

Factors Influencing the First Generation Entrepreneurs: An Analytical Study on the Graduates of UAE Universities

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Abstract

Entrepreneurship is the process of discovering new ventures of combining resources. In a competitive resource market it is not only very hard to the new entrepreneurs to get interest and to choose the appropriate line of enterprise's activity but also to sustain successful entrepreneurial activities in a highly competitive business environment in UAE. . The profit entrepreneurs might make would reflect the amount by which they have increased the value generated by utilizing the resources under their control. Mistakes in their judgment are part of the entrepreneurial learning process, or discovery, which is vital to the efficient operation of markets. In this context, the authors of the present research study are interested to conduct a survey on recent graduates of various universities located in the United Arab Emirates to investigate their new business ideas to conduct a business activity, key success factors, their perception to business opportunities post –recession era, and sustainability of their business success. The methodology adopted in preparing this paper is based on one-on-one interviews with fifty entrepreneurs from diverse backgrounds, in selected universities across the UAE. The study is limited to the UAE and the study results may be useful for regional policy implications.

Key words: 1. UAE universities 2. Graduates 3. Entrepreneurs 4. Factors of success 5. Problems

Relevance

Young entrepreneurs in the UAE face challenges of a highly competitive global business environment and risk to invest their capital in new business ideas. To encourage young entrepreneurs to start-up a business and to sustain its success, it is essential to determine the critical success factors of the business within particular industry. These success factors are also referred to as Critical Success Factors. In the outset, the study will focus on young entrepreneurs and the authors of the present study are interested to conduct a survey on recent graduates of various universities located in the United Arab Emirates to investigate their new business ideas to start-up a business activity, significant key success factors, their perception to business opportunities post –recession era, and the sustainability of their business success.

Sampling and Methodology: For the purpose of analyzing the business mind of the young graduates purposive sampling method is observed. The methodology adopted in preparing this paper is based on one-on-one interviews with fifty entrepreneurs from diverse backgrounds, in selected universities across the UAE at random.

Objectives of the Study

The main objectives of the study are

1. To examine the key factors of success for entrepreneurs graduated from UAE Universities.
2. To examine the key factors of success, the areas of focus and the new business ideas for entrepreneurs graduated from UAE Universities.
3. To identify the problems of new entrepreneurs and to suggest suitable measures.

Hypotheses

1. The higher education environment in the UAE has the significant impact on the young graduates to become successful entrepreneurs.
2. The business environment in the UAE has no significant impact on the new generation entrepreneurs.
3. The significance of influencing problem factors and their impact are almost similar to the established entrepreneurs.

Literature Review

United Arab Emirates and the SMEs

United Arab Emirates has paid increasing attention to entrepreneurship contribution to economic growth. The sector of small and medium enterprises is significantly contributed in terms of earnings and employment. In fact, UAE government designs a comprehensive and consistent approach of council of Ministers and entity governments to entrepreneurship and SMEs in the form of government support strategy to entrepreneurship and SMEs as a priority. Therefore, the UAE government provides financial support and other logistics to small business enterprise.

Small and Medium-Sized Enterprises (SMEs) in market economies are the engine of economic development. Entrepreneurial flexibility, adaptability and reaction to challenges would contribute to sustainable growth and employment generation in a significant manner. In fact, SMEs have strategic importance for each national economy due to a wide range of reasons. Logically, governments show such an interest in supporting entrepreneurship and SMEs. The support of the SMEs would open a door to create new jobs, increase GNP and raising the standard of living.

In the United Arab Emirates, the most recent comprehensive data on SMEs are collected from the 1995 census of establishments. The categories in the census explained that enterprises consist of 50-249 employees are considered as medium size and 250 employees and over are large according to Western definitions of both medium and large size enterprise. On the basis of this definition, in 1995 there were approximately 82,000 SMEs in the United Arab Emirates which employed 636,000 people or 86 percent of the private enterprise workforce. Since 1995 there has been an avalanche of initiatives in the United Arab Emirates aimed at encouraging private business investment especially foreign investment. Notably, both the free zones in Dubai and other emirates have targeted foreign investors and freelancers. In 2000, some indications of the growth of SMEs may be drawn from a survey of establishments in Dubai's "onshore" environment (i.e. excluding the free zones). Employment in micro and small enterprises in Dubai Emirate increased from 150,963 persons in 1995 to approximately 230,000 in the areas covered by the 2000 survey.

