

From Local to Global: Inspiring Success Stories of Arab Startups

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Abstract

This article examines the rise and global potential of Arab startups, defining them as innovative and agile enterprises designed to address unmet needs through scalable business models. Unlike traditional businesses, startups prioritize rapid growth, technological innovation, and external funding. The study highlights the critical role these startups play in driving innovation, generating employment, and bolstering economic growth. Success stories such as Aramex, Careem, and Souq.com demonstrate how strategic investments, technology integration, and an understanding of local markets can propel Arab startups to global prominence. The article also explores the challenges facing Arab startups, including regulatory barriers, financial constraints, and market dynamics. Looking forward, the future of Arab startups appears promising, driven by digital transformation, a tech-savvy youth demographic, and supportive government policies. Building a robust entrepreneurial ecosystem will be crucial for fostering innovation, promoting sustainable development, and diversifying the region's economy.

Keywords: Global Expansion, Challenges in Startups, Tech Startups, Success Stories

What are Startups?

Startups are defined as young organizations striving to develop innovative and new products or services, characterized by ambitious teams and creative ideas. Mickle (2020) views a startup as a small entity in its early stages, operating in an unstable environment with the goal of providing innovative solutions to unmet needs or new markets that previously lacked solutions. Unlike small businesses, startups are not merely smaller versions of larger companies; rather, they are temporary organizations seeking a scalable and profitable business model. The primary aim of these projects is to achieve rapid growth and potentially be acquired by a larger company in the future.

From another perspective, Livingston (2008, 221) defines a startup as a new entity established by an entrepreneur or a group of entrepreneurs aiming to develop a unique product or service and introduce it to the market. These companies typically operate with limited resources and

seek to attract investments from venture capital or funding investors. Startups stand out for being innovative and scalable, facing a high degree of risk and uncertainty, yet possessing the potential for significant gains if successful. Their main goal is rapid growth through leveraging technology and creativity to provide added value to customers.

In this context, Magalhães (2019), defines a startup as a company, often technology-related, in its early stages of development aiming for rapid growth by offering new products or services. These companies are characterized by their focus on innovation and high growth potential, along with a dynamic culture centered on creativity and adaptability. Startups generally seek investments to expand their operations and achieve significant economic impact. A startup is a team of entrepreneurial talent working on developing recognizable and investable innovations, aiming to verify the viability and value of these innovations. Startups seek rapid growth through a scalable business model to achieve maximum possible impact (Admin, 2019).

We can conclude that, a startup is a newly established company dedicated to developing innovative solutions that address market needs or create new opportunities. These businesses are usually marked by significant growth potential, a readiness to embrace risks, and a dependence on external funding to expand their operations. Startups typically operate in dynamic and uncertain environments, focusing on swiftly refining their business models and disrupting established industries. Small, agile teams that emphasize speed, innovation, and rapid market entry propel them.

What is the Difference between Startups and Entrepreneurship?

There are two main types of businesses: entrepreneurship and startups, each with its own characteristics. Entrepreneurship encompasses all business ventures, whether small or large, traditional or innovative, including sole proprietorships, companies, and partnerships. It can rely on existing or new ideas. On the other hand, startups are a specific form of entrepreneurship characterized by being a new venture that seeks to solve a market problem in an innovative way, with a focus on rapid growth and expansion. While startups face high failure rates due to their inherently risky nature, entrepreneurship covers a broader range of business activities, whether aimed at rapid growth or long-term sustainability. Understanding these differences helps in making better strategic decisions for successful business management (Admin, 2017). Startups are distinguished by their flexibility, reliance on technology, and goal of achieving substantial returns through market expansion or acquisition by larger companies.

The Impact of Startups on the Global Economy

Startups play a vital role in the global economy by driving innovation, creating job opportunities, and increasing productivity, thus contributing to economic growth. Startups are often at the forefront of innovation, introducing new technologies and business models that radically change existing industries and open up entirely new fields and markets (Livingston, 2008). These companies significantly contribute to job creation and reducing unemployment, attracting talent from diverse fields, which enhances diversity and dynamism in the labor market (Mikle, 2020). Additionally, startups improve efficiency and productivity across various industries by fostering competition and offering innovative products and services. They have a substantial ability to attract investments from venture capital and

funding investors, supporting their economic activity and promoting the development of new companies and technologies. Many startups aim for international expansion, which contributes to increased trade and enhances economic integration between countries (Magalhães, 2019). Startups also target specialized market needs and provide diverse, innovative solutions, enhancing consumer choices and satisfaction. Beyond their economic role, many startups contribute to solving social and environmental problems, leading to positive changes and promoting sustainable development (Livingston, 2008). Financially, the success of startups can result in public offerings, allowing financial returns for investors and founders and encouraging further investments in entrepreneurial projects.

