promotion of entrepreneurship.
- Highlight the role of technology and digital transformation in the development of entrepreneurial projects.
- Present a set of recommendations that contribute to strengthening the dynamics of entrepreneurship in the Kingdom.

Significance of the Study

- To enrich the scientific literature on entrepreneurship and entrepreneurial ecosystems.
- To support academic studies on entrepreneurship in the Kingdom of Saudi Arabia.
- To present findings that can be utilised in developing policies that support entrepreneurship.
- To assist decision-makers in identifying the factors that most influence the success of entrepreneurial ventures.
- To support efforts aimed at enhancing the contribution of startups to economic development.

Research Methodology

The study relied on a set of scientific methodologies appropriate to the nature of the topic, namely:

- Descriptive Approach: To describe and analyze the reality of entrepreneurship and the entrepreneurial ecosystem in the Kingdom of Saudi Arabia.
- Analytical Approach: To analyze the economic, institutional, social, and technological factors influencing the dynamics of entrepreneurship.
- Comparative Approach: To compare the Saudi experience with select leading international experiences in the field of entrepreneurship and draw lessons learned.

- Case Study Approach: By examining the experience of the Kingdom of Saudi Arabia as a leading Arab model in supporting entrepreneurship under Vision 2030.

Theme 1: The Theoretical Framework for Entrepreneurship Dynamics

Entrepreneurship is considered one of the most important drivers of economic growth and sustainable development, given its role in creating jobs, fostering innovation, and stimulating competitiveness. With the evolution of entrepreneurship studies, the concept of entrepreneurship dynamics has emerged, focusing on the study of the processes, interactions, and factors influencing the emergence, growth, and sustainability of entrepreneurial ventures within a specific economic, social, and institutional environment. This concept is based on a set of frameworks and theories that explain how entrepreneurial activity takes shape and evolves over time.

First: The Concept of Entrepreneurship and Entrepreneurship Dynamics

1. The Concept of Entrepreneurship
   - Entrepreneurship has been defined as the process of creating a new venture with relatively limited resources by relying on innovation and creativity to introduce a new product or service that satisfies previously unmet needs, and that creates jobs and high returns (Didip & Ahmad, 2020).
   - It has also been defined as the process of creating or seizing an opportunity and pursuing it regardless of currently available resources (Mano et al., 2022).
2. The Concept of Entrepreneurial Dynamics
   - Models of entrepreneurial ecosystems show that entrepreneurship is the result of the interaction of human factors, markets, financing, culture, policies, and support in a given region (Elizabeth & Heike, 2015).
   - Entrepreneurial dynamics are also defined as an active and continuous process through which entrepreneurs seek change and adopt effective strategic options to overcome the problems and pressures facing their ventures, ultimately leading to success and sustainability (Esther, Li, & David, 2018).

Second: Characteristics of the Entrepreneurial Process

The entrepreneurial process is not a single step; rather, it is a gradual and iterative path from idea to project, with a set of fundamental characteristics that distinguish it from other managerial processes (Mahesh, 1994).

1. Phased Progression and Interdependence of Steps

Models of the project creation process show that it goes through the following stages:

Identifying the opportunity → Commitment to physical establishment → Technical and organisational preparation → Product development → Market engagement → Customer feedback

These stages are often grouped into three major phases: the opportunity phase, the technical and organisational preparation phase, and the market interaction phase.

2. Non-linearity, Iteration, and Feedback

The entrepreneurial process is non-linear, iterative, and feedback-driven. Entrepreneurs move back and forth between stages in response to new information and market reactions. Many entrepreneurs do not follow a perfect, integrated path; rather, they take a limited number of steps and then stop when new information emerges or they are unable to complete the next step.

3. Dealing with Uncertainty and Pressure

Uncertainty is a fundamental element of the entrepreneurial process and a significant source of stress. Accordingly, the entrepreneur's primary goal is to gradually reduce uncertainty by:

- Validating the idea and opportunity
- Testing the market
- Adjusting the idea or resources based on the results

4. Innovation, Entrepreneurial Judgment, and Resource Mobilisation

The type of entrepreneurship varies depending on the degree of novelty and innovation in the idea, the technology, or the product. A key part of the process is mobilising resources (financial, human, and knowledge-based) by convincing investors and partners under conditions of high uncertainty, using pathways such as:

- The 'Opportunity Discovery' Path
- The 'Impact/Improvisation' Path, which starts with available resources and then develops objectives

Third: The Entrepreneurial Ecosystem

The entrepreneurial ecosystem is a modern concept that has garnered increasing attention in economic and management literature, given its pivotal role in supporting entrepreneurial activities and enhancing the ability of startups to innovate, grow, and sustain themselves. The entrepreneurial ecosystem is characterised by its dynamic nature, as its components continuously interact to provide the necessary resources and opportunities for startups. Furthermore, the effectiveness of this ecosystem depends on the strength of the links and coordination among the various stakeholders, not merely on the separate existence of those stakeholders.

