

## CHALLENGES OF SMALL SCALE ENTREPRENEUR'S IN SOHAR PORT ANYONE THERE TO LISTEN?

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### ABSTRACT

*Investment by its nature looks forward to the highest rate of earnings and which support the development of a country. In order to meet right investment a stable business environment is required. Sohar Industrial Port is one of the major investment and employment hubs of Oman. The emergence of SMEs in Ports of Oman paves way for higher rate of earnings and attracts lot of Entrepreneurs to set up business in the ports of Oman. As it is claimed, this investment has aimed at employment opportunities to the growing educated youngsters. Though such developments are going on, there are very less studies focused on the opportunities and challenges of SMEs in the Sohar port. Contemporarily, a study, which focuses on the challenges of entrepreneurs, that to analyze the development climate in the ports of Sultanate of OMAN, needs to be explored into. This research paper thus extends better insight into Sohar Port as employment and Investment hub of Oman: the challenges of SMEs and entrepreneurs in the "Sohar port".*

**Keywords:** *Entrepreneurship, SMEs, Entrepreneur, Investment, Sohar Port.*

### INTRODUCTION

The socioeconomic development of the country is attained only when the society and government creates a large number of entrepreneurs from various strata of population. It is a well accepted fact that Small

and Medium Sector has great potential in generating high level social economic development of the country even with low level of investment. Small and Medium Enterprises (SME) are small scale companies, institutions and shops which is in need of less capital, less investment, relatively less infrastructure and with more number of labor per unit, that support them to develop substantial employment opportunities both in formal and informal sectors. As it happens everywhere Small and Medium Enterprises (SME) have an immense potential to activate the financial resources in the economy and can be an aid to promote balanced regional development. It is considered as the backbone of the developing and developed countries. SMEs can act as a catalyst in employment generation, poverty alleviation and regional development. The justification of the success of any small and medium scale development in developing countries largely due to its multi faced merits. Though such claims are well accepted, there are several challenges also, that need to be looked into with utmost priority. Contextualizing the topic to Sultanate of Oman a study has conducted in the Sohar Port area of Sohar, Sultanate of Oman, exploring the issues and challenges of the small and medium scale entrepreneurs. This particular paper tries to identify those factors which are considered as fundamental challenge to any regional development plan with the support of SME focus and effort from entrepreneurs.

## REVIEW OF LITERATURE

A Definition of Ministry Commerce and Industry, (MocI, 2012), Sultanate of Oman indicates that ‘micro-entities are establishments with less than five workers and annual sales of less than RO25,000, small-entities are establishments with five to nine workers and annual sales of RO25,000 to RO250,000, while medium-sized entities are companies employing between 10-99 workers and with annual sales of RO250,000 to RO1.5mn’. Several researchers such as, Acs and Audretsch (1990); Brock and Evans (1986) evaluated that, SMEs have the capacity to create employment with minimum cost, are pioneer in innovation realm and have high flexibility which allow them to consider customers needs and wants. Hence, SMEs role is very vital for the emerging economies from the perspective of creating employment and economic growth and stability. In most of the countries, SMEs are responsible for more than half of the employment, in generating revenue and technological advancement (Neck & Dockner, 1987; Acs & Audretsch, 1990; Kotey & Meredith, 1997).

Miles and Snow (2003), the adaptive cycle can be viewed as “a general physiology of organizational behaviour” that provides “a means of

conceptualizing the major elements of adaptation and of visualizing the relationships among them.” Considering the distinctive capabilities of manufacturing SMEs as key elements in their ability to respond to the challenges of globalization, the adaptive cycle can serve as an initial foundation to identify and understand the entrepreneurial intent of these firms from a strategic perspective.

The role of innovation and its importance as a driver of competitiveness, profitability and productivity is well documented in the literature (Porter, 1998; Senge & Carstedt, 2001; McEvily et al., 2004). More specifically, the literature focuses on innovation as a crucial element in the achievement of competitive advantage (McEvily et al., 2004; Shoham & Fiegenbaum, 2002; Roberts, 1999; Banbury & Mitchell, 1995). However, achieving effective innovation is a complex and formidable task. Many SMEs have some difficulties converting research and development into effective innovation. Many of these difficulties are organization specific (Christiansen (1997).

The customers have become increasingly sophisticated thus intensifying the competition in the business arena. To compete, SMEs require extensive tangible and intangible resources and capabilities to transform them into more flexible and profitable forms to meet the needs of the changing business market. In the light of the resource based view of (Barney, 1986) organizations can create competitive advantage by utilizing all its internal resources and capabilities. Nooteboom (1994) and Vossen (1998) observed that SMEs in general, face substantial resource constraints, but they often exhibit successful entrepreneurial characteristics. Fleisher and Bensoussan (2003: 208) state that ‘the source of competitive advantage within a firm is often multi-factorial in that it usually cannot be attributed to only one type of resource’. They suggest that it is the interaction between the different types of resources that drive a firm’s competitive advantage.

