

The Effects of Regional Environments on Entrepreneurial Intentions: Exploring Global Entrepreneurship

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ABSTRACT: Entrepreneurship is a skill that has been around for centuries and has been practiced in various ways throughout the years. After the COVID-19 pandemic, more people have become interested in becoming entrepreneurs. As defined by Bird (1988), entrepreneurial intention is “an entrepreneur’s state of mind that directs attention, experience, and action towards a business concept.” This paper aims to explore the various environmental factors that might affect a person’s entrepreneurial intent. By examining people with entrepreneurial intentions in different countries in the Middle East*, patterns emerge regarding economic stability and development in various countries in the Region. Considering the fact that traditional entrepreneurship education does not usually expose students to the entrepreneurial process through problem-solving, entrepreneurial education has not had major success in helping students start business ventures. Looking at entrepreneurs in the Middle East, this paper will attempt to explore how an individual’s environment shapes the entrepreneurial mindset. This will help several institutions and scholars determine if further efforts should be implemented to develop future entrepreneurs.

KEYWORDS: Behavioral and Social Sciences, Sociology, Entrepreneurial Intentions, Regional Environments, Entrepreneurship Education, Middle East.

■ Introduction

Entrepreneurship is a driving force to economic growth and success, and while entrepreneurship has been around for centuries, the term ‘entrepreneur’ is defined differently by many scholars. For the sake of this research, an entrepreneur is any individual with entrepreneurial intent or the intention of starting a business.¹ Is there a certain psychological aspect that drives a person to become an entrepreneur?² Research suggests there is a direct link between personality traits and entrepreneurial efficacy.³ Other factors include an entrepreneur’s environment; living in economically prosperous countries with financial stability is substantially different than living in a developing country riddled with chaos. The need to rise above poverty must also be considered; when faced with impoverishment, a person might turn to take their fate into their own hands and aim to start their business solely to survive.³ Of course, personality traits are largely influenced by the cultural beliefs a person grows up around, which transitively means that personality traits are affected by regional factors. After establishing this point, it becomes clear that a person’s psyche is directly linked to their environment, which both affect entrepreneurial intent. Entrepreneurship is associated with the ability to take risks and inventiveness, which suggests that entrepreneurship is not a default skill in the human mind, but a specialty that some possess, which can be nurtured and grown. Another question that raises itself is ‘can entrepreneurial education enhance entrepreneurial intention in persons with the entrepreneurial seed planted within them because of their upbringing?’

Taking an entrepreneurship course is undoubtedly a better option than taking a leap of faith and becoming an entrepreneur without any guidance, but one cannot be sure of just how effective it is in comparison to regional conditions. Entrepreneurial

learning relies heavily on a linear approach of problem-solving, which lacks the suitable tools to solidify a student’s contextual understanding of the entrepreneurial process.⁴ The Middle East is a region with many developing countries and unstable economies, so understanding the effectiveness of entrepreneurial programs along with the core drivers for entrepreneurial intent would help them encourage entrepreneurship more effectively, thus kickstarting positive changes to the economy. Several countries in the Middle East, specifically the Gulf region, have launched entrepreneurial education systems with the motive of gaining a competitive global advantage. The UAE, in particular, has launched a program to utilize undergraduates’ ideas into businesses, providing a community for students³ to have access to key stakeholders and businessmen, building a collaborative environment that helps college students identify key phases of the entrepreneurial process including ‘ideation’, ‘incubation’, and ‘acceleration’.⁴ The Gulf region has always had a strong stance in wanting to develop future entrepreneurs,¹ and often puts resources into the matter. Establishing entrepreneurship programs is essential to the prosperity of the Middle East, as entrepreneurship often spurs innovation and economic growth.