1. The Concept of the Entrepreneurial Ecosystem and Its Components

- The entrepreneurial ecosystem is defined as a set of actors and factors that are intertwined and coordinated in a way that enables productive entrepreneurship within a specific region (Erik & Ben, 2018).
- The entrepreneurial ecosystem is also defined as a complex network of interactions among individuals, institutions, and the surrounding environment that work together to stimulate the creation of new ventures and support their growth (Uwe, James A., Erik E., & Matthias, 2020).
- The concept of the entrepreneurial ecosystem serves as an integrated analytical framework that goes beyond the traditional focus on the individual entrepreneur to highlight the surrounding environment that supports the emergence and growth of innovative startups (ILIE & BUDAC, 2023).

2. Components of the Entrepreneurial Ecosystem

Based on academic studies, Isenberg's model is considered the most well-known. Isenberg argued that entrepreneurship cannot thrive in isolation but requires an integrated incubator environment of interacting elements. He summarised this in his famous article 'How to Start an Entrepreneurial

Revolution,' published in the Harvard Business Review (2010), in which he emphasised that focusing on just one element (such as financing or regulations) without considering the other elements is doomed to failure. Daniel Isenberg's model is considered one of the most prominent and widely used theoretical models for analysing and evaluating entrepreneurial ecosystems. Isenberg, a professor at Babson College's School of Business, developed this model based on his field observations in numerous countries that sought to stimulate entrepreneurship. This model consists of several key pillars, which can be summarised as follows (Ramazan & Rebean, 2024):

Government Policies: Government leadership and institutions are the cornerstone of creating the legal environment; they include:

- Leadership: The presence of leaders who embrace innovation and support entrepreneurship.
- Regulatory Frameworks: Enacting legislation that facilitates the establishment of companies and reduces bureaucratic barriers.
- Government Incentives: Providing tax breaks, grants, and support for research and development.
- Public Procurement: Allocating a portion of government procurement to startups.

Finance: The availability of capital in all its forms is a prerequisite for the growth of startups, achieved through:

- Venture Capital: Funds that invest in high-growth companies in exchange for equity stakes.
- Angel Investors: Individuals who invest relatively small amounts at the very early stages.
- Crowdfunding: Platforms that enable the raising of funds from a large number of small investors.
- Government Grants and Loans: Direct and indirect support programmes.
- Banks: Traditional loans, though less commonly used in the early stages.

Culture: This is an intangible but extremely important factor, encompassing:

- Acceptance of Failure: Failure should be viewed as a learning experience rather than a social stigma, which encourages risk-taking.
- Success Stories: The presence of inspiring role models creates a 'role model effect.'
- Appreciation of Entrepreneurship: Society's positive view of entrepreneurs and innovators.
- Team Spirit: Collaboration and the sharing of experiences rather than destructive competition.

Support: This includes infrastructure and support services such as:

- Physical infrastructure: high-speed internet, roads, and logistics services.
- Digital infrastructure: data centres, electronic payment platforms, and cloud services.
- Incubators: providing workspaces and guidance in the early stages.
- Business accelerators: intensive programmes to accelerate company growth (typically 3–6 months).
- Professional services: lawyers, accountants, and consultants specialising in entrepreneurship.
- Non-governmental support organisations: associations, networks, and events (such as the 'Biban' forum in Saudi Arabia).

Human Capital: This is reflected in the quality of available human resources, which include:

- Talent: the availability of engineers, programmers, designers, marketers, and managers.
- Education and Training: the quality of university and technical education, and the availability of specialised programmes in entrepreneurship.
- Experience: the availability of managers and consultants who have previously worked at successful startups.
- Immigrant Communities: the return of talented individuals from abroad, bringing international experience and professional networks.

Markets: Assessing the extent to which startups can reach customers and expand through:

- Early Adopters: a segment of society willing to try new products.
- Networking: events, conferences, and online communities that connect founders with investors, distributors, and customers.
- Large Companies: the potential to contract with them as a supplier or partner.
- International Markets: ease of exporting and expanding beyond national borders.
- Global Value Chains: the integration of startups into global supply chains.