According to different authors: Narula, (2004), Xiong et al (2006), Hashim and Wafa, (2002) and Chorda et al., (2002) the main factors restricting small and medium enterprises of confronting the competition challenges are : high cost of product developments, insufficiency of technology and resources, shortage of market research and techniques of selling, incapability of meeting the need for different competencies related to technology, info gap among the functions of production and marketing and finance’s shortage to provide them with costly software like Enterprise Resource Planning (ERP).

Various resources are necessary to set out the strategy and exploit the opportunities (Chrisman, et al. 1998), particularly for SMEs checking profit growth and thus the building of a competitive advantage (Grant 1991). Resource mobilization should be possible, but it must be organized: badly allocated new resources can diminish productivity and require additional liquidities (Garnsey & Heffernan 2003).

*Laws and regulations* and lack of financing are the main external barriers for SMEs in Europe. Many impediments to SME internationalization may originate at the level of the national economy, institutions, and general infrastructure – related to issues of competition policy, legislative and regulatory frameworks, telecommunications infrastructure, research and education policy (OECD 2005).

The importance of organizational capability is well documented (Ramanujam et al., 1986). Quelin (2000): (477) states that ‘more and more, the strategic management field is focusing on the role of competencies and resources that accumulate within a firm’. It is argued that each firm has a unique organizational capability based on its technological and organizational competencies. Organizational capabilities are commonly defined as a firm’s capacity to deploy its assets, tangible or intangible, to perform a task or activity to improve performance (Amit & Schoemaker, 1993; Teece et al., 1997). Examples include the capability to; offer excellent customer service, develop new products and innovate (Lorenzoni and Lipparini, 1999). Accordingly, capabilities are critical for achieving competitive advantage (Teece et al., 1997; Schoenecker & Cooper, 1998; Stuart & Podolny, 1996).

Resource constraints literature states that firms with fewer resources are likely to leverage them more efficiently, and because of this, most entrepreneurial private firms have higher growth rates than other firms (Baker & Nelson 2005, George 2005). The slack resources argument proposes that slack resources influence performance because slack provides that cushion of actual or potential resources that allows an organization to adapt successfully to internal pressures for change as well as to initiate changes in strategy (George 2005)

## **Entrepreneurship**

Entrepreneurial Orientation (EO) is defined as an organizational strategy of acquiring the specific entrepreneurial aspects of practices, methods and decision making (Frank, Kessler, & Fink, 2010). The three dimensions of EO i.e innovation, proactiveness, and risk taking have been suggested

earlier by Miller (1983) and later Lumpkin and Dess (1996) added other two dimensions namely, aggressiveness and autonomy. However, the majority of the researches conducted regarding EO have used the three dimensions namely innovativeness, proactiveness and risk taking to measure the EO construct (Wiklund, 1999). Study of literature revealed that entrepreneurial orientation (EO) has a positive impact on the organizational performance. Firms that innovate frequently while taking risks in their product and processes development perform better (Miller & Friesen, 1982).

### **Integrated Perspective**

The results of empirical studies on the determinants of the growth of manufacturing SMEs are rather fragmented and mitigated (Dobbs and Hamilton, 2007). Researchers have thus attempted to identify three main categories of determinants, taken from both the entrepreneurship and strategic management literature. First, as just evoked, there are factors related to the entrepreneur such as his or her personality traits, education, experience, family environment, managerial competencies and skills (Baum & Locke, 2004; Wincent & Westerberg, 2005), as well as motivations, including his or her attitude or propensity toward growth (Wiklund et al., 2003). Second, there are factors related to the organization such as the firm's size, age and industrial sector, location and regional environment (Delmar et al., 2003; Hoogstra et al., 2004). The third category of determinants regroups factors related to the strategy or strategic orientation of the SME, including the firm's R&D activities and innovativeness (Thornhill, 2006; Yasuda, 2005; Wolff & Pett, 2006; Knotts, Jones & Brown, 2008), networks (Littunen & Tohmo, 2003; Watson, 2007), technologies (Chaganti et al., 2002; Locke, 2004) and strategic management of human resources (Kotey & Sheridan, 2004; Barringer et al., 2005). If a firm is entrepreneurial, the existence of these resources promotes firm growth (Penrose, 1959).

### **Explorative Interviews**

In order to get a preliminary understanding on the issues related to SMEs and entrepreneurs, an explorative study with the support of interviews are conducted. These interviews provide initial awareness about the challenges of SMEs in general and the entrepreneurs in particular for in-depth analysis. Therefore the purpose of the interview is to find out the challenges of SMEs in Sohar Port. The interviewees have been selected based on their experience as small and Medium Entrepreneurs in Sohar Port. They are the best samples to identify and study the challenges of services in Sohar port as an employment and investment hub.

