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The impact of technological and business innovation on economic performance: Mediating role of government support

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Abstract

This study examines the impact of technological innovation, business innovation, and government support on economic performance within Saudi Arabia's manufacturing sector. It aims to explore both direct and indirect relationships, emphasizing the mediating role of government support. A cross-sectional research design was employed, with data collected from managerial-level employees using a structured questionnaire. Structural equation modeling (SEM) was utilized to analyze the relationships between key variables. The results indicate that technological innovation (β = 0.488) and business innovation (β = 0.467) significantly influence government support, which in turn has a strong positive effect on economic performance (β = 0.88). Furthermore, government support mediates the relationship, with technological innovation (β = 0.43) and business innovation (β = 0.411) indirectly enhancing economic performance. The findings highlight the crucial role of innovation and government policies in fostering economic growth. Strengthening collaboration between businesses and government entities can create an innovation-driven ecosystem that supports sustainable development. This study provides insights for policymakers and business leaders on leveraging innovation and government support to enhance economic performance. Aligning strategies with Saudi Arabia's Vision 2030 can help establish a competitive and sustainable manufacturing sector.

Keywords: Economic, Government innovation, Performance.

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1. Introduction

In an era of rapid technological advancement and economic transformation, innovation has emerged as a critical driver of competitiveness and growth for organizations and nations alike [1]. The global economy is undergoing profound changes, fueled by breakthroughs in digital technologies, artificial intelligence, automation, and renewable energy. These advancements have not only disrupted traditional industries but have also created new opportunities for growth and development [2]. In this fast-evolving landscape, the ability to innovate—whether through the adoption of cutting-edge technologies or the implementation of novel business practices—has become a key determinant of success. For businesses, innovation enhances productivity, improves product quality, and enables adaptation to shifting market demands [3]. For nations, it drives economic diversification, creates jobs, and fosters sustainable development.

For countries like Saudi Arabia, which is undergoing significant economic diversification under Vision 2030, fostering innovation and leveraging government support are essential strategies to reduce reliance on oil revenues and build a sustainable, knowledge-based economy [4]. Launched in 2016, Vision 2030 is a strategic framework aimed at transforming Saudi Arabia into a global investment powerhouse by reducing its dependence on oil and promoting sectors such as manufacturing, renewable energy, tourism, and technology. This ambitious vision recognizes the critical role of innovation in achieving economic resilience and long-term prosperity [5]. However, transitioning from a resource-dependent economy to one driven by innovation and technology requires not only investment in research and development but also a supportive ecosystem that encourages creativity, entrepreneurship, and collaboration [6]. The manufacturing sector, in particular, plays a pivotal role in this transformation. As a cornerstone of industrial development, manufacturing contributes significantly to GDP, job creation, and export diversification [7]. It also serves as a hub for innovation, as advancements in production processes, automation, and supply chain management often originate within this sector [8]. By fostering innovation within the manufacturing sector, Saudi Arabia can enhance its competitiveness, attract foreign investment, and create high-value jobs for its growing population.

However, the extent to which innovation and government support collectively influence economic performance remains underexplored, especially in the context of emerging economies like Saudi Arabia. While innovation is widely recognized as a driver of growth, its impact is often contingent on the presence of supportive government policies, such as funding programs, tax incentives, and regulatory frameworks. Government support can create an enabling environment for businesses to innovate, scale, and compete in global markets. Yet, the interplay between innovation, government support, and economic performance is complex and multifaceted, requiring deeper investigation to understand how these factors interact and contribute to sustainable development. This study seeks to address this gap by examining the relationships between technological innovation, business innovation, government support, and economic performance in Saudi Arabia's manufacturing sector. By exploring these dynamics, the research aims to provide valuable insights into how innovation and government policies can be harnessed to drive economic growth and diversification. Ultimately, this study underscores the importance of collaboration between the public and private sectors in building an ecosystem that fosters innovation, supports economic transformation, and ensures long-term prosperity.