3. Interaction Between Elements

What distinguishes Isenberg's model is not merely the listing of elements, but rather the focus on the dynamic relationships and interactions between them. A successful ecosystem is not merely a collection of separate parts, but rather an interconnected network in which each element influences and complements the others. Examples of these interactions include:

- The availability of human capital (skilled engineers) attracts venture capital funds, which in turn encourage the creation of business accelerators and incubators.
- A culture that embraces failure encourages more people to start their own ventures, thereby increasing demand for funding and supportive infrastructure.
- Government incentive policies (tax breaks) enhance the market's appeal and attract talent.
- The presence of early-market customers creates success stories that fuel the culture and encourage further funding.

Figure 1: Components of the Entrepreneurial Ecosystem According to Isenberg's Model

Prepared by the researcher based on Isenberg's model

4. The Relationship Between the Ecosystem and Entrepreneurship Dynamics

The relationship between the entrepreneurial ecosystem and entrepreneurial dynamics is one of mutual complementarity and influence; the ecosystem provides the framework within which entrepreneurial activities emerge and develop, while entrepreneurial dynamics reflect the movement and interactions that occur among the various actors and elements within this system.

The Ecosystem as Networks and Governance Relationships (Otu et al., 2022):

The entrepreneurial ecosystem is depicted as a network of interconnected organisations (universities–businesses–government–startups) through which resources and knowledge are transferred, rather than merely a static collection of actors. Furthermore, the effectiveness of the ecosystem depends on the behaviour of the actors, governance mechanisms, and relationships (trust, coordination, clear roles), rather than solely on the availability of resources or best practices. Furthermore, the development of the ecosystem proceeds through stages (emergence, expansion, maturity, and review), driven by the dynamics of roles and coordination among the parties.

Table No. (01): The Role of Networks and Governance in the Development of the Entrepreneurial System

Dynamic Aspect	**Its Impact on Entrepreneurship**
The formation and transformation of networks over time	Determines the transition of the system from its inception to a wealth-generating ecosystem
Relationship orchestration among entrepreneurial firms	Enables or hinders the exchange of knowledge and resources

Prepared by the researcher

The Ecosystem as an Incubator for Innovation and Circular Business Models (Savindi, Samantha, Les, & Cheryl, 2022):

Eco-innovation and circular business models are viewed as the result of the interaction of internal capabilities with a broader environment through:

- Big data analytics and responsible innovation support circular economy practices and improve the environmental performance of industrial companies.
- Collaboration and networks within the circular system can drive economic growth, but extensive networks are not always necessary; sometimes companies succeed with specific circular practices without a large network.
- Bibliometric studies link innovation ecosystems to the circular economy, highlighting areas such as: circular business models in the bioeconomy, green entrepreneurship, and the role of artificial intelligence in supporting these ecosystems.

It can be argued that these factors are reflected in the aforementioned entrepreneurial dynamics through effective ecosystems that increase the chances of new companies emerging by providing resources, knowledge, and supportive networks; they also support the renewal of strategic and organisational models when companies reshape their relationship with the external environment (such as developing innovative products that change the market structure). Conversely, weak governance or a lack of coordination makes it difficult to replicate the success of entrepreneurial systems in other regions despite similarities in structural resources. Furthermore, the entrepreneurial ecosystem represents the infrastructure and institutional framework that provides the conditions conducive to entrepreneurial activity, while entrepreneurial dynamics represent the processes and interactions that result from the exploitation of those conditions. The more integrated and effective the ecosystem is, the more vibrant and dynamic entrepreneurial activities become, which positively impacts innovation, economic development, and job creation.

IV. Theoretical Approaches to Explaining the Dynamics of Entrepreneurship

Entrepreneurial dynamics are an interdisciplinary field in which various theoretical approaches from economics, psychology, sociology, complex systems theory, and other disciplines intersect. The literature indicates that understanding entrepreneurial dynamics requires integrating models of action, process, ecosystems, networks, identity, complexity, and intentions. These approaches are crucial for explaining the emergence of entrepreneurial opportunities, the development of startups, the interaction of actors with the institutional and social context, and the role of learning and adaptation over time. Recent research also emphasises the need for integration between individual and contextual approaches to understand the dynamic processes of entrepreneurship (Michael & Michael, 2023).

