Research Article

Improving the Survival Chances of Small Business in the Middle East

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Abstract

Supporting small business must be taken seriously in the Middle East to help reduce the high rates of unemployment. It is important to understand the causes of small business failure in the Middle East and provide solutions to help small businesses survive in the Middle East. Global research identified different skills and strategies to help reduce small business failure in different regions around the world, yet these recommendations can be different between one country and another. For that, this review was prepared to recommend solutions to aid the survival of small businesses in the Middle East. The suggested solutions and conclusions made in this review were prepared from the experience of different entrepreneurs in the Middle East with the support of global research of small business failure. Therefore, the research was implemented in the qualitative phenomenological approach. Entrepreneurs are required to learn the managerial and financial skills that are essential for running a small business. The implementation of quality systems is highly recommended for the growth of small businesses. There is a huge demand for improving the entrepreneurial education in the Middle East. In order to support small businesses, governmental departments must be involved in the process. Governments must take their roles in the support of small businesses. This can be achieved by providing financial, educational, infrastructural services. 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 survival, Qualitative phenomenological approach, Entrepreneurial education, Quality systems, Government involvement, Infrastructural services.

Introduction

Despite the constant belief that entrepreneurs are born and not made, there is a growing volume of research that acknowledges the necessity of entrepreneurship education and training as a source for increasing start-up survival rates and growth.[23] Proper entrepreneurship education was found to be a crucial factor for the development and survival of small businesses.[22] However, it is important in this regard to understand that the education required for entrepreneurship is different from that required for small business management. Entrepreneurship requires originating or starting a new business, but running a small business could entail managing an existing business that has been inherited.[42]

Entrepreneurship Education

Recently there have been modern approaches of entrepreneurial education, which are additions to the competence concept of entrepreneurial education and training.[15] This means that entrepreneurial education and training will add the interrelatedness of knowledge, skills, and attitudes.[27] Being entrepreneurially competent does not only mean the ability to write a business plan but it also implies recognizing and acting on

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opportunities, taking initiative, and action; for instance, by encouraging investors to invest money in a project. Thus, it is important when studying the success and failure of small businesses in a country to check the level of entrepreneurial education in that country or region.[42] Based on the previous explanation, it is clear that it is the responsibility of the government to launch management training programs in order to support small businesses.[17] Therefore, the key focus for policy makers is to concentrate on the small business sector for creating development strategies.[24] However, in this regard it is valuable to realize that because of different needs and size of each business, training programs should be different from one business to another. This means that it is not ideal to use one training approach for every business.[17] The scholars Lee and McGuiggan [26] conducted an interesting study to find out how owners-managers of small retail firms perceive the demand of training. Their findings showed that majority of successful business owners think that the most important training is that which concentrates on the relationship with customers and how to be customer oriented; on the other hand, new starting small firms believe that they need training in personal management skills and making business plans. On the other hand, other surveys run by Worrall and Cooper [40] in the United Kingdom and Lee and McGuiggan [25] in Australia showed that participants think that training in financial management is necessary. These differences pertain to the type of samples investigated; however, what is similar here is the need for training for small businesses. Other scholars, such as Johnson and Tilley [21], believe that preference for seminars and short courses overcome formal formats (community college, university, and distance education) because small businesses require training that is immediate and is done only when a problem is perceived. The research has found four significant barriers to receiving training and education by small business entrepreneurs; these are lack of time, high cost, lack of convenient availability, and difficulty in identifying suitable training programs.[24] This result might mean that the proper use of training and education via the Internet could reduce the barriers to training for small business entrepreneurs.[24]

Financial Management

The lack of frequent use of financial statements from the accounting records has a great impact on small business failure. Another crucial factor in small business failure was the lack of necessary information for making the right managerial decisions.[18] Tables 1 and 2 show that keeping proper accounting records and establishing regular financial statements help protect small businesses from failure.[18] This could mean that small business owners should contract the proper financial and accounting services to ensure that financial statements are being produced in an accurate and timely manner.

