Developing a Model to Predict the Performance of Small and Medium-Sized Enterprises: The Case of the Kingdom of Saudi Arabia

A thesis submitted in partial fulfilment of the requirements of the Manchester Metropolitan University for the degree of Doctor of Philosophy

By

Ahmed Youssef Al Saleh

2016

Dedication

This thesis is dedicated with deepest love and everlasting respect to my parents, Youssef and Sharifah, for inspiring me throughout my life. I appreciate all their support, and motivations. Their prayers and love lead me to complete this thesis. I appreciate all their efforts, which made me who I am.

Special thank from the bottom of my heart to my wife Nagla. She is the inspiration for my writing and my life, without having her as a wife, friend and support in my life, I could not have been able to work and study long hours to complete my PhD, this work dedicated to her.

My little princesses: Sharifah and Nahimah, they are the source of my joy and happiness without their smile, I would not have overcome the challenges and stress of my PhD journey.

Acknowledgements

Declaration

The work in this thesis has not been submitted as an application for any other qualification or degree to any other university or institute of learning.

Conferences publications

Alsaleh, A. (2015) 'Success and Failure factors for small and medium sized enterprises in Saudi Arabia.' *The Saudi Ministry of Higher Education. The 8th SSC - UK.* Queen Elizabeth Conference Centre , London, UK. 31st January – 1st February 2015.

Alsaleh, A. (2015)' Exploring A Business Success versus Failure Factors for Small and Medium Sized Enterprises in Saudi Arabia.' Paper presented at: *World Business Institute. Eurasia Business Research Conference.* Istanbul, Turkey, 4th – 6th June 2015.

Alsaleh, A. (2015) 'A Model for Predicting Small and Medium Sized Enterprises Performance in Saudi Arabia.' *Plymouth University. 10th Annual Plymouth University Doctoral Colloquium 2015.* Plymouth University, Plymouth, UK, 4th – 5th June 2015. Carter, D. ; Oniewu, A ; Kitsos, A ; Dexter, G. ; Haddoud M.; El Hakimi I. ; Dhakal, M. and Kong S. (eds).

Alsaleh, A. (2012) 'Exploring Strategies for Small Business in Saudi Arabia to Survive.' *King Fahd University of Petroleum & Minerals. Saudi Scientific International Conference.* Brunel University, London, UK, 11th – 14th October 2012.

Alsaleh, A. (2012) 'Exploring Strategies for Small Business in Saudi Arabia.' *Manchester Metropolitan University Business School. RIBM Doctoral Symposium 2012.* MMU, Manchester, UK, 14th – 15th March 2012.

Award

Best Academic results in the 10th Annual Plymouth University Doctoral Colloquium 2015 (4th – 5th June 2015), A Model for Predicting Small and Medium Sized Enterprises Performance in Saudi Arabia.' Plymouth University, Plymouth.

Abstract

The small and medium-sized enterprise (SME) sector is becoming increasingly important in the economic and social development of nations. In view of the essential nature of SME activity, the overall aim of the present research is to develop a model that is able to predict SME performance in the Saudi context. One of the reasons for embarking upon this study is that the number of SMEs that have ceased to operate in the Saudi context has recently increased, and their contribution to the economy has been reported to be low. Therefore, it is an essential to increase these SMEs' contributions, thus enabling them to play a more central role in the Saudi Arabian economy. This can be done by identifying the factors most closely associated with their performance in order to increase their probability of success and decrease their failure rate. The research's aim has been reached through focusing on the various different factors, produced both from inside businesses and in the external environment, which are associated with SMEs' performance in the Saudi context. Success and failure definitions were then used to measure SMEs' performance based on their profits. Data were collected using a quantitative method. Questionnaires were distributed to SMEs in the Eastern Province of Saudi Arabia, and the responses were analysed. First, a descriptive analysis was conducted to identify the owners/managers and their businesses' characteristics. Second, an exploratory factor analysis was performed to find relationships in which variables were maximally correlated with one another and minimally correlated with other variables, and the variables were then grouped accordingly. Third, the results of a logit regression analysis were examined in order to predict SMEs' performance and classify it as successful or not in the Saudi context. The main findings of the present research indicate that the full model containing all the predictors is statistically significant. Looking at the individual factors, it found that five factors add a unique, statistically significant contribution to the model; these are: owner/managers' experience, planning, intensity of competition, the regulatory environment, and terrorism risk. The present research is among only a few researches focusing on the Eastern Province of the Kingdom of Saudi Arabia that have provided a study relating to SME performance from the perspectives of the owner/managers themselves. The findings of the present research could also be applied in other, similar contexts, such as other Gulf Cooperation Countries (GCC).

Table of Contents

Chapter One: Introduction

Chapter Two: Literature Review

Chapter Three: The Saudi context

Chapter Four: Theoretical framework

Chapter Five: Methodology

Chapter Six: Findings of the Research

Chapter Seven: Discussion

Chapter Eight: Conclusion

List of Tables

List of Figures

Chapter one: Introduction

1.1 Introduction

The essential contribution of a vibrant small and medium-sized enterprise (SMEs) sector to the national economy and social development of countries across the world has been widely recognised. In view of its increasing significance, since the Bolton report (1971), the performance of SMEs has been of interest to researchers, policy makers and international organisations, and as a result, has become the subject of a great deal of analysis.

In light of this, the present research study seeks to identify the factors associated with SMEs' performance as successful businesses in the Eastern Province of the Kingdom of Saudi Arabia (KSA). Specifically, the study addresses the SMEs currently operating in the Saudi market as a way to deepen understanding of the performance of SMEs in relation to their internal and external environments. The outcome of the study will be a prediction model that assesses the probability of business success in the Saudi market. This chapter aims to provide an overview of the research study by initially describing the research background and problem, setting out the important contribution of the research, a justification for the research, its research questions and objectives, and lastly, explaining the structure of the thesis.

1.2 Background of the research and statement of the problem

Small and medium–sized enterprises (SMEs) are recognised worldwide for their contribution to economic stability and development, new job creation and employment, and social cohesion and growth (OECD, 2009). Unfortunately, the failure rate of SMEs is relatively high globally. For example, in Australia, the SME failure rate is reported to be 23%, while in Malaysia the failure rate is alarmingly high, at 60 percent (Ahmad and Seet, 2009). Since SMEs assist in economic growth, more successful SMEs are needed for economies to grow further. It is important to note that in order to reduce the ratio of failure, the factors that influence the performance of SMEs must be investigated. Alternatively, it is equally important to identify failure factors in order to

avoid poor performance among SMEs and reduce their high failure ratio (Marom and Lussier, 2014).

Research into SMEs and entrepreneurship has grown at a striking rate during the last decade. The majority of businesses worldwide are SMEs, and they play a noteworthy role in national economies. Thus, the performance of the SME sector is closely associated with the economic performance of the nation. It can be argued that SMEs are the key to unlocking the vast potential of the Saudi Arabian economy; several factors that lead to this argument can now briefly be set out. Firstly, SMEs form 98% of all businesses and employ more than 60% of the workforce in the Kingdom of Saudi Arabia (General Organisation for Social Insurance, Saudi Arabia, 2012). According to a study by the International Finance Corporation (2013), there are between nine and 11 million micro-, small- and medium-sized enterprises in the Middle East and North Africa (MENA), and around 1.8 million in Saudi Arabia alone (Central Department of Statistics and information, Saudi Arabia, 2012). In addition, according to the Riyadh Chamber of Commerce and Industry, 96% of Saudi firms employ fewer than 100 employees. Further, the Chamber of Commerce and Industry in Jeddah indicates that 95% of commercial registrations in Saudi Arabia are small and medium enterprises (Hertog, 2010).

Most enterprises in Saudi Arabia are small, when the definition of size is based on the number of employees; the data shows that in 2009, 46% of all enterprises in Saudi Arabia employed fewer than five workers (Saudi Arabia Monetary Agency, 2010). It is therefore clear that SMEs hold a huge share of the Saudi economy, with activities across different industries. More precisely, 47% of SMEs operate in the commerce and hotel industry, 27% operate in the construction industry, 12% operate in the manufacturing industry, 6% operate in social services and 8% operate in other industries (Hertog, 2010). In addition, in 2013, 55% of SMEs set up in the construction and contracting sector (Jeddah Chamber of Commerce and Industry, 2014). Overall, it is apparent that small and medium enterprises have an enormous share of the Saudi economy, with operations in several sectors.

On the other hand, SMEs' contribution to the total GDP of Saudi Arabia is low. While the GDP share of SMEs in other countries is high, for example in Spain, where it is 64.3%, 44% in Austria, and more than 50% in the United States, the total share of private sector gross product in Saudi Arabia is only 33%. According to the Jeddah Chamber of Commerce and Industry (2014), only 71% of all enterprises registered were operational in 2013, with 29% having shut down due to financial difficulties and the poorness of their performance, and 85% of these business shutdowns were single proprietor companies.

However, investment in small and medium enterprises in Saudi Arabia is expected to grow to more than USD 70 billion by the end of 2015, with the government and banks providing much-needed funding (International Finance Corporation, 2014). The sector's contribution to the kingdom's gross domestic product could therefore rise to 37% by the end of 2015 (International Finance Corporation, 2014).

SMEs play a key role in generating employment by providing job opportunities for Saudi nationals, and as a result SMEs can reduce the unemployment problem in the country, as the unemployment rate reached 12% in 2014 (The Saudi Central Department of Statistics & Information, 2015). In addition, SMEs have the potential to play a variety of important roles in the Saudi economy, such as selling their own products (usually finished goods), supplying raw materials to larger firms, and acting as subcontractors for large firms (Merdah and Sadi, 2011). On the other hand, in the private sector of which SMEs are part, the majority of employees are expatriates. In Saudi Arabia, SMEs have the largest share of private sector employees; 88.4% of those workers in this sector. The percentage of Saudi workers in the private sector is only 11.6%. Most young Saudi people prefer to work for the government, particularly in the ministries of education, health and oil-related industries, because they believe that the government sector is more secure than the private sector. In addition, Saudi females are more likely to work in the government than in the private sector for religious and cultural reasons. For example, it is not common for women and men to work together in the same place, so the government separates the sexes in the workplace; however, private companies do not normally do so. In addition, the working hours in the private sector are usually longer than in the public sector (Achoui, 2009).

It is common for the Saudi market to lose countless businesses, the majority of which are small and medium-sized. Altogether, in 2011, more than 28,000 businesses ceased trading; in 2010 this figure was just under 1,800, as shown in table (1) (Ministry of Commerce and Industry, 2012). In the view of the General Organisation for Social Insurance (2012), 98% of all organisations operating in Saudi Arabia are SMEs, and they average between 3 and 5 years in operation before ceasing to trade. According to data published by the Labour Ministry and the Commerce and Industry Ministry in Saudi Arabia (2014), between 2012 and 2013 247,000 businesses were launched, while in the same period, 274,000 businesses ceased to trade and had their licences cancelled in the Saudi market. Each of these organisations employed fewer than 50 workers. A number of negative effects on the economy therefore ensued (Raj, 2009). The aim of this research is to investigate the factors associated with the performance of SMEs and increase their probability of success in the Saudi market. In other words, because there is an urgent need to develop the SME sector in KSA, one way to do that is to provide a detailed investigation of SMEs' performance in order to provide a model that is able to identify and predict the factors that will assist SMEs to be successful in the Saudi context. The present research seeks to provide such a model.

Table 1.1: The number of SME closures in the Saudi market

Year	Small and medium enterprises
2002	7,822
2003	7,507
2004	7,408
2005	5,516
2006	4,717
2007	5,823
2008	5,227
2009	3,591
2010	1,769
2011	27,988
2012 and 2013	274,000

Saudi Ministry for Commerce and Industry (2014), and Saudi Labour Ministry (2014)

1.3 Important Contribution of this Research

This study has established that no particularly approach has been implemented to evaluate the performance of SMEs and little effort has been made to investigate this area. Thus, scholars have faced the problem of a lack of data or of any previously published researches. Nevertheless, various studies have been carried out on SMEs in Saudi Arabia, which have tackled the value of such entities in the economy, in line with other unrelated issues (e.g. Merdah and Sadi, 2011; Achoui, 2009; Shalaby, 2004). Much valuable information and data is still lacking in terms of SMEs operating within the Saudi economy (Riyadh, 2012). In line with the works of Lussier and Halabi (2010), Marom and Lussier (2014) and Theriou and Chatzoudes (2015), there is a shortage of research examining the factors associated with SMEs' performance. Accordingly, the present study investigates SMEs' performance in order to create a performance model that is able to measure the reality of what is being witnessed amongst SMEs and to establish the right strategy for identifying the key driving factors for such businesses. In addition, this study contributes to building a prediction performance model appropriate to the Saudi context and which provides guidance in examining the factors driving SME performance. The further importance of the present study relates to presenting the most appropriate strategy for the gathering of data, and establishing the most suitable approach for such analysis in an attempt to fill the gap in the prior literature. The study will ultimately deliver a model with a sound basis in order to guide subsequent studies in this area, particularly with regard to identifying the most appropriate factors that can be associated with the performance of SMEs. Moreover, it will also provide a link with the existing theory and practice.

1.4 Justification for the research

This study is justified with reference to various factors, including the possibility of helping to facilitate the improvement of the performance of SMEs in the Saudi economy. This will aid the government in reducing unemployment, which is known to have reached 12% in 2014 (The Saudi Central Department of Statistics & Information, 2015). Moreover, SMEs are fundamental in reducing unemployment, generating

economic development, and contributing to innovation (OECD, 2009). Moreover, the study's findings will provide guidance as to how SME performance can be improved within the market, which could result in more success and a greater awareness of the elements linked to failure in Saudi Arabia. One of the key justifications behind the researcher's decision to examine this area is fostering the enhanced awareness of such organisations within the Saudi economy, and the associated benefits of delivering new research that can assist scholars in their studies into the elements influencing SME failure and success. Importantly, as mentioned previously, 98% of all organisations within Saudi Arabia are SMEs; however, Saudi citizens make up only 11% of SME staff, which signifies an issue in the field warranting further investigation (The General Organisation for Social Insurance, 2012). This imbalance means that should the SME sector become more successful, it may have to attract Saudi nationals as employees, which would mean that the unemployment rate would be reduced. As a result, a model that can identify the factors that predict SME performance in the Saudi market is important and indeed essential in order to support SMEs to continue trading in the market.

1.5 Research questions and objectives

There is no consensus among researchers regarding the factors that contribute to the success or failure of SMEs, but the prior literature has identified some that influence SMEs' performance. According to Storey (1994), Thornhill and Amit (2003), Turner et al., (2005), and Uddin and Bose (2013), external and internal environments both have an influence on business performance. Traditional research on strategic management has suggested that firms need to seek a strategic fit between the external and internal environments in which they are operating. Barney (1991) and Akio (2005) explained that the main reason for businesses' failures was due to them failing to implement strategies that exploit their internal strengths through responding to environmental opportunities, while neutralising external threats and avoiding internal weaknesses.

A review of the SME literature in relation to Saudi Arabia has found that, according to Sadi and Al-Ghazali (2010), SMEs in Saudi Arabia are faced with operational barriers such as: a failure of coherence between departments of government; a lack of

information coming into the market; increased market competition; insufficient government support; and a failure to protect subsequent investments and potential customers. In addition, there are also problems arising from poor administration and organisation, which also include different factors. For instance, a lack of experience in the project area can contribute to difficulties, as can an SME owner's lack of managerial skills, which can lead to failures in planning, as well as unprofessional and unstudied rushed decisions (National Entrepreneurship Institute, 2013).

On the other hand, several factors may encourage SMEs in Saudi Arabia to work effectively and continue their business. Currently, small and medium enterprises in Saudi Arabia have begun to receive attention from the government, private organisations and global organisations. The Saudi government, as well as the private sector, has recognised the potential of SMEs and their need for a wide base of support including capital (debt and equity), training, and business services. Compared with the Gulf Cooperation Council (GCC) countries, Saudi Arabia has the largest number of public and private sector SME support programmes. The recently announced Ninth Economic Plan seeks to expand SME support further by increasing the capability of specialised funds and financial organisations to offer credit to SMEs and to provide different forms of technical support (SUSRIS, 2011). Consequently, the main purpose of the current research is to build knowledge and information about the interactions between small and medium-sized enterprises and their environment, since SMEs' performances are dependent on the match between the SMEs and their environment. Therefore, this study provides an ordered probability model to explain and predict SMEs' relative performances in Saudi Arabia. This aim leads the author to ask the questions in the following section.

1.5.1 Research questions

The questions detailed below are the research questions that are recognised as fundamental to providing answers to the required evidence, which could support analysis.

RQ: What are the factors associated with SMEs' performance which might be used to predict future SME performance in order to continue their activities and assist them in avoiding failure in the Saudi market?

The main research question will be answered through seeking to answer the following questions:

1) What are the internal factors relating to the internal environment of owners/managers and the enterprises, which predict SMEs' performance in the Saudi market?

According to Rody and Stearns (2013); and Blackburn, Hart and Wainwright (2013), SME owners/managers influence SMEs' performance. This question addresses the owner-decision makers, by measuring their impact on SMEs' successes and failures. It is considered that the influence of owners/managers' characteristics, such as their personal qualities, education, experience, family background, ability to build relationships and network, and others, can determine success and failure factors. For example, Siow Song Teng et al. (2011) found that in Singapore, the education level of owners/managers and experience are associated with SMEs' performance. In addition, this research question focuses on the business factors that can be associated with SME performance. The essential enterprise features are the variables related to the daily operation and make-up of the business and its overall characteristics. These include the age of the business, its size, marketing, management, business plan, finance management, and others (Storey, 1994; Simpson et al., 2012).

2) What are the external factors that relate to micro and macro environments, which predict successful SME performance in the Saudi market?

This question focuses on the environment surrounding SMEs in the market, and includes factors such as government regulations, competition, suppliers, overhead costs, terrorism risk, and others. For instance, as has been mentioned above, Sadi

and Al-Ghazali (2010) identified operational barriers for SMEs in Saudi Arabia, such as incoherence between departments of government, a lack of information coming into the market, and increased market competition. External factors are always found to be associated with SME performance (Simpson et al., 2012).

1.5.2 Research objectives

The overall aim of the present research is to develop a prediction model that is able to predict SME performance in the Saudi context. In order to achieve this overall research aim, the following two objectives are set:

- To identify the factors relating to the internal environment of owners/managers and enterprises that predict SMEs' performance in the Saudi market.
- To identify the factors associated with the micro- and macro- external environment that predict SMEs' performance in the Saudi market.

1.6 Structure of the thesis

The present research is presented over eight chapters, which are structured as follows.

Chapter one, the present chapter, provides an introduction to, and overview of, the study. An overview of the research is given by identifying the topic of interest, explaining the contribution of this research, providing a justification for the research, discussing the research question and objectives, and then explaining the structure of the thesis. Lastly, the chapter is concluded.

Chapter two is a literature review chapter. It reviews and discusses the prior literature relevant to this research. Following the introductory section of the chapter, the various definitions of SMEs worldwide are set out, with reference to SMEs in Saudi Arabia. Then, the chapter discusses and sheds light on the economic and social importance of SMEs. There follows a discussion of performance measurement with the identification of success and failure in businesses, after which several studies from developed and developing contexts are reviewed regarding the factors that influence

SMEs' performance. In this vein, the Lussier model is analysed. Lastly, the chapter is summarised.

Chapter three reviews and presents the Saudi context of the study. The chapter provides a review of Saudi Arabia and its status in the world. The chapter also sheds light on the religion and culture of Saudi Arabia and discusses the Hofstede model in the Saudi context. Further, the chapter provides figures on the Saudi population, discusses the country's economic background and explains how it has developed, as well as describing the government and its efforts to reform different aspects of the country. Then, the chapter reviews the challenges and opportunities facing SMEs in Saudi Arabia. Therefore, the chapter aims to give the reader an overview of important information about the place of study. Finally, the chapter is summarised.

The theoretical framework of the present research forms the focus of chapter four. The chapter discusses the classifications of the main factors associated with SMEs' performance. Then, the internal environment and the classifications of the factors produced are reviewed. The development of the present study's hypotheses are clarified in the next section, after which a classification of external environment factors is provided followed by identification of the development of the external environment hypotheses. Lastly, the conclusions of the chapter are provided.

Chapter five is concerned with the study's methodology. All the methodological approaches used throughout this study are reviewed and analysed in this chapter. Initially, an explanation of the paradigms of the research structure, together with the effect upon the methodology of the quantitative method, are provided. Following this, the chapter will justify the form of data collection utilised in the research, before a discussion of the procedures is laid out by presenting the data relating to the structure before the methodology is carried out. Lastly, a conclusion is provided to demonstrate the analysed data in intricate detail through three specific sections: descriptive, exploratory factor analysis and logistic regression analysis.

Chapter six presents the results of the data analysis and uses them to address the research hypothesis. The data were obtained from a convenience sample of participants via hand-to-hand and online questionnaire. The chapter is divided into three parts. First, a descriptive analysis is carried out that includes the demographic information of the participants and the characteristics of their SMEs. Second, an exploratory factor analysis using the principles of component analysis is introduced. Third, the logistic regression model that is used to measure SMEs' performance and assess whether or not they are successful businesses is provided. Finally, the chapter is concluded. Chapter seven presents a discussion of the overall findings of this research. The discussion is conducted with reference to the previous work identified in the literature.

Chapter eight reports the conclusions that can be drawn from the present research and addresses the limitations of this study and the contributions made by the present research. Implications for practice, policy makers and future researchers are provided. Lastly, the chapter is summarised.

1.7 Summary

This chapter has detailed and provided the foundations and the background of the study. Firstly, it introduced the key issues relevant to the current research. Then, the background of the study and the statement of the problem were discussed, and essential facts about small- and medium-sized enterprises in Saudi Arabia were presented. Next, the justification and important contributions of the research were discussed and following this, the research questions and objectives were presented. Finally, in order to explain the structure of the thesis, a summary of the content of each chapter was provided. In the following chapter, a review of the relevant literature is provided.

Chapter Two: Literature Review

2.1 Introduction

This literature review is separated into two parts, with the initial part explaining the strategies used to structure the literature review, as well as outlining the aims that the review has in relation to the study as a whole. Together with this, a definition of SMEs will be provided, a comparison will be made between different contexts worldwide and Saudi definitions given. Similarly, the necessity of SMEs in economic and social life is discussed in this first stage of the review.

The second part of the review discusses how business performance is understood through highlighting the degrees of SMEs' success or failure within the present study. With the aid of various studies from around the world, the factors deemed to have an active influence on the performance of SMEs are reviewed. In addition, the Lussier model will be discussed by demonstrating the model's results through various contexts. This last discussion leads to the chapter's conclusion section.

