

## **The Middle East Is A Hotbed Of Innovation And Ripe For Venture Capital**

The Middle East's regional economy is in the midst of a digital transformation, which along with a flourishing startup culture is creating rapid innovation and generating industry disruption and new opportunities, while presenting investors with the potential for fast growth (and even fast failure). This means the region is ripe for venture capitalists to play a deeper role in the economy's development and provide critical access to financing.

The growing innovation and start-up culture in Dubai and the U.A.E. is leading to an increasing number and range of new investment opportunities—around 42% of startups in the MENA region are in the U.A.E. In addition, the Saudi Vision 2030 and the National Transformation Program underpin the kingdom's commitment to economic diversification and transformation, such as the development of large scale and ambitious smart cities like Neom, so the opportunities for startups and SMEs in Saudi are also multiplying rapidly.

The potential for innovation and the contribution to regional economies made by startups and SMEs is being recognised and supported with a range of incubator and accelerator programmes in Dubai, as well as the U.A.E.'s free zones, which help nurture businesses within a supportive ecosystem.

There are around 45 free zones in the country (30 in Dubai) and another 10 under construction. The Dubai Multi Commodities Centre—the world's biggest free zone—has been named the Global Free Zone of the Year three times by the Financial Times, with 13,700 companies contributing up to 10% of Dubai's annual GDP.

Currently, the level of venture capital investment in MENA is relatively low compared to other regions, but activity is picking up. One very common challenge faced by startups lies in securing the finance to nurture their innovations—this is where the venture capitalist can help.

Venture capital is about startups and early stage investments. A venture capitalist may invest money even when others won't, but only if they like your idea, and you. Many MBA students want to be entrepreneurs and we teach them how to address an audience of venture capitalists or angel investors in a way that is understandable and appealing.

Why is this important? Because it's a competitive process. Venture capitalists will invest in less than 1% of all the opportunities that are presented to them, so this is no easy option. For every 20 investments made by a venture capitalist, 14 will fail—most lose money.

Venture capitalists promote people who are trying to change the world, so they are looking for remarkable ideas. There is a massive interest in entrepreneurialism in MENA, with the support of incubators and good potential for market growth. The serious interest in

promoting entrepreneurialism in Saudi Arabia is a very exciting prospect.

With the abundance of talent here in the region, the question may be how best to be discovered by venture capitalists. They will find you if you cluster together—think of Silicon Valley—so free zones, startup accelerators and business incubators are good places to operate from and to be found.

What are VCs looking for? Very simply, an idea that addresses an unmet need or a better way of meeting an existing need. Digital technology is attractive for its potential to quickly disrupt, scale and change business and industry models. Today's digital natives are looking for digital solutions, so the market potential exists here for the products of digital innovation, with the region's young and tech-savvy population.

There is no question that the region is already a hotbed of entrepreneurialism and innovation, and it could be a real hotbed of venture capital activity—although this may not happen overnight.

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