Financial Forecasting

Several scholars such as Altman, Beaver, and Blum conducted an empirical research to understand the usefulness of financial ratios for small businesses.[14] The results of their experiment showed that financial ratios were useful for predicting failure.[14] Financial ratios are useful for predicting a firm's trend, over a three-year period. Some of the financial ratios are not predictable, while other ratios are predictable.[14] Consequently, financial ratios could be used in a combined form in order to understand and predict an accurate view of the situation of the firm. It is ideal to check and see each financial ratio individually; however, it could be possible and accurate to choose a set of financial ratios to predict the successes or failures of small businesses.[14] This choice is usually based on choosing the ratios and assigning weights to them in order to obtain a relatively simple function.[14] Researchers who are interested in predicting small businesses' failures might find this way more accurate and efficient than current subjective processes.[14]

	Adequacy of Records Maintained			
Survival status	Poor	Inadequate	Average	Excellent
Failed	235	1,822	2,329	1,260
Survivor	6	459	2,309	2,150
Total	241	2,281	4,638	3,410

Table 1.Survival Status by Adequacy of Accounting Records [18]

	Frequency of Financial Statements			
Survival status	Monthly	Quarterly	Half-yearly	Annually
Failed	166	377	1,060	4,043
Survivor	652	944	1,057	2,271
Total	818	1,321	2,117	6,314

Table 2.Survival Status by Frequency of Financial Statements [18]

Market Assessment

The competition of rivals for small business is one component of the micro environment of the business. It is important for small businesses owners to study the competitors within the market, and to study the supplied products or services in the market in order to find the best positioning approach for its products. Competitor assessment includes competitor objectives, strategies, and capabilities.[12] The first thing that needs to be considered in evaluating the business environment is the legal and regulatory environment in the country.[1] A recent study was prepared in Lebanon to assess the environment of a small business, and it was found that each small business in Lebanon needs to pay 2-5% of its annual turnover as a result of governmental interaction.[1] The second issue that needs to be considered in the assessment of a business environment is business entry and exit; this means the investigation of all procedures and costs associated with the registration and the cancellation of any businesses.[1] The start-up procedures in the Middle East are difficult, and it takes a long time to get a business license. Table 3 shows the time required to obtain a business license in different countries in the Middle East.

Country	Number of Days
Lebanon	211
Kuwait	104
Oman	242
UAE	64
Saudi Arabia	94
Egypt	218
Tunisia	84

Table 3.Time to Obtain a License in the Middle East [1]

The third issue which needs to be assessed is fiscal laws and taxation. Some countries usually implement high taxation that would cause negative and unproductive results.[1] Therefore, it is important to study the taxation system and whether it is consistent with the feasibility of the business. The fourth factor that needs to be taken into account is contract enforcement and dispute resolution. The fifth issue in small business environment assessment is the availability of external finance. In many cases of small businesses, start-up requires capital to initiate the businesses; however, this is not available in many countries in the Middle East.[1]

Franchise Agreements

According to previous research conducted by the International Franchise Association, more than 90% of franchisees renew their agreements at the end of their contracts.[20] On an annualized basis, approximately 5-6% of franchisees that come up for renewal are terminated (not renewed), and approximately 2-3% are transferred to another owner (this may be due to retirement, death of the previous owner, or a multitude of other factors that have nothing to do with whether or not the business was “successful”).[20] Clearly, franchise termination and transfer rates would be much higher if operating a franchise were not a prosperous way to make a living.[20] Given that most franchise contracts have a term of seven to 10 years, the data seem to indicate that there is a much higher business continuation, or survival rate, among franchises than other small businesses.[20] While opening a franchise is certainly not a guarantee of success, it is clear that the vast majority of franchise business owners believe that they can continue running a successful business if they measure success in terms of the percentage of franchise owners opting to renew their franchise contract with a franchisor.[20]