## **Interview 1**

**Company: SPACE STAR TRADE LLC – SOHAR**

**Interviewee: Accountant of the LLC.**

The company sells computers home appliances, safety equipment sale and installations. In order to the start the shop, the small scale entrepreneur has made around an Investment of 40000 OMR. They have assets of 5 vehicles, 2 shops and one go-down. As usual all companies give 30 to 45 days credit. They are able to sell off and pay the suppliers for the fast moving goods. However, beyond this span they have to pay from own mechanisms or financial sources that to retain the goods for sales. Getting right laborer is tough situation now because of changed labor laws. If the company employs Omani men or women, one has to pay 345 OMR. On the contrary, if company hires an employee from other countries they will work for more hours in order to get the same salary. Labor procurement is very difficult. In addition to this Omanis find it uncomfortable because of the flexi timings. Regarding challenges due to consumer protection, when customer uses and returns a product with a claim of damaged goods, the shopper has to take the product back. They can't sell this anymore and it creates loss.

(Extract: A. Difficulties in getting financial assistance. B. Manpower issues C. Issus related to business operation).

## **Interview 2**

**Company: SAMA LIWA HYPERMARKET- SOHAR**

Mr Ameer Shahid. Assistant Manager.

The company is in the stage of development and it is not so big to employ more Omani youths. However the company has employed several Omani women in cash counters and as van drivers though labor cost is high and labor hiring process is difficult. The laborers are supplied by Ministry of Manpower and as usual, the labor checking is applicable to them as well. They have employed 40% Omanis in their organization. The company has 3 shops. One is located in Liwa, second one in Shinas and the third one in Falaj Alqabail. 90% of the shop customers are Omanis. Omanis are not flexible with their timings of work. The company had an investment about 25000 OMR and return is not so good like it was before. The market condition of the Sultanate of Oman in general is not congenial due to deficit budget. Compared

to other GCC's and neighboring countries, Oman has deprived market condition. Further economy is very dull and the pricing policy of Oman has created big challenges for any businessmen. Margin is so low. With 20% margins the company will be able to cover up salary expense, rent expense and other transport expense. On a different account, now days, the customers have made a shift from bulk purchases of family to need based individual purchases. This evades always inaccurate projection perfection and cannot stock goods as they need. Because of the economic slowdown, the suppliers have reduced the number of days of credit and are also reluctant to supply goods in Oman (branded products); they like to sell in other countries. Promotional activities are less concentrated into and the investment is lowered. The customers are not having interest to purchase. Further, in order to meet the financial and market scenario, the employer is looking for flexible students who can work in flexi timings. (Extract: A. Difficulties in getting financial assistance. B. Manpower issues C. Issues related to business operation D. Issues related to gaining profit).

### **Interview 3:**

#### **ENGLISH LANGUAGE CENTRE SOHAR (SME):**

**Interviewee: Dr. MOSTAFA DIOUANE – Director of the Centre.**

This English language center is almost 7 years old now. Investment is about 15000 OMR and returns are expected in the long run. As it is observed, immediate return is not there in this kind of business houses. Quoting directly "I have taken up the Director position for the last 4 months only. Though being a Muslim Morocco citizen in Oman, I could adjust with the Omani culture and work here for Omani youth and their development. To start this set up, we have made an investment of about 15000 OMR. Though it is operating for Omani youth in their development, several challenges are faced by the English LANGUAGE centre in Sohar Port. One of the challenges faced by the institution is customer attraction towards centre. Though the institution is providing high quality education, with all promotional efforts like advertisement in newspapers, flyers, whatsapp messages etc, the institution is not able to attract vast number of customers or beneficiaries even when there is a need to learn English in the Omani public. The major constraint the institution is facing from the sales promotion activities and the marketing ground. As it is pointing out, this institution not only depending on the regular students, but also the employees working in industries. Though such efforts are already engaged with, a support from industries, by sending their employees to such institutions for language training, in

Sohar port is less evidenced into. The market condition is worse in the sense that there is acute competition and 'ONLY THE best' is going to make it. Everyone with money is opening up language centers in Sohar. This is a bad trend. Money wise from customers, there is no prompt payment not. Some of them pay in installments. Information about the product is very important for the front office management which am not able to achieve with the present receptionist who is a national . Administrative staff needs to be bilingual – Arabic and English. Majority of the Omanis are not good at English speaking. We have presently 3 male administrative staff and one office boy. The female touch is missing. Level of personal touch is not there in the Omanis due to cultural and religious set up they lack this skill. Culture plays an important role here and is a main challenge. Men and women will not mix with each other; the eye contact is missing if she talks to a man; this will not generate business.”