While some scholars think that reshaping the entrepreneurial education system will result in fostering a more creative process, with more innovation and research skills, that does not necessarily mean that more people will develop entrepreneurial intent. Training students to work more collaboratively, giving them tools to create new ideas, and teaching them to analyze information to make quick decisions has an overflow of benefits to employability and economic prosperity, yet factors such as the need for achievement (nAch) and locus of control (LoC) rely solely on a person’s psychological traits and cannot be changed by learning mechanisms.³ In a region as variable

as the Middle East, one can determine the effect of political backgrounds and economies on entrepreneurial intent. The Middle East ranges from some of the richest to some of the poorest countries in the world, which provides the opportunity to analyze how the risk of poverty affects an entrepreneur's actions. This study aims to show the differences a person's environment makes on their entrepreneurial intent.

Literature Review

Entrepreneurial programs often have a positive impact on thinking, communication, and time-management skills.² Entrepreneurship education provides a space for applying divergent creativity thinking tools that enable students to acquire competencies to secure employment opportunities and have life-long skills of value; having entrepreneurial education based on utilizing divergent creativity processes will undoubtedly emerge with confidence in creativity skills that allow students to generate advantageous ideas, maximize idea breadths, originality and the ability to identify gaps, complexity of schemes, and curiosity about different ventures, among other skills.⁴⁻⁶ While all these advantages may seem appealing to anybody, these programs will not affect a person with no underlying hunger for entrepreneurship. No learning program can magically grow the nAch and LOC in a person, no matter how effective it is.³

The Middle East, particularly, is a useful region in identifying the effect of background and upbringing of a person in making them an entrepreneur. In the Middle East, countries like Yemen and Syria are still in an economic crisis and have governmental chaos. On the other hand, countries of the Gulf are considered relatively safe and stable. So that raises the question: how does that affect a person's entrepreneurial mindset? Is desperation a motivator for entrepreneurial intent, or is someone living a safe and stable life more likely to start a business? Lately, entrepreneurship has stopped becoming singular to one person, with the focus shifting to entrepreneurial ecosystems, and not only a person's individual characteristics and personality.⁷ The concept of regional social and economic environments affecting entrepreneurial growth and intention is not new by any means, with the work of Spigel, Malecki, and Ritsilä highlighting the geographical perspective.⁸⁻¹⁰

To understand how regional differences impact entrepreneurship, one must analyze the economic standards in different countries in the Middle East:

Changes in household income throughout different countries:

As shown in Figure 1, this figure demonstrates that, compared to Level B or Level A economies (relatively prosperous economies), low-income economies were significantly more likely to have seen a decline in household income in 2023. For instance, compared to only four out of seventeen Level B economies and none of the Level A economies, adults in eleven out of fourteen Level C economies reported that their household income had decreased in the previous year by at least 40%.¹¹ When a person witnesses significant decreases in their household income from traditional wage-earning

methods, they might think of turning to starting businesses to improve their living standards.

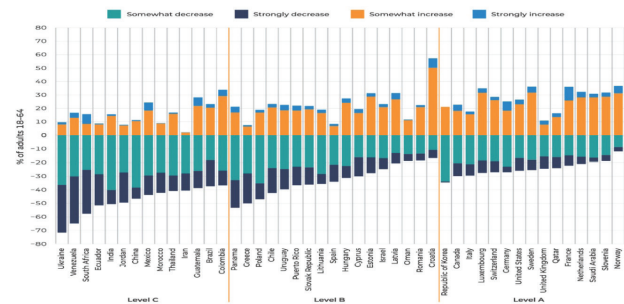


Figure 1: Graphical representation of differences in household incomes throughout different economies globally, with many different classes of Middle Eastern economies. Low-income economies (Level C) experienced significant declines in household income, while Levels A and B showed relative stability or growth. Ukraine recorded the highest percentage of households reporting income losses, whereas Croatia and Norway had the highest levels of income growth.¹²

As this graph suggests, Figure 1, that Level C economies (developing countries) may have more incentives for business startups, as conventional labor has caused significant decreases in their earnings. Starting a business would start to look very appealing to anybody looking to increase their income.