2.2 Literature review strategy

It is imperative for the functioning of the literature review that certain base objectives are formulated at the outset in order that it will positively contribute to the overall objectives of the study. Due to the fact that there is a significant amount of prior research studies and information relating to SMEs and how they perform, it becomes vital that the format of how the literature review is conducted adheres to a precise understanding of the need to answer its specific questions, and closely relates to the objectives of the research.

Moreover, the literature review must include all the main journals and articles relating to the research topic, as well as academically published papers which have been presented in conferences or for different academic purposes in both developing and developed countries. Specifically, the names of journals that may be analysed for the

purpose of the present research include: *International Small Business Journal, Journal of International Entrepreneurship, Journal of management and Academy of management review, Journal of Small Business Economics and Journal of Small Business Management.* Prestigious international organisations, such as the World Bank and the International Labour Organization, as well as certain companies in Saudi Arabia, such as the Chamber of Commerce, National Entrepreneurship Institute, and the Saudi Arabian Monetary Agency, have also produced reports and documents, which can therefore also be included in the review and analysed.

The selection process of the review, which needs to be highly critical, must function based on each text's relevance to the study. Hence, the studies and articles reviewed all have a research methodology or framework based on the data that has been collated and filtered. Consequently, the relevance to the current research in terms of their analysis, implemented methodology and results should always underpin the use of any acquired text from the samples adopted by the review. Above all, the accumulated information must help to comprehend the benefits, limitations, and differences in the literature review that is undertaken.

2.3 The definition of SMEs

Throughout the world, SMEs are viewed as undoubtedly contributing to economic and social benefits and growth. They play a vital role in improving employment and social stability and increase private sector economic activities as a whole. Moreover, due to the lack of a universally accepted SME definition because of their non-specific nature and diverse applications, it is important to provide a clear and comprehensive definition of the SMEs used in this study. Certain scholars, from the Bolton Committee in the 1970s onwards, have attempted to resolve this issue, through measures such as founding an economic and statistical definition of small enterprises (Bolton, 1971). From this, quantitative and qualitative criteria have helped to provide a base for the definitions of SMEs through various definitions in accordance with individual perceptions of SMEs, based on their own personal experience (Peterson, Albaum and

Kozwtsky, 1986). However, quantitative criteria appear to be the format of preference when defining SMEs, as they permit a more comfortable assessment of the SMEs, although both quantitative and qualitative criteria are used at times (Von Potobsky, 1992).

Generally, scholars view small SMEs to be businesses employing between one and nine employees, and medium SMEs as those with between ten and ninety nine employees, although both types of SMEs have to be privately owned (Van el Der Wijst, 1989). Other definitions state that SMEs are enterprises, which employ less than 100 people, and report an annual turnover of less than 10 million Euros. Another alternative is that SMEs are seen as firms which have a minimal share in the market, and which are not formally structured but are managed by personalised owners or part-owners that do not form a part of a large enterprise or firm (Storey, 1994).

In contrast, some other scholars define small businesses purely around their employee figure alone, and state that an organisation with a workforce lower than 200 is small (Michaelas et al., 1999). In addition, different scholars have analysed sales details, and defined a business as small when its annual sales fall between USD 0.5 to 2.5 million, and USD 2.5 to 16 million are deemed the sales margin for medium businesses (Lopez-Gracia and Aybar-Arias, 2000). Further, other scholars have stated that SME definitions are ambiguous, as basing the description on the size factor alone can be misleading because being small in one sector is not necessarily small in another. Likewise, it is perceived that a definition of SMEs cannot be universally agreed, as the nature and circumstances of their operations can alter from country to country (Mutula and Van Brakel, 2006).

It therefore follows that the country or countries of the SME's operations must be understood, as this can change the concept of operations around the globe, which becomes evident when different international definitions are examined (Gunasekaran, et al., 2000). Thus, particular definitions of SMEs based on economics and geographical importance need to be analysed, because doing so will help in defining

major international regions, and within each region, the SMEs may also be defined. Some key regions are now discussed in turn.

The European Union (EU) defines SMEs by their number of employees, as well as their annual turnover, which are perceived to be distinct examples of comprehensible and easily applicable classifications for small and medium-sized businesses, in order to formulate measures of possible state aid. The EU states that a small enterprise should have a maximum annual turnover of ten million Euros, with a maximum of 50 employees, whereas a medium-sized enterprise should have a maximum annual turnover of 50 million Euros and no more than 250 employees . Furthermore, the EU considers micro-organisations to be those with a maximum annual turnover of two million Euros, as well as having ten employees or less (European Commission, 2015).

In addition, the EU criteria and definition of SMEs states that its policy measures are defined taking into account the limitations of its policy objectives. The criteria for SMEs set out by the EU incorporates: the potential relationships between firms, how the economic situation of a SME is affected, the various categories for SMEs (autonomous, partnerships, and linked SMEs), the changing relationships between firms, the accessibility of outside finance to an SME, price developments and productivity, together with financial threshold updates (Lukács, 2005).

The EU has also separated SMEs into three distinct categories. Firstly, there are organisations which are more advanced in terms of internationalisation, cooperation and technology pace-setting, and which are subsequently the pace-setters in their field. Secondly, SMEs that focus on simplicity within the business environment and work actively against outside help or finance are viewed as being traditionally opposed to aid. Thirdly, in general, some small businesses which have a fall in share value find self-analysis difficult and are not open to government aid or financial assistance, as they become defensive (Lukács, 2005).

In China, the State Economic and Trading Commission have defined a classification for SMEs which is structured from various different premises. An enterprise could be regarded as small when its turnover is no more than RMB 50 million or they have accumulated assets of less than the same amount. An enterprise is deemed medium-sized through having a turnover from RMB 50 up to RMB 500 million or by accruing assets of the same net worth. Only when the annual turnover or owned assets come to over than RMB 500 million and up to the amount of RMB 5 billion can an enterprise be labelled large. Following this, a super-large enterprise accrues an annual turnover or assets of more than RMB 5 billion. However, a business in China is also defined as being small or medium through its number of active employees, which should be no more than 300 (Asian Development Bank Project, 2002).

A different definition of SMEs is used in the USA and, importantly to this research, is connected government funding, which categorises enterprises in accordance with their specific industries. The Size Standards Office of the Small Business Administration (SBA) in the USA labels SMEs as enterprises that create a maximum annual turnover of US 0.75-29 million, depending upon the type of business, and employ a maximum of 1,500 people, and which are owned and operated independently. In fact, the USA measure has been seen as a good reflection of various industries, as it implements standards for every individual industry, which are coded by the North American Industry Classification System (NAICS). Generally, 500 employees is the approximate usual size for manufacturing and mining industries, or 100 employees for wholesale trade industries. Moreover, these enterprises amass average annual receipts of USD 7 million for the majority of retail and service industries, USD 33.5 million for the majority of industries in general and heavy construction industries, and up to USD 0.75 million on average within agricultural industries (The U.S. Small Business Administration, 2008).

SME measurements in South Africa are also intriguing, as the National Small Business Act 102 of 1996.50 lists small enterprises in the context of a wider industry specification. An overall perception of the corporate form, whether that be co-operative or non-governmental, is outlined in the Act. Additionally, SMEs' management structure

is defined, as well as the field of industry that the company belongs to. These industrial sectors can include: agriculture, construction, commercial agencies and services, electric, gas and water boards, manufacturing, mining and quarrying, transport and repair, services of business, as well as social services. Likewise, the Act labels the type of organisation through the quoted employee numbers, together with yearly turnover and gross assets, which are measured within four individual categories. Firstly, the annual turnover could indicate that an enterprise is a micro-business when the annual turnover is no more than R 150,000 together with maximum gross assets of R 100,000, and when it employs a maximum of 5 employees. Secondly, the annual turnover could indicate an enterprise to be very small in South Africa when the amount is no more than R 500,000 with accrued gross assets of no more than the same amount, and when it employs between 10 and 20 workers. Thirdly, an enterprise is defined as small when it has accumulated a turnover of between R 2 million and R 25 million and accrued assets of between R 2 million and R 4.5 million, with up to 50 workers employed. Fourthly, an enterprise is deemed medium-sized through having a turnover from R 4 million and up to R 50 million, or by accruing assets between R 2 and 28 million, together with employing no more than 200 workers (National Small business Act, 2004).

In Australia, SMEs are officially defined using quantitative criteria. The Bureau of Statistics in Australia states that a micro-organisation employs a maximum of five workers. However, enterprises that employ a maximum of 20 are deemed to be small, whereas medium-sized enterprises are those that employ between 21 and 200 employees (The Australian Bureau, 2001).

There is no agreed definition of SMEs in Saudi Arabia, as there are a number of organisations using different definitions for SMEs in the country. The Small and Medium Enterprises Development Centre at the Eastern Province Chamber of Commerce and Industry defines small enterprises as those, which have between 4-9 employees, while medium-sized enterprises are those that have 10-200 workers (The Eastern Chamber of Commerce and industry, 2011). However, the Saudi Arabian General Investment Authority classifies enterprises as small if they have fewer than

60 employees, and medium-sized firms as those which have fewer than 100 workers (Hertog, 2010). In addition, the Saudi Industrial Development Fund defines SMEs in terms of annual sales as firms whose annual sales do not exceed SR20 million for financing purposes.

Similarly, the World Bank distributed a questionnaire to commercial banks to determine their classification for small and medium-sized enterprises, with the results indicating that there is also a difference in banks' classifications for SMEs. It was concluded that small firms are generally regarded as those with annual sales of between SR100 thousand and SR5 million, employing between 2 to 49 people. Medium-sized enterprises are firms with annual sales of between SR5 million to 50 million, employing between 50 and 200 people (Saudi Arabia Monetary Agency, 2010) (See Table 2.1).

Table 2.1: The definitions of SMES in Saudi Arabia

Organisations	Small business definition	Medium business definition
SME Development Centre At Eastern Province of Chambers of Commerce and Industry	4-9 employees	10-200
Saudi Industrial Development Fund	Annual sales do not exceed SR 5000, 000.	Annual sales do not exceed SR 20,000,000
The Saudi Arabian General Investment Authority	60 employees and less	Between 61 to 100 employees
The Commercial Banks	Annual sales between SR 100,000 and SR 5000,000 And from 2 to 49 employees	Annual sale from SR 5000,0000 to 50 millions And employees from 50-200

As has been discussed so far in this chapter, no single definition has been agreed across the world, and indeed, there are various definitions of SMEs within the same country, such as the multiple definitions of SMEs in Saudi Arabia. This must be considered as one of the challenges facing the current research in adopting a meaningful SME definition, and the different definitions are also considered an issue in the SMEs field more generally that needs to be considered. These differences in the definitions partly come from the differences in the economic size of each country, and also depend on the nature of the defining organisations' functions. For example, banks usually define SMEs based on annual sales, while, on the other hand, chambers of commerce base their definitions on the number of employees. However, there is acceptance in the literature of the main characteristics of SMEs, and the social and economic importance of SMEs. This will be the subject of discussion in the following section.

2.4 The economic importance of small and medium enterprises

Historically, entrepreneurship and SMEs have been perceived to play an essential role in economic improvement. SMEs articulate such a role by possessing potential economic and social benefits, including low cost job creation, positive contributions to the Gross Domestic Product (GDP), entrepreneurial base expansion, the 'flexibility to adapt to market changes', support to large scale businesses, the capability to enter into market niches that are not profitable for larger firms, and contributions to development policies that are more oriented towards decentralisation and rural development (International Labour Organisation, 2000). Moreover, SMEs account for a huge proportion of private sectors worldwide. For instance, SMEs in Canada represent around 99% of businesses and provide 60 % of the country's employment, while in the US, SMEs account for more than 50 per cent of the country's employment (He et al., 2008).

Small and medium-sized enterprises are crucially important due to their role in investment and development, and are therefore geographically widespread. Their

presence and success prepares the region for comprehensive and efficient development, increasing social and economic growth. Vertical and horizontal integration can be achieved between different economic sectors. Therefore, Shalaby, (2004) concluded that growth and prosperity in developed countries is clearly a result of the effective role of small enterprises. They are considered to have been, and still are today, an effective development tool, creating millions of employment opportunities, and increasing current and new production capacities. Small and medium-sized businesses also increase labour productivity and raise the standard of living for enterprise owners and employees. In addition, they increase export capacity, which benefits the economy as a whole. This has a positive impact on the gross domestic product (GDP), balance of payments (BOP), growth and geographical diversification of a country, which in effect reflects on their economic indexes (Almobaireek, 2009).

Small and medium-sized industries are among the main sectors to have attracted the interest of researchers, organisations, bodies and national and international institutions, in the light of recent changes affecting the global economy. This is due to the pivotal role that small and medium-sized enterprises play in increasing production, creating employment opportunities, generating income, their role in relation to fostering innovation and technological advancement, as well as their role in achieving economic and social objectives in all countries. Small and medium-sized enterprises are at the centre of industrial policies around the world today. They aim to lower unemployment figures in developing and developed countries, regardless of the country's overall economic strategy and method of managing the national economy (Hertog, 2010).

SMEs are therefore considered as engines for economic and socio-economic achievement. They are also viewed as main players in regional development due to their flexibility and potential for employment creation. They are also known for their unique job generation capacity where, even in developed countries, they employ larger workforces in total than those employed by multinational firms (International Labour Organisation, 2000).

SMEs play a key role not only in the economies of developed countries, but also in developing economies. For example, they account for around 80 per cent of all economic activities (United Nations Environment Programme, 2000). Hence, SMEs hold an increasingly important position in the minds of policy makers due to their dominant role in most economic structures and employment avenues (Hoffman et al., 1998). In Morocco, for example, 93% of industrial businesses are SMEs and they account for 38% of production, 33% of investment, 30% of export and 46% of employment in the country (Emine, 2012). Furthermore, in the Kingdom of Saudi Arabia (KSA), SMEs form 98% of the private sector and employ around 60% of the workforce (General Organisation for Social Insurance, 2012). Moreover, in Kuwait, SMEs forms approximately 90% of the private sector, and have imported around 45% of the labour force. In addition, in the United Arab Emirates, SMEs account for about 94% of all economic projects, and employ 62% of the workforce (Emine, 2012).

Small and medium-sized enterprises benefit the economy in a number of ways. For example, small enterprises in Japan comprise around 99% of the overall number of enterprises in the country, although 55% of the total amount of goods are manufactured by small and medium-sized businesses in Japan. These enterprises employ around 82% of the total labour force, except for primary labourers, in fields such as agriculture and supplementary industries, etc. In Japan, large manufacturers only contribute around 10% of production, while around 90% of goods come from small enterprises (Economist Intelligence Unit, 2010).

In other western countries such as France, Switzerland and the United States, SMEs also play a significant part in economic development. For example, French electronics manufacturers purchase 56% of their equipment from small enterprises. Moreover, 45% of orders given to large enterprises were later subcontracted to small and medium enterprises (Edinburgh Group, 2012).

Small and medium enterprises play a crucial role in achieving economic growth goals (National Entrepreneurship Institute, 2013). Almobaireek (2009), summarised the most important positive effects of SMEs as follows:

- They employ simple production techniques that comply with the phenomenon of surplus labour and capital scarcity in most developing countries
- They provide more employment opportunities with less capital investment.
- They utilise primary resources which are available locally.
- They provide significant services to large enterprises. They play a critical role as feeder industries or distributers which ease the pressure on large enterprises. They also provide new employment and production opportunities.
- They succeed in niche markets which may not appeal to larger enterprises.
- They provide an important share of local market needs, which decreases the amount of goods which have to be imported.
- They provide small-sized goods and services at a low cost.
- They increase stability in society compared with large enterprises, whose interest usually surpasses regional and geographical regions.
- They tend to be more flexible in facing market changes, away from bureaucracy.

2.5 The social benefits of small and medium enterprises

Small and medium enterprises play an essential role in absorbing surplus labour in a market that has excess workers and scarce capital. Small and medium-sized enterprises usually adopt intensive production practises that utilise relatively abundant resources to achieve social efficiency. It is evident that small enterprises establish a social and economic balance as they are capable of a geographical spread through societies on the outskirts of cities and villages. In contrast, larger enterprises are mainly located in large cities. This can generate opportunities, help local people to network and develop their skills, and raise their standard of living (Sima et al., 2015 ;Abor and Quartey, 2010).

In addition, small and medium-sized enterprises reinforce the role of social safety nets. Their creation and assistance can help to raise the standard of living by providing employment opportunities, and form businesses to suit the economic and social capabilities of the poorest members of society, especially those in poor or rural areas. Moreover, small and medium enterprises in rural areas can help to meet the demand from low-income consumers by offering basic goods and services at a low price. These businesses lower the risk of people emigrating from less developed areas to more developed cities. In fact, small enterprises are an effective tool that achieves reverse migration by increasing growth and balanced development. Therefore, a number of countries have strived to establish an independent system for small enterprises (Almobaireek, 2009).

For example, the Gulf Co-operation Council (GCC), which aims to support the manufacturing sector. The council implements national-level strategies to diversify sources of income and aims to avoid dependence on hydrocarbon resources as a sole income. The GCC council quickly realised the essential role of manufacturing in achieving social and economic development, and so it diversifies income sources and creates investment opportunities in sectors other than oil, even though there are a number of challenges that have hindered its efforts (National Entrepreneurship Institute, 2013). Essentially, the level of contribution from small and medium-sized enterprises is low in the developing world. Nevertheless, small enterprises do create employment opportunities and achieve economic growth. Therefore, the need for small enterprises has increased around the world, particularly as they can create more employment opportunities in the aftermath of the global financial crisis, which caused an increase in unemployment figures in Arab countries, to a peak of around 22% (International Labour Organisation, 2012).

Almobaireek (2009) summarised the positive role of SMEs in social development in the following way:

- They lower the rate of unemployment and poverty.

- They encourage women to participate in the production process to help them become more independent, especially in developing countries.

- They have a fundamental role in encouraging public participation and building the national economy.

- They create employment opportunities for people, to help them earn an income.

- They help provide basic services such, food, education, clothes and medical services.

- They can reduce crime and create a safer, more stable community when they decrease the unemployment rate in a country.

To summarise, SMEs play an essential role in the society and economics of a country. For instance, higher unemployment tends to increase the crime rate, so when SMEs create jobs, they can improve living standards for the public and increase the country's wealth directly via the social improvements they bring.

Thus, SMEs need to receive more attention from the literatures, because the advantages that they provide for people, both economically and socially, are profound. The main aim of the current research is to contribute the literatures in the field of SMEs by answering the research question: 'What are the factors associated with SMEs performance, which might be used to predict SMEs' performance in order to continue their activities and assist them in avoiding failure in the Saudi market?', a question , which leads to consideration of the meaning of SMEs' performance and how it is measured.

2.6 SMEs' performance measurements

In order to understand the actual situation of an enterprise, it is imperative that its business performance is evaluated, in order to improve upon it. The performance of a business relates to its capability of producing the target output that meets the stipulated requirements (Forsman, 2008). Nevertheless, the common measurement for performance tends to be financial. Similarly, success and failure are mostly used to evaluate performance (Brooksbank et al., 2003). In fact, most forms of measurement can be defined as perspectives of finance, even though certain small

enterprises are also measured through non-financial performance such as the personal objectives of the owner-manager. According to March and Sutton (1997) in their critical assessment of performance research within the field of managerial research, the difficulty of purpose measurement is that a business may well have more than one purpose, dependent on the view of the stakeholder and, further, that theses purposes may not be consistent. There has, however, been much debate on how performance should be defined and measured specifically in the context of SMEs. Hence, each category of performance that is adequately measured may indicate various performance frequencies. In a management field, success and failure can be interpreted as measures of good or indifferent management (Jennings and Beaver, 1997; Simpson et al., 2012), but success may occur for other reasons, including luck (Storey, 2011).

Consequently, the current study has implemented a measurement of success/failure as it functions in relation to the research problem in order to answer the question of the research, which leads on to defining understanding of success and failure, alongside the definitions that are used in the present research.

2.6.1 The meaning of success

There is no universal definition of success. Business success is defined differently according to the perspectives adopted (Foley and Green, 1989; Simpson et al., 2012). Moreover, success has several meanings in the literature of business research, as within the general and basic definition, a business is considered successful if it continues its business operations. Contrastingly, businesses are considered failures if they leave the market (Simpson et al., 2004). This means that there are two essential measurements of success: financial, and long term longevity. Businesses succeed when they achieve profit and retain the ability to compete in the market over the long term; this makes them successful businesses. Similarly, success is quantified through different forms of measurement, such as: profit, return on investment, sales growth, customer loyalty, number of employees, reputation, etc. (Vesper, 1990; Blackburn et al., 2013). Success can also be defined through different meanings as perceived by

various shareholders and stakeholders; for example, entrepreneurs define businesses as successful if they achieve their goals, but customers define a successful business based on meeting their needs via the business. Consequently, there are different perceptions of success in business research (Simpson et al., 2004).

Some authors, such as Watson and Everett (1999), have given different measurements for success or failure through the experience of owners, size, age of business, barriers to entry and type of industry. In fact, they measure the success of businesses based on the longevity of the enterprises or the continuance of the operations.

An SME's success can be measured in different ways, but in general, success is often measured in terms of longevity and financial performance or continuance in operation, factors which contain within them profitability, market share and sales. A SME's success is not always easy to measure, but can be measured using objective and subjective indicators (Wasilczuk, 2000). Objective measures are defined as hard information and they can be based on the accomplishment of the exact objectives of the business. These are considered to be quantifiable methods that have the ability to examine the quantity and quality of productivity, such as continuance in operation, and sales or profit. On the other hand, subjective measures are defined as soft information, which involves traits or evaluative information, such as the owners' evaluations of their success relative to others in the industry, their goals, and views, and personal perceptions of success (Wasilczuk, 2000).

The most essential and most challenging business objective is long-term survival. Businesses compete for long periods as a prerequisite for success in relation to other features, such as market share and profitability. Therefore, the definition of their success could be dependent on the time frame involved. On the one hand, the ability to survive decreases over time, whereas on the other hand the survival ability of new firms is lower than that of more established businesses, because of the 'liability of newness' (Blackburn et al., 2013).

2.6.2 The Meaning of failure

There are no universal formal reporting requirements for the majority of SMEs, so it can be challenging to obtain reliable information to measure SME performance expressed in any economic way, such as rate of return on capital. Therefore, most of the prior literature has relied on some recorded event as a surrogate measure of failure (Watson and Everett, 1999). In the same vein, measuring and identifying business failure is difficult for several reasons. Firstly, businesses are difficult to locate when they exit from a market, but business failure means that a business has ceased to operate in a market. Secondly, the reasons for failure can be difficult to diagnose. Finally, arriving at understanding of the causes for failure from the owners or managers may depend on their goals from the businesses (Carter and Auken, 2006). However, there are five basic definitions used to measure business failure; these are now discussed in turn.

