

Chapter 3

Senior Entrepreneurship and Family Business Vitality in Saudi Arabia

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ABSTRACT

The Saudi economy constitutes 30% of the Arab world's GDP (gross domestic product). Traditionally focused on oil and natural gas, the economy is in the process of a structural transformation in which entrepreneurship has a pivotal role to play. Sixty percent of Saudi Arabia's population is under the age of 30. Against this background, this chapter will analyze senior entrepreneurship and the creation of family businesses in Saudi Arabia. Finally, the authors propose some measures for their generation.

INTRODUCTION

The Saudi economy constitutes 30% of the Arab world's GDP (Gross Domestic Product), and 60% of the population is under the age of thirty. This young segment of the population is bringing a growing dynamism to the Saudi economy by exploring new business areas to diversify the traditional and mature oil and natural gas industry. In this respect, an exhaustive review of numerous books written about Saudi Arabia the last 25 years shows their subject matter primarily focuses on oil, internal, regional,

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and international politics (Burton, 2016). In contrast to this traditional perspective, Saudi Arabia is now profoundly influencing the technological advances of multiple industries through increasing collaboration and in-country partnerships with communities around the world.

In this transformation process, entrepreneurial ecosystems have emerged as one of the most dynamic forces shaping the economic performance of individuals, companies, and regions. Saudi Arabia is part of this reality. The Kingdom is undergoing a structural transformation of its territory, thanks to the conjunction of its leaders' entrepreneurial spirit and the vitality of the family businesses. These businesses constitute more than 90% of the nation's companies (10% are Saudi family-owned firms managed by the third generation) and represent 25% of GDP (Gross Domestic Product) (Bardsley, 2017). Unlike the situation in the rest of the world, the main problem facing family businesses is the succession from the first to the second generation. On average, five potential successors from the same generation dispute the inheritance of the company. As a result, more than 70% of Saudi Arabian family businesses in the process of succession are in the courts.

The economic development of Saudi Arabia relies on the accomplishment of successive development plans, implemented since 1939 when oil was discovered, and 1970, when the first formal economic development effort and the onset of industrial expansion occurred. The Kingdom's most popular businesses were established during this period. The Saudi economy has been converted into one of the most industrially diverse in the Middle East, with real estate, manufacturing, medicine, and health care, the service sector, and government the most significant contributors Riyadh's GDP, estimated to be more than US\$16 billion (around 60 billion Saudi riyals) (Burton, 2016). Currently, the country is completing the Tenth Economic Development Plan designed for the 2015-2019 period to lay the foundations for the implementation of Vision 2030, made up 24 specific goals for the Kingdom to achieve in economic, political, and societal development, with particular initiatives in renewable energy, manufacturing, education, e-government, entertainment, and culture.

As the largest economy of the MENA (the Middle East and North Africa) region, Saudi Arabia has faced – and still faces – the challenges of a massive social and economic transformation, which those who are not Saudis or who have not lived very long in the country find hard to understand. Saudi's family-owned businesses (FOBs), primarily based on senior entrepreneurship, play a determinant role in the Kingdom's developing economy. The literature and data devoted to describing their history and achievements in this process of change, however, are scarce.

Connected to senior entrepreneurship, FOBs have a pivotal role to play in creating social wealth and economic growth. The primary purpose of this chapter is to introduce recent information on the scope of entrepreneurs, FOBs, and senior entrepreneurs in Saudi Arabia, as well as a review of their history, influence, evolution, and impact. The chapter also provides a comparison between the business characteristics of senior entrepreneurship-related FOBs and non-FOBs, highlighting the principal differences between the models. Consequently, this chapter makes a relevant contribution, as it fills a gap that exists concerning the provision of data on the Saudi population's involvement in FOBs. The authors detail different models operating in this sector, classified according to ownership and management. They analyze several variables – including age, gender, and education – and how economic growth is linked to entrepreneurial spirit. Senior entrepreneurship – defined by mixing good working experience and academic formation – is growing, as is education. In 1970, only 8% of the adult population was literate, while by 2017, over 9% of Saudi citizens were considered literate by United Nations standards (Saudi Arabian Ministry of Foreign Affairs, 2017). We will analyze the FOBs in Saudi Arabia in the next section.

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