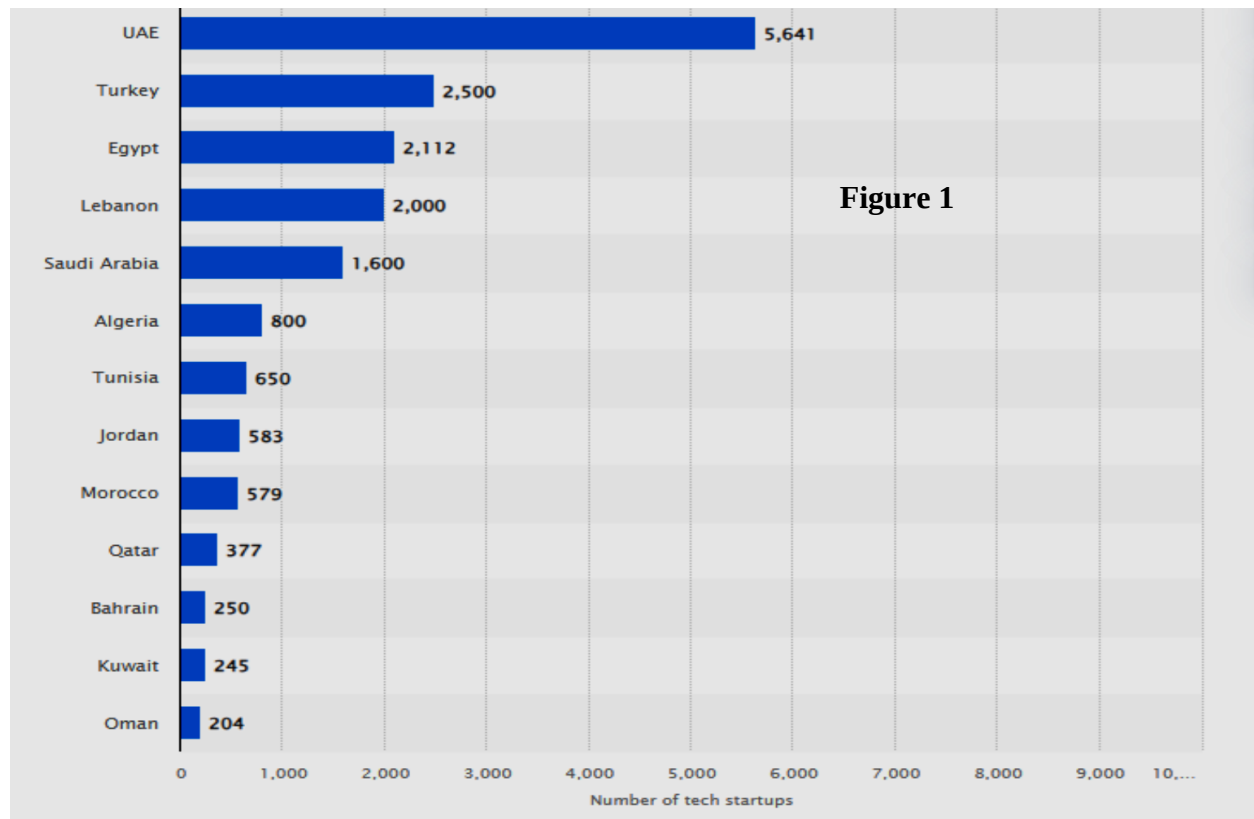
Regardless of terminology, as entrepreneurship and innovation increase, so does the number of startups. The more startups there are, the more large and scalable companies emerge, leading to positive growth in the economy and society at large. This is why developing a healthy ecosystem for startups is a comprehensive and integrated effort (Admin, 2017). Due to this significant impact, startups are a driving force behind economic dynamism and a crucial source of innovation and economic growth, making them a vital component of the health and continuous development of the global economy.

In summary, startups are vital to the global economy, driving innovation, job creation, and productivity. They transform industries, attract diverse talent, and promote competition, while also addressing social and environmental challenges. A strong startup ecosystem is essential for sustaining economic growth and vitality.

Arab countries Startup Landscape

According to Statista.com (2024), the United Arab Emirates led the Gulf Cooperation Council countries with the highest number of tech startups, totaling 5,600. Saudi Arabia followed with the second-highest number, registering 1,600 tech startups. For further details, refer to Figure 1.

The Middle East and North Africa (MENA) region has seen significant growth in startups, with the United Arab Emirates (UAE) leading as the main hub, followed by Egypt and Jordan. Startups typically begin with founder funding, but venture capital is crucial for their success and growth. The exit strategy, where venture capitalists exit to yield returns, is a key aspect of funding. Sex inequality remains prevalent in startup initiation. The Gulf Cooperation Council (GCC) countries are the most business-friendly, with varying timelines to start a business. Delivery and transportation are the leading industries for startups, with Careem and Souq.com as notable unicorns. Saudi Arabia and the UAE provide strong investor protection, making them attractive to venture capitalists (Puri-Mirza, 2024).



