

Institutional and Cultural Constraints on Women's Entrepreneurship in SMEs: A Conceptual Framework in the Context of Saudi Vision 2030

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Abstract: Women entrepreneurs play an increasingly important role in economic diversification, employment generation, and SME growth. Yet, their participation and venture performance remain constrained by institutional and sociocultural structures rather than individual capability alone. This is particularly evident in transitional economies such as Saudi Arabia, where Vision 2030 has introduced substantial policy reform to expand women's economic participation, while prevailing cultural norms and institutional practices continue to shape the extent to which these reforms translate into entrepreneurial outcomes. This paper develops a conceptual framework examining how institutional and cultural context shape women's entrepreneurial motivation, education-to-outcome pathways, and business performance in SMEs. Drawing on North's institutional theory and Hofstede's cultural dimensions, the framework treats formal policy support and informal cultural norms as the primary structural forces conditioning entrepreneurial activity. Education and entrepreneurial motivation are positioned not as independent drivers but as mechanisms through which institutional and cultural conditions are converted into entrepreneurial intention and venture outcomes: education builds the skills and strategic capacity to act on opportunity, while motivation, shaped by push and pull factors, determines whether structural enablement is translated into start-up behaviour. Gender equality is conceptualised as a moderating condition that influences entrepreneurial confidence, resource access, and opportunity recognition within this system. The paper contributes a coherent conceptual model linking institutional reform, cultural context, and individual-level drivers, addressing calls in the literature for more context-sensitive theorising on women's entrepreneurship in the Gulf and other transitional economies. It offers a foundation for empirical testing, particularly relevant given the accelerating policy reform underway in Saudi Arabia, and practical implications for policymakers and entrepreneurship support agencies seeking to close the gap between formal gender-equality policy and lived entrepreneurial experience.

Keywords: Women Entrepreneurship, SMEs, Institutional Theory, Cultural Norms, Gender Equality, Saudi Vision 2030, Conceptual Framework.

1. Introduction

Small and medium-sized enterprises (SMEs) have become well-established sources of employment, innovation, and diversification of the economy. Meanwhile, the number of women who establish their own SMEs is becoming increasingly prominent. However, female entrepreneurial involvement and performance is still lagging behind those of males in virtually all economies, especially those that experience rapid but uneven institutional change (Jennings and Brush, 2013; Welter, 2011). Numerous works have been devoted to the study of factors associated with entrepreneurial activity on the individual level, like education, motivation, self-efficacy and the like. However, there is much less research on how these factors interact with the structural environment, specifically formal institutions and cultural context in terms of women's entrepreneurial outcomes (Brush, de Bruin and Welter, 2009; Marlow and Patton, 2005).

The situation in Saudi Arabia is of particular interest from a theoretical perspective to analyse this interaction. Starting in 2016, the government of the country launched Vision 2030, through which many institutional transformations have been implemented to promote the participation of women in the economy. These transformations can be considered very fast institutional changes. In contrast to formal institutions, informal institutions, which should be seen as the set of cultural norms, social norms, and gender-related distribution of economic opportunities, develop much more slowly than formal rules (North, 1990). Thus, there arises a special theoretical challenge of how women entrepreneurs operate in a context where formal policies promote their participation, but cultural context limits it and what it means in terms of the pathways between education and motivation on entrepreneurship outcomes.

The paper addresses the question through the development of a conceptual framework, instead of discussing empirical findings, as the doctoral study is still at the data collection stage. The conceptual framework will combine theories on institutionalism (North, 1990, 2005) and the cultural dimensions approach (Hofstede, 2001; Hofstede, Hofstede and Minkov, 2010) with the constructs specifically relating to entrepreneurship such as entrepreneurial motivation (Ajzen, 1991), self-efficacy (Bandura, 1997) and entrepreneurial orientation

(Lumpkin and Dess, 1996), to develop a conceptual model where both formal institutions and informal culture play roles in transforming education and motivation to entrepreneurial intentions and venture success.