Individual Approaches: Action, Process, and Intentions (Michael & Michael, 2023)

The 'Action and Process Theory' model integrates theories such as effectuation/causation, bricolage, and planned behaviour theory to explain how entrepreneurs' actions evolve over time within dynamic contexts. Furthermore, entrepreneurial intention models , such as the Theory of Planned Behaviour and the Entrepreneurial Event Model , explain how intentions to start a business are shaped by personal and contextual factors.

Contextual Approaches: Ecosystems and Networks (Alex, Ted, & Andrea, 2023)

The ecosystem approach focuses on the interaction of actors and factors within a specific environment and their mutual influence on the growth and innovation of startups. The network approach highlights the importance of social and professional relationships in providing resources, knowledge, and support to entrepreneurs.

Approaches to Complexity and Adaptation (Philip & Thomas, 2021)

Complex systems theory views entrepreneurship as an emergent, nonlinear process influenced by multilevel interactions among individuals, context, and institutions. Dynamic models of entrepreneurship emphasise the importance of continuous change and adaptation to shifting circumstances and volatile markets.

Approaches to Identity and Psychological Motivations (Michael & Michael, 2023)

The identity approach explains entrepreneurs' behaviour based on their self-identity and social motivations, rather than solely on economic profit. The psychology of entrepreneurship examines the role of cognition, motivation, and emotions in shaping entrepreneurial decisions and behaviour.

Integration of Approaches and Research Challenges (Donald, Michael, & Minet, 2015)

There are growing calls to integrate individual and contextual approaches and to view entrepreneurship as a multilevel, interrelated process. Some studies propose integrative frameworks that combine process models, ecosystems, and networks to enhance a comprehensive understanding of entrepreneurial dynamics.

Based on the above, it can be argued that the literature indicates that entrepreneurial dynamics cannot be explained by a single model; but rather require the integration of multiple theoretical approaches encompassing the individual, the context, the network, the organisation, and the ecosystem. The strength of some models lies in their ability to explain specific processes (such as decision-making or the formation of intentions), while others excel in analysing contextual relationships or the complex dynamics of ecosystems and networks. However, there are methodological challenges, such as the difficulty of integrating quantitative and qualitative data, and the need for more realistic models that reflect the change and nonlinearity of entrepreneurial processes. Furthermore, some traditional theories, such as the stage model, have not proven their empirical validity compared to modern dynamic models. There are also calls for further research into the impact of institutional, cultural, and digital factors on entrepreneurial dynamics, particularly in emerging and digitally advanced economies. The literature also summarises that understanding the dynamics of entrepreneurship requires integrating diverse theoretical approaches, including models of action, process, ecosystem, networks, complexity, identity, and intentions, along with the need to develop new integrative frameworks that bring together the individual, the context, and the institution.

The Second Theme: The Reality of Entrepreneurship in the Kingdom of Saudi Arabia

Entrepreneurship in Saudi Arabia has seen remarkable development in recent years, driven by economic and regulatory reforms linked to Saudi Vision 2030. Entrepreneurship has become one of the main pillars for diversifying the national economy, strengthening the private sector's contribution, creating jobs, and stimulating innovation. Government programmes and supportive initiatives have contributed to building a more competitive and attractive entrepreneurial environment for investment.

First: The Evolution of Entrepreneurship in the Kingdom of Saudi Arabia

Entrepreneurship in the Kingdom has evolved from an emerging and incomplete ecosystem prior to 2015 into a more mature system, driven by Vision 2030 and the digital transformation, and increased support from the government and the private sector. Research shows a clear growth in the number of entrepreneurs, as well as a diversification of activities (digital, green, and social), and an improvement in institutional infrastructure, although some regulatory and financing challenges persist (Abdulaziz, 2025).

1. Stages of Development of the Entrepreneurial Ecosystem

The entrepreneurship sector in the Kingdom of Saudi Arabia represents a cornerstone of the current economic development strategy, having undergone a radical shift toward economic diversification and reducing dependence on the oil sector. Significant resources have been allocated to support this sector through ambitious initiatives aimed at fostering innovation and competitiveness.

Government Initiatives and Financial Support:

The Kingdom has demonstrated a strong commitment to supporting entrepreneurship through several practical measures, including:

- Allocation of Resources: 2.4% of GDP has been allocated to promote and support the entrepreneurship sector.
- Establishment of the General Authority for Small and Medium Enterprises (formerly known as 'SMEA'), which plays a pivotal role in supporting startups and facilitating access to capital.
- Innovative Cities: Plans to build 'NEOM' as a global hub for innovation modelled after Silicon Valley.