2. Literature Review and Hypotheses Development

2.1. Technological Innovation

Technological innovation involves the adoption and implementation of new technologies, processes, and methods to improve products, services, and operational efficiency [9]. It is a critical driver of economic growth and competitiveness, particularly in the manufacturing sector. Technological innovation enables firms to enhance productivity, reduce costs, and create high-quality products, which are essential for maintaining a competitive edge in global markets. In emerging economies like Saudi Arabia, technological innovation supports the transition from resource-dependent economies to knowledge-based ones [10]. Firms investing in technological innovation are better positioned to adapt to market changes and achieve sustainable growth. The adoption of advanced manufacturing technologies, such as automation and artificial intelligence, leads to significant improvements in operational efficiency and product quality [11]. Technological innovation also drives the development of new industries and the transformation of existing ones, contributing to economic diversification [12]. In Saudi Arabia, initiatives like the National Industrial Development and Logistics Program and Saudi Vision 2030 emphasize the importance of technological innovation in driving industrial growth and reducing reliance on oil revenues. Technological innovation attracts government attention and resources [13]. Governments prioritize sectors and firms that demonstrate technological advancement and potential for economic contribution [14]. Firms investing in research and development or adopting cutting-edge technologies are more likely to receive government grants, tax incentives, and regulatory support [15]. This alignment with national economic goals, such as job creation and sustainable development, makes technological innovation a catalyst for government support. This leads to the first hypothesis:

$H_{1:}$ Technological innovation influences on government support.

2.2. Business Innovation

Business innovation involves the creation and implementation of new ideas, processes, products, and systems to improve organizational efficiency and market competitiveness [16]. It focuses on strategic and operational improvements, such as innovations in business models, marketing strategies, supply chain management, and customer engagement [17]. Business innovation is critical for firms seeking to differentiate themselves in competitive markets and respond to changing consumer demands. Firms that adopt innovative business practices are better equipped to identify new market opportunities, optimize resource allocation, and enhance customer satisfaction. In Saudi Arabia, business innovation is particularly relevant as the country seeks to diversify its economy and develop non-oil sectors. Programs like Monsha'at, which support small and

medium enterprises, highlight the importance of fostering a culture of innovation and entrepreneurship. Firms engaging in business innovation are often seen as proactive and forward-thinking, qualities that align with government objectives for economic diversification and growth [18]. Such firms are more likely to receive government support in the form of funding, tax incentives, and regulatory assistance [19]. Governments provide grants or subsidies to firms that demonstrate innovative business models or contribute to job creation and economic development [20]. This forms the basis for the second hypothesis:

$H_{2:}$ Business innovation influences on government support.

2.3. Government Support

Government support plays a crucial role in fostering economic growth by creating an enabling environment for businesses to thrive [21]. It includes financial incentives, regulatory frameworks, infrastructure development, and policy initiatives. In emerging economies, government support addresses market failures, reduces barriers to entry, and encourages investment in innovation [22]. Government support positively impacts economic performance by reducing operational costs, enhancing access to resources, and promoting innovation [13]. Grants and subsidies enable firms to invest in research and development, adopt new technologies, and expand their operations. Regulatory support, such as streamlined licensing processes and tax incentives, creates a business-friendly environment that encourages entrepreneurship and investment [17]. In Saudi Arabia, initiatives like the Shareek program and the Quality of Life Program demonstrate the importance of government support in driving economic growth. Government support also includes the creation of policies and frameworks that promote collaboration between the public and private sectors [14]. Public-private partnerships facilitate knowledge sharing, joint research and development projects, and the development of innovation ecosystems. Such collaborations are essential for fostering innovation and achieving sustainable economic development. This leads to the third hypothesis:

$H_{3:}$ Government support influences on economic performance.

2.4. Mediating Role of Government Support

Government support acts as a mediator between innovation and economic performance. Firms that innovate are more likely to attract government support, which enhances their ability to achieve better financial outcomes [5]. This mediating role is particularly relevant in emerging economies, where institutional frameworks and policy interventions are critical for business success. Firms investing in technological innovation may receive government grants or tax incentives, enabling them to scale their operations and improve their market position [6]. Firms engaging in business innovation may benefit from regulatory support, such as streamlined licensing processes or access to government-funded innovation hubs [4]. These forms of support amplify the impact of innovation on economic performance by providing firms with the resources and infrastructure needed to succeed. Thus, the following hypotheses are proposed:

$H_{4:}$ Government support mediates the relationship between technological innovation and economic performance.

$H_{5:}$ Government support mediates the relationship between business innovation and economic performance.

Figure 1 presents the research model.