Quality Systems

A study was run by Mcadam and Mckeown [29] in Northern Ireland about the impact of ISO9001 and total quality management on small businesses. The final results of that research showed that the benefits of ISO9001 and the total quality management system outweigh the costs of achieving registration and can save the company several losses.[29]

Business	Stated Benefits
Medicated Lotion	Excellent company performance and growth; employee performance and retention; ability to obtain bank financing; good relations with agencies
Industrial Replacement Parts	Improved employee morale; enjoyable place to work; reduced employee turnover; manageable stress level; more time to develop more markets
Automotive Replacement Parts	Improved productivity and quality; employees work well together; ability to respond to changing markets
Building Supplies	Growth in capabilities of employees; company is profitable and growing; stable work force
Printed Circuit Board Assembly	Excellent performance allows premium pricing; won small businesses vendor award in industry; reduced cycle times; increased business; more customers
Machine Fixtures	Lessons learned from completed jobs applied to new ones; improved process flow for new jobs; satisfied major customers; improved quality on production parts
Architects	Ability to converse with customers using TQM; ideas have helped to better serve customers
Attorney at Law	Improved employee morale; employee opinion is now heard; an opportunity to influence operations; ability to identify and address customer issues
Industrial Tools Distributor	Flow charts as marketing tools; more creative thinking; improvement in on-time delivery; focus on prevention
Nonprofit	Reduced employee turnover; improved customer focus

Table 4.Stated Benefits from Using TQM [34]

A recent study took place in Ghana about the impact of quality management practices on the performance and growth of small-and medium-sized enterprises in Ghana.[16]

The results of the study showed that quality management, when applied and practiced in small businesses in Ghana, will enhance the performance of these companies and help in the growth of small-and medium-size companies.[16] Furthermore, the application of quality management helped Ghanaian companies to gain competitive advantage among foreign companies in Ghana.[16]

Another study was run in the United States about the benefits of using total quality management within small businesses.[34]

The study included 10 small businesses in the United States. Each of these companies had less than 50 employees. The aim of this study was to find out how different businesses would benefit from total quality management models.[34] The 10 companies stated that they had benefited after implementing total quality management models, as indicated in Table 4.

Strategic Planning

Each business has three stages in its life cycle. These are growth, maturity, and decline.[6] Each stage has different circumstances and engages different aspects of the surrounding environment. Consequently, it is required that each stage must follow a different strategy in order to cope with the environmental changes and allow the company to have the longest possible survival. During growth stage, research proved that manufacturing cost efficiency and geographic concentration of the market aid profitability; on the other hand, product innovation and the use of patented processes reduced profitability.[6]The maturity stage has only one concern, which is price competitiveness. During the decline stage, there are three profitable strategies for small firms. These strategies are related to aggressive marketing strategies. They involve high expenditures on selling and administration, offering a broader product line than the competition, and a favorable image of the firm. Even though this stage creates enormous pressure on small firms, they are advised to continue investing heavily in promotion and a broad mix of products.

Work Conditions

Governments can improve the work conditions of small businesses by offering business incubator, which is defined as a place where newly created companies are concentrated in a limited space [30] and its objective is to increase the chances of development and survival of these firms by providing a modular building that is equipped with the necessary utilities (computers, fax, and telephones) and where managerial and service support are provided.[30] Research shows that the implementation of incubators reduces the failure rate for small businesses (see Table 5).