Firstly, the discontinuance of ownership of the business is a proxy for failure, as discontinuance shows that resources have been moved to more profitable opportunities. This definition contains, for example, businesses that are sold because the owner wants to retire for age or health reasons, to shift to another business, or to sell for a profit. Additionally, the sale of a business is not necessarily due to failure, because many businesses are sold due to illness or retirement, alongside other alternative opportunities (Everett and Watson, 1998).

Secondly, the discontinuance of businesses is based on entry and exit rates. However, this definition suffers from two limitations. Initially, it defines as failed any business sold to new owners, irrespective of the reason for the sale; however, a business may have to cease when the key operator retires or moves on, especially in the service sector (Watson, 2003).

The third definition of failure is bankruptcy. This is considered an objective measure that appears to be a very narrow definition of failure, and excludes many businesses

that would be regarded as having failed. For example, a business that cannot reach the point of breaking even, and can therefore neither provide a reasonable income for the owner or a fair return to the investor, could be seen as a failing business, even though it is not included in this definition because it has not been placed into bankruptcy. Even if these businesses were closed, they would not be measured to have failed in terms of the narrow meaning of this definition (Ropega, 2011; Watson, 2003;).

The fourth definition of business failure is when the business is disposed of or sold or liquidated with losses in order to prevent further losses. Losses can include the owner's capital, and consequently the business could be regarded as having failed, even though there may have been no loss to creditors; nevertheless, this definition is no longer used by researchers (Ropega, 2011; Watson, 2003).

Finally, failure in business means the inability to continue the business activities, whether the losses involve the owner's capital or someone else's, or indeed any capital. It includes businesses that cannot earn an adequate return or do not meet the owners' objectives. The main dilemma with this definition is that the most researchers classify business failure based on closure. Nevertheless, some businesses may continue operating even though they may technically be classified as having failed under this definition. Furthermore, the question of what constitutes an adequate return is difficult to answer and may vary, because many businesses accept low financial returns as the cost of independence (Ropega, 2011; Watson, 2003 ; Everett et al., 1998).

There are always negative effects on all stakeholders within the business environment when businesses go bust, fail or become bankrupt. Entrepreneurs lose their capital investment, time, and effort. In addition, workers lose their jobs and customers lose the production and distribution of certain goods and services. The negative impact will also reach the government, which will lose revenue that it would have earned from taxes and other fees had the businesses remained in operation. Moreover, such

failures limit the living standards of individuals and brings about an overall reduction of goods and services. Consequently, it is clear that a business failure or end to trading is a serious event, which is why the issue is attended to (Raj, 2009).

It clear that there are no agreed upon definitions of success and failure in business, and each definition has strong claims and some shortcomings that may render it inappropriate in some contexts. In the KSA, there is a lack of uniform measurement of success or failure for SMEs that would enable the classification of businesses. Therefore, based on the statement of problems which the present research is addressing, the contribution of SMEs in the economy is too low when compared with the number of SMEs, which is 98% (General Organisation for Social Insurance, 2012), and the numbers of SMEs that have ceased operating in the market has increased, which may lead to identification of the failure factors of SMEs. Unfortunately, with the shortage of database data on businesses which have ceased trading or ended in bankruptcy, it is difficult to locate them. As a result, an alternative measurement to classify the businesses is adopted based on their business profits (Blackburn et al., 2013; Lussier and Halabi, 2010 ; Lussier and Pfeifer, 2001).

In the current research, business performance is measured by identifying success or failure based on profits for the last three years: successful businesses are therefore those that made profits for the last three years, while failing or failed businesses are those which have not made profits for the last three years, a measure which is accepted by the Eastern Province Chamber of Commerce in Saudi Arabia. In the same vein, Lussier and Halabi (2010) measured the performance of SMEs in Chile based on profits, using the Lussier model which is designed to explain why some SMEs succeed and others fail. Moreover, the Lussier model has also been tested in Central Eastern Europe and measured the success and failure and general performance in relation to business profit for the last three years (Lussier & Pfeifer, 2001). Furthermore, Siow Song Teng et al., (2011), used data on profits for the last three years to make a classification which distinguishes between success and failure businesses in their study, which focused on a success versus failure prediction model for small businesses in Singapore.

After the measurement of success and failure are discussed, the following section examines how and why businesses fail in the market. In this vein, Crutzen and Van Caillie (2008), based their understanding of failure on four chronological failure divisions, which follow on to bankruptcy and lead a company to cease market action through different periods of time. The four phases are structured from the concept of a foundation for the resource view of the firm (Barney, 1991) (it will be explained later in the theoretical framework chapter, chapter four) and the manner in which they are formulated with the goal of avoiding bankruptcy.

In terms of business failure, initially, adequate responses to both internal and external pressures fail through a lack of resources at the origin of the business. Likewise, failure happens because the resources of a business are unavailable, or their quality is poor. This may, for instance, relate to the individual characteristics of those who work in the business both owners/managers and employees (Story, 1994), the overall business atmosphere, and the pressures created due to competition and environment, can all prove detrimental. Consequently, a misalignment of business and environment can prove to be the result of a core failure stemming from poor communication and inadequate base resources. Further, a business will only deteriorate economically and professionally when no action (or inappropriate action) is taken to rectify the business's resources in relation to the environment (Crutzen and Van Caillie, 2008).

Secondly, the phase leading towards failure is initiated through the appearance of failure symptoms, as the business's deterioration develops to become more externally obvious. Hence, this process is understood through clear financial indicators, which are believed to be the original recognisable failure signals. Additionally, the symptoms of failure are defined by the business's poor position, which leads to insufficient sales. Thus, a decrease in overall business profitability occurs, which will narrow the business's profit margins, as well as reducing its share in the market. Consequently, fears grow, especially within the minds of the stakeholders, in relation to the function and state of the company. For instance, banks will begin to pursue additional

guarantees when the company wishes to borrow, or suppliers will require quicker payment. Similarly, another factor which stems from declining profit margins is the absence of liquidity through a lack of cash. As a result, external financing is pursued by the owner/manager of the business, in order to rectify the lack of equity that has started to created friction with internal partners. Moreover, in this situation, it becomes more challenging to attract potential investors, which creates an environment where the owners/manger are required to raise the amount of accrued external debt. In fact, increases in a business's external debt usually raise the financial charges imposed on the company, which ultimately results in a further decline in the profit margins and competiveness of the business (Crutzen and Van Caillie, 2008).

Thirdly, different critical warning signals appear as the state of finance within the business rapidly declines, which result in a degree of distrust from stakeholders. Consequently, as the criteria for bankruptcy is met at this stage, the business begins to evaluate the possibility of declaring bankruptcy through illiquidity and insolvency, even before a legal declaration of bankruptcy (Crutzen and Van Caillie, 2008).

Fourthly, when business resources are inadequate and the use of resources has been poor, resulting in a weak and inadequate strategic business position, then bankruptcy becomes the next stage (Crutzen and Van Caillie, 2008). Therefore, the final process of legally declaring the business bankrupt is initiating the actual proceedings, at which point the company develops serious insolvency and illiquidity.

Failure can therefore be perceived as a gradual process, although the signals of a path leading to ultimate bankruptcy are evident along the way. Comprehending the symptoms of failure is imperative to the harmony of a business, as they function as warnings to predict the potential frailties of the business, which can lead to market share deterioration. In general, any businesses which are failing to achieve profits risk ceasing their trading in the market (Ropega, 2011). Such failure impacts upon all the stakeholders of the businesses in different ways, such as the government's loss of taxes, customers' loss of services or products, employees who will lose their jobs and

the owners' loss of income and effort; therefore, there is a negative impact on the economy overall.

2.7 Factors contributing to SMEs performance in different contexts.

Lee and Tsang (2001) investigated the effects of entrepreneurial personality traits, and found that there is a background of networking activities related to business growth among Chinese entrepreneurs in Singapore. Their results show that experience, networking activities, and number of owners as well as an internal locus of control and need for achievement, all have a positive impact on business performance. In the view of Boden and Nucci (2000), the most fundamental elements include the ability to hold off competition, the ability to take risks, belief in oneself, and the need for achievement, and innovation that enhances business performance.

In addition, Boden and Nucci (2000) showed that, owners with no history of previous business ownership and businesses owned by one person were more likely to fail than the other firms. For example, owners who had worked for more than 10 years and who had four or more years of college education were less likely to fail. Moreover, they found that businesses which lack formal planning are more likely to fail than the businesses which do.

According to West and Noel (2009), education has to incorporate different specialist or general skills, in accordance with human capital theory, which is directed by the knowledge that a business owner/manager possesses. This will affect the performance of a business, as well as enhancing the managerial capacity that will create a generally more superior business or direct a strategy for industry. This will subsequently improve overall performance, as resources are obtained more efficiently, as well as reducing expenditure and boosting revenue. Moreover, it is possible to separate education between industry specific and general business knowledge (Soriano and Castrogiovanni, 2010).

In Bangladesh, it has been found that the relationships within businesses have to work well with all stakeholders, and these are considered the main variable defining success for SMEs in the market. In the same market, it was also found that the entrepreneurs cannot succeed in business ventures without the ability to act appropriately in the face of the various risks that are produced in the internal and external environments (Quadir and Jahur , 2011). When entrepreneurs communicate directly, frequently, and in a broad span with their external business contacts, instead of asking their workers to do so, their personal networks are strengthened. They gather first-hand information about the external environment and develop an intimate understanding of their businesses, with one outcome being better performance. For instance, it has been found that entrepreneurs running successful firms were likely to spend more time communicating with their business partners, customers, suppliers, and employees than were the entrepreneurs of unsuccessful firms. Studies have generally found a positive relationship between such networking behaviour and business performance (Lee and Tsang, 2001). Moreover, in Botswana it has been found that owners/managers need to have adequate skills in the areas of planning, organising, directing and controlling organisational resources, and these skills influence their SMEs' performance (Temtime and Pansiri, 2004). Furthermore, Quadir and Jahur (2011), found that the availability of a better substitute in the market, uneconomic production size, non-availability of raw materials, rises in price of raw materials, labour unrest, cut-throat competition, natural calamity, unreliable suppliers, non-payment of bills from the parties and staffing imbalances were all considered threats to SMEs in the Bangladeshi market. According to Hussain et al. (2012), the main failure or obstacles that face SMEs and which may stop them from continuing their activities in the Pakistan market are external, such as a lack of access to financial capital, overly bureaucratic government structures, together with poor infrastructure and corruption.

Many previous studies (Benzing et al., 2009; Chu et al., 2007; Tiemtime and Pansiri, 2004) have pointed out that environmental conditions are critical to business success. In Botswana, for example, Tiemtime and Pansiri (2004), found that the external environment has two sources. Firstly, socioeconomic issues such as inflation,

recession, changes in interest rates, market size, the spending power of customers, the availability of business premises in the community, the intensity of competition in the market, government financial assistance and policies and national culture, all influence SMEs' performance. Secondly, techno-regulatory changes including civil war, political instability, market policy, taxation policy, price controls and changes in technology, all influence SMEs' performance in the Botswana market (Tiemtime and Pansiri, 2004).

Numerous past research papers have demonstrated how skills in management are vital to the success of a business (Benzing et al., 2009; Chu et al., 2007; Benzing et al., 2005; Chawla et al., 2010). One study involving small business owners of Pakistani origin highlighted the three most necessary factors as being great customer service, hard work, and product quality (Coy et al., 2007). Nevertheless, studies in different countries rate different factors as most highly important. For instance, in Vietnam (Benzing et al., 2005), entrepreneurs have been shown to require honesty, friendliness and good customer service. Likewise, another study has shown that entrepreneurs in Turkey rated honesty, friendliness and social skills as the most necessary factors for success (Benzing et al., 2009). According to Ghosh and Kwan (1996), whose study identified the critical success factors for SMEs in Singapore, Malaysia, Australia and New Zealand, having a good relationship with customers, effective management, and good marketing are the most important factors which lead SMEs to success.

On the other hand, the prior SME literature has also identified many key SME failure factors. A study by Bates and Nucci (1990), noted that the size of a business is an important factor which impacts on rates of failure. Their results indicated that a large group of very small businesses contribute most to high failure rates among small businesses. In addition, they claim that larger and faster growing businesses are less likely to fail, as are businesses that are not following a growth strategy. In addition to this factor, a lack of capital for innovation and technology also impacts upon SMEs' development, especially in specific sectors, such as the industrial sector (Audretsch and Mahmood, 1995). Furthermore, the small and medium-sized enterprise literature identifies many SME failure factors.

Several factors are considered key to small business failure in Nigeria: lack of management experience, lack of training, and inadequate bookkeeping and recordkeeping (Okpara and Wynn, 2007). Alternatively, small and medium businesses that pay attention and spend money on research and development are more likely to overcome barriers in the markets of Ghana (Robson and Obeng, 2008).

Carter and Auken (2006) identified the root causes of bankruptcy by comparing bankrupt and non-bankrupt businesses in Iowa. They found that one of the serious problems that the bankrupt businesses had suffered from was a lack of knowledge. Moreover, these businesses had limited usage of the Internet in their business operations .On the other hand, they did not find any significance in demographic factors, such as the firm's age, or whether they were serving national or international clients.

According to a Small Business survey conducted by the Department for Business Innovation and Skills (2013) in the United Kingdom, 78 per cent of SME employers said that the economy itself was an obstacle to the success of their business. Fifty-seven per cent cited taxation (including VAT, PAYE, NI and rates), 56 per cent competition in the market and 52 per cent government regulations.

Economic and political legal factors affect business performance. For example, economic timing, access to international markets, infrastructure, economic reforms, as well as taxes and government support have been cited as crucial success factors for SMEs in Philippines (Co, 2004). The same study also argued that the government should provide adequate support to SMEs. The importance of SME policy is that it can strengthen the existing base of such businesses by emphasising that they have to compete in the market place and are not disadvantaged by their form or size.

Other factors have also been found to constrict the performance of SMEs and create barriers to their survival and development. Storey (1994) pointed out that a lack of institutional support, inadequate legislation and excessive regulations are considered to be central dilemmas for SMEs. Several SME owners and managers who have suffered from excessive bureaucracy when they interacted with the surrounding environment, especially with government organisations, were cited in the study.

In addition, Hassanein and Adly (2008) noted that the lack of access to suitable sources of finance is a major obstacle to SMEs' growth in the Egyptian market. In the same vein, Gill and Biger (2012) found some obstacles to growth that SMEs face in the Canadian market. First, there are market challenges that include tough market competition, high advertising costs and inadequate demand for the company's product or service. Second, a lack of financing that includes a lack of financial support from the government, difficulties in getting business loans from banks, lack of sufficient collateral to secure bank loans and insufficient cash flow to operate a business, are all common problems. Finally, regulatory issues that include high taxes and inadequate demand for the company product or service are found to be the main barriers to SMEs' growth in Canada; market challenges are considered to be the main obstacles, rather than financial or regulatory issues.

Franco and Haase (2010) identified factors producing poor performance and failure among SMEs in Portugal as: limited access to finance, poor market conditions, non-availability of adequate staff, lack of institutional support, and lack of cooperation and networking.

Interestingly, Raj (2009), argued that there are a number of differences between developing and developed countries with regard to the causes of business failure. For example, in Nigeria, SMEs were seen to link failure with external factors more than internal factors, suggesting that inadequate infrastructure and poor economic conditions were the main reasons for failure. On the other hand, in the United Kingdom the internal factors, such as poor management, are deemed more important than

external factors. However, the source of failure depends on the owners' perspectives, as some rely on external and others rely on internal factors.

To summarise, the factors affecting the performance of SMEs which decide their success or failure are complicated and overlapping, and possibly impact in a positive or negative way, depending on the nature and place of the businesses. This means that some factors may have an influence in some countries, but not play an essential role in others. Additionally, it can be concluded that the absence of some success factors could lead to a failure, even though there is no generally accepted list of factors that distinguish business successes from failures.

Robert Lussier has created a model with fifteen variables that have an influence on the success or failure of SMEs, therefore, the following section describes the Lussier model and presents its results in different contexts worldwide.

2.8 Lussier model

The Lussier model was created in 1995 by Professor Robert Lussier in the United States in order to build understanding of why some businesses succeeded and others failed. Its variables were selected from 20 prior studies for inclusion in the model, and each had to have been included in a study that had at least three variables identified as contributing factors to success and failure. There are fifteen variables in Lussier's model: capital; record keeping and financial control; industry experience; management experience, planning; professional advisors; education; staffing; product/service timing; economic timing; age of owner; partners; parents having previously owned a business; being a minority, and marketing skills (see Table 3.5) (Lussier and Halabi, 2010; Lussier, 1995). There are some advantages of various studies having adopted and tested the model in different contexts. The Lussier model is considered a non-financial model, which is more appropriate for small businesses as sufficient financial data is often unavailable. Lussier also uses resource-based theory, as entrepreneurs make judgments about which resources are more or less essential depending on their expectations about the furthering of the venture (Lussier and Halabi, 2010).

The model is divided into two forms: the full model, that includes all 15 variables based on the literature review of 24 prior studies, and the reduced model, including only the variables found to be statistically significant individually in the original study with data from the USA. Specifically, the reduced model contains measures of planning, professional advisors, education, and staffing (Lussier and Pfeifer, 2001).

Lussier's model was tested in Central Eastern Europe, in the Republic of Croatia. A random sample was selected from the Croatian Chamber of Businesses' list of firms. In total, 120 out of 350 surveys from owners/managers were adopted in this study. Among these were 84 successful and 36 failed businesses. The dependent variables were dichotomous to success or failure, as on the one hand, the successful firms had to have made at least industry average profits for the last three years, with firms that had not made a profit for the last three years also considered on the other hand. This definition was used because it is not possible to locate and find bankrupt firms as the prior study of this model had done in the United States, as they had defined failure based on bankruptcy. The logistic regression model was used to test the model in Croatia as this tool was tested in the original study. The results indicated that the reduced model (with the four variables of staffing, education level, use of professional advice, and planning) is statistically significant and predicts success in Croatia, because the model accurately predicted 91% of the successful businesses in the Croatian sample. In summary, all these variables in the reduced models function with the enterprise's human resources, leading towards a reconsideration of small businesses' potential to exist in Eastern Europe (Lussier and Pfeifer 2001).

The Lussier model was later applied in South America, with a sample from Chile. The sample of 1,800 small businesses was randomly chosen from the Chilean National Chamber of Commerce database, and the survey instrument was e-mailed to the Owner / CEO. 234 questionnaires were used in the study, and they defined success and failure based on profitability, and found that 103 firms could be classified as successful and 131 as failures. The logistic regression model was used to test the full

38

model (i.e. including the fifteen variables) and it found that the model was statistically significant. Moreover, the ability of the full model to predict a specific SME as successful or failed was set at about 63.2% of the businesses. Additionally, the model in Chile was found to be better at predicting business failure (73%) than success (51%). In the same vein, the reduced model was tested and found to be statistically significant, and better at predicting failure SMEs in Chile (Lussier and Halabi, 2010).

Lussier's model was also conducted and tested in East Asia by Siow Song Teng et al., (2011), using samples from Singapore. They created a model with 26 variables that included the fifteen variables used by Lussier and 11 additional variables constructed from the literature regarding the Singapore context (relationship with customers; niche product/services area, cost of running a business, technology edge, leadership of senior management, people bonding in firms, organisational capability, broad access to resources, local knowledge of markets, and good government policy). This model was called the exploratory model. The definition of success and failure depends on profitability, so business success was judged to have occurred when a firm made a profit in the last three years, while, failure was defined in the businesses that had not made a profit in the last three years.

Logistic regression was used to analyse the relationship between the independent variables and generate one of two outcomes: business success or failure. In fact, the results indicated that both models, Lussier's and the exploration model, were statically significant. The exploratory model predicted 86.3 % of the sample as successful or failed SMEs, while the Lussier Model predicted 85.6% from the same sample. It found that in Singapore, the critical success factors for SMEs are having high quality staff working in the business; good product timing; good relationships with customers; and good top management staff. On the other hand, it is perhaps surprising that it found access to finance, and good government policy as not statistically significant compared with other variables in the model (Siow Song Teng et al., 2011).

The Lussier model was also employed in relation to businesses in the Middle East. The results of a logistical analysis indicated that the model was statically significant with the ability to predict a specific business as successful or failed in 85.4% of the businesses. The model predicted levels of business failure, with a success rate of 86% and with successful businesses at 84%. These results are similar to the original results in the United States. New start-up businesses should have specific plans which contain adequate capital, good record keeping and financial control; and a marketing sales prediction in order to ensure sales and cash flow to keep the business solvent, and the business plan will be improved through the use of professional advice (Marom and Lussier, 2014).

Consequently, as has been discussed above, Lussier's model has been used to predict the probability of success/failure in businesses in different contexts worldwide. The contribution of this model is that it determines and lists the variables that lead to success/failure in businesses. Lussier's model needs to be used to investigate more contexts in order to be further validated and gain wider acceptance worldwide. The model does not address some external variables that also play an essential role in affecting business performance, such as government regulations, the availability of suppliers, and the intensity of competition, which means that the model needs to improve and add more common variables relevant to different countries in order to be accepted worldwide. However, the Lussier model is an important contributor in the field of SMEs in that it fills a gap in the literature by creating a base list of the success/failure factors that SMEs will experience.

Table2.2: Explanation of success versus failure variables.

Variables	Lussier model propositions
Capital (capt)	Business that start undercapitalised have a greater chance of failure than firms that start with adequate capital
Record keeping and financial control (rkfc)	Businesses that do not keep updated and accurate records and do not use adequate financial controls have a greater chance of failure than firms that do.
Industry Experience (inex)	Businesses managed by people without prior industry experience have a greater chance of failure than firms managed by people with prior industry experience.

Management Experience (maex)	Business managed by people without prior management experience have a greater chance of failure than firms managed by people with prior industry experience.
Planning (plan)	Businesses that do not develop specific business plans have a greater chance of failure than firms that do.
Professional Advisors (prad)	Business that do not use professional advisors have a greater chance of failure than firms using professional advisors.
Education (educ)	People without any college education who start business have a greater chance of failing than people with one or more years of college education.
Staffing (staff)	Business that cannot attract and retain quality employees have a greater chance of failure than firms that can.
Product / Service Timing (psti)	Business that select product/services that are too new or too old have a greater chance of failure than firms that select products/services that are in the growth stage.
Economic timing (ecti)	Businesses that start during a recession have a greater chance of failing than firms that start during periods of economic expansion.
Age (age)	Younger people who start a business have a greater chance of failing than older people starting a business.
Partners (part)	A business started by one person has a greater chance of failing than a firm started by more than one person.
Parents (pent)	Business owners whose parents did not own a business have a greater chance of failure than owners whose parents did own a business.
Minority (mior)	Members of minorities have a greater chance of failure than non-minorities.
Marketing (mrkt)	Business owners without marketing skills have a greater chance of failure than owners with marketing skills.

