Understanding the Factors of Small Business Failure in the Middle East

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Abstract

The Middle East is one of the richest regions in the world. Saudi Arabia has the largest oil reservoirs in the world, Qatar has the largest gas reservoir in the world, and Morocco has the largest reservoirs of phosphate. Tourism is a main source of national income for several countries in the Middle East. There are several historical and tourism locations. Egypt has one of the world's best wonders: the pyramids. Syria and Jordan are famous for the old Phoenician architecture. Saudi Arabia receives more than 4 million religious tourists every year. Despite these facts, the Middle East has the largest unemployment rate in the world. This fact directs us to research small business performance in the Middle East. Small businesses are the main factor in the economic growth of a nation. Therefore, this review was prepared to investigate the causes of small businesses in the Middle East. The causes of small business failure are plenty and vary from one country to another. In order to initiate the work of small businesses, it is important to find out the reasons for failure in each country. Therefore, the research was implemented in the qualitative phenomenological approach. The results indicated that there are specific skills and knowledge required for the survival of small businesses. Some governments in the Middle East do not provide the required support for entrepreneurial initiation. This review is the starting point of a long journey to study the improvement of small businesses in the Middle East.

Keywords: **Unemployment rate, Small business failure, Small business performance, Small business survival, Qualitative phenomenological approach, Entrepreneurial initiation.**

Introduction

Unemployment in the Middle East is considered high at 10%, and youth unemployment is considered the highest rate in the world at 26%.[22] For example, unemployment in Saudi Arabia reached 10.7% for adults.[21] It affected 23.6% of young males and 45.8% of young females.[21] Furthermore, unemployment in Yemen amounted to 35% in 2012.[21] This rate is expected to rise in the coming years due to the political climate and military conflicts in the Middle East.[22] Therefore, it is necessary to find ways to improve the performance of small businesses in the Middle East and reduce the unemployment rates in the Middle East as a result.

Small businesses are vital to the success of economic growth in any country in the world.[1] They can help reduce poverty and unemployment rates.[35] Small businesses can recruit different groups of workers.[35] Small businesses usually come with innovative ideas that can be applied with little financial funding.[35] Moreover, small businesses are able to adapt easily to the surrounding environment.[35] Consequently, the support and initiation of small businesses is essential for the flourish of local economies. America's small businesses have been found to generate more than half of the nation's Gross Domestic Product, serving as the principal source of new jobs in the U.S. economy and employing more than 50% of the private workforce, which grew to 51% in 2006.[41] In 2002, small businesses accounted for 75% of total employment growth in the United States.[41] Small businesses are essential to the growth of the U.S. economy, as demonstrated by the number of organizations increasing 452,640 from 2000 to 2004.[41] Statistics from the U.S. Census Bureau (2005) on small businesses listed over 13.2 million organizations in 2004. A total of 672,000 new small businesses were created in 2005, the largest number in U.S. history.[26] The increase of small businesses aided economic growth and created new

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employment. Small business growth was associated with target markets, increased sales, profitability, achieving organizational goals, and competition.[41] The failure of small businesses has created unemployment, affected the U.S. gross domestic product (GDP), and has slowed economic growth.[41] The U.S. Small Business Administration investigated the rate of failure of small businesses, and the results are addressed in Table 1.

Working year	Accumulated failure rate
2nd year	30%
5th year	50%
10th year	67%
15th year	75%

Source: Small Business Administration, 2014.[37]