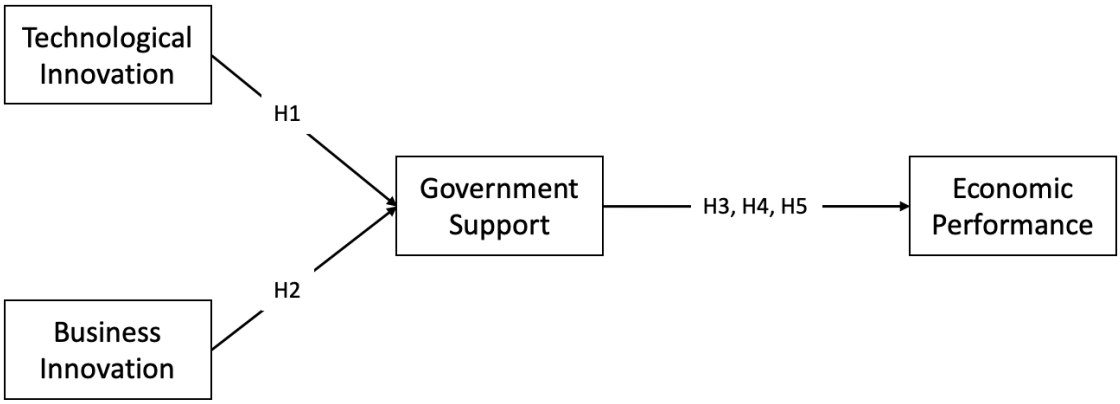

Figure 1.
Research Model.

3. Methodology

This study employed a cross-sectional study design to investigate the relationships between technological innovation, business innovation, government support, and economic performance. Data were collected from managerial-level employees working in manufacturing sector organizations in Saudi Arabia. The manufacturing sector was chosen due to its strategic importance in Saudi Arabia's economic diversification efforts under Vision 2030, as well as its potential for innovation and reliance on government support. Managerial-level employees were targeted because of their direct involvement in decision-making processes related to innovation and performance, ensuring that the data collected would be both relevant and reliable. The convenience sampling technique was used to collect data, as it allowed for efficient and timely access to participants within the manufacturing sector. While convenience sampling may limit generalizability, it was deemed appropriate for this study due to the exploratory nature of the research and the focus on a specific sector and geographic region. Data collection took place in February 2025, ensuring that responses reflected recent organizational performance and practices. This timing

was chosen to capture the most current insights into innovation and economic performance in the context of Saudi Arabia's ongoing economic reforms.

A structured questionnaire was used to measure the constructs. Technological innovation was assessed using nine items adapted from Chege and Wang [23] business innovation was measured with four items adapted from Bamgbade, et al. [24] and government support was evaluated using seven items adapted from Zamberi Ahmad and Xavier [25]. These constructs were measured on a 5-point Likert scale ranging from "strongly disagree" to "strongly agree." For economic performance, respondents were asked to indicate their organization's performance over the past 12 months compared to leading competitors using a 5-point Likert-type scale (1 = well below average, 5 = well above average), with three items adapted from Henri and Journeault [26]. The use of validated scales ensured the reliability and validity of the measurements.

Data analysis was performed using structural equation modeling (SEM), a robust statistical technique suitable for examining complex relationships between multiple constructs. SEM allows for the simultaneous analysis of measurement and structural models, making it ideal for testing the hypothesized relationships in this study. The use of SEM also enabled the assessment of both direct and indirect effects, such as the mediating role of government support in the relationship between innovation and economic performance. This approach provided a comprehensive understanding of the interplay between the constructs and their impact on economic outcomes.

4. Results

Table 1 provides a demographic overview of the participants (n=351) in the study, categorized by gender, age, highest education level, current job position, and years of experience. In terms of gender, the majority of participants are male (62%), while females make up 38%. Regarding age, the largest groups are 25–34 and 35–44, each representing 30% of participants, followed by 45–54 (19%), 55 and above (11%), and below 25 (10%). This indicates a balanced age distribution, with most participants being in their mid-career stages. For the highest education level, the majority hold a bachelor's degree (52%), followed by a master's degree (28%), while associate degrees account for 20%. This reflects a highly educated participant pool. In terms of current job position, mid-level managers form the largest group (42%), followed by senior managers (27%), executives/directors (19%), and business owners (12%). This suggests a strong representation of managerial and leadership roles. Finally, regarding years of experience, the distribution is relatively even: 30% have 2–5 years of experience, 25% have 6–10 years, 25% have more than 10 years, and 20% have less than 2 years. This indicates a mix of early-career, mid-career, and experienced professionals in the sample.