Source: [statista.com/statistics/](https://www.statista.com/statistics/)

Ecosystem Index 2023, reflecting a dynamic entrepreneurial environment. The region's landscape is shifting, with Bahrain now among the top five ecosystems, driven by strategic investments, supportive regulatory frameworks, and its focus on fintech. The United Arab Emirates (UAE) stands out, ranking 28th globally, with Dubai offering a business-friendly environment, funding access, and a growing startup community. Notable startups from the UAE include Tabby, a "Buy Now, Pay Later" platform, and Altibbi, the largest digital health platform in the Arab world, while successful exits include Careem and Network International. In Saudi Arabia, Riyadh is home to stc pay, the first licensed fintech company and the largest digital wallet in MENA, alongside Jahez, a food delivery platform with a significant exit. Egypt's Cairo has risen 36 spots globally, fueled by a tech-savvy population and growing startup scene, with MNT-Halan, a unicorn, leading the charge in digitizing financial services. Bahrain continues to emerge as a startup powerhouse, leveraging innovation-driven initiatives and investments to enhance its regional influence (Enginsoy, 2024). For more information look at figure 2, 3 and 4.

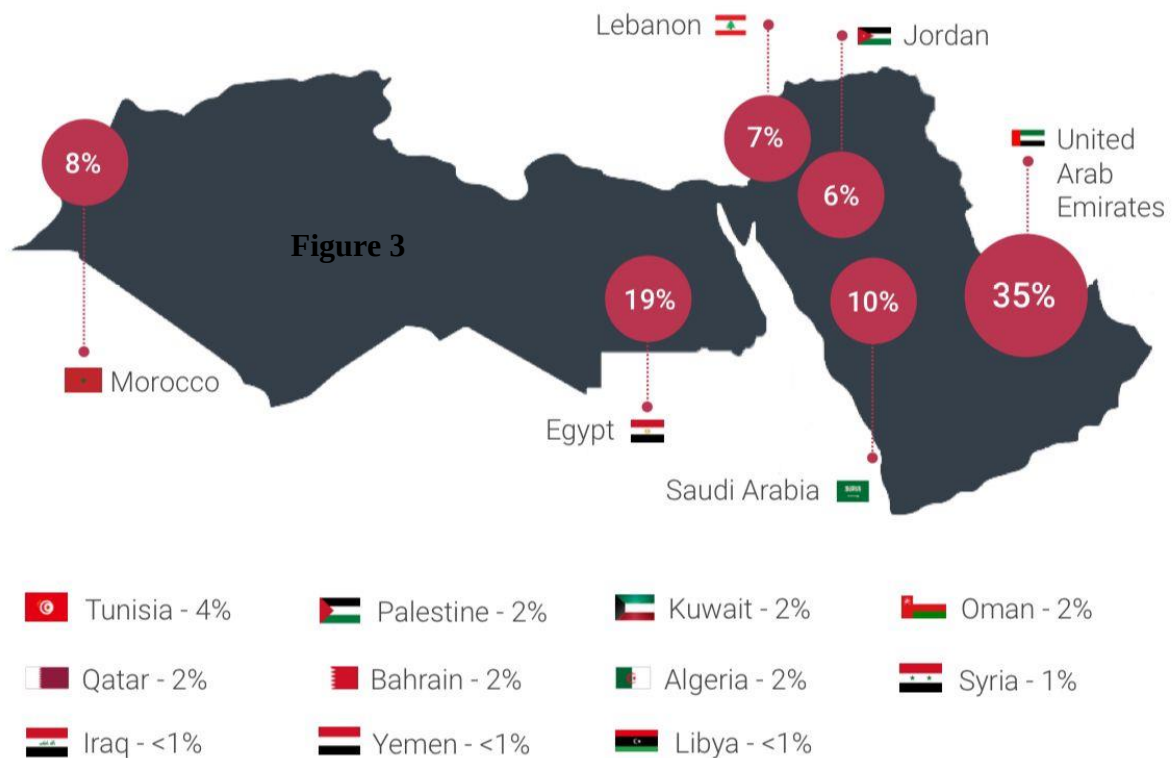
Top Ecosystems of Arab Countries in the Global Startup Ecosystem Index 2023
Figure 2

Regional Rank	City	Country	Global Rank	Rank Change (2022)	Total Score
1	Dubai	United Arab Emirates	58	+3	11.527
2	Cairo	Egypt	124	+36	5.682
3	Riyadh	Saudi Arabia	155	+99	4.181
4	Abu Dhabi	United Arab Emirates	206	-35	2.629
5	Amman	Jordan	218	+32	2.425
6	Manama	Bahrain	306	+23	1.325
7	Tunis	Tunisia	360	+57	0.966