Region	Survival Rate
US	85% continue to operate after two years
Europe	89% continue to operate after three years
Germany	90% continue to operate after three years
Brazil	80% continue to operate after three years

Table 5.Survival Rate of Incubated Companies [30]

In order to initiate the concept of business incubators in any given country, it is important to have the legal governmental basis and rules which allow and support such a project. Some of these incubators are founded and supported by the state (ministries, state universities, research centers), and some are founded and financed by private institutes such as private universities, associations, and chambers of commerce.[30]

Materials & Methods

Purpose of the Review

The purpose of this review is to provide recommendations for new small business owners on how to survive the first two years in the best possible way. This goal can be achieved by investigating the suggested solutions from the point of view of entrepreneurs who have experienced failure in the Middle East. After knowing these suggestions, it will be possible with the support of previous international research to suggest solutions to help reduce small business failure and unemployment rates in the Middle East.

Significance of the Study

The recommendations of this review 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.[39] Consequently, it is important to understand the suggested solutions to avoid small business 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 the owners of failed entrepreneurial enterprises recommend to new small business owners in the Middle East to avoid failure and create steady growth?

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.[8] However, other opinions attest that, for selected methodologies, a minimum sample between nine and twenty is needed to ensure trustworthy findings.[28] 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 samples to get a better idea; according to Creswell [8], “a phenomenology provides a deep understanding of a phenomenon as experienced by several individuals” (p.62).

The sample of the research was chosen as seen in Table 6.

Participant	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 6.Research Sample

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.[8]

2. Criterion sampling technique, which means that individuals studied represent people who have experienced the phenomenon.[8]

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 suggested solutions to overcome the failure, survive, and flourish in the world of small business.

In the second stage, the researcher constructed, organized, and implemented the questionnaire with the participants. This research has a qualitative phenomenological approach. Therefore, the research had to investigate small business owners who already faced losses in the Middle East. The aim of conducting interviews with people who had business losses is to clearly receive their recommendations to avoid failure based on their own experiences. 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.[31]The data were analyzed for inductive, reoccurring trends and common threads to identify the themes that emerged from the results.[9] 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 6. 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 how these businesses could have survived in these environments. 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 were translated into English by the researcher.

Results & Discussions

The recommendations of the participants could be summarized in Table 7.

Participant	Participant's Recommendations
P1	Governments Must Issue Supportive Laws for Small Businesses
P2	Hiring Qualified Employees-Working Capital Management-Strategic Planning
P3	Governments must Encourage Foreign Entrepreneurs
P4	Hiring Qualified Employees-Working Capital Management
P5	Improving Work Conditions
P6	Improving Work Conditions-Working Capital Management
P7	Modern Managerial Skills-Strategic Planning-Risk Management
P8	Improving Work Conditions-Invest in Media-Restructuring Staff-Focusing on Successful Products
P9	Hiring Qualified Employees-Market Assessment-Good Training

Table 7.Participants' Recommendations

Participants' Recommendations

The researcher investigated some recommendations from the participants to help reduce small business failure in the Middle East. The participants came with plenty of ideas and solutions from their own experiences to help reduce small business failure in the Middle East.

P1 suggested that small businesses could survive longer if the governmental departments in any country produced laws that are accepted and elected by the entrepreneurs of that country. There must be a form of participation in producing governmental rules between governments and small business owners. This procedure will make governments understand the barriers that small business owners face. His recommendation can help small businesses survive longer; however, he was not aware that he was making some managerial mistakes, which could have been reasons for his business failure. He did not implement any quality system at his work and he never used the financial ratios to forecast bankruptcy.

P2 thought that the owners of small businesses should be highly qualified in order to run the business properly. Otherwise, they must hire some highly skilled employees to run the business. He also believed that the form of small businesses must be transferred into share holding companies in order to support the businesses financially and get the best expertise to manage the company. He indicated that the proper strategic planning could have saved his business from failure. This participant was the most entrepreneurially educated participant. He could clearly define the problems in his business and he knew what should be done to survive his small business. However, he was faced by military conflicts in his country, which caused him to stop his work. Denis and Denis [10] pointed out that the unexpected macroeconomic and regulatory developments cause small business failure.