Table 1.Estimated Discontinuances of New Businesses Each Year

There are several determinants for small business failure; first, ownership structure is a very important factor in determining bankruptcy. Donoher found that U.S. firms with high levels of inside-equity ownership and secured indebtedness opt for bankruptcy if they are in a poorer financial state than firms with similar ownership and indebtedness.[16] Firms with high levels of outside-equity ownership and short-term indebtedness seek reorganization while they are still in comparatively better financial conditions.[32] Second, firms with a higher market-to-book ratio are less likely to fail. Pompe and Bilderbeek found that virtually every ratio category-profitability, activity, liquidity, and solvency ratios-has some predictive power for bankruptcy.[30] Köke found that firms are more likely to fail when financial performance is generally poor.[24] Third, firm size is an important determinant of the occurrence of bankruptcy as well. Köke[24] shows that firms are more likely to fail if they are small, consistent with the earlier theoretical predictions of Shleifer and Vishny[36] that larger firms are less likely to fail. The age of the firm is a fourth important determinant of bankruptcy. Pompe and Bilderbeek[30] also found evidence of Altman's (1993) conjecture that the older the firm, the smaller the likelihood of bankruptcy. Fifth, firm growth is a good predictor of business failure. Köke found that for public corporations, failure is typically preceded by a significantly lower employment growth rate.[24] Under certain conditions, growth that is too rapid also relates to business failure.[32] Sixth, Bandopadhyaya and Jaggia found that qualitative regressors, such as customer concentration, subcontracting status, export status, and the presence of large competitors in the same region, also have significant predictive powers.[4] Seventh, quite a few studies pointed out that the business environment also affects the occurrence of liquidations of firms and their assets considerably.[32] Denis and Denis pointed to unexpected macroeconomic and regulatory developments.[15] Finally, some empirical studies investigate the effects of efficiency on business failure. After studying Italian manufacturing firms, it was found that the degree of relative firm inefficiency that is the effect of technical and allocation inefficiency estimated by using stochastic frontier analysis has significant explanatory power in predicting bankruptcy.[32]Still these studies do not speak to the specific components of small business failure in all industries, nor do they help to clarify why small businesses fail at such high rates within the Middle East.

The primary reasons for small business failure in academic and popular literature are poor financial planning and management.[17] Regarding undercapitalization, a start-up problem, the emphasis among authors seems to be on a failure to anticipate cash needs to reach cash flow to break even.[17] Early authors on small business management recognized this as a problem. Baron and Shane indicated that negative cash flow in the early days of most new ventures is likely to lead to failure if additional cash is not injected into the business.[5] In the academic literature, Perry discovered that there was a significant relationship between firm failure and lack of planning.[29] Similarly, Gaskill, VanAuken, and Manning found that primary reasons given for failure centered on poor management and planning; a second important factor found was finances and working capital management, a third factor was related to the competitive environment, and a fourth factor was related to growth.[18] Xiaoyan and Wang indicated that a widely recognized cause of failure is poor financial management.[44] Cassar stated that how a business obtains start-up funding is critical in determining adequacy, financial performance, and probability of failure.[11] Smythe without equivocation suggested that "the lack of start-up capital is a problem most small businesses encounter" (p. 1).[38] Clark indicated that money is one factor that must be properly planned.[12] He suggested that breaking even for a start-up company takes much longer than most entrepreneurs expect. He suggested having a nest egg that will last at least three times longer than projected to break even with the business. Small business management and entrepreneurship textbook authors often discuss financial planning as a potential problem. Kuratko and Hodgets said, “Remember, it is not enough for a small business to get started, it must be able to survive at least 90 days without further inflows of funds” (p. 253).[25] Similarly, Scarborough and Zimmerer suggested, “Too often entrepreneurs are overly optimistic in their financial plans and fail to recognize that expenses initially exceed income (and cash outflow exceeds cash inflow) for most firms” (p.390).[34] A lack of financial understanding and planning in regard to business ownership and operation seem to contribute to a lack of success, based upon research findings. The research of Bornstein indicates that 90% of small businesses fail due to management inadequacy.[9] The University of Texas conducted a survey on a sample of 1,000 small business owners and managers, and more than half of the individuals interviewed said that the lack of management expertise was the main cause of small business failure.[9] Failed firms share some common characteristics that fall into key groups:

1. Management’s personal financial shortcomings (no accounting background, cash flow analysis, financial records, etc.)
2. Decision-based characteristics (lack of insight, inflexibility, emphasis on technical skills, etc.)
3. Managerial deficiencies (lack of management skills and appropriate managerial training, etc.)[10]