2. Theoretical Background

2.1 Institutional Theory: Formal and Informal Institutions

According to North (1990), there are two types of institutions: the formal institutions represented by laws, policies, and regulations, and the informal institutions that include conventions, behavioural norms, and imposed codes of conduct. One of the key ideas of this institutional theory is that formal and informal institutions do not always progress at the same speed: formal institutions can change rather easily through legislative action or policy changes, while informal institutions are embedded in social practice and tend to evolve slowly over time (North, 2005). In terms of women's entrepreneurship, this concept is analytically helpful since it allows for separating the impact of policy reforms, which is the case of Saudi Vision 2030's institutionalisation of women's economic involvement, from the impact of cultural attitudes toward women's entrepreneurial activity and role in business and domestic spheres. When formal and informal institutions diverge, entrepreneurs encounter an institutional gap when their legal right to engage in business activities is not enough to grant them social legitimacy or support.

2.2 Hofstede's Cultural Dimensions

Hofstede's cultural dimensions theory serves as an additional perspective when trying to theorise about informal institutions at a finer grain of analysis. Cultural dimensions like power distance, collectivism/individualism, and masculinity/femininity are extensively used in literature when explaining differences between countries in terms of their entrepreneurship levels and gender-specific division of economic functions (Hofstede, 2001). In cultures with high power distance and strong collectivism, entrepreneurial choices, especially of female entrepreneurs, are more often made within the family/community structure than as individual decisions. It means that there is a strong impact of family approval and social acceptance upon the choice of an entrepreneurial career in Saudi Arabia, which can significantly affect the role of motivation and education in making this decision.

2.3 Individual-Level Constructs: Education, Motivation, and Self-Efficacy

There are three important constructs at the individual level in entrepreneurship research. First, education is theoretically considered a factor that promotes entrepreneurial ability by providing technical expertise, good decision-making abilities and confidence to spot business opportunities and exploit them. Second, motivation to engage in entrepreneurial activities has been examined in terms of push-pull factors. The former refers to necessity-related motivations while the latter refers to opportunity-related motivations. Thus, necessity is when people have no better alternative than being entrepreneurs because of a lack of job options, while opportunity includes the freedom to be one's own boss and realise a business idea (Ajzen, 1991). Third, self-efficacy is defined as the individual belief in his/her ability to perform the actions necessary to accomplish a certain goal (Bandura, 1997). Entrepreneurial orientation, which includes innovation, risk-taking and proactiveness, adds another layer to how individual-level resources translate into venture-level strategies (Lumpkin and Dess, 1996).

Combined, these constructs have been traditionally considered as direct predictors of entrepreneurship success. However, in this paper, it is argued that their influence depends on the context. In other words, education and motivation are mechanisms that influence entrepreneurial intention and success depending on the surrounding context of institutions and culture.

3. Literature Review: Women's Entrepreneurship, Institutions, and Culture

3.1 Structural and Institutional Constraints on Women's Entrepreneurship

The focus of studies on women's entrepreneurship has shifted from the individual-deficit explanations, where gender differences in entrepreneurial achievements were seen as a result of the differences in human capital and risk aversion, to the more structural and contextual explanations, which highlight the gendered character of the institutional environment (Marlow and Patton, 2005; Welter, 2011). Lack of access to funding was identified as one of the primary structural barriers: female entrepreneurs reported greater difficulty obtaining loans, which did not stem from their lower creditworthiness but from the gendered presumptions inherent in the lending system and collateral requirements (Marlow and Patton, 2005). Brush, de Bruin and Welter (2009)