Entrepreneurial activity in different countries:

Figure 2 displays the TEA and EBO levels for each of the 46 economies. In four Latin American and Caribbean economies—Guatemala, Ecuador, Chile, and Panama—more than three out of ten adults were launching or operating a new company. With a few exceptions in Latin America, levels of early-stage entrepreneurial activity generally declined as income increased. There were five Level C economies, with one in five or more adults starting or running a new business, compared to four in Level B and just one in Level A. In contrast to Levels B and A combined, which had 13 economies out of 32, Level C had only three economies out of 14, with less than 10% of adults launching or operating a new business.¹¹ This graph demonstrates how popular business startups are in Level C economies, cementing the point suggested by Figure 1.

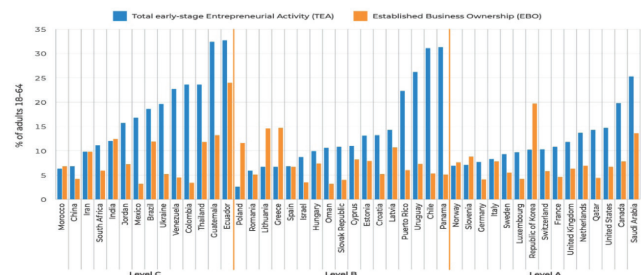


Figure 2: Total early-stage entrepreneurial activity (TEA) and established business ownership (EBO) (both % adults). Levels of TEA and EBO across 46 economies, early stage entrepreneurial activity (TEA) was highest in Latin America & Caribbean, with general decline as income increased, while established business ownership (EBO) showed less variation and, in some Level C economies, matched or exceeded TEA levels.¹²

In these graphs (Figures 1-2), countries are separated into levels A, B, and C which separates economies into three lev-

els: level C refers to a level of GDP per capita of less than \$25,000, level B has a GDP per capita of \$25,000–\$50,000, level A has a GDP per capita of more than \$50,000. Middle Eastern countries are included in all three categories, showing that early-stage entrepreneurial activity is more popular than established business ownership.

Statistics suggest that richer economies in the Middle East have a higher business start-up rate, which is thanks to programs established to create a safe environment for entrepreneurs to prosper. By using results from a study by Al Qadasi *et al.* (2023), which found that the need for achievement and entrepreneurial self-efficacy correlate with political environments, one can infer that unstable environments might create a need for business start-ups, but they still need support from experienced individuals.³

One very notable thing is that while most Middle Eastern countries dropped in entrepreneurial activity after 2019, Saudi Arabia had a significant increase in 2023, which might be because of the Monsha'at program for entrepreneurship, which partnered with Silicon Valley and MIT in 2023, clearly having an impact on entrepreneurial activity. Qatar also had an increase in entrepreneurial activity in 2021, then dropped back in 2023. The two graphs above show the economic differences in different countries in the Middle East, which gives insight into whether entrepreneurship programs in said countries have helped boost their economic growth and entrepreneurial activity.

As Al Qadasi *et al.* have previously proven in Yemen, socio-political situations can heavily impact a person's entrepreneurial intent; in an unstable environment with high unemployment rates, a business start-up is viewed as the best source of income.³ If this hypothesis can be proven in Yemen, it can be proven in many other Middle Eastern countries with similar circumstances, such as Jordan, with a staggering 40.80% rate of unemployment among youth in 2023.¹³ Al Qadasi *et al.* have shown that attitudes, personality traits, and contextual factors influence an individual's entrepreneurial intent.³

Environmental variables interact with a person's personality traits to affect entrepreneurial behavior. Entrepreneurial ecosystems are crucial for establishing entrepreneurial social networks, which could help motivate and fund an entrepreneur's business start-up. Entrepreneurial intent in such countries is "necessity-based" and shows correlations between personality traits and situational factors that affect entrepreneurial intent.