Source: (Marom and Lussier, 2014)

2.9 Summary

This chapter has reviewed and discussed the prior literature relevant to this research. Following the introductory section of the chapter, the various definitions of SMEs worldwide were set out, with specific reference to SMEs in Saudi Arabia. Then, the chapter discussed and shed light on the economic and social importance of SMEs. There followed a discussion of performance measurement in terms of the identification of success and failure in businesses, and then the question of how and why businesses fail was examined. Subsequently, several studies from developed and developing contexts were reviewed with regard to the factors that affect SMEs' performance, with analysis of Lussier's model in different contexts. There now follows a presentation of the Saudi context chapter.

Chapter Three: The Saudi Context

3.1 Introduction

Through corresponding review sections, this chapter seeks to deliver a description of the research context, allowing readers to develop an understanding of the study field. Primarily, the chapter will provide a generalised overview of the KSA (Kingdom of Saudi Arabia), with a description of its religion and its relevance to the country provided second, with consideration also directed towards the cultural context of the country. Hofstede's cultural model is examined subsequently, with focus placed on the specific culture in the KSA. Following that, government statements and an overview of the population are delivered, with the Saudi economy and the global economy considered in a broad scope. Towards the end of this part, the Saudi government's recent reforms are discussed.

After this, the chapter evaluates the function and place of SMEs within Saudi Arabia, while comprehending the challenges perceived as potentially detrimental to the performance of SMEs in that country. Moreover, it will lay out the chances of supporting SMEs through a better understanding of what opportunities they have within the Saudi market. This last discussion leads to the chapter's conclusion section.

3.2 A review of Saudi Arabia and its status in the World

The Kingdom of Saudi Arabia (KSA) is the second largest land size of the Arab states, second only to Algeria, and it occupies the main portion of the Arabian Peninsula. At its northern border are Iraq and Jordan, with the south home to Yemen; at the northeast is Kuwait, with the east comprising Bahrain, Qatar and the UAE (United Arab Emirates), whilst the south border is home to Oman. Moreover, in the east is the Arabian Gulf, whilst the Red Sea is to the west (World Population Review, 2014).

The Kingdom of Saudi Arabia is broken down into individual regions, all of which are individually overseen by a governor or by an Amir. Amirs have been used throughout

Islamic history, ever since Amir, as a title, was afforded to the provincial rulers of the Arab world. Altogether, there are 13 regions in the KSA: Al-Riyadh, Makkah Al-Mukarramah, Al-Madinah Al-Munawarah, Eastern Region, Al-Qassim, Aseer, Hail, Northern Boundaries, Najran, Al-Baha, Jazan, Tabouk and Al-Jouf. Notably,context of this study is the KSA's Eastern Province, which will be described in the following section.

Figure 3.1: Saudi Arabian map

Royal Embassy of Saudi Arabia Tokyo/ Discover Saudi Arabia (2008)

3.2.1 Eastern region of the KSA

The KSA's eastern part is governed as the Eastern Province or the Eastern Region, which is known to span across the Arabian Gulf, which also includes large areas of the Empty Quarter, commonly referred to in Arabic as 'Al-Rub'a al Khali'. The Eastern Region comprises 10 towns, the wealthiest and most important of which are Al Ahsa, Al Khubar, Al Jubail, Hafr Al-Batin and Al Qateef, with Al-Dammam identified as the capital of the region (Royal Embassy of Saudi Arabia Tokyo/Discover Saudi Arabia, 2008) (See Figure 3.1).

A high level of foreign capital and modern technology has been attracted to the Eastern Province owing to the presence of world-class infrastructure established there, in areas including telecommunications, transport, utilities and water, along with large volumes of raw materials, as well as other advanced institutions, such as banking and financial entities. The liberal economic policies and various initiatives devised by the government in relation to private industries have further motivated and attracted investment into the region.

Importantly, growth and development has been witnessed by the province, with the living conditions offered by the country comparable to those of economically developed countries. In a number of areas, including automobiles, entertainment, IT software and hardware, and modern household appliances, for example, the market is demonstrating significant growth, with education, healthcare and luxury hotels also surpassing many international standards. Further, economic development in the region is estimated to be significant, particularly when considering FDI (Foreign Direct Investment) and joint ventures. Both services and industries are recognised to provide additional areas of opportunity for further investment (The Eastern Chamber of Commerce and industry, 2013).

3.3 The religion and cultural context in Saudi Arabia

Islam is recognised as one of the largest religions across the globe, and the KSA is recognised as the religion's birthplace, with the country commonly referred to as 'The Land of the Two Holy Mosques.' The Masjid-al-Haram mosque in Makkah and the Masjid-e-Nabwi mosque in Medina are recognised as two of the most sacred religious buildings in the Islamic domain, attracting a huge gathering of Muslims from around the world every year, who travel there in order to perform Hajj and Umrah in KSA. These are identified as two of the five pillars of Islam (World Population Review, 2014).

Littlewood and Yousuf (2000) have demonstrated that the Islamic KSA is made up, on the whole, of predominantly urbanised Muslims; however, a small proportion of the population are Bedouin. During the past four decades the urban population has grown

from 49% to 78% between 1970 and 1991. Moreover, the country's socio-economic development has been centred on the principles underpinning Islam, meaning that Saudi culture is clearly directed by Islamic teachings. Furthermore, through the Qur'an and the various prophetic traditions, as interpreted by the Prophet Muhammed (Peace Be Upon Him), the *sharia*, an Islamic legal system, is implemented (MPBUH). Nonetheless, the general responsibilities underpinning cultural development and specifications are also established in relation to education level, economic status and various environmental considerations (Al-Shahri, 2002).

3.3.1 The Hofstede Model

When seeking to describe and measure culture, one of the most commonly-implemented approaches has been that which was devised by Hofstede in 1980 (Kreiser, Marino, Dickson and Weaver, 2010). This framework identifies cultures in line with five distinctive components: individualism/collectivism, long-/short-term orientation, masculinity/femininity, power distance, and uncertainty avoidance. Importantly, the framework details scales spanning 0–100 for 76 different countries for each respective dimension (Hofstede, 2011). In more detail, each component relates to the following factors:

- Individualism vs. Collectivism (IDV): This is centred on the extent to which a society maintains interdependence amongst its members.
- Long-Term Orientation (LTO) vs. Short-Term Orientation (STO): This is centred on the degree to which a society values longstanding (rather than short-term) traditions and values.
- Masculinity (MAS) vs. Femininity: This is centred on the degree to which a society is recognised as motivated by achievement and competition (considered to be masculine) or, in contrast, by quality of life (seen as feminine).
- Power Distance (PDI): This is centred on the degree to which individuals of a specific society expect an unequal distribution of power.
- Uncertainty Avoidance (UAI): This is centred on the extent to which a culture encourages risk-taking and shows acceptance of ambiguity.

As has been highlighted by the cultural framework devised by Hofstede, the PDI of the KSA is high, meaning that inequality across wealth and power is prevalent in Saudi Arabian society. Importantly, such a ranking implies that acceptance and expectations are held by the population in relation to leaders defining themselves as coming from a group whose leadership is accepted by society as their cultural heritage. Furthermore, the individualism ranking of the KSA is low, meaning that the society is Collectivist in nature rather than Individualist, and is manifested through the presence of long-term commitment to a group or member, whether family, extended relationships or extended family. Importantly, in a Collectivist culture, loyalty is fundamental, with the vast majority of other societal rules coming second.

In the KSA, masculinity is also seen to rank highly, which means that women are not as dominant as men in the society. Furthermore, Uncertainty Avoidance is high in the country, suggesting that new behaviours or ways are often rejected, with importance placed on tested methods and rules in an effort to ensure that risk is circumvented (Kreiser, et al., 2010). In specific regard to LTO in comparison to STO, the KSA scores low, with a focus on absolute truth in the KSA's society, which means that people adopt a normative way of thinking. Furthermore, individuals are seen to be very respectful of traditions, with emphasis placed on achieving quick results. An LTO culture is seen in other countries with an emphasis on long-term success; in such countries, trying again and again is valued, even after failing. Moreover, social obligations and traditions are prioritised, which is seen to stand in contrast to STO cultures. Accordingly, in an LTO culture, business people prioritise profit in the long-term, with the main focus being placed on establishing long-term, long-lasting relationships, which means that people are not quick in establishing and trusting a new partnership or signing a new contract (Cassell and Blake, 2012).

3.4 Government

As discussed earlier, the KSA is Islamic in nature, and is headed by a monarchy. Its king is also the Armed Forces' Commander-in-Chief. A Crown Prince is appointed by the king, who is second-in-line to the throne and charged with aiding the king in his tasks. The Council of Ministers, otherwise referred to as the Cabinet, assists the king,

and is made up of the Prime Minister (the king), the Deputy Prime Minister (the Crown Prince, who is also a Minister with Portfolio), seven Ministers of State and 21 other Ministers with Portfolio, all of whom are assigned responsibility for a different area of government, such as Finance, Education or Foreign Affairs, for example. The role of the Cabinet is centred on providing the king with advice and facilitating the development and growth of the country; it meets on a weekly basis, and is presided over by the monarch or his deputy. The drafting and supervising of internal, external, economic, educational and financial policies, in addition to overseeing general affairs of state, are also among the key tasks performed by the Cabinet (Royal Embassy of Saudi Arabia in Washington, 2013a). Furthermore, a legislative body referred to as the Consultative Council (*Majlis Al-Shura*) also advises the king, and further proposes amendments to laws and devises new laws. The body is made up of 150 members, all of whom are appointed by the king for a period of four years that may be renewed upon its expiration.

As discussed earlier, the KSA is broken down into 13 respective regions, each of which has a Deputy Governor and a Governor. All of the provinces have their own council, which has the role of advising the governor and dealing with the province's development accordingly. In 2005, municipal elections were held with the aim of electing half of the members for each of the Kingdom's 178 municipal councils. The other half were appointed, along with the Mayor (Royal Embassy of Saudi Arabia Tokyo/Discover Saudi Arabia, 2008).

Owing to the nature of the KSA as an Islamic state, *sharia* law forms the foundation of the judicial system, with the monarch recognised as acting as the final point of contact in the Court of Appeal, and as such, the king holds the power to issue pardons. The predominant component of the Saudi legal system is the *sharia* court, which hears the majority of cases (Royal Embassy of Saudi Arabia in Washington, 2013a).

A number of challenges have recently been experienced by the government of the KSA, with the world having been exposed to a number of terrorism-related events and threats from which the KSA also suffers. The government of Saudi Arabia has directed its efforts to various approaches to combatting terrorism, with a representative statement made by the Two Holy Mosques' Custodian, King Abdullah bin Abdulaziz (2010) having been as follows: '*One of the most important challenges facing us at the present time is the phenomenon of terrorism, whose combating is no longer a local matter confined within the limits of a state, but goes beyond that to become the goal of the international community as a whole*' (Royal Embassy of Saudi Arabia in Washington, 2012, p. 6)*.* This is recognised as meaning that terrorism does not have limited to one place, but rather that: *'all countries are exposed to terrorism. Violent extremism remains a major threat to global security. The global nature of the phenomenon is reflected in its unselective character. Capitals from Oslo to Cairo, Riyadh to Kuala Lumpur, and London to Washington have had to deal with the consequences. No region, or even country, can claim to be immune from the problem'* (El-Said, 2012).

Accordingly, the security forces of the KSA have maintained strong security standards, undergoing regular training centred on the best approaches to overcoming terrorism. The KSA's security experts have participated in joint initiatives across the globe, including in the USA and in Europe. Security professionals from the KSA also work with their international partners in information exchange and mission completion. The US and the KSA have come to establish two joint task forces: one aimed at pursuing leads to terrorist activities, and another centred on monitoring terror financing. Such efforts have been concerned with improving the overall sophistication of human resources in the KSA, which have been further enhanced with the application of innovative technologies aimed at assisting the safeguarding of the state (Royal Embassy of Saudi Arabia in Washington, 2015).

3.5 Population

The KSA's total population in terms of its own citizens is estimated to be approximately 20.5 million people, in addition to an estimated 9 million foreigners living there. Accordingly, the KSA is recognised as having a population of more than 29 million people, a quarter of whom (24%) live in Riyadh, the capital of the KSA, which is the largest city in the country (World Population Review, 2014). Moreover, as was established with the completion of the 2013 census, there are 4.5 million people living in the Eastern region (Central Department of Statistics, Kingdom of Saudi Arabia, 2013). As was highlighted above, foreign migrants make up a large portion of the population, and are seen across different nationalities in the country: for example, an estimated 60,000 individuals are American, whilst 30,000 are British, groups which together make up a small percentage of the population. Moreover, people of a number of other nationalities live in Saudi Arabia, including from India, Indonesia and the Philippines, for example. The largest migrant groups currently residing in Saudi Arabia include groups from Egypt, Jordan, Lebanon and Syria. In actuality, individuals have migrated from these regions into Arabia over a long period of time, predominantly owing to the similarities in culture and religion. Overall, the figures detailed in relation to ethnic groups include Arab: 90%, and other nationalities form 10% (CIA World Factbook, 2014).

During recent decades, the KSA's population has increased significantly. In the 1960s, for example, the population of Saudi Arabia was roughly 4 million people, with the 1980s showing a notable increase of 9.8 million people. The 1990s saw a similar increase, with the population surpassing 16 million. Recognising such dramatic population growth, the government directed its attention to alleviating the problem of overcrowding, with legislation devised in an effort to reduce the population boom. As a result, throughout the subsequent decades, the population growth slowed, but the population still reached more than 29 million in 2000 (World Population Review, 2014).

De Bel-Air (2014) has stated that by mid-2013, immigrants actually made up 32% of the KSA's total population, with most having migrated from Southern Asia. Overall, it was found that this group made up more than half (56%) of the individuals employed

in the country, but 89% of those employees work in the private sector. Moreover, current figures detail that migration to the KSA is often irregular; Amnesty International carried out a campaign at the beginning of 2013 that facilitated 4.7 million foreign workers to regularise their status; however, within and across the country, there was an on-going crackdown on illegal immigrants, thus forcing an estimating 1 million individuals to leave the country in the same year.

At the beginning of the 20th Century (1901–1930), social and political systems began to develop in the KSA, with more than 50% of the population still being nomads or Bedouin. At this time, the KSA only had a number of small villages and towns, with the non-nomadic population living in such locations. Ten years later, by 1940, approximately 10 urban areas had emerged, most of which were located in the country's west, the largest of which was Makkah, in the Hijaz region, home to 80,000 (Al-Khalifah, 1995). At this same time, the KSA began to be seen as a force within global politics, with the discovery of oil in the 1930s prompting socioeconomic development and wealth for the country. As a result, the government encouraged the nomadic population to relocate to the newly established strategic and industrial hamlets, towns and villages. Accordingly, there was growth and development, with employment sought by all. Workers from the KSA's internal rural regions moved to the towns, with external migrants also moving from Arab and Asian countries into the country in pursuit of employment.

Generally, urbanisation has meant the rapid transformation of the KSA into a notably urbanised region, which is now far away from its 1950s position of a lesser developed country (Frisbie, 1995). As of 1992, the total percentage of the population living in settlements within the KSA accounted for 77% (Frisbie, 1995); in the mid-1990s, however, there was a notable dispersion of the population between four main cities, with 45% of the urban population making up the total. Moreover, the majority (85%) of the country's industrial establishments were located in cities, which provided an estimated 75% of the country's population (Long, 2005).

With the growth of the wealth and economy of the KSA as a result of the discovery of oil and the development of its sector, construction plans were devised by the government which helped to develop the modern infrastructure in the nation. A number of challenges arose, including the need to ensure that Saudi nationals were suitably educated, qualified and therefore able to lead and manage complicated, modern cultural and economic development. The government views the nation's people as a truly wealthy resource pivotal to the prosperity of the country.

It is known that the KSA's oil reserves are the largest across the globe, accounting for an estimated 80% of total annual revenue held by the government, and for 95% of the country's overall exports (World Population Review, 2014). During the late 1930s, following oil's discovery in the region, the KSA's government began to attract a large population of foreign labour, allowing new projects to be developed at a faster pace to improve the national physical infrastructure. This included new roads and buildings, which underwent development with the recruitment of both low- and high-skilled workers from across international borders. A large portion of these migrants came from Southeast and South Asia, an immigration movement which was specifically encouraged as, in contrast to Arab workers, it was believed that this group would be more likely to return to their home country following the finalisation of the projects they were working on. Arab nationals from outside the KSA who had moved to the country were believed to be more likely to form their own groups, and thus would not be as easy to control. Nevertheless, construction projects since the 1980s have not been so prevalent, meaning that foreign labourers have needed to progress to other economic industries. In this vein, it was stated in 2004 that most migrants were employed in sectors requiring low-skilled labour, such as domestic, cleaning and agricultural services, whereas only 15% of migrant workers were involved in sectors requiring highly skilled employees, such as finance, healthcare, oil and trading. Such roles were dominated by North Americans and Europeans, whilst Asians were more prevalent in the low-skilled sectors (Pakkiasamy, 2004).

3.6 Economic background

The economy of the KSA has experienced notable changes in a very short period of time. Development has been witnessed that has transformed the country from a predominantly agricultural economy to one of global economic power, complete with modern infrastructure. Upon the establishment of the KSA in 1932, farming and commerce were the predominant sectors, with exportation and trade generated by pilgrims visiting Madinah and Makkah bringing the country its wealth. The infrastructure deemed necessary in order to provide the necessary support envisioned by King Abdul-Aziz bin Abdulrahman Al-Saud was seen to be lacking in those early years. However, in 1938, the discovery of oil changed the future of the country, with oil exports following World War II providing the necessary wealth to establish much-needed airports, hospitals, roads, schools and seaports. Subsequently, in 1970, the first in a number of five-year continuous development plans was introduced in the KSA, with an emphasis placed on creating a modern economy with the ability to produce industrial and consumer goods that had been imported in the past. The infrastructure in the country underwent further development, thus enabling the commerce and industry in the country to develop and grow (Alshahrani and Alsadiq, 2014).

At this same time, Aramco, the national oil company, began to direct investment into new production facilities, including pipelines and plans, as well as shipping facilities, with exploration activities for deposits continuing in an effort to ensure that oil sector earnings were being maximised to secure further funding development. Subsequently, the country has experienced continuous economic transformation, with the KSA now recognised as one of the fastest developing countries in the world (Royal Embassy of Saudi Arabia in Washington, 2013b).

The Saudi economy places high importance on petroleum exports, with the KSA identified as the largest oil producer and exporter in the world. Various oil-based industries are centred in industrial locations in key urban conglomerations, with such plants using natural gas liquids and natural gas that were previously flared, in addition to refined petroleum products, to manufacture products that can subsequently feed non-oil sectors. In particular regions, an emphasis on industrial plants further enables

the deliverance of vital support services, including power, transportation and water (Royal Embassy of Saudi Arabia in Washington, 2013b).

At the present time, the KSA's Cabinet has approved the new economic year (2015) state budget of SR 860 billion ($229.3 billion), which is acknowledged as the largest in the history of the country. Emphasis, as in times past, will continue to be placed on education, health, highways, infrastructure, municipal services, roads, security, social services, and water and water treatment. Moreover, focus is also directed towards technology and science projects in an effort to ensure that development for future generations is sustainable, whilst also creating employment opportunities for the KSA's citizens. Moreover, actions centred on justifying the present spending will be ongoing, particularly in terms of allowances, salaries and wages, which are known to make up approximately 50% of the budget. The KSA's inflation rate was measured at 2.20% as of January 2015, with an average inflation rate of 2.80% recorded between 2000 and 2015. July 2008 witnessed an all-time high of 11.10%, whereas January 2001 witnessed an all-time low of –2% Importantly, by the end of 2014, unemployment reached 11.7% (Central Department of Statistics and Information, Saudi Arabia, 2015).

3.6.1 Saudi Arabia in the global economy

As one aspect of the government of the KSA's efforts to attract FDI, at the end of 2007 Saudi Arabia joined the WTO (World Trade Organisation), marking a notable progression towards Saudi Arabia becoming able to create more job opportunities, access global markets, and encourage more FDI (Royal Embassy of Saudi Arabia in Washington, 2013b). The 2012–2013 Global Competitiveness Report published by the World Economic Forum listed the KSA at 18th in the list of the world's most competitive economies, with such reports encouraging international entities to direct their investment to the KSA, in line with its ongoing non-petroleum assets. The development of six economic cities was begun in the country's various regions by government decree, in order to try to further promote foreign investment with the aim of spending $373 billion between 2010 and 2014 on social development and infrastructure projects in order to advance the economic progression of the country (International Monetary

Fund, 2013). Moreover, a number of other efforts have been made to encourage investment in the Saudi economy, including the following:

- The Saudi Arabian Capital Markets Law: This law was passed in June 2003, and encouraged and strengthened the economy of the KSA, and further enhanced Saudi involvement in the capital markets through the establishment of the SASEC (Saudi Arabian Securities and Exchange Commission) with the intention of ensuring fair business practices, protecting investor interests, encouraging and developing the capital market, license brokers and securities to the public, and the Saudi Arabian Stock Exchange (SASE), which is regarded as the largest in the country.
- Foreign Investment Law: Implemented by the Saudi Arabian General Investment Authority (SAGIA), the Foreign Investment Law provides foreign investors with the right to own property, transfer capital and profits, claim full ownership of their projects and benefit from reduced tax rates. The law further provides foreign investors with protection from property confiscation without a court order, as well as from the expropriation of property, except in cases of public interest, against an equitable compensation. In terms of attracting FDI, the KSA is positioned 12th on an international scale, with its ranking assigned by the United Nations Conference on Trade and Development (Royal Embassy of Saudi Arabia in Washington, 2012).

Moreover, one of the key benefits offered by the KSA's economy is stability, which is achieved as a result of sound macroeconomic management combined with an modulation in world energy markets, with stability having been continuous regardless of the recent global financial downturn. Although a large portion of the global economy has experienced the negative impacts of the economic recession, the KSA has remained a highly liquid, attractive environment for both foreign and local ventures as a result of the country's twin surpluses in the government budget and current account.

Saudi Arabia is recognised as a sound investment opportunity for a number of key reasons (World Bank, 2014). It is:

- Ranked 5th globally for 'fiscal freedom', and as the 3rd most rewarding tax system in the world.

- Ranked 19th amongst the world's 20 largest economies, and as the largest economy in the Arab world.

- Ranked 2nd in the Ease of Doing Business Index, with the United Arab Emirates ranked first amongst the Gulf Cooperation Countries (GCC) in 2014 (World Bank, 2014), with a performance exceeding that of key emerging markets and developing countries. On a comparative basis, the KSA is much stronger when compared with other countries in the Middle East and North Africa (MENA) region (International Monetary Fund, 2015).

- Recognised as representing 25% of total Arab GDP.

- Owner of 25% of the world's oil reserves.

- Ranked 1st for ease of registering property and is recognised as one of the largest recipient of FDI in the Arab region.