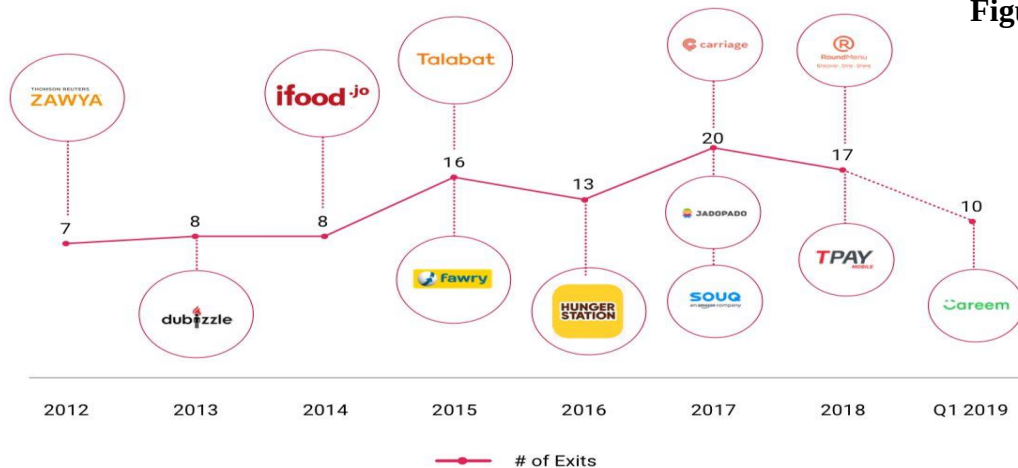
Source: StartupBlink

Source for figure 3&4: Bahoshy, P. (2019). The Start-up Ecosystem in the Arab World 2019. MAGNiTT. <https://magnitt.com/research/startup-ecosystem-arab-world>

Location of the 10,000 Arab start-ups on MAGNiTT, based on start-up HQ



Number of exits in the Arab world

Figure 4

The Importance of Highlighting Success Stories of Arab Companies

In recent years, we have witnessed the emergence of many Arab startups that have achieved global success. It is important to spotlight these inspiring stories, not only to celebrate Arab achievements but also to inspire the next generation of entrepreneurs.

Focusing attention on startups is crucial because they play a vital role in the economic landscape by providing innovative products or services and creating new needs that have not yet been met by existing companies. Startups contribute to economic growth, create job opportunities, and drive technological advancement. They also have the potential to achieve exponential revenue growth and can significantly affect the market by introducing pioneering ideas. Supporting startups can lead to a more dynamic and competitive economy, fostering innovation and progress (Mikle, 2020).

Highlighting startups in the Middle East is essential for driving economic growth and innovation, leveraging the untapped digital potential in the region, and capitalizing on the large youth demographic with technical skills. With rising technology consumption rates and increasing support from investors and government initiatives, the startup ecosystem in the region is poised for significant expansion. Local entrepreneurs have already demonstrated their capacity for innovation and meeting regional needs, as evidenced by the success of companies like Careem, Fetchr, and others. By promoting startups, the Middle East can diversify its economy, reduce reliance on oil, and build a sustainable digital future (El Hamamsy et al., 2018).

Case Studies: Arab Companies That Achieved Global Success

Many Arab companies have achieved global success in various sectors, such as:

First: Transportation and Logistics

Aramex

Fadi Ghandour is a Jordanian entrepreneur and the founder of Aramex, a global logistics and transportation company. He has built a strong personal brand as an entrepreneur and advocate for entrepreneurship in the region. Fadi's innovative approach to logistics and his commitment to social entrepreneurship have made him a respected figure in the business community. He has also participated in mentoring programs and initiatives to support startups and entrepreneurs in Jordan and beyond (Alshaar, 2023).

Aramex is a leader in the shipping and logistics industry, founded in 1982 in Amman, Jordan, by Fadi Ghandour. The company has managed to achieve and maintain a strong competitive advantage in the global shipping industry, especially in the Middle East and North Africa, despite intense competition from companies like FedEx and UPS. Its success is attributed to its unique strategy, which includes forming strategic alliances, such as its partnership with Airborne Express, and adapting to local conditions, which helped it gain the trust of local populations. Additionally, social initiatives have enhanced its reputation as a responsible company. Furthermore, investments in technology and innovation, including cash-on-delivery payment systems and e-commerce initiatives, have reduced costs and increased revenues. By 2001, Aramex had expanded to 120 locations in 33 countries, reaching 90% of the world's countries, reflecting its success in transforming into an international company (Sayani & Moonesar, n.d.).