(Extract: A. Difficulties in getting financial assistance. B. Manpower issues C. Issus related to business operation D. Issues related to Culture E. Marketing Issues).

#### **Interview 4:**

#### **AL NADHA SERVICE PROVIDERS TO SOHAR PORT**

#### **Interviewee: H R Manager.**

Though the company has 40 million turnover, it is facing several challenges. Sohar port cargo clearance is too delayed and therefore they are not able to serve the customers on time, and they are losing business for which these days they are bringing cargo through Muscat port. The Ministry provides skilled and unskilled laborers to organization and these days procuring skilled and unskilled laborers are difficult from different countries as well. The company management has to travel down to villages and stay to find out people and bring them to this country. They are recruiting 1500 people a year. Retention of workers is very difficult and absconding is more. Free visa is increasing in the country. As far as organizational issues are concerned there are several issues. The front office is managed by Omanis. Girls are able to do billing, checking, and timesheets management but profit and loss and balance sheet is not their expertise. Organization is not providing any training for staffs and the staff members have to start working from day one. Consequently, when Omanis are seeking for employment they have to take training from outside and come to this company. Organization is looking for female accountants. However, it is to be acknowledged that the company has satisfactory returns on their investments.



(Extract: A. Difficulties in getting financial assistance. B. Manpower issues C. Issues related to business operation D. Issues related to Culture E. Marketing Issues).

#### **Interview 5:**

#### **SAED BIN MASOUD INTERNATIONAL**

#### **Interviewee: Mr Mathew CEO.**

This company started in the year 1994, and this particular branch in 2004 has been dealing with oil and gas products. They find Sohar port as one of the worst port in Oman and compared to Matrah port where things moved very fast. Initial 2 years there was no returns and they did not take out money out of the business. But they kept reinvesting. There are no unproductive expenses and they have only direct expenses. First 4 years was loss. 25% of the profit was taken out at the 10<sup>th</sup> year . The company is facing several challenges. Heavy back logs are pending for a month or more in Sohar Port and therefore the company is not able to meet their customer demands on time. Massive deliveries are also pending for months together and business is dropping because of this situation. The customer is getting the same from Dubai at competitive rates. Earlier they were settling bills within a span of 60 to 90 days but now they are paying even when the goods are not cleared from the deck. There is something called as harmonized system code which is given by the government. The customs law is hampering the business. Government missionary barriers are too huge. This reason has lead many business houses to shift to Dubai where things move fast and smooth. Family visa not being given to employees is posing problem to the economy. Omani graduates attitude is a big problem. Salary for local's expectation is too high. When the company pays 500 Rial businesses it expects him to bring at least 2500 OMR worth of business to make him worthy in this sector. They take training for 6 months and go away. No commitment is there for nationals. The company does not face any labor turnover. They have 200 people in 7 companies. They pay 350 OMR to nationals when they start and every 6 months there is increment. One month salary is bonus. Truthfulness is yet another quality to quote. Jobs will grow in Oman when they are ready to travel extensively and open up to learn, customize in self and committed to organization.

#### **PROBLEM FORMULATION**

Sohar port is established with the keen objective of economic and social development of the Sultanate of Oman. Though it has built up with high aspirations, the SME entrepreneurs located in the Sohar Port are facing

heightened challenges with multi faced issues. A great deal of empirical research has been devoted to the study of the impact of environmental characteristics on its growth and development of SMEs. Though such studies circled around specific locations, the challenges of SMEs and outcomes are varied from locations to locations and region to region. Despite the fact that some factors are quiet common across the locations, some are very much unique. Exploring the entrepreneurial issues, very fewer studies are conducted so far in the Sohar port location of Sultanate of Oman. Hence this particular study explores the challenges of SMEs in general and entrepreneurs in particular in Sohar port area of Sohar, Sultanate of Oman.

### **RESEARCH OBJECTIVES**

The objectives of the research include;

1. To explore the challenges of SMEs in Sohar Port area of Sohar, Sultanate of Oman.
2. To provide insight into the implications based on the challenges of SMEs in Sohar Port area of Sohar, Sultanate of Oman.
3. To provide insight into the implications based on the issues of entrepreneurs of SMEs in Sohar Port area of Sohar, Sultanate of Oman.

### **RESEARCH METHODOLOGY**

In order to explore the factors leading to SMEs development and entrepreneurial success, this particular study followed interpretive research approach. In this approach interpretation of the issues through understanding, analyzing, describing, and interpretation of the observations have made. The study strictly follows qualitative research method and the methodology of observations. Further, in order to explore the phenomena under study, the researchers followed in-depth interviews, field observations and Delphi technique. Delphi is one of the reliable qualitative research technique made by researchers with the expert opinion (Kumar, 2013). The methodology of research followed in this study was Delphi technique which provided exploratory insight into major factors of challenges of SMEs and entrepreneurial orientation issues. The Delphi technique predicated on the rationale that, "two heads are better than one, or many heads are better than one" (Dalkey, 1972).