■ Methodology

This paper combines literature about how environmental factors combine with personality traits that might affect entrepreneurial intent. By analyzing research conducted in the Middle East. This study provides a detailed analysis of the different economic situations in the Middle East to help the reader understand what affects entrepreneurial intent. For developing economies in the Middle East, entrepreneurship is a much-needed boost for unemployment rates, and the only way to nurture entrepreneurship is to identify the factors that push entrepreneurial intent.

Most literature has been derived from Google Scholar, between the time period of 2018 to 2024, only including research from before that period if it's necessary to build a foundation. After analyzing data on the effects of the environment on entrepreneurial intent, there was also a connection between entrepreneurship education, which means that the effectiveness of entrepreneurial education is vital to inspiring an entrepreneur to start a business. After evaluating the correlation between socio-political environments, unemployment, and entrepreneurship education, it was found that this paper needed to include all three factors in order to have a clear study.

This review puts together multiple different perspectives on the topic, in order to give the reader an easy introduction to the world of entrepreneurial intentions. The research provides a brief introduction to the effect of environments on entrepreneurial intent, proving the significant effect a person's environment has on psychology, which in turn affects entrepreneurial intentions. It is recommended to read the cited sources as well as other literature for a more in-depth understanding of all aspects that affect entrepreneurial intent. The limitations of this study include the need for a more comprehensive inquiry around testing the effectiveness of entrepreneurship education with persons of entrepreneurial intent in more chaotic economies, and whether entrepreneurship education, as it stands today, is effective in building entrepreneurial intent. Further research needs to be conducted on necessity and opportunity-based entrepreneurial intent in different environments. Suggestions for future research also include testing the effectiveness of entrepreneurial ecosystems in developing Middle Eastern countries. There is a need for more detailed research on the effect of a person's family history and to expand on looking into the psychological aspects affecting entrepreneurial intent regionally.

■ Results

Psychology plays a huge part in entrepreneurial success, with results correlating positively between locus of control and entrepreneurial ability. This psychology is largely affected by upbringing and cultural standards. Several environmental factors affect the extent of entrepreneurial intent a person has, including living conditions. This shows that entrepreneurship cannot be taught, but can be nurtured instead. Current courses do not focus on the psychology behind entrepreneurial intent but on economic standards regarding entrepreneurship.

A person with no previous interest in entrepreneurship will not benefit from said courses. It is still unclear if entrepreneurial intent can be taught, as several scholars disagree. Entrepreneurship greatly impacts economic growth and development, specifically in higher-income countries.

The "entrepreneurial economy" is a popular method that economies use to improve unemployment problems and enrich their economy.¹⁴ Highly developed economies tend to tap into fostering entrepreneurship more than underdeveloped countries, especially in the Middle East, which helps them get higher entrepreneurship rates, although based on previous studies, countries with economic voids have great potential to stabilize their economic status by fostering entrepreneur-

ial ecosystems. Individuals with entrepreneurial intent tend to have higher self-efficacy and locus of control rate than others.¹⁵ Entrepreneurial education can include personality traits and personalized courses based on environmental factors to encourage entrepreneurship in their country.

Entrepreneurial education may become more effective in encouraging business start-ups if the programs focus on creativity and situational factors. Entrepreneurial intent in developing countries in the Middle East is driven by necessity, while it is driven by opportunity in richer Middle Eastern countries.³ Although countries like the UAE have launched several programs to encourage entrepreneurial activity and business ventures, only 2% of citizens have the desire to start a business, which is caused by the cost of failure, which can be monetary, social, or motivational. Individuals are afraid to seize the opportunities they have because they fear bringing shame and embarrassment to themselves, losing money, and losing their motivation after failing.¹⁵

Citizens of rich Middle Eastern countries recognize the opportunities they have, but are too afraid of taking the risk and failing. On the other hand, citizens of developing Middle Eastern countries have higher entrepreneurial intent but lack the opportunities and support required to start a business. Entrepreneurs who are business owners have a higher creativity rate than employees.¹⁵

All in all, all these observations reach one clear point: environments where low income is available provide a perfect breeding ground for entrepreneurial intent, as individuals have a larger need for achievement, but the resources provided by richer economies often give business start-ups a larger chance at succeeding.