The KSA is recognised as the leading oil exporter in the world, famous for owning a quarter of the world's known oil reserves, and generates 18% of the world's overall production. The production and export policies surrounding petroleum and oil products have had a notable impact on the worldwide energy market and the worldwide economy. With direct consideration of its global responsibility, the KSA has demonstrated a commitment to ensuring that oil supply and prices remain stable, with strict government controls over significant economic activities maintained by the country. Importantly, the KSA is seen as the leader in petroleum exports, and has a leading role in the OPEC organisation of oil producing countries. Generally, the petroleum sector accounts for an estimated 80% of budget revenues, 95% of export earnings (International Monetary Fund, 2013).

At the end of 2011, the proven oil reserves of the KSA were made up of more than 265 billion barrels. When the present production rate is factored into calculations, it is recognised that the KSA has the ability to provide the worldwide market with the necessary volume of crude oil in order to ensure economic growth and prosperity. In the International Monetary Fund's August 2012 report, the role of the KSA in

supporting the world economy in 2011 was highlighted as being due to its oil-producing ability, in that it fulfils global demand (International Monetary Fund, 2015).

When considering the fact that the natural resources available to the KSA are limited, in order to maintain the development of the nation, the country has implemented a number of provisions which aim to grow its economic base in an effort to reduce dependency on oil as the only government revenue source. With this noted, an 8% non-oil GDP growth was recorded in 2011.

Figure 3.2: How Saudi Arabia and compartive economies rank regarding the ese of doing business

Bar chart values and categories:
- United Arab Emirates (Rank 22): 76.81
- Saudi Arabia (Rank 49): 69.99
- Bahrain (Rank 53): 69
- Oman (Rank 66): 66.39
- Average (Middle East & North Africa Rank 106): 59.23
- Jordan (Rank 117): 58.4
- Iran, Islamic Rep. (Rank 130): 56.51
- Iraq (Rank 156): 50.36
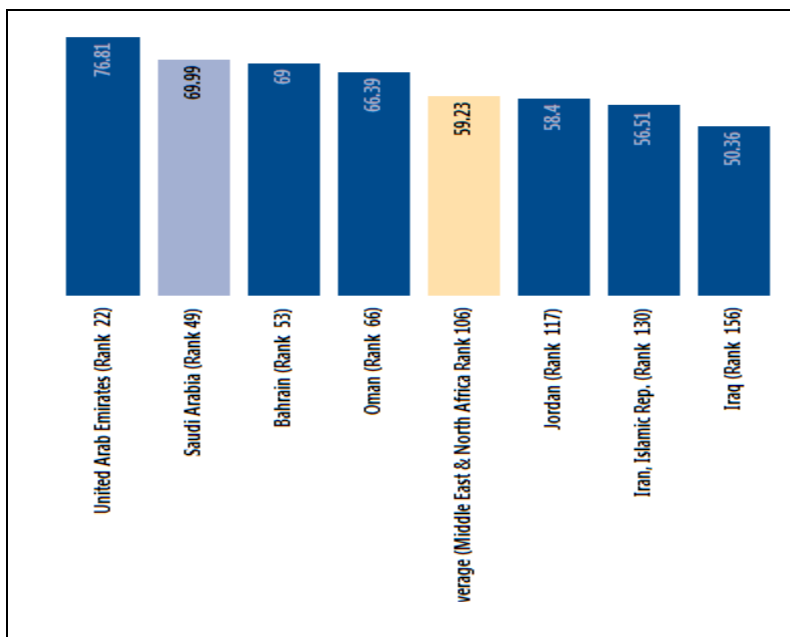
Source: World Bank, (2014).

The size of the market in the KSA means that the country is afforded a competitive advantage, so organisations operating in the region can reap advantages from economies of scale. With unparalleled access to Saudi Arabia and the other Middle East and North African MENA markets, combined with the emerging and developing economies of Asia and Europe, Saudi-based projects achieve market exposure in a vast area and in a diversified manner (International Monetary Fund, 2015).

56

Nonetheless, there are key obstacles facing businesses in the KSA, as highlighted by the World Bank, 2014).

1. Restrictive labour regulations;
2. Access to financing;
3. Inadequately educated workforce;
4. Inefficient government bureaucracy;
5. Inadequate supply of infrastructure;
6. Foreign currency regulations;
7. A poor work ethic in the national labour force;
8. Corruption;
9. Inflation;
10. Poor public health;
11. Policy instability;
12. Tax regulations;
13. Crime and theft;
14. Tax rate;
15. Government instability/the risk of coups.

3.7 Recent reforms enacted by the Saudi Government

A number of the country's pivotal economic industries have been privatised by the KSA, with the Supreme Economic Council leading such efforts by specifying which industries should undergo privatisation and, accordingly, devising and implementing suitable strategic plans for this change of ownership to happen. The industries deemed to be open to privatisation are numerous, including agricultural services, civil aviation, cleaning and waste collection, the construction and management of abattoirs, desalination, education services, government hotels, health services, highway management, municipal services, the operation and management of social service centres, public parks and recreation centres, railways, Saudi employment services, telecommunications, and sports. Accordingly, the KSA is encouraging the development of the private sector in order to actively achieve economic diversification and the employment of a larger proportion of Saudi nationals. Importantly,

approximately 8 million foreign labourers are recorded as working in the Saudi economy, especially in the service and oil sectors. Meanwhile, the government is experiencing problems in decreasing unemployment amongst Saudi nationals. Accordingly, the efforts of the KSA government have recently centred on providing its large youth population with more employment opportunities (Ministry of Labour Saudi Arabia, 2012).

As has been highlighted by International Monetary Fund (2015), economic diversification is of paramount importance to the KSA for a number of reasons. Primarily, it is pivotal in decreasing the vulnerability of the economy to global oil market volatility and uncertainty. Secondly, it could help to provide employment opportunities in the private sector, which are fundamental in order to provide the growing, young working-age population with work. Thirdly, sustainable growth and overall productivity could be achieved. Fourthly, the non-oil economy which will be needed in the future when oil revenues are no longer prioritised, could be put in place well in advance. With these arguments in mind, the government of the KSA has formulated a number of plans to achieve the necessary diversification of the country's economy:

- Business climate: Various areas of weakness must be tackled, such as by improving and expanding contract enforcement and overcoming insolvencies. Businesses are known to view education and labour regulations as two of the fundamental restrictions facing business transactions in the KSA.
- Education: Across all levels of the educational system, spending has been increased, including on vocational training. Importantly, however, educational attainment remains low, meaning that an ongoing need exists to direct attention to quality, by ensuring the skills required by the private sector are taught to employees. Furthermore, it is paramount that systems are focused to ensure that education spending results in improved outcomes.
- Labour market reforms: Changes are being applied in an effort to improve the number of employment opportunities available in the private sector; however, further changes are still needed.

- Infrastructure: Large public investments in infrastructure are being made with the aim of enhancing transportation logistics; however, care is needed in order to ensure that the high spending is efficient.
- SME Development: There is a fundamental need for ongoing facilitation of SME access to finance and other forms of support in order to ensure that the sector can be further developed.

As stated by the International Monetary Fund (2013), the KSA already achieves good scores in a number of cross-country categories; in fact, in some of them it scores higher than other countries that are known to have achieved a good degree of diversification in their respective economies. The financial and economic environments are more favourable in many other countries, with inflation seen to be low and relative stable, and with a sound and reliable financial sector. Accordingly, individuals need to be encouraged to take up roles in the private sector; otherwise, efforts should be centred on teaching the benefits of entrepreneurship as an attractive career option. In order to satisfy such objectives, there is a need for the emphasis of state labour market policies in the KSA to centre on the strong control of public-sector roles and remuneration, with education centred on the skills deemed most important in the private sector. In addition, attention directed towards enhancing the overall competitiveness of Saudi Arabian nationals in the private sector through the application of active labour market policies, activities centred on reducing the employment regulations of nationals where needed, and furthering a greater degree of mobility amongst foreign workers, which will ultimately narrow wage differentials. As well as changes centred on improving the business domain, commodity-exporting countries' experiences in economic diversification have demonstrated the value of particular approaches to encouraging organisations to export, including via export insurance guarantees and financing for parties involved in export activities (International Monetary Fund, 2013).

The labour market is viewed as one aspect of the general national economy when implementing the Saudi Arabian employment strategy, with consideration given to the fundamental linkage between labour market reform and economic reform. In this

regard, the approach aims at seeking to implement strong institutionalised links between private sector corporations and the government, with the aim of fully activating new policies and implementing strategic tasks (Ministry of Labour Saudi Arabia, 2012). The approach further implements a strategy centred on follow-up, based on specified sets of standards and indicators aimed at measuring development and the level of achievement throughout the course of policy adoption. This method was devised with the aim of improving organisational performance with regard to the labour market in the KSA, with an emphasis on enhancing labour force productivity and its overall contribution to the production process. The Ministry of Labour calculates that 1.1 million new job opportunities for Saudis are necessary in order for notable progress to occur in dealing with unemployment and the various economic and social obstacles connected with it (Ministry of Labour Saudi Arabia, 2012).

Importantly, the KSA aims to improve the financial support offered to organisations including SMEs, so the banking sector and its infrastructure must remain stable and efficient, with the capacity to provide the private sector with much-needed support. As a result, the benefits of various policies will become apparent through the growing number and quality of employment opportunities. In order to satisfy this goal, the government of the KSA has devised a number of programmes. Its fiscal policy, for example, centres on enhancing specialised government credit institutions' credit in relation to improving the demand for loans granted by such entities. Budget surplus management in such a way that facilitates high and ever-increasing economic returns is deemed of paramount importance (International Monetary Fund, 2013).

Moreover, the government of the KSA needs to implement various steps centred on improving monetary policy. Accordingly, monetary policy tools continue to be used by the Saudi government to foster the growth of domestic liquidity at rates that will help to ensure that economic activity is supported and price stability maintained. In this same regard, the KSA government wishes to ensure the stability of the banking system, with more than 90% of the financial system's assets assisted by commercial banks. The capital market development and efficiency improvement is centred on

supporting the private sector's developmental role. Yearly inflation is also planned to be reduced, to 2.9% from 4.1% (Ministry of Labour Saudi Arabia, 2014).

Furthermore, a number of different initiatives have been devised by the government with regard to social protection across all community sectors, especially those where it has been identified that a reduction in poverty can be achieved. Unemployment Assistance (Hafiz) involves participants being paid a monthly financial assistance of SAR 2,000 for a period of up to 12 months, conditional upon training and looking for employment (Ministry of Labour Saudi Arabia, 2014).

The Nitaqat Programme was also devised and implemented by the government in an effort to enhance Saudi nationals' employment levels in the private sector, especially those in the younger demographics of the population. All private sector organisations are categorised in a band in line with their adherence to nationalisation stipulations. Those businesses classified in high bands are afforded benefits and are free to receive visas for new expatriates. On the other hand, organisations operating in lower bands face a number of restrictions in the visa process. Moreover, Nitaqat further encourages businesses to pay a minimum monthly salary of SR 3,000 to Saudis (Saudis receiving SR 1,500–SR 3,000 are calculated as 'half' workers; those Saudis paid less than SR 1,500 are discounted). This wage is recognised as greater than the average private sector wage, and provides an attractive salary for those Saudis looking to secure a job. Changes are continuously made to the initiative, with recent developments focused on helping the disabled community to secure employment. Across a three-year period, the programme has doubled the number of Saudis working in the private sector, with their sector workforce share increased to 15%. (Ministry of Labour Saudi Arabia, 2014).

However, with the development of the private sector in the KSA , the public sector still accommodates large numbers of Saudi nationals and has absorbed many Saudis entering the workforce. This has resulted in an important divide in levels of Saudi employment, with two-thirds of employed Saudis working in the public sector. There

are 10.3 million workers in the private sector, which forms 73 per cent of the total workforce in the kingdom, while the public sector comprises only 27 per cent with 3.9 million workers. It is clear that the private sector is the main employer in the Saudi context. Unfortunately, Saudi nationals only form 33 per cent of the total workforce in the private sector, which accounts for 1.7 million workers within the total workforce in the private sector, but they make up 67 per cent, or 3.4 million workers, in the public sector. On the other hand, expatriates account for 8.6 million workers, which is 95 per cent of the total workforce in the private sector, and they form 5 % of the total workforce in the public sector (Ministry of Labour, 2015).

Saudi nationals prefer to work in the public sector and this is considered to be their first option for work; in their perspective, working in the private sector is less prestigious than working in the public sector. Small and medium sized enterprises (SMEs), in particular, are not as attractive due to a perceived lack of professionalism in their working conditions and practices. Especially in the early periods of a person's working life, the public sector offers better pay and working conditions and fewer hours than most careers in the private sector. Several jobs in the public sector specify only 40 hours of work per week or fewer, while six days and over 50 hours per week are normal in the private sector (Ministry of Labour, 2015).

Usually, college graduates are likely to find better entry-level pay and situations in the private sector. In addition, the private sector does not offer the same level of job security as the public sector, and several private firms do not offer sufficient chances for personal development through training and mentoring.

From another perspective, the low participation of Saudis in the private sector is not driven only by job-seeker preferences. Businesses do not actively seek out Saudi nationals when filling positions and often claim that the lack of appropriate preparation and skills makes it more convenient to recruit expatriates. Furthermore, the essential roles of family and the community are also a factor in public-private job choice. Given family traditions of working in the public sector and the higher social prestige of government jobs, younger Saudis often prefer to stay unemployed and wait until they find a vacancy in the public sector (Ministry of Labour, 2015).

Women face not only the aforementioned challenges but additional ones, too. Again, there is a mismatch between the skills and qualifications held by Saudi women and those that are required by business. In addition, there are important practical obstacles to female employment in the Saudi economy. Notwithstanding the low level of female employment, Saudi women tend to be highly educated but focus on skills that are not in high demand from private-sector employers (Zamberi Ahmed, 2011). Most women in the KSA are graduates in sociology and the natural sciences, hence there is a shortage of women graduates from business and management schools . This coupled with the attractive aspects of public-sector work (more flexible working hours, more women-friendly environments) leads Saudi women to prefer the public sector.

Moreover, traditionally, many workplaces were not designed to accommodate female employees, which discourages them from applying for those roles. Furthermore, the number of jobs available is restricted to those where direct interaction with men is not required; consequently, firms must separate spaces in which women can work, which not all firms can afford. Transportation is another issue for Saudi women, as well as their being responsible for the care of children. As a result, these challenges make the private sector less attractive to Saudi women (Ministry of Labour, 2015).

At present, women in the KSA desiring their own businesses are supported by several organisations, e.g. the Prince Sultan Abdulaziz Fund for women entrepreneurs in the Eastern province (SUSRIS, 2011). According to data from the Ministry of Labour, by the end of 2015 the private sector employed around 350,000 women and this figure is expected to reach 450,000 by the end of 2016. There are more women in the Eastern Province who work in the private sector or own their business due to the presence of large companies such as Saudi Aramco, which operates in the oil sector, and other MNCs which can offer women a suitable working environment. The geographic of the Eastern Province as the main gateway to the Gulf States may also assist them find work more easily in the private sector (Eastern Chamber of Commerce and Industry, 2013).

The investment climate in the Kingdom of Saudi Arabia has improved, with Saudi Arabia moving up two places, being ranked 82 out of 189 countries as opposed to 84th in 2015 for ease doing business. For example, the Saudi government aimed to reduce the numbers of days needed to start business, as more than 70 days were necessary to start a business in 2004, but currently only around 19 days are required (The World Bank, 2016).

However, according to the general manager of the law department in the Saudi Arabian General Investment Authority, this improvement of the investment climate does not reflect the ambitions of the Saudi authorities to improve the investment climate in the Kingdom and increase the role of the private sector in the economy. Saudi Arabian authorities continue working to issue new regulations that will increase the competitive investment climate in the Kingdom and reflect the size of the Saudi economy as one of the most important economies in the Middle East and North Africa (Saudi Arabia General Investment Authority, 2016).

The diversification of the economy still needs improvement, as the main income of the country depends on oil exports, which form around 85% of the country's GDP. In this vein, the lower oil price environment slowed the GDP growth to 2.8% in 2015 and it is expected to continue decreasing to 2.4% in 2016 (International Monetary Fund, 2015a). In addition, the private sector still depends on government support, which also indicates that when the barrel price of oil increases, the private sector flourishes, but when oil prices are low, the private sector is incapable of growing without government support. The contribution of the private sector in the economy remains low, for example, SMEs form 98% of the total businesses but their contribution does not exceed 33% of the total GDP (National Entrepreneurship Institute, 2013).

According to Hertog (2013) the government spending and the private sector size are correlated. This is the situation for different economies, so public expenditure impacts on business expansion, and at the same time, the business expansion in regular tax-based states has to grow government revenue, which indicates the interdependence

of the two variables. By contrast, in the KSA, the relation between government expenditures and business growth runs only in one direction. When the government continues expenditure in the private sector, it grows and develops but at the same time there is no reasonable revenue for the government. Therefore, the Saudi government needs to pay more attention to the private sector to become more independent and then it can play a more important role in the Saudi economy by increasing total exports of non-oil products. According to the International Monetary Fund, (2015), one of the ways the Saudi Government can diversify the economy is to attract more FDI outside the oil sector. There are different countries around the world that have succeeded in diversifying their economies, such as Malaysia, Mexico and Indonesia, and they achieved this diversification through:

- Providing strong incentives for doing business
- The tapping and strengthening of non-traditional sectors, export promotion and better trade integration
- Creating an attractive environment for foreign direct investment and a reliance on technological transfer, and at the same time encouraging FDI in sectors that support exportation.
- Education, training and human capital improvement.
- Development of the SME sector.

According to the United Nations (2015), the foreign direct investment flowing to Saudi Arabia is on a downward trend. Saudi Arabia is now only the third largest FDI recipient in Western Asia after Turkey and the United Arab Emirates. FDI flows to the Kingdom of Saudi Arabia in 2014 registered a 9.6 percent decrease to $8.0 billion (United Nations, 2015). The reasons behind the decline of FDI flows to KSA go back to the succession of crises that hit the Middle East region (United Nations, 2015). In the same vein, there is another reason that plays an essential role in the reduction of FDI flows to KSA that goes back to the regulations produced by the Saudi Arabian General Investment Authority (SAGIA). SAGIA in 2012 posted new licensing regulations; licences in agriculture and services must be renewed after one year and two years for the industry sector, with the possibility of cancellation. Consequently, these regulations add uncertainty and risks for investors when investing in the Saudi market (U.S. Department of State, 2015). To sum up, the Government's reforms to the private

sector still require time and more effort in order for the private sector to become a more important player in the Saudi economy.

3.8 Small and medium sized enterprises in the Saudi context

In this section, the SME literature in Saudi Arabia is discussed in relation to the challenges that are considered as obstacles to SMEs' success, the opportunities that can be considered as driving successful SMEs, and decreases in rates of business failure. However, the literature relating to SMEs in Saudi Arabia is scarce, so contributing studies from similar contexts, such as Gulf Cooperation Countries (GCC) and Middle Eastern and North African (MENA) countries are considered in order to discuss the different challenges and opportunities for SMEs in the Saudi market. As mentioned by Barney (1991), businesses can only achieve continuous success and avoid failure by overcoming the challenges they face, as well as by exploiting the opportunities that can assist them to succeed. Consequently, it is necessary to identify and discuss the specific challenges and opportunities faced by SMEs in Saudi Arabia.

3.8.1 Challenges facing SMEs in the Saudi market

Small and medium-sized industries in Saudi Arabia share similar challenges to those in most Middle Eastern countries. The Saudi market is the largest economy in the region, and it suffers from the same challenges as the other markets in the Middle East. Those challenges are caused by the investment and development climate, and by the characteristics of SMEs, as discussed in the following section (National Entrepreneurship Institute, 2013).

Legislative and administrative challenges are of prime importance. These challenges occur due to the lack of unified legislation to define SMEs, which means that organising work and providing access to funding and licenses can be complex. Other challenges include legislative instability in organising investment, different institutions supervising

investments and their conflicting specialisms, complex government policies on licensing, insurance costs, and the high prices charged by some agencies. These factors may discourage small investors, particularly due to the lack of experience in these sectors. Small investors are also unable to employ experts in the field (Almobaireek, 2009).

The weak presence of supporting organisations is also considered to be a challenge faced by SMEs in the Middle East. The weak presence of specialised companies in some sectors also hinders the progress of small and medium-sized enterprises. For example, there is a lack of marketing companies working with small industrial manufactures and industrial service companies to provide training courses for SMEs which might improve performance, product specification, and product efficiency, as well as increase production, in most Middle East states (National Entrepreneurship Institute, 2013).

Furthermore, a number of Middle Eastern countries suffer from a lack of efficiency in their teaching and training methods, inefficient curriculums and educational systems. This results in an inadequate labour supply that does not meet the needs of the public and private sectors in general, or SMEs in particular. Failing to develop the educational system has resulted in large numbers of university graduates who do not possess the right skills and abilities to meet market demands. In the same vein, there is a lack of specialised colleges that train graduates on how to use modern technology. In fact, this problem is compounded by a general lack of efficiency in information technology, even though the current era is characterised by great technological advancements. Most Middle Eastern countries lack an integrated information system which can provide small enterprises with useful data for production techniques in terms of raw materials, products, markets, customer preferences and characteristics. Businesses are therefore started up without suitable technologies, or with production exceeding market needs, or with product specifications that do not comply with international market requirements. In addition, small and medium-sized businesses are often unable to purchase raw materials at reasonable prices and in an appropriate time period (Irefin et al., 2012).

Global trade liberalisation has also had an impact on the manufacturing industry in general, and on small enterprises in particular. The advantages include loosening custom barriers and a reduction in other trade barriers, which can enable countries to market their products in international markets. Global liberalisation can also lower final product prices, thereby increasing competitiveness. On the other hand, the disadvantages of global trade liberalisation are that products manufactured in Arab countries cannot compete with imported products in local markets, because imported products are often cheaper and of better quality. Furthermore, manufactured products in Arab countries have been unable to compete abroad, and have lost marketing opportunities because of intense competition (National Entrepreneurship Institute, 2013).

It has been noted that traditional trade banks usually refrain from lending to small and medium-sized enterprises. Statistics at the World Bank indicate that small enterprises only receive 2% of total bank loans in the Gulf Cooperation Countries (GCC) (Hertog 2010).According to Hertog (2010), and the International Labour Organisation (2012), there are several reasons why banks refrain from funding SMEs in the Gulf region:

- *The lack of suitable funding criteria for SMEs.*
  Banks set a number of criteria that businesses must possess in order to receive funding. The characteristics of these enterprises generally make it difficult for them to comply with banking criteria.
- *Inadequate financial structures in SMEs.*
  Banks use many financial ratios and indicators from financial centres, for example, calculating the operating leverage, revenue expenses, profitability rates and other credit indicators. These indicators are not usually offered by SMEs and cannot therefore be used to determine their creditworthiness.
- *Lack of guarantees.*
  Guarantees are one of the most important components of credit granted by banks. In reality, small enterprises cannot offer the required guarantees, which is one of the main reasons that banks refrain from lending to them.
- *Irregular accounting records.*

Before granting credit, banks analyse financial records, and final records, which are reviewed by certified auditors, although this usually does not happen in SMEs. Small business owners usually keep regular accounts themselves because of their low turnover and low level of business activity. Small business owners only keep personal accounting records and try to avoid tax problems.