UAE Entrepreneurs and small businesses

The survey in UAE conducted by Tanmia on small businesses owned by male and female entrepreneurs indicated that while there are good prospects for UAE nationals to be employed in the small and medium enterprise (SME) sector, there are many obstacles to be resolved. These are: Lack of knowledge on advantages of penetrating into small business field, inadequate business knowledge and skills, unfavourable attitudes related to self-employed and risk taking. In addition, the study showed that the major support to Emirate entrepreneurs to enter business environment is related to the provision of business training to acquire adequate business skills (Haan, 2001). Moreover, the characteristics of Emirati entrepreneurs are: they predominantly males, at the age of early thirties, the majority is well educated, 70% work in the public sector, motivated to gain extra income and/or to sustain family business.

For entrepreneurs there are different types of privately owned business. These are: 1. Proprietorship: a sole proprietorship is a business owned by one person. The owner of the business has total and unlimited personal liability of the debts incurred by the business. This form is usually related to small business. 2. Partnership: is a form of business in which two or more people operate for the common goal of making profit. Each partner has total and unlimited personal liabilities of the debts incurred by the partnership. There are three typical classifications of partnership: general partnerships, limited partnerships, and limited liability partnership. 3. Corporation: a business corporation has separate legal personality from its members. A corporation owned by multiple shareholders an overseen by a board of directors, which hires the managerial staff (Moore et al, 2010).

Critical success factors: is a vital element for an organization to realize its goal and to achieve its mission. It is defined as "those few things that must go well to ensure success for a manager or an organization, and, therefore, they represent those managerial or enterprise area, that must be given special and continual attention to bring about high performance. The CSFs include issues vital to an organization's current operating activities and to its future success (1).

Critical success factors have been used significantly to present or identify a few critical factors that organizations should focus on to be successful (2)

Another way to view Critical success factors is from market and customer perspective. This perspective focuses on the important functions, activities, or business practices that valued and demanded by the market conditions and customers' needs. In addition, the company must determine what to do to be perceived by the customers as adding value to the business relationship and why customers select a particular company over the competitors (3). In any organization certain factors are critical to the success of that organization to achieve its goals. For example, some of generic CSFs include: New product development, Good distribution and effective advertising (2). Important Elements about Key Success Factors include: identifying the industries dominate characteristics, technology, and manufacturing, such as quality control, high labour productivity, and low cost production design for its products (4).

Kevin and John in their study "entrepreneurship and new technology based firms: an integrated model" stated that Entrepreneurship is the *engine of innovation*. The accumulated tacit knowledge and culture of the entrepreneur are the resources essential to create wealth from research commercialization leading to technological innovation and the creation of New Technology Based Firms. The authors explore, in definitional terms, discovery of entrepreneurial opportunity and entrepreneurial capacity as the essential elements in the interaction between all types of tacit knowledge. They also interact with the entrepreneur's own background and personality which-- led then to a wider analysis of the importance of such tacit knowledge as the glue bringing together effective mechanisms for wealth creation out of research commercialization.

Kakati, in his study "success criteria in hi tech ventures" stated that entrepreneur quality, resource-based capability, and competitive strategy are the critical determinants of the firm's viability and achievement. It is seen from cluster analysis that successful entrepreneurs develop multiple resource-based capabilities to backup multiple-strategies to push their products through market. Furthermore, it is concluded that it is not the unique products relative to competitors that brings success rather it is the firm's ability to meet the unique requirements of customers that bring success. The study mainly seeks to identify the criteria that influence the performance of high-tech new ventures. Twenty-seven venture capitalists that experienced both failure and success in high-tech ventures were asked to rate one of their most successful ventures and one of the least successful or failed ventures on 38 criteria identified fewer than six groups: entrepreneur quality, resource-based capability, competitive strategy, product characteristics, market characteristics and financial criteria. The venture capitalists were subsequently interviewed to overcome biased or forced results and to know more about success criteria. Gender and Emirate Entrepreneurs

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According to the survey carried out by Tanmia, showed that the main characteristics of entrepreneurs are young age, worked some time in government institutions and devoted their efforts and time to one business activity. Some research carried out in UAE claimed that Emarati women are involved in small-scale economic activities. All their ventures are related to home-based enterprises where they received little support (Baud and Mahgoub, 1999; Haan, 2002; Haan, 2003). In fact, women-managed small enterprises (WSEs) received assistance to overcome some of the hurdles they face. An earlier research carried out by Haan (2002) among a number of home-based micro-enterprises operating with a special license in Dubai claimed that women entrepreneurs were found to be relatively young and well-educated. Many of them had received some business training, had experience of working in the private/ or government sector before indulging in business venture.