Careem

Mudassir Sheikha, who is of Pakistani origin and Swedish Magnus Olsson, founded Careem in 2012. It is a ride-hailing company based in Dubai. The company quickly gained significant popularity in the Middle East, particularly in countries like Egypt and Pakistan, and

distinguished itself by offering a cash payment option, which was especially convenient for the region. Later, Careem expanded to include other services such as food delivery, mobile payments, and a rewards program, aiming to become a comprehensive app similar to companies like Grab and Go-Jek in Asia.

In 2019, Uber announced plans to acquire Careem for \$3.1 billion a deal that closed in early 2020 making Careem a subsidiary of Uber while both companies continued to operate under their respective brands. Uber's acquisition of Careem is considered a strategic move to strengthen its presence in the Middle East after withdrawing from some major markets like China and Southeast Asia. Additionally, Careem has played an important role in encouraging entrepreneurship in the region, contributing to the establishment of several startups through its former employees. Careem is recognized as a "unicorn" in the Middle East, meaning it is a business that has achieved a valuation of \$1 billion or more (Fuhrmann & Kryut, 2019; El Hamamsy et al., 2018; Wikipedia, 2024).

Talabat

Talabat is a leading online food delivery service in the Middle East. It was founded in Kuwait in 2004 by Abdulaziz Al-Lughani and Khaled Al-Otaibi, and quickly grew to become a major platform covering numerous countries such as the United Arab Emirates, Saudi Arabia, Bahrain, Oman, Qatar, Jordan, and Egypt. In 2012, the company launched its app on Android and iOS platforms, enhancing its digital presence.

In 2015, the German group Rocket Internet acquired Talabat for \$170 million, and it later became part of Delivery Hero in 2016. Delivery Hero is one of the prominent global markets for food delivery, operating in over 40 countries across Europe, Asia, Latin America, and the Middle East, collaborating with over 500,000 restaurants. Talabat continued its expansion, and in 2019, it acquired Zomato's branch in the UAE for \$172 million, strengthening its position as the largest food delivery service provider in the region, with a market share of 78%. Additionally, Talabat played a significant role at Expo 2020 as the official food provider, introducing innovative concepts such as cloud kitchens, reflecting its development and leadership in this sector (Moteria, n.d.).

Second: E-commerce: Online Shopping Platforms

Souq.com

Souq.com, founded in 2005 in Dubai, UAE, started as an Arabic auction site before transforming into the largest e-commerce platform in the Arab world. By 2017, it displayed over 8.4 million products across 31 categories, serving key markets including Egypt, Saudi Arabia, Kuwait, Qatar, and Oman, with 45 million monthly visitors. To meet market needs, Souq.com developed its logistics infrastructure in collaboration with local partners and launched the payment gateway "PayFort" and a prepaid card to enhance its e-commerce capabilities (Čirjevskis, 2023).

In March 2017, Amazon announced its acquisition of Souq.com for approximately \$700 million, a strategic move to enter the growing Middle Eastern market. This acquisition allowed Amazon to leverage Souq.com's regional expertise along with its global resources to provide integrated services for customers and merchants in the region. By May 2019, Souq.com in the UAE was rebranded as "Amazon.ae," reflecting the success of the integration and enhancing

Amazon's presence in the Middle East. This acquisition contributed to improving delivery services, expanding product lines, and increasing consumer confidence in e-commerce in the region. Although the e-commerce market in the Gulf was relatively small at that time, forecasts indicated significant growth driven by rising income levels and the proliferation of the internet and mobile phones (Banerjee, 2023).

Namshi

Faraz Khalid, Hossam Arab, and Mohamed Maki founded Namshi in 2011, and it is one of the prominent fashion and lifestyle e-commerce platforms in the Middle East. Namshi offers a wide range of clothing, accessories, shoes, and beauty products for men, women, and children, featuring a variety of local and international brands. The platform is known for its easy shopping experience and efficient delivery. Since its inception, Namshi has experienced rapid growth and has become one of the most popular platforms in the region. The company was acquired by Noon on August 20, 2022, for \$335 million (Tracxn, 2024).

JadoPado

JadoPado was established in 2011 as an e-commerce platform that allows sellers to create virtual stores. Omar Qassem, the founder and former CEO of JadoPado, saw the company acquired by Noon in 2017. The Noon platform, developed in partnership with the Saudi Public Investment Fund, aimed to compete in the regional e-commerce market, especially after Amazon's acquisition of Souq.com. The acquisition of JadoPado was a strategic move to expand Noon's capabilities in this field (Merani, 2017).

Third: Technology: Software, Artificial Intelligence, and Gaming Companies

Maktoob

Maktoob was founded in 1999 by Samih Toukan and Hussam Khoury as the first Arabic email service. The founders faced significant challenges initially, including technical issues and market acceptance of the idea. Despite these obstacles, they focused on providing a reliable email service in Arabic and succeeded in expanding their user base through innovative marketing strategies. Maktoob later expanded to become a portal offering various services, reaching 16 million users by the time Yahoo acquired it in 2009 for \$164 million. This acquisition led to the creation of Jabbar Internet Group, which supported other successful projects like Souq.com and CashU. The story of Maktoob emphasizes the importance of passion, vision, and perseverance in entrepreneurship (Hegazi, 2018).