Small businesses without organizational goals and objectives remain in existence only two or three years.[7] Failure then becomes a concern of both internal and external stakeholders. According to Perry[29] and Beaver[7], poor leadership practices in small businesses are the cause of many small business failures. Gordon and Yukl advocated for more research on leadership skills relevant to turbulent small business environments.[19] In 1980, Beaver examined records from 200 bankrupt small businesses, from which he concluded that the primary failure of the organizations was a lack of leadership knowledge and neglect by management.[7] Leadership style is critical to the success of a small business.[41] It is important for start-up entrepreneurs to start their own businesses based on sound principles rather than just a desire to establish a specific business.[6]

The majority of entrepreneurs lack the knowledge, expertise, and desire to manage their work strategically.[31] They often do not apply quality systems unless they are required to implement. Some entrepreneurs do not implement the quality systems effectively; they only apply it formally because they are not aware of the advantages of using the quality systems.[31]

It was found that the political environment could harm business life by exposing it to actions such as bribery.[39] Consequently, entrepreneurs could be influenced by the external environment, especially the political environment, which forces entrepreneurs to follow evasive actions and become unproductive.[8]

As a result, the reasons for business failure vary from one place to another. But it is common to all places that the failure of small businesses will increase the unemployment rate and increase poverty in any country. The environment of small businesses is a very important issue for determining the level of growth of small businesses. It is more important in developing countries because the markets and institutional infrastructure are less developed.[43] Small businesses are more vulnerable to the surrounding environment, more than medium- or large-sized companies. That’s why it is important for governments to provide great support for small businesses by providing training consulting and the required financing for small businesses. The current situation of the surrounding environment, such as governmental regulations, external finance and infrastructure play an important role in the success or failure of small businesses.[2] The size of any firm is an important factor in determining how much a firm is subject to changes in the surrounding environment. When the firm gets larger, the effect of the surrounding environment decreases, and vice versa. This means that a poor business climate can damage the growth of small-, medium-and large-sized firms. The presence of external finance has a positive impact upon the growth of small-, medium-, and large-sized companies.[40] Global research indicates that excessive federal regulations can affect the growth of businesses negatively, especially large firms, which have larger numbers of employees.[23] Furthermore, it was found that the less infrastructure we have, the greater the negative impact there might be on the growth of large-, medium-, and small-sized companies.[3]

Extensive research has been focused on entrepreneurship and successful start-up companies.[20] Still, the subject of business failure is-compared to entrepreneurship research as a whole-a research area that started to receive serious attention only about a decade ago.[20] Entrepreneurship scholars with an interest in learning theories concentrate their research on learning from failure.[20] Therefore, it is important to make an investigation in the Middle East to understand the causes of small business failure. Previous research on small business failures in the Middle East is limited. Thus, this review was prepared to study the causes of small business failure in the Middle East.

Materials & Methods

Purpose of the Review

The purpose of this review is to find out why small businesses fail in the Middle East. This goal can be achieved by understanding the causes of small business failure from the point of view of entrepreneurs who have experienced failure in the Middle East. After knowing these causes, it will be possible with the support of previous international research to suggest solutions to overcome these barriers and possibly reduce small business failure and unemployment rates in the Middle East.

Significance of the Study

The recommendations of this dissertation will be useful for entrepreneurs who wish to establish manufacturing or service companies. The research sample includes entrepreneurs in the fields of clothes manufacturing, tourism, medical centers, paint manufacturing, ceramic manufacturing, mobile phone retailers, packaging, electronic marketing, and consulting. Thus, the results of the research will be valuable for any entrepreneur starting in any business field. Furthermore, this research will be useful for business scholars who are looking to make future investigations of small business in the Middle East. Consequently, it can act as a tool compatible with the universal research about small business failure.