Haan (2004) claimed that UAE Emirati women entrepreneurs have rating in business activities as follows: 47% in trade, 20% in manufacturing and 17% in business service. According to Haan (2004), although these percentages were gathered from limited number of Emirati Women Entrepreneurs, however it highlight clearly the most prominent range of business activities they involve in.

In addition, Emirati women entrepreneurs are also known by the phrase ‘women of small business’ who have spread their own business activities into two segments: Traditional activities, such as: dress making and tailoring (Erogul and McCrohan, 2008, Nelson, 2004, Haan, 2004). They experience difficulties in marketing their products and inadequate demand. Also, they experience the difficulty with their small capital which serves to reduce their potential market. (Nelson, 2004, Buttner, 1993). The second activities are Modern activities, such as hairdressing, beauty Saloon, Interior decoration and Painting (Erogul and McCrohan, 2008; Haan, 2004). Thus, women’s organizations usually provide some support to women entrepreneurs in particular, those who are engaged in traditional activities. This support often has social and cultural, rather than economic objective (Haan, 2004)

It is commonly known that Emirati women Entrepreneurs play a vital role in accelerating the process of economic development. Haan (2004) claimed that there is little support available specifically focuses on women managed small enterprises (WESs). They offered little assistance to help them to overcome the hurdles they face. These constraints might be affected by the location of such entrepreneurship organizations which narrow the amount of support women in certain geographical areas might get. For example, Mohammed Bin Rashid establishment for young business leaders (MREYBL) focuses on providing some facilities, such as office spaces for women. Apart from this there exists few, if any, support services specially directed at UAE women. In addition, women entrepreneurs offer no special training or guidance to start-up any scheme for women (Hann, 2004).

The Study

Given the increasing significance and visible impact of Entrepreneurship in wealth-creation and employment generation, the considered the subject to be of immense importance in growth and development of various sectors in UAE. The methodology adopted for this exploration includes structured one on- one interview with new entrepreneurs. For the list of 50 entrepreneurs interviewed along with a brief background, Most of the entrepreneurs interviewed are from Ajman, Sharjah, Dubai, Abu Dhabi and Ras Al Khaima.

A classification of the entrepreneurs interviewed in terms of some key parameters such as sectors, turnover, employment, age, family background, gender and time period are as follows:

Sector: The bulk of the entrepreneurs interviewed belong to the ‘manufacturing’ and ‘knowledge intensive services’ sectors.

Turnover: While entrepreneurs revealed a wide range in annual turnover, the majority in the sample report a turnover of less than AED 10 million.

Employment: About 60% of the entrepreneurs interviewed have less than 50 employees. The median number of employees is 24.

Age: While entrepreneurs across a range of age groups (from 21 to 35) were interviewed, the median age of the sample of entrepreneurs is 28.

Family Background: Since the growth in scale and scope of Entrepreneurship is intimately connected to the increasing numbers of first generation entrepreneurs, most of the entrepreneurs interviewed belong to this segment.

Gender: About 26% of the entrepreneurs interviewed were women.

Time Period: To explore factors across various time periods, the sample is spread as follows. 50% of the sample entrepreneurs started their ventures before 2005; 35% started during the 2008s and 15% after 2008. Based on the interviews, a successful Entrepreneurship ecosystem is the function of a number of factors working in tandem. These are classified as ‘Entrepreneurial Triggers. These are as follows:

- Individual Motivations for Entrepreneurship
- Socio-cultural Factors
- Access to Early Stage Finance
- Education and Incubation
- Business Environment for Entrepreneurship.

Individual Motivations for Entrepreneurship

Some of the most recognized Individual Motivation factors for Entrepreneurship are the ‘Independence, Market Opportunity’, Challenge, ‘Family Background New Idea, and Challenge Dream.

According to the current study 10 respondents (20%) are enjoying the freedom to conduct their own business because they are financially sound and have the independence to do their own business activity. 8 of the respondents (15%) are using current market opportunity, around 13 respondents (25%) are enjoying the success of their family business background, 5 of the respondents (10%) are started their business as a challenge, 6 of the respondents (12%) started their business to grab their new business ideas and 9 of the respondents (18%) are motivated to conduct the business as their dream to become the business persons.