Entrepreneurial Environment and Digital Growth:

The Kingdom is focusing intensively on the digital economy as a new source of revenue. These efforts have yielded tangible results in international indicators:

- Global Indicators: The Kingdom ranked fourth among Arab countries and 45th globally on the Entrepreneurship Index.
- Entrepreneurial Confidence: The Global Entrepreneurship Monitor Report for 2022–2023 noted a positive outlook and growing confidence among individuals in identifying entrepreneurial opportunities and their ability to start businesses in the Kingdom.

Women's Entrepreneurship and Sustainability:

Women's entrepreneurship has undergone a profound transformation since the announcement of Vision 2030, as the entrepreneurial ecosystem and its impacts are being examined to empower women across various sectors. Furthermore, entrepreneurship is increasingly linked to sustainable development, as entrepreneurs implement innovative solutions in areas such as renewable energy, waste management systems, and smart infrastructure to improve quality of life and reduce environmental impact.

Despite this progress, studies indicate a continuing need to develop innovation centres at Saudi universities to provide better support for student initiatives through training and funding.

2. Entrepreneurship and Structural Transformation Under the Kingdom's Vision 2030

Vision 2030 is the economic blueprint that has placed entrepreneurship and the private sector in a leading role in achieving economic development. This vision aims to build a 'thriving economy' by diversifying sources of income and increasing employment rates, with a focus on three strategic objectives: creating an ambitious nation, a vibrant society, and a thriving economy that offers everyone opportunities for success. Vision 2030 has identified entrepreneurship and the small and medium-sized enterprise (SME) sector as key tools for diversifying the economy away from oil and increasing the private sector's contribution. Through programmes such as Manashat, technology incubators, Kafalah, the Fund of Funds, and Bader Technology, the initiative supports financing, incubation, and capacity building. Quantitative studies confirm that entrepreneurship contributes significantly to economic growth, job creation, and sustainable economic, social, and environmental development.

Second: Components of the Saudi Entrepreneurship Ecosystem

The entrepreneurial ecosystem in the Kingdom of Saudi Arabia is one of the fastest-growing in the world, supported by an ambitious vision (Vision 2030), massive government investments, and radical structural reforms. In just a few years, the Kingdom has risen from 109th globally (2020) to 38th (2025) on the StartupBlink Index and has become the top destination for venture capital in the Middle East and North Africa region. The literature indicates that the components of the Saudi startup ecosystem overlap between global elements (such as funding, education, and infrastructure) and local elements linked to the Kingdom's cultural, institutional, and social context. The Saudi startup ecosystem consists of several interconnected components, including funding, education, infrastructure, culture, and institutional support (Mansour Saleh & Sara, 2021):

- Funding: This includes venture capital, government and private loans, and innovative financing programmes such as government funds and development banks.

- Education and Entrepreneurship: The role of universities, training programmes, and entrepreneurial education in building entrepreneurs' skills and self-confidence.
- Infrastructure: This includes physical infrastructure (roads, communications) and digital infrastructure (online platforms and technology solutions).
- Institutional and Regulatory Support: The presence of incubators, business accelerators, and government initiatives such as Manshaat, the Fund of Funds, and investment agencies.
- Culture and Social Support: The influence of social values, informal networks, family, and society on supporting or hindering entrepreneurship.
- Innovation and Technology: The proliferation of digital solutions and the role of financial technology (FinTech) and online platforms in fostering the entrepreneurial ecosystem.

Third: Analysis of Factors Influencing Entrepreneurship Dynamics in the Kingdom of Saudi Arabia

Entrepreneurial dynamics in the Kingdom are shaped by the interaction of systemic (environmental/institutional), individual/psychological, socio-cultural, and gender factors, with a particular emphasis on digital, environmental, and women's entrepreneurship in the context of Vision 2030.

Entrepreneurship and the Digital Ecosystem (Muhammad, Alicia, & José Manuel, 2023):

In digital entrepreneurship, the digital entrepreneurial ecosystem emerges as a central factor influencing entrepreneurs' intentions, behaviour, innovation, and self-efficacy. Using a structural equation modelling approach applied to 248 digital entrepreneurs, entrepreneurial ambition and innovation act as mediating factors between the strength of the digital ecosystem and actual entrepreneurial behaviour, meaning that the environment alone is insufficient without ambition and innovation. Additionally, entrepreneurial education serves as a moderating factor that enhances the digital ecosystem's impact on entrepreneurs' success. Furthermore, a study of 624 digital entrepreneurs shows that the strength of the entrepreneurship ecosystem and decent work support digital entrepreneurship, while economic growth and socioeconomic status act as moderating factors that either increase or decrease the ecosystem's effectiveness.