Research Method & Design

This research was conducted using a qualitative, phenomenological approach. There were interviews and questionnaires with nine entrepreneurs who faced failure in small businesses in the Middle East. The reason for choosing this approach was the fact that small businesses can fail for many reasons, and these reasons can change from one place to another.[42] Consequently, it is important to understand the reasons for small businesses failure from the point of view of entrepreneurs in the Middle East. Moreover, the core of this study aims to understand the interaction between entrepreneurs and the business environment in the Middle East. This will support the research with information and viewpoints regarding core barriers to success for small businesses in the Middle East. Consequently, this approach will help us discover the relationship between small business failure and the surrounding environment in the Middle East. There was an investigation involving correspondence with nine entrepreneurs from the Middle East; five participants from Syria and Saudi Arabia were interviewed personally by us, and each one was offered thirty minutes for the interview. Four participants from Jordan, Qatar, and UAE were sent the questionnaire by e-mail, and they sent back their written responses by e-mail. The researcher allowed the participants, at the end of the interviews and questionnaires, to add any additional information that could add value to the research.[33]

Research Question

1. What do owners of failed entrepreneurial enterprises believe are the main reasons for small business failures in the Middle East?

Sampling and Population

This research takes a qualitative phenomenological approach. Consequently, it is important to conduct the research with cases that experienced the phenomenon. This would mean that the interviewed cases were required to have experienced business failure previously.[33]

Some opinions say that sample size must be between three and six participants in order to get a broader spectrum of data for analysis.[13] However, other opinions attest that, for selected methodologies, a minimum sample between nine and twenty is needed to ensure trustworthy findings.[27] In the case of this research, it is important to concentrate on the research analysis and express the personal opinions of the samples. However, because the research discusses business failure in the Middle East, it will be important to discuss a large number of cases to get a better idea; according to Creswell, "a phenomenology provides a deep understanding of a phenomenon as experienced by several individuals" (p.62).[13]

Because of the different circumstances in each country in the Middle East, the sample which will be investigated consists of nine small businesses' owners. They will have already experienced business losses. The choice of the sample will be purposeful, which means the samples could be entrepreneurs who own small service or manufacturing companies. The cases were chosen purposefully from different countries in the Middle East. The researcher implemented two sampling strategies:

1. Purposeful sampling strategy, which means that the researcher selects individuals for the research because they can provide meaningful

data and an understanding of the research problem.[13]

2. Criterion sampling technique, which means that individuals studied represented people who have experienced the phenomenon.[13]

The sample of the research was chosen as seen in Table 2.

First name	Country	Businesses
P1	Syria	Tourism
P2	Syria	Clothes Manufacturing
P3	Saudi Arabia	Dental Center
P4	UAE	Electronic Marketing
P5	Qatar	Filling & Packaging
P6	Jordan	Mobile Phones Retail
P7	Syria	Consultations
P8	Syria	Ceramic Manufacturing
P9	UAE	Paint Factory

Table 2.Research Sample

Role of the Researcher

The role of the researcher in this study was divided into three stages. The first stage involved the process of collecting the required data from previous research. This required that the research applies deep searches for articles, references, previous research, and case studies about small business failure in the world and in the Middle East.

In the second stage, the researcher constructed, organized, and implemented the questionnaire with the participants. The researcher explained clearly to the participants the aim of initiating this research and how their contributions would be valuable for themselves and for their communities. Before running the interview, the researcher familiarized the participants with the questions and gave them a huge amount of encouragement to give the answers they felt would serve the research correctly. The researcher asked the interviewees the questions directly, and the questions were all open-ended. In addition, the participants had a space at the end of the interview to add any information or solutions they thought would be useful for the research.

The third stage involved the interpretation and analysis of the data of the questionnaires. In order to ensure that the proper aspects of the problem were addressed, the researcher used the Moustakas model.[28] The data were analyzed for inductive, reoccurring trends and common threads to identify the themes that emerged from the results.[14] The researcher provided an analytical review and description of the data.