Table 1.
Participants Characteristics (n=351)

Category	Subcategory	Frequency	Percentage
Gender	Male	218	62%
	Female	133	38%
Age	Below 25	35	10%
	25–34	105	30%
	35–44	105	30%
	45–54	67	19%
	55 and above	39	11%
Highest Education Level	Associate degree	70	20%
	Bachelor's degree	182	52%
	Master's degree	99	28%
Current Job Position	Mid-level manager	146	42%
	Senior manager	95	27%
	Executive/Director	67	19%
	Business owner/lead	43	12%
Years of Experience	Less than 2 years	70	20%
	2–5 years	105	30%
	6–10 years	88	25%
	More than 10 years	88	25%

Table 2 presents the measurement model, detailing constructs, their respective items, loadings, and reliability and validity metrics such as Cronbach's alpha, composite reliability, and average variance extracted (AVE). The technological innovation construct measures a company's investment in and use of technology for product development, production, marketing, and operational efficiency. With a Cronbach's alpha of 0.719 and composite reliability of 0.736, the construct shows acceptable internal consistency and reliability. The AVE of 0.628 indicates that the construct explains a significant portion of the variance in its items. All item loadings exceed 0.7, demonstrating strong relationships between the items and the construct. Items like TI6 (0.879) and TI8 (0.892) have particularly high loadings, emphasizing the importance of cost efficiency and integration challenges in technological innovation. The business innovation construct evaluates a firm's proactive approach

to adopting innovative technologies and processes to meet customer needs and maintain competitiveness. It demonstrates strong reliability with a Cronbach's alpha of 0.853 and a composite reliability of 0.802. The AVE of 0.702 further confirms its convergent validity. Item loadings are consistently high, with BI1 (0.901) and BI4 (0.874) standing out, highlighting the critical role of creating new ideas and using innovative technologies to adapt to customer demands. This construct underscores the importance of innovation in driving business success. The government support construct assesses the perceived level of government support for new and growing firms, including policies, tax regulations, and bureaucratic efficiency. It shows moderate reliability with a Cronbach's alpha of 0.733 and composite reliability of 0.746, while the AVE of 0.716 suggests good convergent validity. Item loadings are strong, particularly for GS3 (0.899) and GS4 (0.868), which emphasize the importance of local government support and efficient permit processing for new firms. This construct highlights the role of government policies in fostering a conducive environment for business growth. The economic performance construct measures the financial performance of an organization relative to its competitors over the past 12 months. It exhibits high reliability with a Cronbach's alpha of 0.801 and composite reliability of 0.882, and the AVE of 0.715 further supports its validity. Item loadings are robust, especially for EP1 (0.886) and EP2 (0.897), indicating that return on investment and operating profits are key indicators of economic performance. This construct effectively captures the financial health and competitive standing of the organization.

Table 2.
Measurement Model.

Items with constructs	Loadings	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
Technological Innovation		0.719	0.736	0.628
TI1: "Our company invested in research and development to produce quality products".	0.754			
TI2: "Our company used new technology in the production process".	0.754			
TI3: "Our company used new methods/procedures in production and service delivery".	0.82			
TI4: "Our company used new technology in marketing new products".	0.785			
TI5: "Our company market share has increased due to the use of the new technology in marketing".	0.863			
TI6: "Using technology, we pay only for what we use".	0.879			
TI7: "Customization using technology is easy".	0.857			
TI8: "When we use technology, we find it difficult to integrate the existing work with the web-based services".	0.892			
TI9: "When we perform many tasks together, using technology, it takes up too much of my time".	0.873			
Business Innovation		0.853	0.802	0.702
BI1: "Creating new ideas, processes, products, and systems is critical to the success of our firm".	0.901			
BI2: "Our firm tends to be an early adopter of innovative technologies"	0.733			
BI3: "Our firm actively seeks innovative technologies".	0.811			
BI4: "Our firm proactively uses innovative technologies to meet changing customer needs".	0.874			
Government Support		0.733	0.746	0.716
GS1: "In my country, government policies (e.g., public procurement) consistently favor new firms".	0.797			
GS2: "In my country, the support for new and growing firms is a high priority for policy at the national government level".	0.862			
GS3: "In my country, the support for new and growing firms is a high priority for policy at the local government level".	0.899			
GS4: "In my country, new firms can get most of the required permits and licenses in a short time".	0.868			
GS5: "In my country, the amount of taxes is NOT a burden for new and growing firms".	0.803			
GS6: "In my country, taxes and other government regulations are applied to new and growing firms in a predictable and consistent manner".	0.811			