- *Inability to prepare credit files.*

Many small enterprises lack banking experience and are unable to prepare a financial file in order to receive banking funds.

- *Lack of robust feasibility studies.*
One of the most important requirements for banks to grant credit is through conducting a feasibility study that meets standard requirements, but this is an expensive process for SME owners.

- *High risk in small enterprises.*

Most small and medium-sized enterprises are considered high risk because they are run by one person or a family. Also, the weak financial position of these enterprises means that banks refrain from funding them. Banks mostly fund low risk businesses, but small businesses have high risk.

- *High interest rates on loans.*

Interest rates on loans and the repayment terms on loans are among the biggest challenges for small enterprises, especially those with low first year profit margins. This means that SMEs find it difficult to repay loans and interest, which can lead to a number of problems.

- *Incompatibility of traditional banking models with the characteristics of small enterprises.*

Most small enterprises require medium to long term funding in order to set up their company and attract investment. This does not fit well with banking policies for funding. Banks usually prefer short term funding, which suits the nature of their financial banking resources.

- *Lack of accumulated experience.*

One of the most critical challenges facing small businesses is a lack of practical experience in managing businesses in the face of changing market trends, which places small enterprises at a greater risk of failure.

The traditional methods of borrowing are often unsuitable for the circumstances within which SMEs operate. SMEs generally face problems when borrowing because they cannot offer the required guarantees. In addition, micro-enterprises do not usually maintain official records and regular accounts that can be relied upon. In addition, the lack of banking awareness of some small business owners is a problem. They prefer to borrow from informal credit markets where interest rates are substantially higher than bank prices, which consequently make it harder for them to obtain funds with suitable terms (Hertog, 2010).

There is a lack of technical and financial knowledge among many small and medium-sized manufacturers. There is also often a lack of knowledge regarding raw materials, technology, machines and quality. For example, small manufactures tend to use obsolete machines that lead to lower production and quality rates, whereas some use advanced machines that require large investments, and which come with higher running costs. Nevertheless, small business owners usually do not acquire advanced machines to develop their products. Moreover, they do not have access to information on market needs, consumer preference and product specifications.

Finally, most SMEs have weak managerial, marketing and organisational capabilities. They are unable to afford consulting support services, resulting in high production costs and an incapability to market products locally or abroad. They also lack knowledge of quality control systems and specification standards. Small and medium-sized enterprises also lack knowledge of local and international product specifications, resulting in products that do not match specifications which therefore cannot be sold abroad or compete with other products (National Entrepreneurship Institute, 2013).

Although the Saudi market shares many of these challenges with other Middle Eastern countries, some challenges have more impact and play a more essential role than others for Saudi SMEs. According to Hertog (2010), SMEs struggle to obtain loans from GCC banks, because those banks are reluctant to lend (for the reasons outlined in detail above). As a matter of fact, high percentages (around 55%) of SMEs cannot

get the credit they need. Banks usually do not provide loans for SMEs which are less than three years old. Banks demand 150% of the loan value as collateral but SME assets are often not valuable enough to be used as collateral for large loans. In addition, most SME lending in the GCC region is in the form of personal loans, and many Gulf nationals have much of their wealth tied up in their personal property. Real estate is usually unsuitable as collateral because GCC countries are reluctant to evict debtors from their homes, an act which is seen as ethically unacceptable in Islam. Therefore, small entrepreneurs depend on mobile assets, such as vehicles, which can be used as collateral.

Furthermore, interest rates are high, often reaching 10%, which means that SMEs require high returns on their invested capital to keep up, creating an obstacle to the firms' growth. Most lending for SMEs is in the form of short-term loans, which increases the pressure on business entrepreneurs and decreases the long-term business planning needed for technology – intensive diversification. In the Gulf region, banks are the main formal sources of finance, as without their support most SMEs would not have the ability to survive and continue to grow. In addition, accounting is the second area in which SMEs suffer; 95% of SMEs in the Gulf Region are individual proprietor firms, and do not make a distinction between company and private assets. The result is that owners have no clear idea of their balance sheets, and often lack accounting training or knowledge. Small businesses do not usually employ accountants or consult professional institutions because of the cost (Hertog, 2010).

SMEs may face other challenges that relate to privacy characteristics in the KSA, which may not apply in other contexts. The prohibition on paying interest, also known as 'riba' in Islamic law in Saudi Arabia, has new implications for small businesses. Most Saudi people follow Islam, which prohibits 'riba'. Riba means an unjustified increment when borrowing or lending money, paid in kind or in money, that is more than the amount of credit, as a condition imposed by the lender or accepted voluntarily by the borrower (Abdul-Rahman, 2014). Therefore, this is considered to have reduced the opportunities for SMEs to obtain credit because banks were not offering products

and services in compliance with Islamic law. Currently, banks in KSA offer Islamic financial products and services to ensure that they conform to Islamic law and 'Shariah' principles; these are approved by the Sahriah, a supervisory body, and thus preferable for Muslims. When funding small businesses in the Islamic system, there is an emphasis on joint funding, risk-taking and profits, rather than assets (International Finance Corporation, 2014). Therefore, an Islamic banking system can help SMEs to get the credit they need.

The KSA and other Islamic countries, such as Morocco and Pakistan, are the only countries where Islamic banks have moderate numbers of SMEs propositions, but these not sufficient to meet SMEs' needs. Saudi Arabia is still in a transitional phase vis-à-vis Islamic banking (International Finance Corporation, 2014).

In a similar vein, one key distinction between the legal system of the KSA and others is that contract terms involving the payment or receipt of interest are not generally enforceable, which impacts on numerous aspects of contracting and payment arrangements and late-payment penalties, where ideas of interest are typically ingrained in terms and clauses and practical assumptions in other jurisdictions (IMA, 2013).

According to the International Finance Corporation (2014), the Saudisation initiative is a challenge to SMEs in the KSA. The Saudi government wishes to reduce the unemployment rate, which has reached 12 per cent, so they issued a decree to increase the percentage of Saudi nationals in a business. As a result, this imposes extra costs on businesses because some expatriates who usually work for SMEs are less expensive than Saudi people. It is important to mention that there is a mismatch between the skills and qualifications that Saudi nationals have and the skills that are in demand in the private sector. Additionally, some SMEs find that Saudi people are overqualified, which means that SMEs cannot find suitable workers whom they can

employ. Similarly, SMEs prefer to employ expatriates instead of Saudi nationals because they have no control over the turnover of Saudi workers, which means they can move from one employer to another without permission. On the other hand, expatriate cannot work in the KSA if they do not have approval from the Ministry of Labour and the Ministry of the Interior. The KSA has a sponsorship system, which means that expatriate employees cannot enter, work or leave the KSA, or change their employer, without permission from their sponsor.

Government regulations, such as the flow of FDI, do not help to further the ambitions of the Saudi government, the KSA is the third country in the Middle East after Turkey and UAE in terms of receiving FDI (United Nations, 2015). Therefore, it may mean that SMEs do not obtain the benefits that can be offered by MNCs, such as subcontracting particular activities to domestic businesses in order to make intermediate goods and access technology (Bala Subramhanya, 2007). The downward trend of FDI in the KSA is based on certain regulations, e.g. foreign firms cannot get contracts for government projects if they do not have sponsorship or a Saudi partner, and the government is the main player in the economy, so MNCs may find that few benefits come to the country (United Nations, 2015). Additionally, foreign firms are not allowed to invest in all sectors; foreign investors are prohibited from investing in some industrial sectors including oil exploration, drilling and production, and some service sectors such as catering to the military sector, security and detection services and recruitment and employment services including local recruitment offices (PwC, 2015).

Innovation, business planning and management issues are the other difficulties SMEs face in the Saudi market. 'Copycat' behaviour, where many similar shops and outlets are set up next to each other, kills innovation. SMEs usually focus on the simple buying and selling of goods and standard services; therefore, the margins are low. The possibility of specialisation and diversification in SMEs is restricted by a lack of marketing, technological and managerial information. The owners of SMEs do rudimentary planning because professional studies are often too expensive. The

Riyadh Chamber of Commerce and Industry has found that 61% of SMEs in Saudi Arabia start their activities without conducting suitable feasibility studies.

Human resources management is also an important issue for Saudi SMEs. SMEs in the Gulf region generally lack talented employees and neglect to make long-term career plans for workers. Few small and medium enterprises have a clearly structured human resource policy and the loyalty of workers is limited. SMEs in Saudi Arabia usually employ unqualified labour because they always seek to reduce costs. Therefore, they depend on foreign nationals, who are cheaper to employ and whose work tends to be of a lower quality than Saudi nationals. Only about 2% of workers in Saudi Arabia's SMEs are nationals (Hertog, 2010). According to Achoui (2009), the dependence on foreign workers in Saudi Arabia is mainly due to the poor contribution of the Saudi private sector to human resource development. In addition, human resource capabilities are rarely upgraded because training institutes are expensive. These typically charge up to $3000 for a short period of training in accounting or business planning.

Finally, according to a study conducted by the SME Centre at the Riyadh Chamber of Commerce and Industry (2011), the main obstacle facing SMEs in Saudi Arabia is excessive bureaucracy in their dealings with government organisations, an issue which was named by 65% of the respondents. In an international survey of global government effectiveness among 181 countries by the World Bank, Saudi Arabia was in 97th place. It is clear that the complex procedures of government organisations is considered a key issue for SMEs.

The special challenges facing SMEs in the GCC countries include 'cover up' businesses and labour market challenges. The first challenge, 'cover up' businesses ('Tassatur' in Arabic), refers to companies who register under the name of a national, but in reality the financing and business decision are taken by an expatriate. The role of nationals is restricted to collecting a monthly fee. There are 250,000 SMEs in the GCC region that work under 'Tassature', which leads to a number of SMEs only

focusing on the short-term, because they will soon go back to their countries and leave the business without any plan to compete and grow (Hertog, 2010). It is clear that a competitive advantage strategy is not implemented in the market because many firms only focus on daily plans. 'Tassature' creates a detrimental environment for SMEs, which leads to a decrease in motivation for the Saudi government to pay more attention to SMEs.

The second special challenge for Saudi SMEs is the labour market. SMEs support rules aimed at employment generation for citizens, and need to take into account the distinctive features of GCC labour markets, which are highly segmented in several dimensions. Most young people prefer to be employed by the government as opposed to the private sector, because of the job security and better wages, as well as the work tending to be less demanding. Therefore, private employment is dominated by expatriates. In Saudi Arabia, for every job created for a national, more than six jobs are created for foreigners. In small and medium enterprises, there is the compounding factor that the wages are lower than in large companies, the work situation is less attractive, and employment is less secure. This means that vacancies in the trade, construction and repair sectors are unattractive to Saudi nationals (Hertog, 2010).

The National Entrepreneurship Institute (2013) studied the obstacles SMEs face in Saudi Arabia and found several types of issues: financial issues, marketing issues, administrative and organisational issues, and legislative problems. Overall, they found that the administrative and organisational problems had the most negative impact on SMEs' performance.

An investigation by the National Entrepreneurship Institute (2013) highlighted that any financial problem can include various different factors. For instance, obtaining finance can be a lengthy process, locating guarantors for loans is challenging, and prior to initiating a business it is not always deemed necessary to perform a financial feasibility study. Moreover, disorganised debt collection and failures of collection can prove problematic, as well as challenges in predicting expenses and revenue, together with

the fact that small businesses usually generate small profits. Furthermore, financial issues can arise for SMEs from a failure to assess finances correctly, the accumulation of excessive debts, a failure to accrue adequate funds to fuel future project expansion, as well as a failure to sufficiently separate the correct funds between the owner's property and the company's projects.

SME performance can also be affected by marketing issues, which can include various different factors. Firstly, poor availability of marketing data to small business owners can present problems, as well as challenges in obtaining contracts and aid from government agencies. Secondly, an SME's failure to update and modify itself and products to fulfil the needs of the customer, and problems with correct pricing can also contribute. Thirdly, other factors are poor product distribution systems, a lack of interest in the promotion of a given product, and inadequate marketing skills, can each lead to market failure. Fourthly, SMEs' performance can be affected by poor product visibility, reducing the product's marketability, a lack of non-profit organisations which specialise in providing marketing consultancy services, as well as a rise in the amount of businesses competing in the same market, when demand does not meet supply (National Entrepreneurship Institute, 2013).

Some problems also arise in relation to administration and organisation, which again include different factors. For instance, a lack of experience in the project area can contribute, as can an SME owner's lack of managerial skills, which can lead to failure in planning, and unprofessional and unstudied, rushed decisions. Moreover, an absence of training programs to develop the skills of employees is frequently an issue, hence a reliance on foreign labour for SMEs which is perceived as a major issue, particularly in Saudi Arabian SME performance (National Entrepreneurship Institute, 2013).

In addition, different problems arise through legislation. Firstly, the regulatory procedures to initiate a business can be lengthy, and SME often lack access to facilities at an affordable price, such as buildings, land, or machinery. Secondly, poor business expansion is another factor due to the absence of legislative incentives,

together with conflicting rules of government in relation to SMEs. Thirdly, there is a failure to protect SMEs from market regulations at times, and an ambiguity of roles and responsibilities among those parties which support and sponsor small business can prove detrimental.

Overall, SMEs in Saudi Arabia are faced with operational barriers such as a failure of coherence between departments of government; a lack of information in the market; high market competition; insufficient government support; and a failure to protect subsequent investments and potential customers (Sadi and Al-Ghazali, 2010).

3.8.2 Opportunities for SMEs in Saudi Arabia

In 2002, the Saudi government prepared a long-term 'vision' for developing its economy and human resources until 2020. The strategies of the Saudi government's 'vision' were organised into five distinct themes:

(1) Economic diversification;
(2) Development of human resources;
(3) Expansion of public services needed to support these objectives;
(4) Promoting the expansion of the private sector as a key partner in the implementation of Vision 2020;
(5) Streamlining and modernising the governance structures of the public sector to meet the challenges of implementation.

The Saudi government's 'vision' stressed that economic progress and human capital development are two sides of the same coin, as has been indicated by the experiences of most developed countries, meaning that various strategies are required:
- Raise standards of technical and scientific education in different educations institutions;
- Enhance the managerial abilities and skills and the innovative competencies of existing companies through industrial learning accelerated by producing for competitive markets since the country joined the WTO;

- Encourage the expansion and the development of technology-based SMEs;

- Support innovation, the exchange of technological experience between research and development (R&D) centres and private companies in producing quality goods and services;

- Support and encourage all companies to upgrade their technology through alliances, licensing and franchising with international technology leaders, collaboration with domestic technology centres, and the use of domestic and foreign consulting services (Achoui, 2009).

In recent years, small and medium enterprises in Saudi Arabia have started to gain more attention from both the government and other organisations. The Saudi government, as well as the private sector, has recognised the potential of SMEs and their need for a wide base of support, which includes capital (debt and equity), training and business services. Compared with the GCC, Saudi Arabia has the largest number of public and private sector SME support programs.

The recently announced Ninth Economic Plan in the KSA seeks to expand SME support further by increasing the capability of specialised funds and financial organisations to offer credit to SMEs by providing different forms of technical support (SUSRIS, 2011). The Saudi Industrial Development Fund, the Ministry of Finance, and Saudi banks have together established a "Kafalah" program, which is a new system that provides financing activities for SMEs. The program supports SMEs with up to SR200 million ($53.3m) with loan guarantees that cover up to 75% of the amount financed, and 1,113 small and medium–sized enterprises have already benefited from the program (Saudi – US Relation Information Service, 2010).

Other measures have been established in Saudi Arabia to finance young people, small enterprises and youth training courses, such as the Saudi Credit and Savings Bank, the Centennial Fund, Abdulatif Jameel's Finance Program and the Prince Sultan Abdulaziz Fund for women entrepreneurs. In addition, there are various forms of global organisational support for SMEs in Saudi Arabia. The World Bank provides loans to

Saudi SMEs for renewable energy and cleaner production projects. The Bank's International Finance Corporation (IFC) offered a SR75 million ($20m) investment in Saudi Orix Leasing Company to continue sustainable energy financing and growth access to finance for smaller businesses in Saudi Arabia (SUSRIS, 2011). It is therefore clear that there is global care for Saudi SMEs.

However, more is not always better. Even though their numbers are large and some of the programs are well funded and effective, the SME support programs in Saudi Arabia work in an uncoordinated environment. There is a lack of strategic coordination, which hinders a holistic approach to developing the sector. As a result, lessons are lost and efforts are often duplicated, leading to rising costs and unnecessary duplications (SUSRIS, 2011).

Supporting programs working in a coordinated environment can enable SMEs to play a more essential role in the economy. SMEs can reduce unemployment and offer a huge range of types of work by encouraging young people to open their own businesses. In addition, supporting programs that work and are managed under one roof can lead to coordinated environments, which provide appropriate support that is really what SMEs need. In Saudi Arabia most support programs focus on financial support and neglect other important aspects, such as owners' training programs. This general lack of other support types leads to failures of SMEs and their disappearance from the market or a reduction in their growth, which has a negative effect on the Saudi economy (Shalaby, 2004). SMEs face various opportunities and challenges in the Saudi market (see Table 3.2).

Table 3.2: Summary of the main opportunities and challenges that SMEs face in the Saudi market

Opportunities	Challenges

▪ SMEs have started to get attention from the Saudi government, private organisations and global organisations:
  - 'Kafalah' government programme: provides SR200 million for Saudi SMEs.
  - Abdualtif Jameel's Finance programme
  - The Prince Sultan Abdulaziz Fund for women entrepreneurs
  - World Bank loans to Saudi SMEs for renewable energy and cleaner production projects in the Kingdom.
 	
▪ Some centres, such as The Small and Medium Enterprises Development Centre at the Eastern Province Chamber of Commerce and Industry run an annual conference for SMEs and provide some free consultations for SMEs owners.
	▪ Commercial banks and other financers avoid lending to SMEs:
	  - The debt capital is less than 2% of Saudi banks' total lending.
	  - The banks usually do not provide loans for SMEs which are less than three years old.
	  - The interest rate is high, often reaching 10%.
	▪ Copycat behaviour:
	  - Kills innovation
	  - Focuses on simple buying and selling of goods and services.
	
	▪ The specialisation and diversification in SMEs suffers from a distinct lack of marketing, technological and managerial information.
	▪ Professional studies are often too expensive which leads owners of SMEs to do rudimentary planning to avoid high costs.
	▪ Cover-up business ('Tassature') leads to:
	  - a number of SMEs just focusing on short-term views.
	  - a detrimental environment for SMEs in Saudi Arabia.
	  - a decreased motivation for the government to pay more attention to SMEs.
	▪ The 'Nitaqat' programme: to increase the percentage of Saudi workers in SMEs usually puts a financial burden on SMEs in the country.

Source: (SUSRIS, 2011; Hertog, 2010).

To summarise, it is clear that SMEs in the Saudi market have some opportunities which can help them to improve their performance and increase their success rates. On the other hand, SMEs also face obstacles to their development and success, which may increase the failure rate as well. Some of these challenges come from the surrounding environment and others relate to SMEs owners/managers or business functions, such as a lack of business planning or marketing strategy. As mentioned in the review of literature above, the SME environment needs more attention from the Saudi authorities and it should be more widely perceived that SMEs drive economic growth and play an essential role in alleviating unemployment.

The majority of Saudi support programmes focus on providing financial assistance, which is important, although other support is also essential; for example, comprehensive training programmes can help to enhance the skills of SMEs owners /managers, and develop networks between SMEs in the market. Consequently, investment in the SME business environment pays more attention to how SMEs can increase the country's wealth, and in turn enables the economic diversifications that the Saudi Government seeks to achieve. Hence, as that chapter's discussion covered, the factors that influence SMEs' performance overlap, and more than one resource is involved, which makes it difficult to identify all the factors that influence SMEs' performance. Therefore, the theories in the literature need to be developed further in order to ascertain how they can assist in determining and understanding how the factors are created, and how they impact on SMEs' performance, as the following chapter discusses.

3.9 Summary

This chapter has provided an overview of the KSA and has also examined the way in which individuals, and their respective expectations, have changed and developed in line with economic development. Furthermore, the dominant beliefs and culture adhered to through religious practices have been discussed, with consideration given to their impact on society and the role of Islam in the lives of the people. Moreover, population figures have been highlighted, with light shed on the percentage of expatriate figures in the KSA. Subsequently, the chapter centred on various

government initiatives, with the obstacles and issues facing the country in the form of terrorism were also considered. Saudi Arabia's economic background and relationship with the global economy has also been examined, with the most relevant history presented in light of the development of the country's economy. Furthermore, key factors pertaining to the economy and its various challenges have been presented.

Following from this, the current reforms by the government in order to develop the private sector were discussed. Then, the chapter reviewed the challenges and opportunities facing SMEs in Saudi Arabia. In the following chapter, the theoretical framework for the research is presented.

Chapter Four: Theoretical Framework

4.1 Introduction

This theoretical framework chapter sets out the sets of factors associated with the place of study. In the beginning, the chapter discusses the theoretical background of the research. Then, the chapter argues the theoretical classifications of factors that are commonly associated with SMEs' performance. The following sections discuss the internal environment and the external environment, after which the research's model is presented with the classifications of the factors that have been identified there within. The development of the internal environment hypotheses are clarified in the next section, after which the development of the external environment hypotheses is set out. Lastly, a summary of the chapter is provided.

4.2 Theoretical background of the research

As has been discussed in previous chapters, small and medium-sized enterprises (SMEs) are important in improving countries' socio-economic development. However, the failure rate of SMEs is high in emerging economies, as they perform more poorly than bigger businesses. For example, although SMEs in Saudi Arabia form 98% of the private sector, the average age of SMEs in Saudi Arabia is between 3 to 5 years and their contribution in the GDP is below 33 % (Ministry of Labour Saudi Arabia, 2014). Therefore, the main aim of the present research is to provide a model that is able to predict SME performance in the Saudi market, so that failures can be reduced and the success of SMEs and their contributions to the KSA's economy can be increased.