Participants

The researcher selected nine participants for the research. The participants were all business owners from different countries in the Middle East. The participants were chosen purposefully; some of them owned service companies; others owned manufacturing companies; and others owned medical centers. We contacted the commercial and industrial chambers in different countries to find some potential participants who did not renew their licenses for work in 2012-2013. After contacting a huge number of small business owners, the researcher could convince nine participants from different countries to participate in the research. The details of the participants are listed in Table 2. All the participants in this research were registered business owners in the commercial or industrial chambers in their countries; this means their work is legal according to the federal regulations in their countries.

Five participants from Syria and Saudi Arabia were interviewed personally because the researcher was a resident in Syria and was able to travel to Saudi Arabia. However, the four participants from UAE, Qatar, and Jordan were sent the questionnaire by e-mail, and the researcher received their written responses via e-mail. The researcher contacted the four participants from UAE, Qatar, and Jordan by phone in order to give them required assistance.

The research question aimed to find out the reasons for the failure of small businesses in the Middle East. The participants were informed thoroughly about the goals of the research, and they were happy to participate in it.

Data Collection Method

The most widely used data collection method in qualitative research is the interview with participants.[33] The interview was chosen as a data collection method in order to get the opinions, feelings, values, and attitudes and beliefs about participants' personal experiences with the problem question of the research.[33] The interviews were conducted with participants who had their businesses located in Syria and Saudi Arabia because the researcher was able to travel to these countries. However, in the rest of the countries, data collection was implemented by sending a comprehensive questionnaire which included the questions of the research in simple language. All participants received a prior explanation of the research and how their answers would contribute positively toward the research and toward improving entrepreneurship in the Middle East. The interviews had an open-ended approach in order for participants to be able to present themselves properly. All interviews were recorded in the Arabic language and translated into English by the researcher.

Results & Discussions

The causes of participants' small business failure could be summarized in Table 3.

Participant	Main causes	Secondary causes
P1	Military Conflicts	Bureaucracy-Financial Management-Low Quality at Work
P2	Military Conflicts	Inadequate Strategic Planning
P3	Federal Regulations	Inadequate Strategic Planning
P4	Managerial Inadequacy	Work conditions -Competition-Low Quality
P5	Competition	Financial Management-Low Quality-Work Conditions
P6	Work Conditions	Inadequate Strategic Planning-Investing Environment
P7	Military Conflicts	Bureaucracy-Inadequate Strategic Planning
P8	Managerial Inadequacy	Investing Environment-Work Conditions-Competition
P9	Managerial Inadequacy	Work Conditions - Competition-Low Quality

Table 3.Causes of Participants' Small Business Failure

Managerial Inadequacy

The results of the participants showed that some of them were not able to eliminate organizational weaknesses. P4 is an owner of an electronic marketing company in Dubai, and according to his interview, he had good financial resources. Yet his company failed because he did not have the required experience to run the business and he did not recruit the correct employees to run the business. For that he had a lot of financial losses, forcing him to terminate the business to avoid further losses.

P8 was one of the owners of a ceramic manufacturing company in Syria. The company started its business in 2008 prior to the global financial crisis. The company failed for many reasons. The main reason for failure was that it did not devise an organizational hierarchy for its business and it failed to determine the responsibilities and authorities for its employees. The management of the company became very complex because of the interference and moody approach of each of the partners. This resulted in a chaotic leadership at the start of the global financial crisis, which caused the business to terminate.

P9 was the owner of a paint factory in the UAE; he started the business without performing a business plan. He had an experience in the internal decoration of houses and thought that he could compete in this industry. He could not compete in a strong market such as the UAE market and he could not manufacture high-quality products. The inadequate management of human resources caused high turnover and unstable product quality. These reasons forced him to cease the work at the paint factory.

Financial Management

The results indicated that all the participants were holding accounting records and they found them useful for their businesses except P5. He had a filling and packaging company in Qatar and did not use accounting records. P2, P3, P4, P6, and P7 showed that they implemented annual financial statements. Surprisingly, none of the participants were using the financial ratios at their work. Consequently, the participants were not able to forecast the performance of their firms or predict bankruptcy.