Instabug

The story of Instabug highlights its journey from a university project to a globally recognized software company. Founded in 2012 by Omar Gabr and Moataz Soliman during their final semester at Cairo University, the idea started as a simple tool for reporting bugs in iOS applications. However, the founders later focused on an innovative feature called "Shake to Send," which allows users to report bugs directly within apps. This early emphasis on ease of use was a key factor in their success. Instabug gained significant momentum after joining the Flat6Labs startup accelerator and later entered the Y Combinatory program in winter 2016, opening doors to global markets. The company received substantial investments, including \$1.7 million in 2016 led by Accel Partners. Their main product, a Software Development Kit (SDK), provides advanced tools for testing applications in both beta and production phases. Their technologies have been adopted by over 25,000 companies worldwide, including major

firms like Samsung and PayPal, reflecting their success in delivering effective and innovative solutions for developers (Egyptinnovate, 2019; Wikipedia, 2022).

Tamatem

Tamatem is considered a leading mobile game publisher in the Middle East and North Africa, founded in Amman, Jordan, in 2013 by Hussam Hammo. Tamatem began its mission to bridge the significant gap in the Arab market by providing games in Arabic. The initial focus was on localizing popular games from global developers to make them more compatible with Arab culture. Today, Tamatem has published over 45 mobile games and achieved more than 65 million downloads. In its early years, Tamatem faced significant challenges in funding and talent acquisition due to a lack of investment opportunities in the region. Despite these challenges, the company grew rapidly, expanding its team from a small group to over 60 employees. Tamatem also became the first Arab company to join the 500 Startups accelerator in Silicon Valley, which helped it secure initial investments and improve its game publishing strategies. Today, Tamatem is considered a key player in the gaming industry, with plans for further expansion in the Middle East and North Africa as well as global markets. Its success is attributed to its commitment to providing high-quality, culturally relevant content for players in the region, along with innovative marketing strategies that leverage social media and influencers (Venture Staff, 2018; Staff writer, 2019).

Examples of Sites with Global Potential

Bayt.com is a leading recruitment platform in the Arab world, founded in 2000 by Mona Ataya and her brother in Dubai. Initially focused on addressing recruitment challenges in the Arab world, it quickly became a respected brand in the region. Bayt.com's reliance on innovative technologies and its extensive experience position it for potential global expansion, especially in Arab communities and new markets seeking advanced recruitment solutions (Hegazi, 2018).

The Naif Al-Rajhi Investment Group acquired Mawdoo3, a prominent Arabic digital content platform, in late 2024. This acquisition aims to enhance Mawdoo3's capabilities in artificial intelligence and digital content, aligning with Saudi Vision 2030's push for technological growth and innovation. Mawdoo3's expertise in Arabic content and AI-driven tools makes it a strong candidate for regional and global expansion, particularly in the Arabic content market. The acquisition supports its growth ambitions by leveraging advanced technologies like natural language processing (Gad, 2024; Wamda, 2024).

Altibbi, based in Dubai, UAE, is the largest digital health platform in the Arab world, offering 24/7 telehealth services and access to over 300 doctors. The platform provides a wide range of services, including medical information, specialized consultations, and pregnancy care, while ensuring privacy and security through advanced technology. Altibbi is known for its convenience, quick doctor responses, and strong user privacy focus. It collaborates with leading digital health institutions to deliver high-quality remote healthcare services (Enginsoy, 2024; Altibbi, 2024).

Both Bayt.com and Mawdoo3, along with Altibbi, are well-positioned for global expansion. Their strong technological investments, innovative approaches, and commitment to high-

quality services make them leaders in their respective sectors with substantial global growth potential.

Factors Contributing to the Success of Arab Startups

The success factors for entrepreneurial and startup companies in the Middle East and North Africa include developing investment theses based on understanding the local context and leveraging unique regional circumstances. Growth is enhanced through creating and activating network effects to improve deal flow and support startups. Additionally, large-scale investment contributes to achieving economies of scale, attracting talent, and increasing returns. Success also relies on a long-term growth approach and performance management with a patient and methodical mindset. Promoting autonomy in governance ensures the attraction of the right talent and alignment with strategic goals, alongside monitoring key performance indicators (KPIs) in line with the value creation model to ensure progress and strategic consistency. Together, these factors create a supportive environment that enables startups to grow and thrive in the region (El Hamamsy et al., 2018).