■ Discussion

It is very important to note that this paper is merely an introduction to a topic that goes far deeper than the scope of this review. The author hopes that further research is conducted in this field with deeper explorations of cultural norms, internal environments, and individual beliefs. That being said, this paper has given rise to a threshold of research possibilities that explore this topic justly, and opens up opportunities for people to understand the extent of just how impactful their environment is to their lives.

Increasing attention has been given to entrepreneurs in developing countries, as it has been found that entrepreneurial intentions are a "regional dimension."¹⁴ This is only the first step into something major, and we are severely lacking in research when it comes to entrepreneurial intentions regionally.

Throughout this study, the term entrepreneurial intention has been used in the context of an aware person having a conscious intention to develop a business start-up. Regional factors are not only a person's living standards, but also whether or not they have a family business, or live in a supportive household among other factors that can affect an individual's entrepreneurial intent. It has been found that environmental factors have an impact on a person's need for achievement, which in turn leads to entrepreneurial intent. With that knowledge, policymakers may invest in creating entrepreneurial ecosystems

for university students to foster their entrepreneurial intent into a business start-up, which has been known to boost an economy's financial status.

Middle Eastern countries, as countries that have either developing economies or recently developed ones, served as the perfect ground to explore such a topic. Countries like Saudi Arabia, with high funding for entrepreneurial programs, have experienced high rates of business startups. On the other hand, countries like Libya, with not much focus on entrepreneurship, have an increasing rate of entrepreneurial intent despite not having the proper tools.

Having underdeveloped governments invest in entrepreneurial programs may also result in negative consequences if the educational programs are not personalized to the country's political and economic environment or individuals' personality traits. Financing new business start-ups is also essential to encourage new entrepreneurs to start businesses. Entrepreneurship has been proven to boost a country's economy, and in cases like Yemen and Libya, entrepreneurship would be a long-term solution to their current economic crisis.

The Gulf countries, particularly Saudi Arabia and the UAE, have heavily invested in building entrepreneurial environments that foster entrepreneurial intention into bigger opportunities and business ventures, which has allowed citizens to start their own businesses. Confidence-building exercises can also be implemented into entrepreneurial education courses to eliminate the fear of failure that accompanies starting a new business. After looking at entrepreneurship regionally, it is clear that environmental aspects affect entrepreneurial intent and the desire to start business ventures. Overall, entrepreneurial intent is affected by situational factors as well as psychological aspects.

This review would help policymakers and investors understand how the entrepreneurial mindset is built, in order to put forth programs that correctly nurture entrepreneurial environments. Individuals would also benefit from this paper by having a clear layout of how entrepreneurial intention is affected by different factors, and whether the current environment they're in positively or negatively impacts their entrepreneurial intent.

■ Conclusion

Further research may include looking at a person's family history regarding entrepreneurship, analyzing how the fear of failure hinders the desire to start a business, and looking at how entrepreneurship education can be improved.

This study compared how the environmental factors of different countries in the Middle East affect a person's need for achievement and entrepreneurial intent. It was found that a person in a developing country with challenging living circumstances is more likely to start a business than one in a comfortable living environment with no real need to improve their conditions. It was also found that developing countries can stabilize their economies by focusing on developing entrepreneurial intent into a long-term business start-up. Entrepreneurial ecosystems need to support an entrepreneur and guide them in making the right decisions. Without the right funding and guidance, governments will not be able to take advantage of entrepreneurial intent among youth. For a lasting

impact on entrepreneurial environments, entrepreneurs need to be allowed to thrive, especially in unstable environments.

***Middle East**, the lands around the southern and eastern shores of the Mediterranean Sea, encompassing at least the Arabian Peninsula and, by some definitions, Iran, North Africa (Britannica Encyclopedia)

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