developed a framework, which considers institutions, market, and family settings as interacting elements of women's entrepreneurship, rather than taking into consideration only the gender factor as a control element of a gender-neutral model. The structural view remains dominant in the discussion: Douglas and Venugopal (2025) extend the reasoning beyond the growth vs non-growth dichotomy and develop a model of causal connections between gender and entrepreneurial outcomes that supports structural, rather than individual-deficit, explanations of gender differences. Recent cross-country study provides empirical evidence supporting the thesis of Marlow and Patton (2005), stating that lack of credit results from the lending practice, rather than from different creditworthiness of the female and male business owners: Grover and Viollaz (2025) find that women-run firms do not have any profit or risk disadvantages compared to the male-run firms but are disadvantaged in terms of credit allocation, with the biggest difference observed in more culturally traditional countries – an issue highly relevant to this paper due to the use of Hofstede's cultural dimensions in it. The gender-aware framework of Brush, de Bruin and Welter (2009) is still the dominant framework of reference used in the literature. Audretsch et al. (2022) find it actively used in international entrepreneurship literature through systematic review.

3.2 Cultural Norms and the Gendering of Entrepreneurial Opportunity

The influence of culture on entrepreneurship does not only have to do with the motivation of individuals to engage in entrepreneurship, but rather the influence of culture on the activities deemed socially acceptable for women to pursue as entrepreneurs, and the conditions that come with it, such as the consent of the family or, in particular, industries. It is especially important to heed Welter's (2011) advice of contextualising entrepreneurship because it is impossible to understand entrepreneurial action without considering the social, geographic, and institutional setting in which it occurs. Collectivism in families is especially relevant when women entrepreneurs have to negotiate with family members and measure their business performance concerning social acceptance.

3.3 The Saudi Vision 2030 Context

Vision 2030 can thus be seen as an attempt to bring about rapid formal institutional change within Saudi Arabia, including the changes aimed at promoting women's economic engagement. From the standpoint of institutional theory, this implies rapid formal institutional change brought into existence in the environment characterised by slower changes in informal institutions due to the latter's roots in culturally based values. One should stress, however, that the assumption made here does not mean that the cultural norms in Saudi Arabia do not change. The idea of institutional-cultural lag put forward by North (1990) means that the effects of the reforms undertaken within the framework of Vision 2030 on the results of Saudi female entrepreneurship will greatly depend on the degree of adaptation of informal institutions to the changes introduced through the formal ones. As a result, Saudi Arabia becomes an example of a theoretically specific context in which one can study the interaction between institutions, culture and individual factors proposed in this paper. Recent empirical evidence proves the correctness of the approach taken. In the light of the intersectionality-plus framework used in their analysis of Saudi female entrepreneurship in the context of Vision 2030, Almohanna, Bryson and Qamar (2025) state that existing institutions allow male business owners to develop faster than female ones, implying that formal reforms did not lead to neutralisation of the informal institutional advantages. This finding is in agreement with a recent empirical study of the institutional-environment relation conducted among Saudi female digital entrepreneurs, which found that the proportion of female-owned businesses in Saudi Arabia still remains 4 per cent in comparison with 7 per cent in the case of men (Alhajri and Aloud, 2025, quoting Kelly et al., 2022). On the other hand, the statistics provided by the Global Entrepreneurship Monitor show that the pace of change is increasing: the proportion of established businesses owned by women in Saudi Arabia has grown to 14 per cent in 2023, reaching for the first time the level of male ownership, which previously was below 4 per cent (GEM, 2024). These findings clearly illustrate the phenomenon of institutional-cultural lag suggested in the paper: while the formal participation gains emerge, the gap revealed by Almohanna, Bryson and Qamar (2025) shows that the pace of changes in informal institutions has not been the same.

4. Proposed Conceptual Framework

This framework consists of four components. The first of these components is formal institutions that include Vision 2030 policy reforms on access to finance and business support services. The second of these components is informal institutions that include cultural norms along Hofstede's dimensions of collectivism and power distance. The third of these components is individual-level mechanisms (i.e., education and entrepreneurial

motivation), and the final of these components is entrepreneurial outcomes (i.e., start-up intention and venture performance). A moderating condition that crosses the framework is gender equality.