According to Wamda (2020), early-stage startups in the Middle East and North Africa have high success opportunities if essential factors are present, including choosing a business location in countries with advanced entrepreneurial systems like the UAE and Egypt, and focusing on promising sectors such as fintech, e-commerce, and health and education technology. These companies rely on effective teams, either already in place or in the process of hiring, while achieving key milestones such as product launches, market expansions, and increasing customer bases. Success also includes legal registration, as companies are concentrated in Egypt and the UAE, along with securing initial investments ranging from \$5,000 to \$50,000 from founders or close supporters. Furthermore, companies should have sufficient operational budgets for 12 months or more and founders with strong educational, managerial, and technical backgrounds in product design or technology.

The Dubai Chamber Digital (2024) highlights the reasons behind the success of many startups based in Dubai. The city offers a range of factors that make it an ideal environment for startup success, providing a comprehensive ecosystem supported by the government, innovation centers, and co-working spaces. Advanced legislative policies and free zones facilitate company formation and protect intellectual property rights, while Dubai's strategic location as a bridge between East and West eases access to global markets. The city also offers diverse funding opportunities through active investors and government programs, in addition to a high quality of life that includes security, cultural diversity, and world-class infrastructure. Dubai attracts global talent through programs like the Golden Visa and supports innovation through initiatives like the Smart City and Sustainability programs. Additionally, programs such as the "Dubai Future Accelerators" and the "Dubai Economic Agenda" provide necessary guidance and funding for startups to achieve success and global growth.

The success factors of the entrepreneurs discussed in the book "Startup Arabia" (Hegazi, 2018) are reflected in several key aspects, including passion and a clear vision. Entrepreneurs like Samih Toukan and Mona Ataya demonstrated a significant commitment to their projects, helping them face challenges and persevere. Innovation and adaptability to local market needs were also essential, as they provided solutions like the Arabic email service "Maktoob" while adjusting operational models to keep pace with changes. These entrepreneurs excelled

in wisely managing resources and building strong, motivated teams by fostering a collaborative environment and encouraging employees through equity stakes in the companies. Moreover, they utilized failure as an opportunity for learning and growth, focusing on market timing and effective execution, as seen with Bayt.com in addressing the increasing demand for online recruitment. Their efforts to achieve a positive social impact and build a supportive community around their products also contributed to their success. Entrepreneurs benefited from mentorship and professional networks for guidance and support, enabling them to reinvest in emerging ventures and assist the next generation of entrepreneurs.

Challenges and Factors Leading to the Failure of Arab Startups

Mikle (2020) identified several factors that can lead to the failure of startups: one of the most significant reasons is the lack of genuine market demand, with 42% of companies reporting that their products do not meet actual market needs. Additionally, a shortage of capital and poor financial management are critical issues, with 29% of companies citing this problem. An unsuitable team is another important reason for failure, affecting 23% of companies due to a lack of necessary skills and experience. Moreover, weak marketing can lead to a company's failure, along with burnout from work pressure, noted by 8% of companies. Ignoring customer feedback can hinder companies from improving their products, while incorrect timing—whether launching a product too early or too late—significantly affects the success of a startup. These reasons highlight the importance of market research, prudent financial management, building strong teams, implementing effective marketing strategies, maintaining work-life balance, and paying attention to customer feedback and the right timing for product launches.

Hegazi (2018), in "Startup Arabia" points out that one of the main challenges is market skepticism, making it difficult to convince investors, partners, and customers of the viability of innovative ideas. For instance, Samih Toukan faced doubts about the necessity of an Arabic email service given the existence of providers like Hotmail. Infrastructure limitations also pose a challenge, as building a robust infrastructure to support e-commerce, such as reliable payment gateways and effective delivery services, remains difficult. Securing adequate funding and managing cash flow prudently are additional hurdles entrepreneurs must navigate, requiring strategic spending. Technological barriers are also significant, as developing and maintaining reliable technological solutions in a region lacking local expertise and resources is challenging. Cultural and market differences across countries necessitate product and strategy adaptations to meet local needs. Startups also face challenges related to complex regulatory frameworks that hinder regional growth, along with difficulties in attracting specialized talent, competition, market penetration in emerging markets, and operational challenges during rapid growth. Lastly, economic and political disruptions threaten businesses, compelling entrepreneurs to adapt to changes in their environment to ensure business continuity. These challenges require resilience, creativity, and strategic thinking to achieve success in the technology sector in the region.

El Hamamsy et al. (2018), focusing on digital companies, note that the main challenges for digital entrepreneurship in the MENA region include several significant factors. First, there is untapped digital potential, as many digital sectors in the region remain in their infancy despite high digital connectivity. The limited online presence of small and medium-sized enterprises

(SMEs)—with only 8% having a digital footprint—hinders growth. In e-commerce, online sales account for just 1.5% of total retail sales, indicating significant growth opportunities. Companies in the region also face challenges in going public due to regulatory barriers and an undeveloped capital market for such transactions. Regulatory obstacles such as high taxes and complex procedures that deter investment and growth compound these challenges. Local companies find themselves competing with global players like Facebook, Google, and Amazon, which dominate a significant portion of the digital market in the region. Finally, the diversity of the digital economy in the region means that smartphone penetration and internet access vary between countries, creating uneven demand and growth.