Table 2: Some Components of the Ecosystem Influencing Digital Entrepreneurship

Factor in the Digital/Environmental Ecosystem	Impact on Entrepreneurial Dynamics
Strength of the digital entrepreneurship ecosystem	Enhances intention, behaviour, innovation, and self-efficacy
Decent work in the digital economy	Supports the sustainability and continuity of digital projects
Economic growth and socioeconomic status	Modulates the system's impact on entrepreneurial opportunities and inclusion

Individual, Psychological, and Financial Factors (Safiya, Suheela, & Norah, 2024):

In micro and small enterprises, financial resources increase entrepreneurial self-efficacy and expectations of external outcomes, thereby raising entrepreneurial intention; self-efficacy partially mediates the relationship between financial resources and entrepreneurial intention. Expectations of internal outcomes (such as self-satisfaction and self-actualisation) enhance self-efficacy, which in turn increases entrepreneurial intention; whereas the direct relationship between expectations of external outcomes and entrepreneurial intention was negative and unexpected, indicating the complexity of the dynamics between material and intrinsic motivations. In environmental entrepreneurship, the ISM–MICMAC model identified 15 factors organised into three levels:

- Factors driving environmental entrepreneurship (such as a strategic orientation toward sustainability).
- Factors of environmental leadership intention.
- Factors of actual environmental leadership behaviour; integration between orientation and intention is a prerequisite for their transformation into behaviour.

Socio-cultural and Gender Factors (Samar, 2024):

A study of 628 female university students shows that entrepreneurial orientation, perceived behavioural control, self-normativity, and self-efficacy all enhance the perception of entrepreneurial resourcefulness, which in turn increases entrepreneurial intention among young Saudi women. Furthermore, demographic factors such as family income, family background, family business experience, and entrepreneurship education play a positive role in shaping the perception of entrepreneurial resourcefulness. In addition, the ongoing socio-cultural transformation in the Kingdom is reshaping the relationship between entrepreneurial resource endowment and intent; as social openness and support increase, the conversion of cognitive and psychological resources into actual entrepreneurial intent also increases. In sustainable entrepreneurship within the fashion sector, interviews with 30 female entrepreneurs reveal that gender dynamics, social norms, access to resources, and sustainable practices collectively shape the motivations and behaviours of sustainable entrepreneurship, while traditional barriers and prejudice against women persist.

Table 3: Social and Gender Factors Shaping Women's Entrepreneurship

Category	Examples of Factors	Impact on Entrepreneurship Dynamics
Psychological and Behavioural Factors Among Young Women	Positive attitudes, self-efficacy, self-perceptions	Enhance entrepreneurial resourcefulness and subsequently entrepreneurial intention
Demographics / Family	Household income, family business experience	Strengthens confidence in resources and leadership ability
Social Gender Roles in Fashion	Social norms, traditional bias against women	Impact on entrepreneurship dynamics

Prepared by the researcher

Urban Ecological Structure , The Case of Riyadh (Rasha, Fadia, & Dalia, 2023):

Analysis of GEM data shows that the Riyadh ecosystem is based on 10 pillars (networks, leadership, knowledge, talent, financing, culture, formal institutions, services and intermediaries, physical infrastructure, and demand). Between 2019 and 2022, the pillars of networks, talent, physical infrastructure, and formal institutions improved the most, while progress remained weaker in leadership, financing, and knowledge. Entrepreneurs and business owners in Riyadh view the ecosystem as a collaborative and inspiring environment rich in mentorship and role models, and the availability and education of local talent has improved post-pandemic, though some shortages persist in certain professional fields.

Entrepreneurial dynamics in Saudi Arabia result from the interaction of: a relatively robust digital and environmental entrepreneurship ecosystem , whose impact is amplified or diminished by economic growth, socioeconomic conditions, and individual/psychological and financial factors (such as self-efficacy, expectations, and resources) that drive the transition from intention to entrepreneurial behaviour , in addition to socio-cultural and gender shifts that are reshaping the roles of women and youth and increasing the capacity of cognitive and psychological resources to translate into actual intentions and projects. Furthermore, the development of the urban ecosystem , such as the Riyadh ecosystem , through the pillars of networks, talent, and formal institutions, while gaps in leadership, funding, and knowledge persist.