Items with constructs	Loadings	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
GS7: "In my country, coping with government bureaucracy, regulations, and licensing requirements is not unduly difficult for new and growing firms".	0.772			
Economic Performance		0.801	0.882	0.715
Performance of the organization over the past 12 months compared to leading competitors:				
EP1: "Return on investment"	0.886			
EP2: "Operating profits"	0.897			
EP3: "Cash flow from operations"	0.746			

Table 3 presents the discriminant validity of the constructs using the Fornell-Larcker criterion, which ensures that each construct is distinct from the others. The diagonal values represent the square root of the average variance extracted (AVE) for each construct, while the off-diagonal values represent the correlations between the constructs. For discriminant validity to be established, the diagonal values should be greater than the off-diagonal values in the corresponding rows and columns. The business innovation construct has a square root of AVE of 0.838, which is higher than its correlations with all other constructs (0.787 with economic performance, 0.762 with government support, and 0.609 with technological innovation). This indicates that business innovation is distinct and does not overlap significantly with the other constructs. The relatively high correlation with economic performance (0.787) suggests a strong relationship between innovation and financial success, which is expected as innovation often drives performance. The economic performance construct has a square root of AVE of 0.886, which is greater than its correlations with the other constructs (0.787 with business innovation, 0.781 with government support, and 0.792 with technological innovation). This confirms its discriminant validity. The high correlation with technological innovation (0.792) indicates that the use of technology significantly impacts financial performance, aligning with the idea that technological advancements can enhance operational efficiency and profitability. The government support construct has a square root of AVE of 0.806, which is higher than its correlations with the other constructs (0.762 with business innovation, 0.781 with economic performance, and 0.766 with technological innovation). This demonstrates its distinctiveness. The strong correlation with technological innovation (0.766) suggests that government policies and support play a crucial role in fostering technological advancements, which is consistent with the notion that supportive regulatory environments encourage innovation. The technological innovation construct has a square root of AVE of 0.792, which is greater than its correlations with the other constructs (0.609 with business innovation, 0.792 with economic performance, and 0.766 with government support). This confirms its discriminant validity. The high correlation with economic performance (0.792) reinforces the idea that technological innovation is a key driver of financial success, while the moderate correlation with business innovation (0.609) suggests that while related, these constructs measure distinct aspects of innovation.

Table 3.
Discriminant Validity (Fornell-Larcker criterion).

	Business Innovation	Economic Performance	Government Support	Technological Innovation
Business Innovation	0.838			
Economic Performance	0.787	0.886		
Government Support	0.762	0.781	0.806	
Technological Innovation	0.609	0.792	0.766	0.792

Table 4 presents the path coefficients, which indicate the strength and significance of the relationships between the constructs in the model. The path from technological innovation to government support has a beta value of 0.488, indicating a moderate positive relationship. The t-statistic of 4.063 and a p-value of 0.00 (which is less than 0.05) confirm that this relationship is statistically significant. This supports H1, suggesting that technological innovation positively influences government support. This implies that companies investing in and adopting new technologies are more likely to receive support from government policies, possibly because such innovations align with national or local economic development goals. The path from business innovation to government support has a beta value of 0.467, indicating a moderate positive relationship. The t-statistic of 3.866 and a p-value of 0.00 confirm that this relationship is statistically significant. This supports H2, suggesting that business innovation also positively influences government support. This finding highlights that firms that proactively adopt innovative practices and technologies are more likely to benefit from government policies designed to encourage growth and competitiveness. The path from government support to economic performance has a beta value of 0.88, indicating a strong positive relationship. The t-statistic of 20.043 and a p-value of 0.00 confirm that this relationship is highly statistically significant. This supports H3, suggesting that government support significantly enhances economic performance. This strong relationship underscores the importance of government policies, regulations, and support mechanisms in creating an environment where businesses can thrive and achieve better financial outcomes.

The indirect path from technological innovation to economic performance through government support has a beta value of 0.43, indicating a moderate positive indirect effect. The t-statistic of 3.824 and a p-value of 0.00 confirm that this indirect

relationship is statistically significant. This supports H4, suggesting that technological innovation positively impacts economic performance through the mediating role of government support. This implies that technological advancements not only directly benefit firms but also enhance their ability to leverage government support, which in turn drives economic performance. The indirect path from business innovation to economic performance through government support has a beta value of 0.411, indicating a moderate positive indirect effect. The t-statistic of 3.851 and a p-value of 0.00 confirm that this indirect relationship is statistically significant. This supports H5, suggesting that business innovation positively impacts economic performance through the mediating role of government support. This finding emphasizes that firms that adopt innovative practices are better positioned to utilize government support, which ultimately contributes to improved financial performance.