P3 said that the solution to reduce small business failure in the Middle East is the issuing of federal regulations that encourage foreign entrepreneurs to launch their own businesses. Pusnik and Tajnikar [32] pointed out that the legal environment is a major determinant for small business failure. P3 had his business stopped after the issuance of federal regulations. It was not possible for him to avoid that termination. However, alternative plans should always be prepared in these cases in order to avoid small business termination.

P4 thought that small businesses could survive longer if they offered shares to the market in order to improve the financial capital of the company and change into a share holding company. His opinion is compatible with the scholar Donoher [11], who documented that U.S. firms with high levels of inside-equity ownership and secured indebtedness decide for bankruptcy if they are in a poorer financial state than firms with similar ownership and indebtedness. Firms with high levels of outside-equity ownership and short-term indebtedness seek reorganization while they are still in comparatively better financial conditions.[32] P4 believed that small businesses must be managed by qualified employees rather than the owners of the businesses. Managerial inadequacy is a main cause for small business failure.[5]

Participants P5 thought that small business failure could be reduced by improving the work conditions in any country such as reducing the renting costs, reducing import taxes, providing free training, providing facilities for start-up entrepreneurs, and offering financial loans for small business owners with low interest and reducing the obstacle regulations within any country such as the restrictions on foreign employees. The business of P5 lacked a lot of managerial and financial skills; he was not holding accounting records properly. Haswell and Holmes [18] proved that the poor holding of accounting records will definitely cause small business failure. They thought that hard working conditions could be avoided in case market assessment was prepared before the start of the business.

P6 had almost the same problem but he had lower financial resources than P5. He indicated that he could have survived if he had made partnerships or found another financial resource to support his business. This could have also been avoided if he implemented a good feasibility study at the start of his work.[1]

P7 indicated that small business failure could be reduced by implementing modern managerial skills, applying early strategic planning, and taking the minimum risk chances at the initiation of small businesses. His business was providing consultation to trade and industrial companies. He had his business ceased after the military conflict started in Syria. He expressed that he should have established other branches of his firm in other countries. Service companies could be moved or replaced easily in another country. His recommendation that strategic planning can reduce small business failure is correct. His opinion agrees with the research of Valdiserri and Wilson [37], who said that leadership style is critical to the success of a small business. Small businesses without organizational goals and objectives remain in existence only two or three years.[4]

P8 said that the survival of the small business in the Middle East is highly attached to the conditions that govern the macro environment, which as a whole manufactures the holding fabric of any business, be it small, medium, or large enterprises. Denis and Denis [10] pointed out that the unexpected macroeconomic and regulatory developments cause small business failure. P8 thought that some new policies have to be introduced into the system, starting from the governmental regulations and policies, the start-up incubators, and ending with the education and vocational training of the workforce to elevate the social productivity. P8 suggested that small businesses must invest in the media to promote the brand and its line of product, concentrate on successful products of the company and restructure the staff in alignment with current circumstances. P8 and his partners made several mistakes, which caused the failure of their businesses. The main cause in his case was that he did not agree on a good corporate governance guide for his business. Also, he did not implement financial monitoring, which made him unable to check his financial performance. This behavior caused him to be bankrupt and under a lot of liabilities.

P9 explained that small businesses could survive by conducting competitors' assessment and provide good training to employees. In addition, business owners should not run the business if they are not qualified enough; they must hire qualified employees instead. He said "For advice, when you have money, it is not necessary to always succeed in small business; qualified individuals can make success not money". 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.[3]

Conclusions

The Middle East has some countries that are developed and politically stable such as Qatar and UAE. Other countries are less developed such as Yemen, Jordan and Lebanon.[19] The development and openness for investments is usually reflected by the gross domestic per capita and by the international reputation of the country, which can be checked by the annual transparency list, and which shows that UAE was ranked 26th and Qatar was 28th according to the international list of transparency (2013). Consequently, the types of investment and strategies shall be different between one country and another. If entrepreneurs wish to establish a business in any of the politically unstable countries, have low income per capita, or have bad international reputations, entrepreneurs must take the minimum risk. In this case, entrepreneurs must depend more on renting properties and instruments instead of buying them especially in the first two years in order to avoid any federal possession and avoid the consumption of the main capital.[13] Outsourcing of some functions for the business might be a good idea for the IT and marketing for the business.[35] On the other hand, investing in more developed and politically stable countries would be better by buying the properties and instruments, especially because the rents will be high. This means that the form of the business can be based on direct control on the land.