Strategic Planning

P2 and P3 explained that they could have saved their businesses in case they had stated alternative plans. P7 stated that he did not expand his work to involve other countries in the Middle East but only Syria. If he had other clients in the Middle East, he would have continued his business and probably established another branch in other country.

Market Assessment

The participants were asked about the implementation of both the feasibility study and the market assessment. Only P1, P2, and P8 mentioned that they implemented the feasibility study prior to the start of their businesses. Market assessment was performed by P2, P7, and P8.

P1 and P2 indicated that there are some agencies specialized in providing feasibility studies, but they offer unrealistic studies to help entrepreneurs receive loans from the banks, and they advise start-up entrepreneurs to hire a professional agency. Strong competition was one of the reasons that forced P4, P5, P8, and P9 to fail in their businesses.

Military Conflicts

P1, P2, and P7 explained that their businesses in Syria ceased after the military conflicts started in Syria. P2 was the owner of a clothes manufacturing company in Syria; he had a long experience in retail and wholesale of clothes. He established his clothes manufacturing company in 2012. Unfortunately, he had to close the factory in the first year of the start of its work. This was the result of a military conflict that took place in Syria. P2 and his employees were not able to reach the factory every day because the factory's area was unsafe. He thought that the main reason for this failure was the military conflict in Syria. He believed that he should have had an alternative plan in case his work was stopped.

Work Conditions

P6 was an owner of a mobile phone company in Jordan. He used to import different mobile phones and accessories and sell them to Jordan. He also provided maintenance for his clients. He claimed that the work conditions in Jordan were difficult. This included the high rents and wages. The market in Jordan lacked skilled labor. He stopped his work because he could not handle the high costs. He thought that his business could have survived if he found a financial source or a partnership with other entrepreneurs. P4 and P5 explained that they faced difficulties in the high costs of running their businesses. P4 and P5 added that they were faced with high competition. P5 expressed the difficulty of having local employees, and he had to import employees despite the tough federal regulations for importing employees.

Federal Regulations

The issuance of excessive laws can end the survival of small businesses. Participants expressed their experience with the impact of federal regulations. P3 was an owner of a dental center in Saudi Arabia as a foreign investor. His business was terminated after the sudden issuance of federal regulations in 2013, which prevented foreign investors from working in private businesses. P1 and P7 indicated that their businesses were disturbed by the federal regulations and the bureaucracy in their countries.

Investment Environment

The answers from the participants indicated that governments do not provide financial or other kinds of support to small businesses. Only P4 confirmed that his country provides short-term loans and exempts small businesses from taxes on their imports for the first year. P2 mentioned that his country provides very limited training. P1, P2, P3, P7and P8 showed that their countries do not have a good environment for small businesses. On the other hand, P4, P5, P6 and P9 mentioned that their countries offer a good environment for investing, even though they do not support small businesses, yet the procedures for starting small businesses are easy. P9 mentioned that the industrial and trade infrastructure in UAE is great.

The results presented in this section showed that governments of the Middle East do not provide sufficient financial or training support for start-up entrepreneurs. There are only some facilities provided to the start-up entrepreneurs in the UAE. There is no national understanding of the benefits of initiating small businesses upon the development of economies in the Middle East. Governments must facilitate the launch of small businesses and must reduce bureaucracy and the obstacle regulations. The market and institutional infrastructures of businesses in UAE and Qatar are good. This is a good condition for the start of small businesses but it might not be helpful for the survival of small businesses. Major countries in the Middle East are not democratic countries; this means that delivering the message to the governmental departments about the importance of supporting small businesses in the Middle East will not be easy. It is not easy to reduce the bureaucracy in governmental departments. However, it is possible to contact the associations and commercial and industrial chambers to help them avoid the issuance of federal regulations that might create barriers for small businesses. The results of this research must be communicated on a governmental level in order to improve the work conditions of small businesses as much as possible. Governments must be aware of the benefits of supporting small businesses for the societies and the reduction of unemployment rates.