According to Alshaar (2023), market instability presents a challenge in adapting to rapid changes in market conditions, consumer preferences, and trends. Companies face unexpected risks, such as changes in government policies, data privacy regulations, global financial crises, and new customs legislation. Addressing these challenges requires strategic planning, flexibility, and a proactive approach to ensure sustainable growth in this dynamic digital landscape.

Addressing these challenges requires strategic planning, adaptability, and sustainable investment in resources and innovation to ensure growth and long-term success.

Future Prospects for Arab Startups

The Wamda (2020) report provides a comprehensive analysis of the state of early-stage startups in the Middle East and North Africa (MENA) region, highlighting key trends and contributing factors to the growth of this sector. The report indicates that the majority of startups are concentrated in countries like the UAE and Egypt, primarily operating in promising sectors such as e-commerce, fintech, edtech, and healthtech. Most of these companies are still in the early stages of ideation or prototype development, with funding primarily coming from founders and their personal networks. The entrepreneurial ecosystem in the region significantly supports innovation and job creation, bolstered by increased investment from venture capitalists (VCs) and funded investors, which opens up greater funding opportunities for the future. Many founders possess distinguished professional and educational backgrounds, with 66% holding a bachelor's degree and 19.3% holding an MBA, enhancing their ability to effectively manage and grow their companies. This growth reflects increasing diversity and maturity within the entrepreneurial ecosystem, indicating a more prosperous future for startups.

Future forecasts for startups in the MENA region point to promising possibilities driven by several key factors. According to El Hamamsy et al. (2018), increased digital connectivity is one of the primary drivers, with 88% of the population using the internet daily and 94% owning smartphones, providing a strong foundation for emerging digital companies. Additionally, the youth demographic constitutes about 60% of the region's population, further accelerating the rapid expansion of the digital sector. Investments in the region have shown remarkable growth, increasing by over 100% between 2015 and 2017, with a significant role played by corporate venture capital (CVC) and government initiatives in supporting startups. Specific digital sectors, such as e-commerce, fintech, digital music, delivery services, and travel, are experiencing notable growth as local companies increasingly rely on expansion and regional outreach. Governments are supporting this sector through initiatives like the "Fintech Hive" in the UAE and the Kuwait National Fund for the

Development of Small and Medium Enterprises. Furthermore, the region has substantial potential to develop its digital economy, with the possibility of adding \$95 billion annually to its GDP if it reaches levels close to global digital economy leaders. Overall, the region is poised for significant growth in its startup ecosystem, driven by digital transformation, a supportive investment environment, and a tech-savvy youth population.

In conclusion, startups in the MENA region have strong growth potential, particularly in emerging sectors like artificial intelligence, e learning, and healthcare, supported by a growing innovation ecosystem and government-backed initiatives. This dynamic environment offers significant opportunities for local and global expansion.

Recommendations for Startups

Startups should focus on adopting emerging technologies like artificial intelligence (AI), blockchain, and sustainability innovations to drive efficiency and meet environmental goals. The growing demand for telemedicine and fintech solutions presents significant market opportunities; especially as remote work and e-commerce continue to expand. Engaging with government-backed support, such as grants and incubators, can provide essential funding and mentorship. Startups should prioritize scalability and collaboration by collaborating with other entities within innovation hubs, while also enhancing user experience through advanced security measures and tailored services. By integrating these trends and recommendations, startups can position themselves for sustained success in a competitive landscape.

Conclusion

To realize the full potential of Arab startups and enhance their global competitiveness, it is imperative to create an environment that nurtures innovation and provides robust financial and technical support. Governments and private sector entities must collaborate to establish a dynamic entrepreneurial ecosystem by improving infrastructure, incentivizing investment, and streamlining regulatory processes. Such initiatives will empower Arab entrepreneurs to scale their ventures, access international markets, and drive sustainable economic development. By addressing existing challenges and leveraging the region's unique strengths, Arab startups can play a transformative role in shaping the global startup landscape while contributing to the long-term growth and diversification of the region's economy.

Theoretical and Contextual Contribution

This research provides valuable insights into the startup ecosystem in Arab countries, highlighting the unique challenges and opportunities faced by entrepreneurs. It moves beyond general global narratives to focus on the specific cultural, economic, and technological factors shaping Arab startups. By analyzing success stories, challenges, and future prospects, the study offers practical guidance for policymakers, investors, and aspiring entrepreneurs. It also shows how the region, despite limited technological infrastructure in the past, is rapidly innovating and competing globally. Overall, this research emphasizes the importance of building a supportive environment for startups to drive economic growth and sustainable development in Arab countries.

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