Table 4.
Path Coefficients.

Paths	Beta	Standard deviation	T statistics	P values	Results
Technological Innovation -> Government Support	0.488	0.12	4.063	0.00	H1 supported
Business Innovation -> Government Support	0.467	0.121	3.866	0.00	H2 supported
Government Support -> Economic Performance	0.88	0.044	20.043	0.00	H3 supported
Technological Innovation -> Government Support -> Economic Performance	0.43	0.112	3.824	0.00	H4 supported
Business Innovation -> Government Support -> Economic Performance	0.411	0.107	3.851	0.00	H5 supported

The R-squared values indicate the model's explanatory power in Figure 2. For economic performance, the R-squared is 0.775, meaning 77.5% of its variance is explained by government support and innovation, showing strong predictive power. For government support, the R-squared is 0.826, indicating 82.6% of its variance is explained by technological innovation and business innovation, highlighting innovation's role in securing government support. The high values confirm the model's robustness and the interconnectedness of innovation, government support, and economic performance.

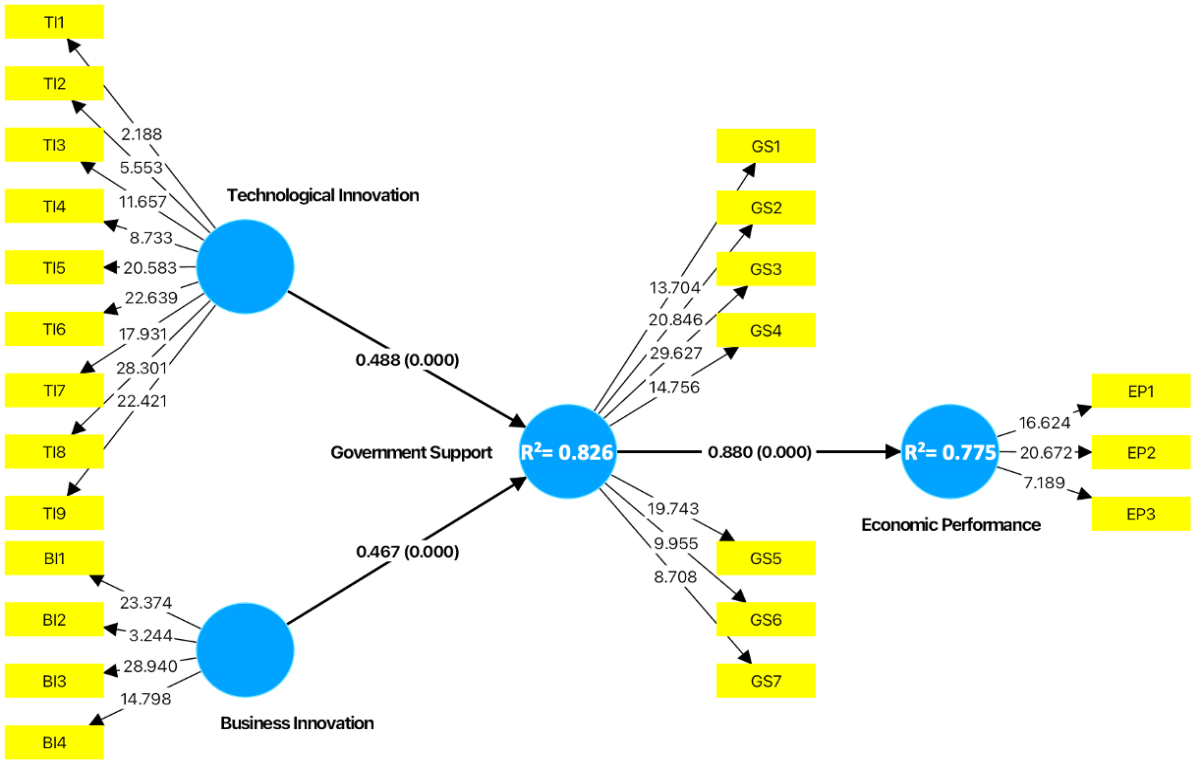

Figure 2.
Structural Model.