The core of this theory is that formal institutions and informal cultural norms jointly condition the power of education and motivation with respect to entrepreneurial intention and performance and do not act independently of each other. From this theory, four further propositions may be derived.

Proposition 1: is that the support from formal institutions (e.g., access to finance and business support services) will enhance the positive effect that education has on entrepreneurial intention.

Proposition 2: Theory suggests that in cultural contexts with high collectivism and high power distance, the effect that entrepreneurial motivation has on the intention to start a business will be strongly influenced by family and social approval during the entrepreneurial journey.

Proposition 3: When we talk about gender equality, we are talking about people feeling like they have access to the things they need, the same chances to spot good opportunities and the same respect from society. This feeling of equality affects how the culture and rules of a place impact the way people start their businesses. If people think there is equality between men and women, then the education they get and how motivated they are will be more likely to lead to them actually starting a business.

Proposition 4: Sometimes the official rules of a place change quickly. The way people really think and feel about things takes a lot longer to change. This can cause problems because people may want to start a business. The old way of thinking can hold them back. This can happen even if someone is well educated or really motivated to start a business.

5. Discussion and Implications

5.1 Theoretical Contribution

This study makes three contributions to the literature. First, the integration of institutional and Hofstede's cultural frameworks together with individual-level entrepreneurship concepts into one comprehensive model responds to the call for more context-based theorising of women's entrepreneurship (Welter, 2011; Brush, de Bruin & Welter, 2009). Secondly, by conceptualising education and motivation as moderating mechanisms, the model gives a more accurate explanation of the reasons why identical individual-level characteristics generate diverse entrepreneurial outcomes under different institutional and cultural conditions. Finally, the model's focus on the speed differential between formal and informal institutions (North, 1990) serves as a theoretical foundation to predict where and why the implementation of a formal policy reform, Vision 2030, will result in positive or negative entrepreneurial outcomes for women.

5.2 Practical and Policy Implications

For policymakers, the model implies that while formal policies are required to address issues related to access to finance or entrepreneurship services, these are not sufficient per se to narrow the gender gap without parallel work to overcome cultural barriers, for instance via public relations, role models, and business assistance programs, including families. For business support organisations and universities, the model emphasises that education/training initiatives must be contextually informed, i.e., they should take into account the cultural and institutional environment within which the participants operate, as otherwise a purely skills-based approach would not work.

6. Conclusion and Future Research Directions

The theoretical framework has been built in the paper by explaining how formal and informal factors influence the linkage between education, motivation and female entrepreneurs' outcomes through their interaction with one another in the case of SMEs in the Vision 2030 reforms in Saudi Arabia. Gender equality is taken into account as a moderating variable, and the four propositions have been put forward regarding the connection between the context and intention/performance of entrepreneurs. At present, the doctoral study based on this framework is being conducted, and empirical evidence will soon be provided by collecting data about all those variables mentioned above for the two regions in Saudi Arabia - Riyadh and Qassim. It will be collected through a quantitative survey instrument. Further research should pay attention to qualitative methods too, as the

problem of institutional-cultural dissonance is quite complex and cannot be explained in a purely conceptual way.

Ethics Declaration

This is a purely theoretical paper; thus, no data will be collected for this research, nor will anyone be exposed to risks associated with this research in any way. The doctoral research that has led to the writing of this paper has undergone an ethical review by the university in line with the Research Ethics Code of Practice (RECoP) at De Montfort University.

AI Declaration

Generative AI (Claude, Anthropic) was used during the preparation of this paper to assist with drafting, structuring, and language refinement of the conceptual framework and supporting text. All theoretical content, argumentation, and conclusions were reviewed, verified, and taken responsibility for by the author(s). AI tools were not used to generate empirical data, findings, or fabricated citations.

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