This research engaged semi-structured interviews. Based on the suitable time for the resource person interviews were arranged, during Jan

2015 to middle March 2015. Direct interview is conducted to gather information from the respondents. 20 experts from the Chamber of Commerce Oman, PEIE – Rusayl Industrial Estate, Brokers of Muscat Securities Market, Faculty Members, Dean of Social Sciences Universiti Malaysia, Sabah (UMS), and Research Scholars were identified and approached by email or telephone and were invited to take part in the study. All the clarifications related to the objective of the study were made by the researcher. However, 30 respondents were being interacted and communicated, only 20 respondents shown their willingness to participate in the discussion. Finally, 20 participants were interviewed directly. The conversations taped recorded, and manually analyzed. The procedural steps in adopting the Delphi technique were as follows.

**Expert panel identification:** The group of professional was made from specialists having high knowledge and expertise in SME development and entrepreneurship. They are closely associated with SME development and entrepreneurship, as consultants, government body, Top level managers, Professors, Researchers and Academicians. The specialized areas of these expert members include, 15 male members (75%) and 5 female members (25%). These dynamic groups of panel of experts are knowledgeable and familiar to give relevant opinions and an admissible understanding of the SME development challenges and entrepreneurial orientation issues.

## ROUNDS

### Round 1:

In the first round, the Delphi process traditionally begins with an open-ended questionnaire. The open-ended questionnaire serves as the cornerstone of soliciting specific information about a content area from the Delphi subjects (Custer, Scarcella, & Stewart, 1999).

### The questions:

1. What are the challenges of SMEs?
2. What are the challenges of entrepreneurs in SMEs?
3. How we can transform Sohar port as best investment location for entrepreneurs?
4. How far can Sohar Port act as an employment hub for graduates in Oman?

### Round 2:

In this round, the information regarding the SME development challenges and entrepreneurial orientation issues collected from the respondents. The process identifies 10 categories, which are having items with high and low proximity of SME challenges and entrepreneurial challenges identified. Rating process further identified in the categories and items identified.

### Round 3:

This round gives Delphi panelists an opportunity to make further clarifications of both the information and their judgments about the relative importance of the categories and items. Second level screening of the 10 categories which have a high and low influence on SME development challenges and entrepreneurial orientation issues identified with corresponding items. The process further identified 10 categories, which are having high and low proximity of the SME challenges and entrepreneurial challenges identified. Classification of the items in 10 categories of 2 factors (SME development challenges and entrepreneurial orientation issues) was being made with appropriate loaded items. Thematic presentation and the categorization of the items were done.

**Table: SMEs and Entrepreneurial Challenges**

| S/N | Factors                    | Categories                 | No. Items | No of Experts (N=20) | % of Experts |
|-----|----------------------------|----------------------------|-----------|----------------------|--------------|
| 1   | SME Challenges             | Infrastructure             | 2         | 18                   | 90%          |
|     |                            | Finance                    | 2         | 18                   | 90%          |
|     |                            | Marketing                  | 1         | 18                   | 90%          |
|     |                            | Laborers                   | 2         | 17                   | 85%          |
|     |                            | Government                 | 1         | 16                   | 80%          |
| 2   | Entrepreneurial challenges | Innovation                 | 1         | 18                   | 90%          |
|     |                            | Risk Taking                | 2         | 18                   | 90%          |
|     |                            | Competitive aggressiveness | 3         | 18                   | 90%          |
|     |                            | Confrontation              | 3         | 17                   | 85%          |
|     |                            | Pro-activeness             | 2         | 17                   | 85%          |

The first factor considered for the study is the SME challenges in the Sohar Port which divided into five factors like, infrastructure, finance, marketing, laborers and government support, in the Sohar Port, Sohar, Sultanate of Oman. The experts acknowledged 5 items for the

Infrastructure, Finance, Marketing, Laborers and Government that affect the SME development in this region. The major factor in relation to SME Challenges include infrastructure (90%), finance (90%).and marketing (90%). Followed by that the expert considered issues related to laborers availability (85%).and government support (85%).

The second factor considered for the study is entrepreneurial challenges, faced by the entrepreneurs in the Sohar Port, Sohar, Sultanate of Oman, which consists of factors related, entrepreneurial orientation. Within the second factor the experts identified 5 items that are closely related to entrepreneurial orientation. The major factor of task consists of 5 common categories. The table showed that innovation (90%), risk taking (90%), and competitive aggressiveness (90%) as the prominent factor which closely knit with entrepreneurial challenges. Further the study pointed out the categories like innovation (85%) and innovation (85%), as the second prominent factor that directly influence the regional development with the keen support of high entrepreneurial orientation.