5. Discussion

The findings reveal significant relationships between the constructs and provide meaningful insights into the role of innovation and government support in driving economic performance. The results show that both technological innovation and business innovation have a significant positive impact on government support. The path coefficient for technological innovation to government support ($\beta = 0.488$, $p < 0.001$) and for business innovation to government support ($\beta = 0.467$, $p < 0.001$) supports H1 and H2, respectively. Innovative firms are more likely to attract government attention and support, as they contribute to economic growth and competitiveness. The strong relationship between government support and economic

performance ($\beta = 0.88$, $p < 0.001$) further emphasizes the critical role of government policies, regulations, and assistance in creating an enabling environment for businesses to thrive.

The mediation analysis reveals that government support plays a crucial role in translating innovation into economic performance. Both technological innovation and business innovation indirectly influence economic performance through government support. The indirect effect of technological innovation on economic performance ($\beta = 0.43$, $p < 0.001$) supports H4, while the indirect effect of business innovation on economic performance ($\beta = 0.411$, $p < 0.001$) supports H5. This underscores the importance of government intervention as a bridge between innovation and financial outcomes. Firms that invest in innovation are better positioned to leverage government support, which, in turn, enhances their economic performance [27]. This finding contributes to the literature by highlighting the mediating role of government support in the innovation-performance relationship.

The study demonstrates that innovation, both technological and business-oriented, is a key driver of government support, which in turn significantly enhances economic performance [5]. The findings highlight the importance of collaborative efforts between businesses and governments to create an ecosystem that fosters innovation and supports economic growth [28]. Future research could explore additional mediating or moderating factors, such as industry-specific dynamics or regional policy differences, to further refine the understanding of these relationships.

The findings of this study offer several important research implications, particularly in the context of understanding the interplay between innovation, government support, and economic performance. These implications can guide future research and contribute to the broader academic discourse on these critical topics. First, the study highlights the significant role of innovation, both technological and business-oriented, in driving government support. This suggests that future research should explore the specific mechanisms through which innovation attracts government attention and resources [6]. Studies could investigate how different types of innovation—such as incremental versus radical innovation—impact the level and nature of government support. Additionally, research could examine the role of industry-specific factors in shaping the relationship between innovation and government support, as the dynamics may vary across sectors [28]. Second, the study underscores the critical importance of government support as a mediator between innovation and economic performance. This finding opens avenues for further research into the various forms of government support—such as financial incentives, regulatory frameworks, and infrastructure development—and their relative effectiveness in enhancing economic outcomes. Future studies could also explore how contextual factors, such as political stability, cultural norms, and regional disparities, influence the impact of government support on economic performance. Third, the study emphasizes the interconnectedness of innovation and government support in driving economic performance. This suggests that future research should adopt a holistic approach, examining how these factors interact within broader ecosystems. Studies could investigate the role of public-private partnerships, collaboration between academia and industry, and the influence of global trends—such as digital transformation and sustainability—on the innovation-government support-performance nexus.

Finally, the study's findings call for more nuanced research into the barriers and enablers of innovation and government support. Understanding the challenges faced by businesses in adopting innovative practices and accessing government support can provide valuable insights for policymakers and practitioners. Similarly, exploring the role of leadership, organizational culture, and stakeholder engagement in fostering innovation and leveraging government support could yield practical recommendations for enhancing economic performance.

6. Conclusion

This study underscores the pivotal roles of technological innovation, business innovation, and government support in enhancing economic performance. The findings reveal that both forms of innovation significantly influence government support, which in turn strongly drives economic performance. Additionally, government support acts as a critical mediator, linking innovation to improved economic outcomes. These results highlight the importance of fostering innovation and implementing supportive government policies to achieve sustainable economic growth and competitiveness. The study aligns with strategic initiatives like Vision 2030, emphasizing the need for collaboration between businesses and governments to create an ecosystem that promotes innovation and economic diversification. By investing in innovation and ensuring effective government support, economies can build resilience and long-term prosperity. Future research should explore additional factors such as industry-specific dynamics, regional variations, and the role of public-private partnerships to deepen the understanding of these relationships. This study provides valuable insights for policymakers and business leaders, offering a roadmap for leveraging innovation and government support to drive economic success. Ultimately, the findings reinforce the interconnectedness of innovation, government policies, and economic performance, highlighting their collective importance in achieving sustainable development goals.

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