Businesses cannot succeed when there is a misalignment in their operations. This might relate to the resources of the business and their placement in order to achieve the business's aims, or the environment in which they operate (Thornhill and Amit, 2003; Turner, 2005). Barney (1991) explained that the reason for many businesses' failures are that they fail to obtain competitive advantages by implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralising external threats and avoiding internal weaknesses. There is no consensus among researchers regarding the factors that contribute to the success or

failure of SMEs, but the literature has identified some sources that influence SMEs' performance, which later may shape their success or failure. The literature review revealed numerous success and failure factors that SMEs face. In order to classify them, Storey (1994) asserted that both endogenous and exogenous factors cause small firms' failure or success, and their significance will depend on the posture and composition of the firm and the prevailing characteristics of the operating environment.

Therefore, businesses enter into a failing process or cannot succeed when their resources base and their deployment are not adequate to respond to internal and external pressures. In other words, to succeed, businesses have to overcome the challenges and pressures that are produced from their external and internal environments. Consequently, these internal and external pressures are considered challenges to the continuation of the business, and come from inside the business or from its external environment, such as changes in customer behaviour or preferences. Businesses enter into the failure process when their resources and deployment are inadequate, and are not adjusted to the requirement of the environment in which they work (Barney, 1991; Thornill and Amit, 2003).

There is a strong relationship between business resources and the environment, as these resources can be controlled and managed by a business (Simpson et al., 2012). Even though the environment is mostly out of the control of the business, it should be possible to exploit and use these resources to manage and adapt to the challenges and pressures from the environment. In the same vein, external components have influence upon the way in which the business's resources are managed, and on business performance, in a direct way, such as via labour regulations, or in an indirect way (such as the availability of training for workers) through the business resources (Kitching et al., 2013).

Therefore, SMEs' performance factors can be approached from several perspectives, which leads this chapter on to discuss the resource based theory to explain and determine the resources associated with SMEs' performance from inside firms

(Barney, 2001; Mohiuddin and Su, 2013). Likewise, the roles of the micro- and macro-environment in determining the influence of external environment on business performance must also be considered (Olawale and Garwe, 2010; Jasra et al., 2011).

4.2.1 Internal environment

The internal environment refers to the resources inside a firm, which can be managed by the business. The resource-based view of the firm (RBV) facilitates the identification of those factors linked with the failure or success of businesses within the economy. The RBV has been widely used as a theoretical base for understanding how firms' resources drive performance (Barney, 1991; Crook et al., 2008). Many scholars have, however, argued that it is the firm's ability to deploy resources that better explain a company's performance differentials (Newbert, 2007). This theory rests on two key ideas: primarily, as highlighted by Penrose (1959), that organisations may be considered as a group of productive resources, where different businesses encompass varying resource bundles; and secondly, in consideration of the works of Selznick (1957) and Ricardo (1966) (Barney, 1991), that some of the resources of such organisations are expensive to replicate or are inflexible in terms of supply. This view considers the success or failure of a business as resting upon its capacity to establish and maintain a competitive edge for a long period through the heterogeneity of different resources offered by organisations (Rangone, 1999). In other words, it may be inferred that organisations need to possess heterogeneous resources that are difficult for others to generate or replicate. The most fundamental aspect of the resource-based view (RBV) is the emphasis it directs towards the business's internal forces (Barney, 1991). Moreover, the RBV assumes that firms maximise their long-term profits by developing and exploiting resources to their own competitive advantage (Mohiuddin and Su, 2013). Accordingly, this prompts discussion of how a business can generate a competitive edge, and also maintain it in the long run to enjoy success and avoid failure in the market.

In line with the resource-based view, in an attempt to ensure that a competitive edge is both created and maintained, an organisation needs to have access to resources and skills that are superior to others, as without this, their business advantage will be

replicated by others. In the view of Barney (1991) and Terziovskl (2010), not all the resources businesses control have the ability to maintain a competitive advantage; in order to achieve this, business resources need to adopt the VRIO framework, which has the following characteristics:

- V: Valuable. The resources must be valuable, ensuring opportunities are exploited and risks are overcome or minimised.

- R: Rare. The product or service offered must be rare in relation to the competition of the firm, both present and potential.

- I: It needs to be imperfectly imitable.

- O: Organisation: The business needs to be organised in order to utilise and maximise the benefits of resources.

As a result, organisational resources need to encompass the aforementioned attributes in order to achieve a competitive edge for their organisations.

The classification of business resources can be viewed in various ways, as figure (4.1) shows. One such category is physical capital, which may include business equipment, technology, the geographic location of raw material access, etc. Moreover, human capital may also be included in resources, and might encompass experience, intelligence, judgement, relationships, and the insight of employees and management within an organisation. Furthermore, resources can also include organisational capital, comprised of organisations' formal reporting structures, controls, systems of coordination, formal and informal planning, and informal relations between and within organisations (Barney, 2001).

The resource-based view proposes that businesses are not observed in terms of their product market activities, but rather in terms of their resources. The most basic typology is one that classifies these resources into two categories. The first is tangible resources, which contain all physical items that the firm possesses, such as facilities, raw materials and other equipment. The second is intangible resources, comprising

all items not appearing in the material reports (balance sheets), such as firms'
organisational cultures, reputations, internal controls and R&D (Galbreath, 2005).

Figure 4.1: Resource portfolio

The Resource Portfolio

Resources that are Assets	Resources that are Skills

Factors that have a tangible embodiment | Factors that have an intangible embodiment

What the Firm Has (an "asset")

What the Firm Does (a "skill")

Tangible
Factors that can be observed, are financial in nature, have physical properties and can be recorded on the firm's balance sheet.

Intangible
Non-physical factors that are used to produce goods or provide services, or are otherwise expected to generate future economic benefits for the firm.

Intangible
Factors that enable firms to choose, develop, implement and realize value-creating market strategies.

Source: Galbreath (2005, p. 981).

RBV theory is widely utilised in the field of SMEs, as shown in the prior literature. The RBV theory is, for example, used by Rangone (1999) in order to define a competitive advantage based on innovation capability, market management capability and production capability. Furthermore, the RBV theory was adopted by Thornhill and Amit (2003) to establish the differences between organisations that have experienced failure during their preliminary stages in terms of a lack of financial resources or knowledge management, or even the inability to adapt to environmental change. Additionally, O'Cass and Sok (2013) recently used the RBV to examine the extent to which combinations of intellectual resources and product innovation capability and reputational resources and marketing capability influence the ability of SMEs to meet their performance aims in Cambodia. O'Cass and Sok (2013) found that the SMEs' growth was enhanced by the combination of product innovation capability and intellectual resources, in addition to the combination of reputational resources and marketing capability.

However, the list of enterprise factors that can result in the failure or success of SMEs is not generally agreed upon, with such elements seen as combinations between different capabilities and resources. Nevertheless, it has been recognised that more intangible resources, including business relations and skills, for example, are far more valuable in terms of SMEs maintaining their competitive edge than are their tangible resources.

Storey (1994) created a conceptual framework to determine the relation and influence of different internal environment factors with and on SMEs' performance. These factors are classified into three linked areas: owner-managers' characteristics, business characteristics and business strategy (Blackburn et al.,2013). The first factors relate to owner/managers. In this vein, it is relevant to shed light on entrepreneur theory, as presented by Schumpeter (1934), which was founded on the belief that all entrepreneurs have various traits in common that are fundamental to their performance, thus resulting in either success or failure (Almobaireek, 2009; Alvarez and Busenitz, 2001). According to Walker and Brown (2004), personality traits and demographic characteristics such as age, education and experience, have a strong influence on a firm's success or otherwise. Similarly, Theng and Boon (1996) observed that the habits and demographic characteristics of those running Singaporean SMEs had an impact on the profitability of the firm.

The characteristics of SME owner/managers play an essential role in ensuring the business success of SMEs. These characteristics can be categorised into demographic characteristics, individual characteristics, personal traits, entrepreneur orientation, and entrepreneur readiness. Islam et al., (2011) found that demographic characteristics such as age and gender, and individual backgrounds (e.g. education and former work experience) had an influence on entrepreneurial intention and endeavour, personal qualities and traits, such as self-confidence and perseverance, as well as entrepreneurial orientation (e.g. autonomy, innovativeness, risk taking, pro-

activeness, competitive aggressiveness, and motivation) and also, therefore, had an overall impact on SMEs' performance.

In studies on small and medium-sized enterprises, the owner/managers have been seen as the most important resources that have a strong relation with the performance of the SMEs, because their characteristics and attitudes affect how their businesses are managed. Owners/managers in SMEs are in control and subsequently tend to do more than one essential role in their business (Walker and Brown, 2004).

The second dimension of Storey's (1994) conceptual framework to determine the internal environment involves the factors that relate to businesses (Blackburn et al., 2013). In other words, this dimension considers business characteristics that can be associated with businesses' performances, such as their age, sector, location, size and ownership structure (Blackburn et al., 2013).

The third dimension of Storey's (1994) conceptual framework to determine the internal environment relates to the factors connected with business strategy. Strategy includes, for example, management training, market positioning, planning, and customer concentration, each of which have a relation and influence with and on business performance.

Several researchers have argued that the performance of a firm is determined by the business strategy it adopts (Storey, 1994; Olson and Bokor, 1995) The effectiveness of the overall business strategy substantially depends on how well activities in the various functional areas are integrated to form a pattern (Porter, 1998).

In the same vein, Simpson et al., (2012) designed a framework to research critical success factors and SMEs performance that involved a new model of success and performance in SMEs, produced from internal and external environments. The aim of this model to develop a theoretical framework relating performance and identify critical success factors for SMEs .Their model is similar to Storey's model's classification of

the internal environment, but its internal environment factors relate to the owners/managers and factors relating to the business. The characteristics of the owner/manager include their experience, socio–economic background, skills and knowledge, personal attributes, values, motivations and ambitions, reason for start-up role of the family, etc. The characteristics of the business include, for example, industry sector labour and technology, finance base, strategies and plans, management and resources, and culture, as shown in figure (4.2). Therefore, the internal environment refers to the resources that lie within, and that can be managed by the business.

Additionally, the model explained that the performance could be measured by financial and non-financial measurements based on how SMEs owners/manager define success. The model also suggested that the relative influence of financial and non-financial performance measurements could vary according to the stage in the life of the business. Moreover, the model adds a new idea in which feedback on the performance should modify the strategic behaviour of the SME's owner-manager. This use of feedback in the model proposes a form of continues strategic or operational adjustment. Consequently, critical success factors may be changed, definitions of success may be modified and there is probability of new goals set in accordance with the overall environment of the business in where it operates (Simpson et al., 2012).

Figure 4.2: defining success – theoretical relationships
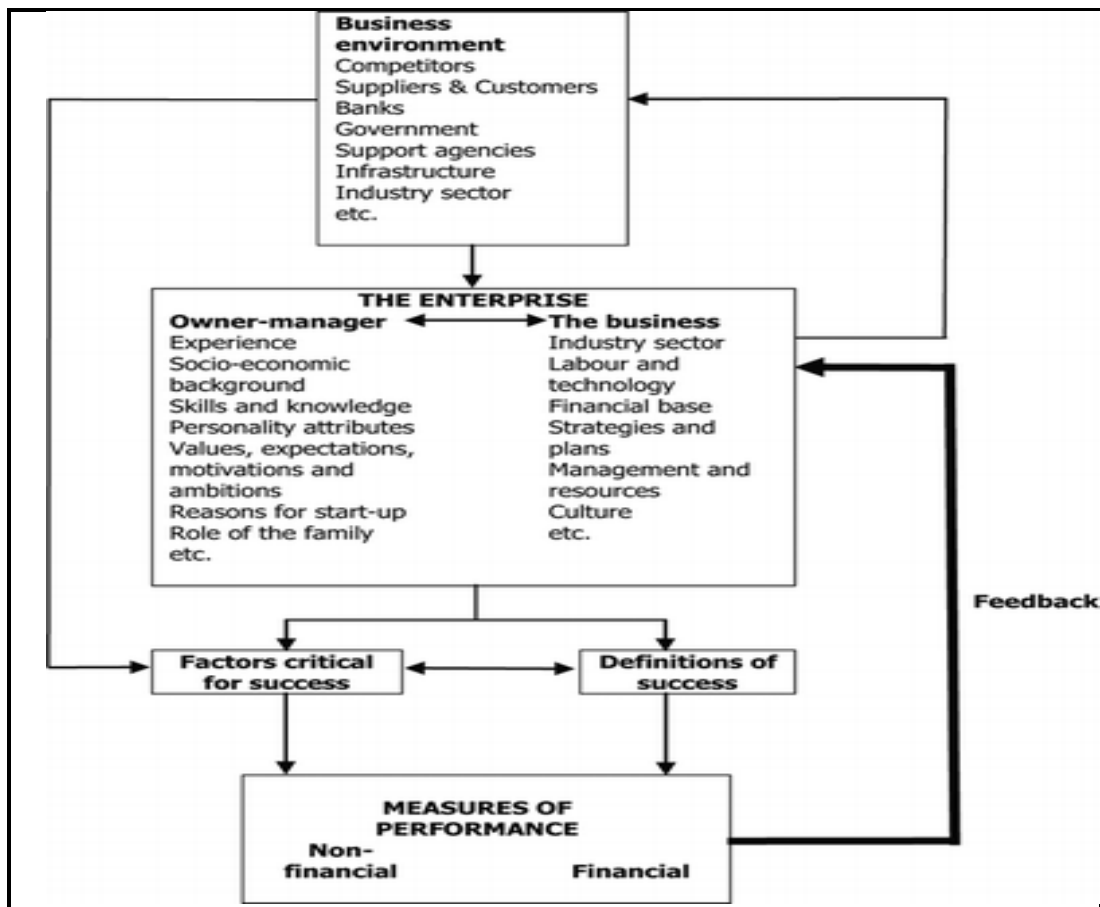
Source: Simpson et al., (2012; p. 270)

Several researchers have attempted to investigate the characteristics of SMEs and the characteristics of the entrepreneur as the internal factors associated with SMEs' performance (Storey, 2011; Benzing et al., 2009). In terms of firm characteristics, several studies have revealed that the size, age, and ownership of the firm could be related to its business performance (for example: Liedholm, 2002 ; Simpson, 2004). On the other hand, other researchers have shown great interest in understanding the relationship between the characteristics of the entrepreneur and business performance (for example: Quadir and Jahur, 2011; Boden and Nucci, 2000; Rogerson, 2001).

In the studies of small and medium-sized enterprises, owner/managers have been portrayed as the most important factors defining the level of success, as they have a strong relation with the performance of SMEs as their characteristics and attitudes affect how their businesses are managed. Owners/managers in SMEs are in control and subsequently have more than one essential role in their business. Therefore, the characteristics and roles of the owner/managers have to be explained in order to understand how they influence the business performance of their SMEs (Walker and Brown, 2004).

Management and owners of businesses are seen to adopt a pivotal role in SMEs for a number of different reasons, and as has been mentioned, they commonly adopt more than one role (Walker and Brown, 2004), including an entrepreneurial role, a managerial role and a functional role (Ahmad et al., 2010). Entrepreneurial roles relate to performing activities such as formulating strategies, scanning the environment, perceiving unmet consumer needs and producing superior products or services. These roles require the alertness of an entrepreneur, innovation, strong creative commitment, and the conceptual ability to seek and size opportunities, and transmute them into profitable outcomes (Thompson and Panayiotopoulos,1999). Managerial tasks include activities such as: planning, organising, directing and controlling different resources. Moreover, they require interpersonal skills such as establishing relationships and interacting with others. In addition, managers should be competent in relationship building and interpersonal communication with people outside and inside their organisation. Furthermore, a managerial role also requires the ability to motivate workers, delegate tasks and manage employee relations, as these are also interpersonal skills (Chandler and Hanks, 1994). Functional tasks require the possession of the technical knowledge and procedures relevant to a specific field, and the ability to utilise tools. Functional tasks are considered to facilitate entrepreneurs in handling business related tasks which require specific expertise, for example providing training to employees in tasks relevant to the business (Ahmad et al., 2010).

In addition, according to Philip (2010), the business characteristics and the daily operations must influence SMEs' performance, in areas such as planning, building the

financial base, and efficient use of technology. Planning depends on the variable resources of the daily operations and the make-up of the organisation, which fall under the supervision and control of the management. Moreover, this is linked to the personal and demographic elements of those charged with management. As a result, there are distinct relationships between the owner/managers and the business characteristics, because the owner/managers have to control and manage the businesses' resources as well.

4.2.2 The External Environment

The Open Theory system, as discussed by Katz and Kahn (1978), takes the view that businesses are significantly impacted by their surroundings, which subsequently have an effect on the business's overall economic, political and social nature (Burke and Litwin, 1992; Harney and Dundon, 2006). Importantly, the business environment may be recognised as those factors affecting business performance, as discussed by Crutzen and Van Caillie (2008), with the conceptual framework of Simpson et al., (2012), as shown in Figure (4.2), also valuable in this regard. Dahlqvist et al. (2000) explained that external factors present opportunities, threats and information, all of which can affect entrepreneurs within and across their environment, irrespective of their business concept, education or background. Accordingly, the strategic management literature has classified the external environment into a microenvironment or immediate environment and a macro-environment, with both affecting overall business performance. In the view of Miller and Dess (1996), a business's external environment may be categorised into two distinct environments, the general and the competitive: the former comprises the political-legal, macroeconomic, socio-cultural, technological, demographic and global factors that have the potential to affect the activities of the firm; while the latter, on the other hand, comprises various other entities that are likely to influence the profitability of the enterprise, such as competitors, customers and suppliers.

Simpson et al. (2012) (see Figure 4.2), who devised a model concerned with examining the critical success factors which impact on SME performance, argued that the external environment (comprising competitors, suppliers and customers, banks,

the government, support agencies, infrastructure, the industry sector, etc.) also affects SME performance through macro and competitive or microenvironments, which have an influence based on the market in which SMEs work.

A number of prior research studies in developing and developed countries have established a range of external performance factors which are associated with the overall environment and the competitive environment of the organisation (for example: Yusuf, 1995; Swierczek and Ha, 2003; Clover and Darroch, 2005; Benzing et al., 2009; Olawale and Garwe, 2010; Jasra et al., 2011).

Guzmán and Javier Santos (2001) detailed a number of factors including socio-demographics, markets (local, international, emerging and established markets), cultural, economic, political, institutional, legal, productive, technological, infrastructure and other physical factors of a certain environment which impact on SMEs' success. Mazzarol et al. (1999) further emphasises that these general factors cannot be controlled, with SMEs' success commonly depending on the ability of their management to deal with such issues.

Simpson et al. (2012) explained that external factors are fundamentally related with SME performance, and that their linkages can be either direct or indirect. For example, on the one hand, the national system of training and education of people in a country, and the quality of such activity, will affect the business management of an SME. In contrast, external factors are also recognised as having a direct influence on business performance, such as supplier availability, for example. Factors linked to the external environment are commonly identified and perceived as threatening in the literature, with Franco and Haase (2010) observing through their work that external factors seem to be more commonly addressed by owners than are internal factors when considering the performance of SMEs.

Moreover, when considering the relative significance of these internal and external factors in relation to a firm's poor performance and their associated failure or success, reality and individual perceptions of it may differ. As a result of the particular characteristics of owners/managers, there is the chance that perceptual bias might be apparent when such individuals are questioned about what they believe the reasons behind failure to have been. Owing to the fact that owners/managers may not wish to assign blame to themselves, it was common that external factors were detailed as responsible for business failure, as echoed by the attribution theory (Franco and Haase, 2010). In an effort to gain insight into particular reactions and the allocation of blame, a more in-depth examination is therefore required. Attribution theory, as introduced in 1958 by Heider, deals with self-serving attribution bias. This bias aims to take credit for success whilst rejecting responsibility for failure. Such bias has been explained as owing to different causes, such as emotional and cognitive needs (Rogoff et al., 2004). As stated above, SME owner/managers attribute their problems to external factors, in the main, by, for example, suggesting that failure came as a result of market forces as opposed to their own poor management (Franco and Haase, 2010).

4.3 The research's model

The author compiled a model based on considering all the factors, issues and classifications discussed above. In the present research, the internal environment is divided into 1) factors relating to owners/managers; and 2) factors relating to businesses, which are further classified into demographic factors and main business activities such as planning, marketing and financial control or management. Likewise the external environment is divided into: macro-environment and micro-environment. These factors are produced from the literature of SMEs in Saudi Arabia such as (National Entrepreneurship Institute's study, 2013; Almobaireek, 2009; Hertog, 2010). Moreover, factors are constructed also from models such as the exploratory model created by Siow Song Teng (2011) to predict SMEs performance in the Singaporean market, and Lussier's model which was tested to predict SMEs' performance in different contexts worldwide (chapter two) (Marom and Lussier, 2014; Lussier and Halabi, 2010; Lussier and Pfeifer, 2001; Lussier, 1995).

Consequently, these factors are considered independent variables used to predict SMEs' performance within the context of the Eastern Province in the Kingdom of Saudi Arabia.

The following section discusses and develops the hypotheses in relation to owners/managers' characteristics and business as managed by them, and how these influence SMEs' performance leading to their success or failure (see Figure 4.3).

4.3.1 The internal environment factors

4.3.1.1 Characteristics of SME owners/managers

Entrepreneur theory as presented by Schumpeter (1934) is founded on the belief that all entrepreneurs have various traits in common which are fundamental to their performance, thus resulting in either success or failure (Almuberiek, 2009). According to Walker and Brown (2004), personality traits and demographic characteristics such as age, education and experience have a strong influence on a firm's success or otherwise. Similarly, Theng and Boon (1996) observed that the habits and personalities of the owner/managers of Singaporean SMEs have an impact on the profitability of their firms.

The characteristics of owner/managers include demographic characteristics, individual characteristics, personal traits, entrepreneur orientation, and entrepreneur readiness. According to Islam et al., (2011) noted that, demographic characteristics, such as age and gender, and individual background (e.g. education and former work experience), had an influence on entrepreneurial intention, while endeavour, personal qualities and traits, such as self-confidence and perseverance, as well as entrepreneurial orientation (e.g. autonomy, innovativeness, risk taking, pro-activeness, competitive aggressiveness, and motivation) also had impact on SMEs performance.

Figure 4.3: The research's model

Owner/managers factors	
Age of owner/managers	+
Education level of owner/manager	+
Nationality of owner/managers	+
Owner /managers' experience	+
Gender of owner/managers	+
Deficiency of entrepreneurial competency	-
Enterprises' factors	
Age of the business	+
Size of the business (number of employees)	+
Kinds of ownership	+
Financial management	+
Marketing	+
Planning	+

Internal environment

SMEs' performance Success/failure

Micro - environment	
Intensity of competition	-
Suppliers	+
Macro- environment	
The benefits of MNCs	+
Regulatory environment	-
Terrorism risks	-

External environment

Source: compiled by the author

4.3.1.1.1 Gender of owner/managers

Consideration has been given to whether or not the gender of managers/owners impacts upon the performance of the SME. The gender influence on SMEs' performance in the USA was examined by Boden and Nucci (2000), who established that male business owners were more associated with survival than female businesses owners. In the view of Sandberg (2003), there were a number of differences between genders with regard to business performance in the Swedish context. In the literature on developing countries, a number of gender-related challenges facing the performance of SMEs have commonly been identified. As noted by Ucbasaran *et al*. (2004) and Martínez et al. (2007), businesswomen have been

linked with lower levels of human capital, having had fewer opportunities to gain relevant experience, meaning that they are required to invest greater efforts into garnering resources (Martínez et al., 2007; Ucbasaran et al., 2004 ; Boden and Nucci, 2000).