## DISCUSSION

### SME Challenges

The study "Sohar Port as an employment and investment hub of Oman, Challenges of SMEs and Entrepreneurs" clearly indicates that the SME entrepreneurs in the area of Sohar port is facing difficulties related to infrastructural inadequacies. In order to start up and sustain business opportunities infrastructural efficiency in production as well as logistics and supply chain operations are inevitable for any SMEs. Spatial planning is very much important for better connectivity between cities and towns. Higher the connectivity through better logistics infrastructure higher the investment the investors will making for business development in a new geographical locale. Further, the thrust to innovation and infrastructural development is less observed in Oman in general and Sohar port SMEs in specific.

The role of technological innovation is seldom observed in the local context, whether in academia or industry, in most Arab countries, including Oman. It is surprising to see that Sultanate of Oman was ranked 61 out of 128 countries in technological readiness, 68 in internet usage, and 50 in technology absorption by firms, (Global Competitiveness Report, 2009). Furthermore, a small 2.8 percent of the population has internet connectivity, that is, approximately 80,000 (MNE, 2009). Contextualizing

the topic to Sultanate of Oman, it is indicated by a local research report that the research and development initiative which invites that role of scientific innovation technology research base is in its infancy. As it is pointed out in Global Competitiveness Report (2009), Oman ranked 66 in innovation. More specifically, it was 103 in quality of scientific research institutions, 86 in private sector R&D spending, 86 in industry-research collaboration, and 76 in availability of scientists and engineers. At national level there is very less research and development in total observed. The role of research and development is considered very new to local community, whether it is at the individual, industry, or government level. There are some unorganized efforts scattered around the few universities and very modest research centers across different government agencies like the Ministry of Commerce and Ministry of Agriculture (SQU, 2008). One of the challenges sighted by the entrepreneurs and seconded by the experts includes the deficiency of better infrastructure for small and medium business in Sohar port region.

Deficiencies related to raising funds for start up and maintain companies are sighted as another issue by the experts in this research. Irrespective of the size of business a small and medium business plan need to have working capital that need to be raised from angel investors, banks, money lenders, private financial institutions, venture capitalists and from government. Indicating the failure of SMEs it is indicated that more businesses fail for lack of cash than for want of profits (Myers & Brealey 2000). Success of an enterprise depends on efficient management of working capital. Elaborating the meaning of efficient working capital management is explained as management of various components of working capital i.e., cash, receivables, inventory and payables in such a way that adequate amount of working capital is maintained for smooth running of the firm and fulfillment of liquidity and profitability. The entrepreneurs in this region are not getting expert guidance from various consultant sources in raising the capital, tax gains, credit report, maintenance and repair and effective cash management. King (2007) points that lack of management skills is a problem to most small business owners that is very difficult to deal with in most SMEs. The SMEs entrepreneurs are in need of accredited financial experts in getting timely and assistance in effective working capital management and cash flow management.

There are several reasons why a business does not succeed. However adequate market orientation and sustain the acute competition from the fellow players or competitors remains as one of the significant reasons behind a company failure. Efficient market research is a must in getting better awareness about the competitors and business share in the market.

Market-oriented firms gather, share and respond to market intelligence about customers and competitors. One of the advantages for small firms is the easy access to vital, timely and inexpensive market information as they operate close to customers and markets (Zontanos & Anderson 2004). This information allows them to make better informed marketing decisions (Zontanos & Anderson 2004) and SMEs seem to be interested in it in order to differentiate their products, services and positioning (Keh et al. 2007). One of the challenges sighted by the entrepreneurs and seconded by the experts includes the deficiency of adequate market research in upbringing the business for small and medium businesses in Sohar port region.