Socio-cultural Factors

The socio-cultural like family values and social value of Entrepreneurship, play a dominant role in nurturing the entrepreneurial system. Changing life style, western influence on local consumer Socio-Cultural Environment, modern living styles and rapid modern living conditions with most sophisticated living patterns also influences the entrepreneurs to take up new businesses. According to our sample respondents 30 per cent (15) inspired to start a business to provide modern services like video games and web browsing 40 per cent (20) inspired to start business to provide custom and culture oriented services like beauty parlors and in the remaining 15 respondents of various other reasons like traditional and ethical and customs and family business.

Access to Early Stage Finance

It is recognized that many businesses are unsuccessful in raising equity finance because they are not investment ready. This has prompted enterprise support organizations in various countries to develop investment ready programs. In the UAE there are a quite number of organizations to equip young entrepreneurs towards business success. The banking and financial sector encourage different country nationalities to start up businesses at their own in the different free zones in UAE. Among the sample respondents only 10 per cent (5) expressed the problem of early finances and the rest reacted positively about the access to early stage finance.

Education and Incubation

Industry linkages and interactive innovation model is visible especially in the history of the business and entrepreneur incubator. Transcending the production and dissemination of research, incubated knowledge increasingly lies behind new products and new firms. Incubators have developed technology and business ideas into an array of firms and to form research centers by fusing heterogeneous R&D entities from individual's government and industry. As these developments are supported by changes in the regulatory environment and by government funding programs, this factor plays an important role in the entrepreneur development. Among the 50 sample respondents 50 per cent (25) expressed that the education strengthens the early stage entrepreneurs and their development in the local environment. 20 per cent (10) expressed that an entrepreneur without proper knowledge of local laws and procedures will face a tremendous complications in the day to day business activity. Majority of the respondents expressed that the business education in the related field is highly needed but not the basic general business education.

Business Environment for Entrepreneurship.

This study examined the association between a business external environment and financial performance. The study noticed that perceived rather than objective-characteristics of the environment significantly influenced entrepreneurship activities in the local environment. Secondly, a firm's environment was essential to unravel the interplay between the environment, corporate entrepreneurship activities, and financial performance. Among the sample respondents 80 per cent (40) of the young entrepreneurs expressed that the perception of the local environment for the business conducting is the main success factor than the self generated goals and objectives of the business. The remaining 20 per cent (10) expressed that the high financial performance among the competitive co entrepreneurs and continuous growth in the business developmental activity is the main factor of success in the business activity.

Summary of Findings and conclusions

Given the increasing significance and visible impact of Entrepreneurship in wealth-creation and business development in the country, the study considers it necessary to conduct various business oriented education programs in the country for the rapid development and growth of young entrepreneurs. A successful Entrepreneurship ecosystem is the function of a number of factors working at different levels and sectors of the country. 50 per cent of entrepreneurs believe education is a critical success factor. Education is a key trigger to evoke entrepreneurial inclinations. Among the sample 90 per cent of the entrepreneurs are graduates. However, only 25 per cent chose a specific sector as a result of their educational background.

Recognition and rewards right from the local up to the national level will energize and encourage new entrepreneurs. Involving entrepreneurial networks and associations will also help in giving visibility and encouragement to Entrepreneurship. Modern vocational education training skill development, Innovation and Entrepreneurship activities at all levels of the community should be encouraged. Financial and economic liberalization will encourage entrepreneurship among young entrepreneur with varied new business skills. Since 50 per cent of the entrepreneurs expressed that the education strengthens the early stage entrepreneurs and their development in the local environment first hypothesis “the higher education environment in the UAE has the significant impact on the young graduates to become successful entrepreneurs. 80 per cent of the entrepreneurs among the sample expressed that perception plays a dominant role in the business rather than objectives characteristics of the business says that the business environment is good for the new entrepreneurs in UAE to perceive new ideas the second hypothesis is rejected. Since the study noticed that the problem factors of young entrepreneurs and the established entrepreneurs are almost same with some degree of difference the third hypothesis is accepted. The UAE’s economy can potentially and significantly gain from the country’s characteristic features of open free trade society with different country nationalities conducting business and the support and encouragement of the government, Banking and financial sectors.

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