Fourth: Challenges and Future Prospects for Entrepreneurship in the Kingdom of Saudi Arabia

Entrepreneurship occupies a central position in Saudi Arabia's economic transformation strategy, serving as a fundamental pillar for achieving the ambitious goals of Vision 2030: diversifying the economy, creating jobs, and fostering innovation. Over the past eight years, the Kingdom's entrepreneurship ecosystem has made tremendous strides, leading the region in attracting venture capital and producing four unicorn companies, and has seen growth in early-stage entrepreneurial activity rise from 12.1% in 2018 to 28.9% in 2025. However, this rapid progress is not without structural, regulatory, and cultural challenges. As the Kingdom steadily moves toward a knowledge-based economy, questions arise regarding the sustainability of growth, broadening the base of participation, and ensuring that government-backed momentum transitions into a private-sector-led ecosystem. This analysis provides a balanced overview of the key challenges facing entrepreneurship in Saudi Arabia, and the future prospects available in light of the ambitious Vision, while offering strategic recommendations for founders and policymakers.

1. Challenges

Entrepreneurship in the Kingdom is directly linked to the performance of small and medium-sized enterprises (SMEs) and their ability to overcome obstacles related to financing, the investment environment, digital transformation, and entrepreneurial education. Vision 2030 places these issues at the heart of the strategy for economic diversification and reducing dependence on oil, and it faces numerous challenges, the most significant of which are as follows:

Financing Small and Medium-Sized Enterprises (Ali Nageh Ali, 2020):
The share of financing for small enterprises does not exceed 5% of total financing in the Kingdom, which is lower than global averages, thereby limiting their growth and contribution to the economy. Furthermore, the contribution of small and medium-sized enterprises to GDP is only approximately 20%, despite the goal of raising it to 35% by 2030, compared to about 70% in developed countries.
Investment Environment and Regulatory Frameworks (Daniel, Andrew, & James, 2018):
Weak competition-related legislation, a lack of infrastructure for certain investments, and low transparency and flexibility in the enforcement of regulations are among the most significant obstacles to domestic and foreign investment. In addition, delays in payments by government agencies and lengthy customs exemption procedures pose further obstacles to investors.
Education and Human Resources (Alaa Rabeh, 2021):
There is a need to mainstream entrepreneurship education at an early stage; introducing some labour market and entrepreneurship topics in high school is a first step, but researchers recommend specialised curricula starting in elementary school. In higher education, there is a lack of coordination between teaching, research, and employment, which limits students' ability to develop practical professional and entrepreneurial skills.
Challenges in Education and Building an Entrepreneurial Culture (Alaa Rabeh, 2021):
Education in Saudi Arabia has not yet given widespread attention to the inclusion of entrepreneurship in general education curricula, which weakens young people's inclination toward self-employment. There are repeated recommendations on the need to incorporate entrepreneurship curricula at all levels and to build a generation that believes in a culture of entrepreneurship and the private sector.
Digitalisation and Management as Future Opportunities (Abdul-Rahman Hassan, 2021):
Table 4: Digitalisation and Management as Future Opportunities

Aspect	Impact on Entrepreneurship
Administrative Digitalisation in Projects	Positive impact in supporting future entrepreneurs in their entrepreneurial projects
General Digital Transformation	Saudi Arabia is at the forefront of countries implementing administrative digitalisation to support Vision 2030

Business Continuity in the Public Sector (Asma Abdulrahman, 2022):
Vision 2030 aims to enhance government efficiency, which requires safeguarding public sector performance from disruptions by adopting business continuity management systems (ISO 22301) to address crises and cyberattacks.

3. Future Prospects and Opportunities Under Vision 2030

Saudi Arabia's Vision 2030 represents the strategic framework that is reshaping the national economy, transforming it from one dependent on oil to a diversified economy based on knowledge and innovation. At the heart of this transformation are startups and entrepreneurship, which serve as key drivers for achieving the Vision's ambitious goals. Eight years after the Vision's launch, the Saudi startup ecosystem stands on the threshold of a new phase of maturity and regional and global expansion.

The Role of Vision 2030 in Empowering Entrepreneurship and SMEs (Alaa Rabeh, 2021):

Vision 2030 aims to increase the contribution of small and medium-sized enterprises to GDP to 35%, raise the proportion of loans granted to them, foster a culture of entrepreneurship in education, and establish the Saudi Authority for Enterprises. Established in 2016, this authority has played a prominent role in supporting, developing, and regulating entrepreneurship and small businesses in the Kingdom.