Several startup companies are famous for over-scaling or hiring too many employees prematurely. Majority companies fail due to such reasons. But Sohar port areas have an conflicting reason in this regard. It has been reported by the entrepreneurs that they are not getting right manpower and the manpower they get, have lofty price tag to hire. Low compensation packages are one of the challenge with which the SME entrepreneurs are struggling to recruit employees even from adjacent countries to fill the requirement. Focus on the expert opinion and substantiating their opinion, it is stated that the fundamental recruiting challenge for small firms is effectively attracting and selecting candidates in the absence of trained HR personnel or significant managerial expertise in this area (Arthur, 1995). Recruiting is often quite problematic for small organizations (Gupta & Tannenbaum, 1989) due to limited financial and material resources (Hannan & Freeman, 1984), lack of legitimacy as an employer-of-choice (Williamson, 2000), and the high number of jobs where employees typically perform multiple roles with unclear boundaries and job responsibilities (May, 1997). Further, although small firms may need to acquire additional employees to fuel their growth, often recruiting strategies are sporadic or ad hoc (Heneman & Berkley, 1999).. Contextualizing the topic to Omani scenarios and considering the commitment of local employees a research report indicates that it is very taxing for new start-ups to stand the outlay of current Omanization targets when they have to reinstate less expensive and more skilled foreign labor with sometimes less-committed Omani-national labor Arab Human Capital Challenge Report (2009) indicate in this context that 62 % of Arab Chief Executive Officers believe that there is a less supply of capable national workers. In addition, poor work ethics in the national labor force was ranked the third most challenging issue for engaging business in Oman Global Competitiveness Report, (2009). A study conducted by Kuehn and Al-Busaidi (2000) on work values among Omani and expatriate employees indicates that that locals have less work commitment. One of the challenges sighted by

the entrepreneurs and seconded by the experts includes the deficiency human resource management in upbringing the business for small and medium businesses in Sohar port region

### **Entrepreneurial orientation**

Entrepreneurial orientation is one major factor that influences the SME development in the Sohar region of Sohar, Sultanate of Oman. It is stressed by the expert that entrepreneurship and mind-set towards entrepreneurial ventures are mirage to Omani citizens. The ability to take risk and innovation abilities are less observed into in Omani context. In the context of entrepreneurial orientation Agus and Hassan (2010), states that entrepreneurs must be capable of exploring new ideas so that their businesses could survive and grow in the modern, constantly changing world. Having communication and negotiation skills are the qualities needed for a successful entrepreneur. Koh (1996) suggested that entrepreneurs need to have a substantial tolerance for ambiguity to manage the process of entrepreneurship or they will be unable to tackle or engage in the required tasks. In reality, successful entrepreneurs, contrary to the popular notion, generally select risks that avoid huge gambles. They are adept at calibrating the level of risk that matches potential reward and their personal capability to manage uncertainty (Richard L. Osborne, 1995). Entrepreneurs must be not only risk takers but also risk handlers who rationally measure risks, and deal with risks. (Longenecker and Schoen, 2001). According to Lumpkin and Dess (1996), innovativeness reflects a tendency for an enterprise "to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes". Innovation is an important means of pursuing opportunities and so is an important component of an entrepreneurial orientation (Lumpkin & Dess 1996).

Entrepreneurship is still more of a past than a present phenomenon in Oman. According to Porter (2004), cultural factors have closed and may be continuing to close the door for new business in Oman. The culture is characterized as risk-averse and highly-dependent. A high government post or high military rank is perceived more favorably by society than being a successful entrepreneur. There is scarcity in successful and self-made entrepreneur role models in the Omani society, and even the few have not received much media celebration. Entrepreneurial Orientation literature agrees that a competitive aggressive orientation is one of the basic characteristics of successful entrepreneurial firm activity (e.g., Covin & Slevin, 1991; Lumpkin & Dess, 1996). In the context of SME development the entrepreneurial orientation is not matching up with the



present so called entrepreneurs in the region of Sohar port, of Sohar in Sultanate of Oman.

### **Implications**

The study possesses a few implications which can be detailed as policy, managerial and theoretical.

The policy level implication gives a message to the government of Sultanate of Oman that there is much effort in need to support the industrial development of the SMEs in the Sohar port region. Several factors like infrastructure, financial troubles, marketing issues, laborers issues are to be settled with the support of government. Overall, administrative and licensing procedures involve many restrictions, complexity, and bureaucracy. Inefficient government and bureaucracy was one of the top problems raised in a survey of Omani respondents about the most problematic factors for doing business (Blanke et al., 2009). Various government efforts have tried to increase the manufacturing sector's contribution to the economy. For instance, Sohar industrial estate currently hosts new, large, semi-government-initiated petrochemical projects, methanol, polypropylene, fertilizer plant, steel, and an aluminium smelter. Though, there are several challenges, such as establishing a small local market, low market purchasing power, competitive imported products, and weak connections to export markets, which restrict new business start-ups (Porter, 2004). Government's keen support in developing Sohar region as special economic zone is need of utmost importance to working capital, infrastructure and allied support systems that ensure effective regional development.