For start-up entrepreneurs, it would be favorable in all countries in the Middle East to rely on franchise at the start of the business.[38] The franchisor will provide the required technical experience and some training to start the business, in addition to financial advice whenever it is needed; this will save the company a lot of time and financial losses to get to the required level of maturity within the market.[38] Even though the franchise is associated with annual costs, it helps reduce small business failure.[38] Entrepreneurs and small business owners must negotiate the franchisor to get the best possible benefits in order to protect their companies from failure and convince the franchisor to accept the reduction of costs in the first two years.[38] It is very important for start-up entrepreneurs to implement a realistic feasibility study before the start of the business and consult with professional companies to forecast the outcomes of the project. As a part of the feasibility study, entrepreneurs must check the demand and supply of the product or service they are planning to provide. They must study how to position their product or service according to the gap between demand and supply. Demand and supply rates of any product or service could be checked by the central statistical bureau in any country.

Entrepreneurs are recommended to consult with lawyers before the launch of the firm about the best form of establishing the business according to the current federal regulations.[1]Furthermore, entrepreneurs need to consult experts who have experience in the governmental departments to inform them about any hidden costs that might be presented at the launch of the business.[1] Start-up entrepreneurs must contact with the trade and commercial chambers to get the required working instructions and receive data about competitors and study their work history. If the data of the competitors are not available, this investigation must be performed by primary research.

It is very important for small business entrepreneurs to implement financial ratios, in order to predict success or failure. They must hold proper accounting records and conduct regular financial statements each six months.[18] These include annual budgets, a balance sheet, and a profit loss account. They are required to monitor cash flow carefully in the first two years and recognize the associated costs of production and sales. Entrepreneurs must assume that break-even point will take longer time than the one stated in the feasibility study. All revenues should be injected into the business in the first two years. Entrepreneurs can outsource the accounting and finance functions to an external party that can provide a continuous assessment to the financial situation of the company.[35]

In order to avoid small business failure, entrepreneurs are required to be aware of all modern entrepreneurial skills.[13] They must be able to manage their work strategically, make decisions whenever they are needed, and be able to create ideas to improve their businesses. Skilled and qualified employees must be hired to cover these skills in case they are not available to the entrepreneur.[13] Entrepreneurs are highly advised to implement quality systems at their work in order to organize their work, gain the trust of their clients and reduce the level of deficiencies at their work.

Entrepreneurs must monitor the micro environment of the business and modify strategies in case any element in the micro environment is changed.[2] Successful entrepreneurs are required to adopt the concept of continuous improvement; this involves any product development, marketing strategy, and related diversification for the business, which helps avoid any decline in the product life cycle.[6] Successful entrepreneurs are those who can understand the working environment and are able to change according to it.

This can be achieved by implementing continuous market assessment and business plans.[7] Entrepreneurs must be able to continuously study the rate of sales of the product or the rate of delivering the service to the clients in order to determine the stage of the product life cycle.[6] There must be different strategies set at each point of the product life cycle. Entrepreneurs should follow different strategies of sales and production in order to follow the changes in the market. They must have a related diversification at each maturity stage of the product in order to avoid a declining stage.[6]

Finally, it will be important for small business owners to stay in touch and keep good relations with governmental departments, participate in unions in order to explain their problems and needs as much as possible, receive up-to-date federal regulations, and be able to change the laws that might negatively affect their own businesses.

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