Quality of Work

The responses of the participants showed that they are aware of the ISO9001 quality system and not the total quality management system. Only P7, P8, and P9 knew the total quality management. P1, P4, and

P6 believed that the implementation of these systems is complementary and does not add value for their businesses. None of the participants had implemented any of the quality systems at their businesses. Only P7, who had a consulting company in Syria, implemented the framework of the ISO9001 without taking the certificate of the ISO9001. P1 expressed that he did not implement quality systems because of their costs, and because small businesses need to save any available money and to serve the basic requirements of the business. P1 believes that quality systems are complementary for tourism businesses. P4 thinks these systems are not important for small businesses and they are rarely implemented in small businesses. P6 thinks these systems do not add value for his business. P8 sees that the implementation of quality systems is no more than a prestige for the company.

Practically, some participants indicated that their product's quality was not supplied in a stable quality level; this is clear with the answers of P9. He mentioned that the quality of his products was not stable due to the continuous changes in manufacturing recipes. P7 indicated that they had been implementing the framework of ISO9001 without taking the certificate. The results of this research indicate that the ISO9001 is familiar to the entrepreneurs in the Middle East, even though none of the participants had implemented it except P7. These results appoint that small businesses in the Middle East work locally without taking globalization into consideration because international markets require that all products must be ISO certified. This means that small businesses in the Middle East must take a new approach toward business excellence in order to survive and compete in strong competition markets. They must think strategically and plan to go global instead of just penetrating the local markets. The lack of knowledge about the benefits of quality systems is a result of the lack of entrepreneurial education and training in the Middle East.

Entrepreneurship Education

The researcher investigated the educational level of the participants and its role in their businesses. He investigated the impact of basic education and competent education from the point of view of the participants; there is a general agreement among the participants that education has a positive impact upon the success of small businesses. All participants commented that education is good for their small businesses, and only P6 from Jordan thought that training is more important than education for his business. P1, P2, and P6 believed that competent education does not have a positive impact on the success of their businesses.

The results of the interviews and questionnaires showed that majority of the participants do not know the required entrepreneurial education for the success of small businesses. There is a lack of understanding of the importance of financial management, quality systems, and strategic planning.

In summary, the participants experienced different types of managerial deficiencies, which caused the failure of their businesses. These vary from failing to conduct an effective business plan prior to the launch of their businesses, the misconduct of financial management after the launch of the businesses, and the lack of managerial skills. The participants did not have common awareness of the advantages of implementing quality systems, and the level of their entrepreneurial education was not sufficient for entrepreneurial competence.

Conclusions

The results of the interviews indicated that some entrepreneurs did not conduct a feasibility study at the start of the business and some of them indicated that some feasibility studies do not match the fact because of the desire to get loans or avoid governmental taxes. For that, it is very important for start-up entrepreneurs to implement a reliable feasibility study before the start of the business and consult with professional companies to forecast the outcomes of the project. The results of the research showed that the participants were not aware of the usefulness of the financial ratios and they do not know how to use them. Thus, they were not able to predict the bankruptcy of their businesses. All the entrepreneurs investigated did not implement any quality system at their work because of their perceptions that quality systems are costly and do not provide valuable benefits for their work. This finding shows that the participants did not implement the concept of continuous improvement and they did not have plans to expand their businesses globally. The educational level of the investigated entrepreneurs is adequate, but there is a lack of understanding of the aims of competent education and its benefits. These findings prove that the Middle East lacks the required knowledge and skills for small businesses management and entrepreneurship.

The investment in the Middle East is hugely different between one country and another; however, most of the countries do not provide entrepreneurial training or financial support for start-up entrepreneurs. The work conditions are better in countries such as Qatar and UAE. Some entrepreneurs had their businesses ceased after the start of military conflicts in their countries and some participants declared that bureaucracy and the excessive issuance of federal regulations caused the failure of their businesses.

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