The study also envisages the importance of entrepreneurial orientation for Omani start-up business owners. They are in need to have better orientation on how to run a business with proactiveness, risk tolerance, complete aggressiveness, and better innovative abilities. As it is pointed out in one the research that the field of entrepreneurship is not going to be an easy filed for a country like Sultanate of Oman, where there is less private sector role and low national entrepreneurial activities. Several issues are circled on Oman economy and is suffering from underlying entrepreneurial malaise, which without action, that intern affect in long term economic development (Porter, 2003). Quoting an example it is stated that during the year 2003 lesser than 2 in 100 were opening a new business, compared to 1 in 10 in the US (MOM, 2005). It is also pointed out that in the last ten years there has not been a single IPO issued for a new high-growth venture in the Muscat Securities Market (MSM). Quiet surprisingly, majority of the actual entrepreneurs are not from the local

Omani community rather nonresident expatriate entrepreneurs, mostly from the Indian subcontinent region.

The present findings are very much beneficial to many small and medium scale industrial concerns in order to assess the importance of entrepreneurial orientation on their business ventures. All the expert opinion identified through the research findings needs to be better evaluated by the SME entrepreneurs and business owners, to have business development and growth.

## **Recommendations**

Keen effort on the part of government and allied organizational development institutions is envisaged here to induce better entrepreneurial orientation and better SME development in the Sohar port area of Sohar, Sultanate of Oman. Some suggestions can be detailed as:

- clear cut coordination of ministries involved in finance, human resources, and technology, which demonstrates a clear vision towards SME development;
- there should be a good match between internal and external organizational factors will result in performance improvement;
- with the challenge faced by SMEs, to ensure that they are not left behind by the giant companies, it is imperative for them to appropriately fit their strategy with the changes in the business environment;
- small scale companies should seek to improve product quality and their ability to reduce delivery lead time, in order to improve their competitiveness at global level;
- the networking, both between companies and between companies and their environment;
- they should be complemented by measures for developing well educated labor force and strengthening local infrastructure;
- the interaction between the local industry and the local community as a whole is very important in order to generate positive externalities;
- for increased flows of FDI, countries need to develop attractive configurations of location advantages and to go beyond the first and second generation of investment promotion policies;
- The policies of the government should be market friendly further to liberalize the Foreign Direct Investment by reducing barriers to inward Foreign Direct Investment, strengthening better treatment for foreign investors.
- providing a means of diffusing valuable knowledge throughout their economies and increasing the dynamism and competitiveness of their domestic enterprise sector, thereby

helping them to capture the opportunities for increased trade and investment;

- infrastructural development in the area where SMEs have to operate;
- successful business linkage program involves more than simple matchmaking activities between large and small firms and depends on the commitment of all partners - governments, large firms, SMEs and their support agencies;
- enhanced leadership skills of entrepreneurs of to SMEs;
- Induce pro-activeness, risk taking and innovation ability for to SMEs enterprising;
- increased confidence to make better, more informed decisions at institution enterprise development;
- broader insight of up-to-date institutional development fundamentals;
- deeper awareness of the international culture and to SMEs development strategies;
- Keen understanding of value creation in the SMEs environment for sustainable development;
- Collaborative efforts for to SMEs development;
- Both public and private sector should try to develop an overall conducive environment to entrepreneurship, innovation and SMEs growth
- Visualizing projects and capacity to pool the resources to SMEs'
- Enhanced ability for making to SMEs strategy happen;
- Contribute more to financial stability of SMEs;
- There should be better link between public and private sector financial institutions by making provision of innovative financial instruments to alleviate the risks and transaction costs of lending to SMEs
- It is highly envisaged that the banking systems should be transformed in line with market-based values; To alleviate the financial difficulties persuade the banks and other financial institutions to offer credit facilities to the SME sector, particularly the small entrepreneurs;
- Short term and long term finance should be provided at the market cost of capital. Fund should be made available through encouragement for setting up 'Venture Capital'.
- Allow the small and medium companies to exploit a vast reservoir of commercially promising ideas which originate in universities, government funded Research and Development centers and other allied institutions.

## CONCLUSION

This paper provides a inclusive review of the challenges of SMEs and critical factors in relation to entrepreneurial orientation influencing the growth of SMEs in the Sohar port region of Sohar, Sultanate of Oman. It has been identified through this qualitative research that several SME related factors and entrepreneurial orientation factors are critically influencing the development of this region to be improved as an investment hub. Several SME factors like infrastructure, working capital, marketing issues, ad government support factors and SME owners' entrepreneurial orientation issues are influencing the investors not to invest in this region further since it won't assure any return of investment. It is hoped that the recommendations made in this study offer constructive course of action to women entrepreneurs, government, OD institutions and other pertinent stakeholders. It is also hoped that additional research will be undertaken to build upon this work. The study has incorporated some of the findings which have come out with quantitative research also. Both quantitative and qualitative findings are well correlated in to this research. Empirical evidences on challenges of SMES and entrepreneurial orientation s based on the factors proposed are possible research areas further through mixed method. These would aid in better positioning the significance of these critical factors towards development of Sohar port area as an investment hub to Sultanate of Oman in its journey towards sustainable social and economic development.

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