Investment Reforms and Integration into the Global Economy:

Vision 2030 set a target for foreign direct investment to reach 5.7% of GDP, to position Saudi Arabia among the world's top 15 leading economies, and among the top 10 countries in the Global Competitiveness Index. Studies also recommend continuing to implement Vision 2030 while periodically evaluating the extent of its implementation and the scale of economic change achieved.

Digital Transformation and Higher Education as Levers for the Future (Khalid et al., 2023):

Saudi Arabia has been ranked a 'Top Digital Riser' globally and has made progress in spectrum allocation, with future-skills programmes targeting tens of thousands of participants and the training of 20,000 technical specialists over two years, thereby supporting a digital entrepreneurship ecosystem. Furthermore, administrative digitalisation in government agencies and the private sector serves as a direct tool to support future entrepreneurs by reducing costs and improving the business environment.

4. Proposed Strategic Directions for the Future (Ali Nageh Ali, 2020)

Expand financing channels for entrepreneurship (specialised funds, favourable terms) to increase the contribution of SMEs to GDP and employment. Improve competition and transparency legislation and streamline procedures to facilitate domestic and foreign investment, particularly in peripheral regions, and expand and redesign entrepreneurship education through integrated curricula from elementary school through university, while establishing closer links to the labour market and business incubators. In addition, invest in the digital transformation of services and administration to strengthen the entrepreneurial ecosystem and reduce procedural barriers for entrepreneurs.

The fundamental challenges facing entrepreneurship in Saudi Arabia revolve around insufficient financing for small and medium-sized enterprises (SMEs), gaps in the investment environment and legislation, and shortcomings in entrepreneurship education and its alignment with the labour market. Conversely, Vision 2030 provides a clear framework for capitalising on opportunities: increasing the contribution of SMEs, attracting foreign investment, accelerating digital transformation, and developing human capital. The future success of entrepreneurship depends on the extent to which policies can translate these goals into concrete actions that address existing obstacles.

Conclusion

Entrepreneurship has become one of the key drivers of economic development in modern economies, given its role in fostering innovation, creating jobs, and diversifying the productive base. Saudi Arabia has devoted increasing attention to this field as part of the Kingdom's Vision 2030, which has made supporting startups and promoting innovation a central pillar for achieving the desired economic transformation.

The study revealed that the dynamics of entrepreneurship in the Kingdom are influenced by a comprehensive set of economic, institutional, social, and technological factors. From an economic perspective, economic growth, sectoral diversification, and the development of the financing and venture capital ecosystem have contributed to the promotion of entrepreneurial activity. At the institutional level, legislative reforms, government policies, and support programmes for small and medium-sized enterprises have helped improve the entrepreneurial environment. Social and cultural factors have also played an important role in fostering a culture of initiative and innovation, while digital transformation and technological advancement have served as key drivers of startup growth. Despite these achievements, certain challenges remain, particularly those related to financing, sustainability, competition, and rapid technological shifts. However, the opportunities offered by the digital economy and artificial intelligence, coupled with the continued implementation of Vision 2030 programmes, make the future of entrepreneurship in the Kingdom promising and capable of making a greater contribution to sustainable economic development.

The study reached a number of conclusions, the most important of which are:

- There is a positive relationship between the development of the economic environment and the growth of entrepreneurial activity in the Kingdom of Saudi Arabia.
- The Kingdom's Vision 2030 has played a pivotal role in developing the entrepreneurial ecosystem.
- Venture capital and investment are among the most important drivers of startup growth.
- A supportive legislative and institutional environment contributes to higher rates of new business creation.
- Digital transformation and artificial intelligence are key drivers of the future of Saudi entrepreneurship.
- Certain challenges related to sustainability, financing, and competition still require further attention.

Recommendations

Based on this study, the following recommendations can be made:

- Strengthen funding programmes targeted at early-stage startups.
- Develop entrepreneurship training and digital skills development programmes.
- Expand the reach of incubators and business accelerators across the Kingdom.
- Support applied scientific research and link it to market needs.
- Encourage investment in advanced technology sectors.
- Strengthen cooperation between universities and economic institutions.

- Develop special programmes to support women's and youth entrepreneurship.
- Expand the use of artificial intelligence technologies to support startups.

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