Moreover, females have been found to face asymmetrical rights and obligations that restrict their labour mobility and accordingly burden them with disproportionate household responsibilities. Furthermore, in developing contexts, a greater number of obstacles and constraints have been identified amongst business women than business men, which means that the former exhibit a lower survival rate. In terms of SME success, Jamali (2009) concluded that female entrepreneurs commonly lack expertise in areas such as knowledge management and technical knowledge, meaning that their overall competitiveness and productivity are lower than that of male entrepreneurs. Cultural constraints in the Middle Eastern contexts are recognised as the key obstacles limiting the overall success of females in their business affairs. In the view of Sadi and Al-Ghazali (2010), who examined the barriers facing female entrepreneurs in the Saudi context, the most important factors were found to be high competition from businessmen, and social restrictions. In line with this discussion, the following hypothesis will be tested:

H1: The male gender of owner/managers is positively and significantly associated with SME performance, where male owners/managers are more likely to achieve business success in the Saudi market.

4.3.1.1.2 Age of owners/managers

Age is a factor which must be examined as one of the demographic factors highlighted in the literature in relation to the performance of SMEs. A wealth of literature, including a study by Sinha (1996), has recognised that older owners/mangers are less well positioned to utilise technology and derive innovative ideas, meaning that their likelihood of achieving success is lowered. In contrast, however, older business owners and managers are more likely to achieve success than younger ones because they are recognised as having more intangible resources, including experience, finances and networks (Kautonen et al., 2008). As highlighted in the literature from

developing countries, for example Kristiansen et al. (2003), one of the factors believed to be responsible for the less success of SMEs in the In Indonesian context is young age (where entrepreneurs are less 25 years old). Moreover, Woldie et al. (2008) examined the factors affecting SMEs growth in Nigeria. In their study a self-administered questionnaire was carried out on a sample of 523 SME owner-managers, with the study highlighting that middle-aged and older owner-managers (40 years >) are more likely to run growth-centred organisations. In line with this discussion, the following hypothesis has been devised for testing:

 H2: The older age of SME owner/managers is positively and significantly associated with business performance, where older owners/managers are more likely to achieve business success in the Saudi market.

4.3.1.1.3 Education

Education is one of the key elements linked with the performance of SMEs, as has been highlighted in the literature. Educational levels possessed by people who have attended business schools can actively promote business knowledge overall; general business knowledge tends to be garnered through graduate or undergraduate studies and courses associated with business administration. Business knowledge is developed through formal business education, which is pivotal in promoting opportunities, resources, and the effectiveness of implementation, specifically in terms of business administration. In a comparable vein, business education should improve individuals' critical analysis, communication, teamwork and problem-solving skills, so as to position them advantageously in the market and positively improve their business performance (Kim et al., 2006).

Attaining knowledge that directly relates to an industry depends on the education a person has acquired through exposure to technical information, and on garnering knowledge concerning a particular product's characteristics, the role of a particular sector, and through attempting to develop the necessary skills. Such knowledge is also acquired through enrolling in business courses which are centred on improving business performance through developing the individual's ability to create advanced

technical plans and a better business. Similarly, the knowledge a manager develops can be pivotal in creating business opportunities that will be identified through building a more in-depth understanding of the surrounding environment (Soriano and Castrogiovanni, 2010). In actuality, the notion of innovation is recognised as being at the optimum level of education, with those individuals with better levels of education able to improve the behaviour of an entrepreneur, which positively improves the overall competitive sustainability of a business in terms of an advantage in market share (Entrialgo, 2002).

On the other hand, a lack of sound education can have a negative effect on an SME, with a failure to garner sector-relevant skills on the part of its owner/manager leading to an inability to access debt finance that could be pivotal in growth, as examined in the South African context (Fatoki and Asah, 2011). Essentially, those who progress through educational levels are generally better positioned to demonstrate adaptability in different situations, as they have a greater ability to process data, which results in better decision making (Entrialgo, 2002).

Education through entrepreneurship has been recognised as fundamental in creating enterprising individuals who are self-sufficient (Valliere et al., 2014). In a comparable vein, it has also been found that education in entrepreneurship is valuable in devising fresh ideas, as well as exploiting the possibility of self-employment, the probability of creating new products, and the likelihood of opportunities for such individuals to own highly technological businesses (Charney and Libecap, 2000). Essentially, their study has emphasised that such employee education increases the growth of sales in new firms. In addition, it has been found to be advantageous to receive a technical business education, as individuals who have received this tend to be more intuitive and analytical (Martin et al., 2013). In line with this discussion, the following hypothesis is created:

H3: Owner/managers' education is positively and significantly linked with the performance of SMEs, where the owner/managers' education increases the likelihood of business success in the Saudi context.

4.3.1.1.4 Nationality

The owner/managers' nationality influences the performance of SMEs, with some literature recognising that national SMEs are more likely to garner success through improved network resources and relationships which have an impact on their overall performance. Importantly, resources in social life and networking are not as pronounced amongst foreign owner/managers. In this vein, it is important to recognise that networking amongst owner/managers is an essential factor influencing the performance of SMEs (Dodd and Patra, 2002). In other words, a network and a social life is a particular way of linking a defined set of persons, objects or events, or a set within which certain types of mutually rewarding relationships are recognised.

Indeed, it is believed that in general, those who have greater access to society will experience more success. Through their networks, business owners are able to acquire resources and secure funding to improve their business (Ciravegna et al., 2014 ; Kim et al., 2006). Jalal et al., (2013) recognised that social capital has a positive effect on the success of SMEs in Tehran, capital of Iran. In the view of Almobaireek, (2009), Saudi owner-managers are commonly linked with Saudi market-related success owing to the support they have available.

In order for the government of the KSA to increase the percentage of young people employed in the private sector and accordingly decrease unemployment overall in the country, a number of initiatives have been devised for Saudi owner/managers: for example, the Human Resources Fund is a scheme where 50% of the salary of Saudi employees is paid to those working in Saudi SMEs in an effort to provide market support. Moreover, various government entities provide loans at low interest rates in the long-term, including the Saudi Industrial Development Fund, The Centennial Fund, the Saudi Credit and Savings Bank, amongst others. Accordingly, such businesses have adopted a key role in enhancing the performance of Saudi Arabian SMEs. Moreover, various limitations and obstacles could add additional costs for non-Saudi owner-managers, as evidenced when considering that non-Saudi owners managers need sponsors in order to work or own businesses in the KSA. Based on that, the following hypothesis is shaped:

H4 The nationality of owner-managers is positively and significantly associated with SMEs' performance: hence, Saudi owner/managers have a higher probability of business success in the Saudi market.

4.3.1.1.5 Experience of owner/managers

There is a perceived positive link between the previous work experience of owner/managers and good business performance. Experience in this field means that the skills and knowledge achieved when dealing with different business situations and experiences are comparable with and relevant to the performance of the SME. Accordingly, this view supports owner/managers' abilities in assessing opportunities and exploiting resources. As such, owners with prior experience are argued to be better positioned to make more informed decisions through overlapping and considering complex options. Moreover, prior experience is recognised as providing owner/managers with the necessary industry-relevant knowledge, as well as insight into their customers and markets, and they are more likely to have gained general understanding of particular technologies. Furthermore, prior experience supports the identification, utilisation and acquisition of opportunities and resources. Also, prior experience pertaining to particular sectors is recognised as a valuable resource for business owing to the fact that, in contrast to education, it cannot be gained through attending courses, but rather only through carrying out business activities (Soriano and Castrogiovanni, 2010). Moreover, as discussed in the work of Dobbs and Hamilton (2007), owner/managers with prior experience are better positioned to understand how demanding conditions can be met and managed in market business networks, with market information successfully accessed and managerial capabilities increased.

One of the most widely acknowledged factors included in the Lussier model is prior experience, which is centred on establishing the predictable factors which determine the success or failure of SMEs, with the finding that, in different worldwide contexts, such as in the US, Croatia and others, businesses managed without prior experience are more likely to experience failure than those that managed with prior management experience (Lussier and Pfeifer, 2001). Similarly, manager experience is one of the key contributions to SMEs' success in Pakistan (Naqvi, 2011). Isaga (2015) identified

experience as having a positive effect on SME performance in the Tanzanian context. Accordingly, SME founders' experience and qualifications are seen to have a significant effect on SME failure when considering that firms managed by individuals with efficient experience perform better than other organisations. In line with this discussion, the following hypothesis has been devised:

H5: Owner/managers' experience factor is positively and significant associated with SMEs performance: hence, the more important owner/managers experience factor to SMEs, the higher the probability of their SME business success in the Saudi market.

4.3.1.1.6 Deficiency in entrepreneurial competencies

Various prior studies have suggested that SME business owners' competencies and skills are a fundamental factor in establishing business success (Chandler and Jansen, 1992; Bird, 1995). Moreover, Rogerson (2001) argued that, in order to understand the factors linked with business success or failure, there is a need to examine the overall capacity to improve entrepreneurial conduct and thus enhance business success. In the opinion of Ahmad et al., (2010), entrepreneur competency is recognised as impacting upon the performance of SMEs through various sub-categories of competencies, such as strategic, commitment, conceptual opportunity, organising and leading, personal and technical.

The strategic competency relates to the ability to apply strategic thinking, which emphasises the overall ability of the firm's leader to enhance its future vision and take strategic action, an ability that necessitates thinking beyond daily operations. It is recognised that the conceptual competency, which is linked to the overall ability to devise new thinking patterns and accordingly enhance new concepts, could necessitate deviation from the normal process of doing things (McCline et al., 2000). Opportunity competency, as one key element of the entrepreneurial role, pertains to the overall ability to recognise and secure advantage of opportunity. It is also associated with the general ability of entrepreneurs to seek out, enhance and evaluate high quality opportunities (Man et al., 2002). With regard to the arranging and leading competency, entrepreneurs are required to adopt a number of tasks and deal with

various functional areas that require the skill to organise and plan different business-related resources. The relationship competency refers to entrepreneurs being required to interact with different stakeholders, including customers, suppliers, government organisations and employees. Maintaining relationships with different individuals is a critical aspect for entrepreneurs as it provides access to various resources, including information. Technical competency involves utilising technical skills pertinent to the business, and personal competency relates to the essential personal abilities and qualities that are pivotal in establishing personal strength and improving individual effectiveness in carrying out particular challenges and tasks, including self-motivation and self-belief (Man et al., 2002). This sub-set of sub-competencies are important in making strategic changes and adopting tactics in business, with self-confidence in this regard associated with general businesses competiveness improvement (Boden and Nucci, 2000). Essentially, a lack of the different skills and competences of owner/managers, including in management motivation, qualities and skills, are known to have a detrimental effect on the management of businesses in the Iranian context (Arasti et al., 2014). Based on that discussion, the following hypothesis is formed.

H6: Deficiency of the entrepreneurial competency is negatively and significantly associated with SME performance: hence, the more important the deficiency of the entrepreneurial is to SMEs, the lower the probability of their business success in the Saudi market.

4.3.1.2 Enterprise factors

Several factors associated with SME performance arise from business characteristics such as the age, size and kind of ownership (Kristiansen et al., 2003). In addition, in consideration of the overall impacts in terms of business performance in relation to the business functions and resources, no agreement has yet been reached. However, the literature has highlighted that various resources and capabilities exist that are fundamental to business, finances, marketing capabilities and planning (Barny, 1991; Barny, 2001; Kazlauskaite and Buciuniene, 2008; Pretorius and Shaw, 2004; Honig and Karlsson, 2004). In other words, some functions are considered as critical or core ones for businesses and they relate to the daily operations and make-up of the businesses, such as financial management, marketing and planning (Storey, 1994;

Kristiansen et al., 2003). These core enterprise factors are discussed in the following sections.

4.3.1.2.1 Business age

One of the key business characteristics which has been analysed is the amount of time for which the business has been in operation, as a business's age and operation time could be linked to its learning curve (Philip, 2010). Importantly, the link between business performance and SME age has been examined from a number of viewpoints, including organisational ecology and industry dynamics. Accordingly, various research studies have come to acknowledge the importance of the age dimension of businesses. Despite the various different approaches taken, studies linked to the effect of age on firm performance have so far been indecisive, and have commonly yielded opposing outcomes centred on the various data and estimation approaches applied (Nguyen Van et al., 2004). That said, in one study, older players were found to be likely to learn a lot from their experiences, with operations significantly linked to business success in Indonesia (Kristiansen et al., 2003).

In consideration of business age, contradictory results have been presented; for example, the work of Bates and Nucci (1989) provided validation suggesting that firm age has an effect in terms of survival. Their results detailed that the older the business, the more likely it was to remain in business. Comparably, Boyle and Desai (1991) further stated that the longer a small business has been in operation, the greater its likelihood of staying in business. Moreover, Storey (1994) recognised that younger organisations have a higher death rate, but ultimately demonstrate greater rates of growth in regard to employment when compared with more mature firms. A third group of studies found mixed results: Heshmati (2001), for example, identified that although older organisations experience faster growth in assets and sales, younger firms tend to demonstrate greater growth rates in the Swedish context. Moreover, older organisations are seen to have a greater abundance of resources than young or starter businesses. For example, in the KSA, traditional banks show a preference for providing loans to businesses that have been in operation for a long period of time, although there are a number of criteria for organisations that have been in operation

for a shorter length of time, banks do not usually provide loans for such entities. Furthermore, in the KSA, it has been established that, when the business's age increases, the rate of failure decreases (National Entrepreneurship Institute, 2013). Therefore, the following hypothesis has been devised:

H7: The age of the business is positively and significantly associated with SMEs' performance: hence, the older the business, the higher the business's probability of success in the Saudi market.

4.3.1.2.2 Business size

Business size is believed to have an effect on performance, and as such, it has been one of the key factors considered in the literature. Researchers in developed countries have focused attention on the influence of business size on performance, with much evidence gathered to suggest that the size of a firm is positively linked with its likelihood of success. Earlier work by Bates and Nucci (1989) suggested that business size is an important factor affecting failure rates, with their findings suggesting that small businesses are generally responsible for high failure rates in the business world. Furthermore, as stated by McMahon (2001), firm size is significantly associated with better business performance. This is a finding in line with that of Devila et al. (2003), who reported that small business size has a negative link with survival, which can be explained when taking into account the somewhat limited resources SMEs are likely to have. In contrast, however, Baum and Locke (2004) recognised, through an analysis of data utilising a sample of 229 SME chief executive officers and 106 associates in a single industry, that enterprise size is not linked with business performance.

With regard to the literature available in developing countries, a lack of certainty is evident concerning the influence of business size on performance, with a negative correlation between business size and business growth found by Najib (2003) in the Moroccan context. On the other hand, Sefiani (2012) highlighted in the same setting that small businesses constitute the largest proportion of failures. This is consistent with the conclusions drawn by the Entrepreneurship Institute (2013) in the KSA, which

suggested that the failure rate of small organisations is more pronounced than that of medium businesses. Accordingly, the hypothesis detailed below has been devised:

H8: The size of the business is positively and significantly associated with SMEs' performance: hence, medium-sized enterprises have a higher probability of business success in the Saudi market than small enterprises.

4.3.1.2.3 Kind of ownership

Enterprise performance has been seen to be linked to partnership type, where capabilities and resources are identified as key factors in the success of SMEs, particularly intangible types, owing to the fact it is not easy to imitate from competitors. Those organisations that are managed by more than one individual can be linked by financial resources and networking creation (Almobaireek, 2009). Furthermore, owner/managers are likely to adopt more than one role and to perform various activities; this is recognised as one of the drawbacks of SMEs, and there is a need for partnerships to overcome this issue. In contrast, however, partnerships are one factor behind the discontinuation of business activities and are sometimes responsible for disputes between owners, particularly when there has been a lack of clarity concerning the business structure and the responsibilities of the owners. As established by Arasti et al., (2014) partnership issues, including the exit of a partner, overconfidence in partnership, and inappropriate task division between partners, are among the factors found to be behind the failure of SMEs in Iran. However, owners could cope more effectively with the partnership issues they face by ensuring the availability of resources and networks. The Lussier model suggests that businesses established by one individual are more likely to experience failure than those handled by various people (Marom and Lussier, 2014). As stated by Jeddah Chamber Commerce in Saudi Arabia (2014), the majority of businesses that cease trading are run by one person, which suggests that benefits should be associated with partnership businesses in the KSA. Accordingly, the following hypothesis is devised:

H9: The kind of ownership of a business is positively and significantly associated with SMEs performance: hence, partnership enterprises have a higher probability of business success in the Saudi market than solo businesses.

4.2.1.2.4 Financial management

Financial management is a crucial factor in the management of a business as a whole. In the long term, the purchase of assets directs the course which SMEs will take through the life of these assets, but the firms will not continue operations into the long term if they cannot plan a suitable strategy to effectively control their working capital. Poor financial management is the most common cause underlying the failure in SMEs (Jindrichovska, 2013).

For example, in Bangladesh, Quadir and Jahur (2011) found that, working capital management issues included: poor management of inventory, poor management of cash, unplanned withdrawal of cash, failure in collecting account receivables, and problems in the management of credit and overdrafts. Account payables, receivables, and unplanned withdrawals of cash are considered to have strong influences on SMEs' performances. According to Almobaireek (2009), financial management is of absolute importance for SMEs in developing countries. For example, in Saudi Arabia, several organisations provide financial support for SMEs, so SMEs do not suffer from shortages of capital; on the other hand, SMEs in KSA suffer from problems arising from how best to manage their financial resources in the right manner. For example, according to Shalaby (2004), a lack of separation between personal and business funds is negatively associated with business performance. Based on these issues, the following hypothesis is proposed:

H10: Financial management is positively and significant associated with SMEs performance: hence, the more important financial management is to SMEs, the higher the probability of business success in the Saudi market.

4.2.1.2.5 Marketing

Long term success in business performance is initiated through superior service values or products that are recognised as able to fulfil the needs of customers, which, in turn, are created through behaviours shaped by market orientation and a sound organisational culture. This structure is utilised by businesses in the completion of market research, the results of which are converted into action, which facilitates

superior performance (Simpson and Taylor, 2002). Moreover, the strategy that defines the form adopted by a business in competing in the market, together with how its targets and positions are incorporated, can be referred to as marketing.

As outlined by Reijonen (2010), SMEs consider marketing as a way of informing customers about the products or services they provide. It is also stated that marketers in SMEs aim at creating and maintaining customer links in an effort to satisfy the key objective of marketing, which is to create sales. Marketing is recognised as a philosophy or culture that depends on the beliefs or values underpinning a business with regard to the value of its customers to its operations. Furthermore, firms usually use a marketing mix comprising promotion, place, price and product (Reijonen, 2010).

At times, it may be that marketing seems unnecessary for SMEs, especially when considering that such organisations face a number of limitations in terms of their resources and also have to cope with the day-to-day pressures of running a business whilst trying to secure growth and expansion. However, systematic planning and its associated information is recognised as improving the ability of a firm to grow. A larger growth cycle incurs a number of additional challenges and risks for an organisation, which should be taken into account as further costs are incurred through adopting an enhanced marketing function. In a comparable vein, the marketing issues most commonly referenced in relation to a product or service are associated with inadequate premises and financial control. Accordingly, many SMEs find it difficult to maintain or grow their market share when their resources are inadequate (Simpson and Taylor, 2002).

One further issue that has a notable impact on SMEs' investment in marketing is resource limitations, which means that small or medium-sized organisations are not well positioned to pursue alternative marketing approaches, and their entry into new markets may be restricted when they have inadequate resources to compete, thus affecting their procurement of specialised marketing expertise (Hogarth-Scott et al., 1996). Nonetheless, different forms of literature in various contexts have recognised

marketing as one of the key elements to be used if SMEs are to avoid failure and stay in business. Chittithaworn et al., (2011) recognised various factors affecting the business success of SMEs in Thailand, with marketing and customer orientation being regarded as one of the key elements potentially leading SMEs to success. Moreover, Eunni et al., (2007) recognised that marketing as a factor important to SME success in China.

Furthermore, in the context of Botswana, Temtime and Pansiri (2004) found that product service marketing, marketing research and information, demand forecasting and analysis, pricing policy and strategy, trained sales staff, and the deployment of promoters and market segmentation are all recognised as having a key role in facilitating the success of SMEs in the market. In the same context, it was also established that SMEs' likelihood of success in the Botswana market is affected by customer behaviour in terms of follow-ups and the maintaining of customer records. In addition, there is also evidence to suggest that customer concentration play an essential role for SMEs in the Saudi domain. The work of Shalaby (2004) provides the view that follow-up of customers' characteristics, in addition to word of mouth, may be linked with stronger businesses performance. In line with this discussion, the following hypothesis is suggested:

H11: The marketing factor is positively and significantly associated with SMEs performance: hence, the more important the marketing factor is to SMEs, the higher the probability of business success in the Saudi market.

4.3.1.2.6 Planning

In the literature looking at SMEs in various regions in the world, planning has been another of the factors considered. In basic terms, a business plan is a document that describes the present state and the predicted future of an organisation (Honig and Karlsson, 2004). A business plan should determine relationships of authority, goal formation, planned improvements to distinctive competencies, the organisation of resources, and the steps necessary to fulfil business objectives (O'Regan and Ghobadian, 2002). Planning is one of the factors inherent in the Lussier model, and is

pivotal in helping to establish the factors which may define why some SMEs experience failure whilst others are successful.

The Lussier model, as applied in various contexts such as the United States, Croatia and Chile, has identified that a business that does not devise a business plan is more likely to fail than one which has done so (Lussier and Halabi, 2010). Clear ideas for the next start-up, well-resourced management support and formal business plans have been identified as fundamental keys to success, notably in the Bangladeshi market (Quadir and Jahur, 2011). Moreover, Raj (2009) has described how improper and poor business planning is one of the most common factors behind the failure of SMEs in the UK.

Strategic planning is required by SMEs in order to counteract the uncertainty involved in considering possible future occurrences (Miller and Waller, 2003). Owner/managers are required to develop insight into how they will act in the future, whether that may be through a time of environmental stability for their business or otherwise one of uncertainty. Accordingly, strategic planning should be adopted which considers issues in the long-term where the effects of such are likely to be enduring and wide-ranging. Adopting a longer-term perspective may be essential for organisations seeking to achieve success in the long-term. Owners or managers without business plans could simply come to face barriers that cannot be overcome which, if they had been identified earlier on, might have been circumvented. The assumption cannot be made in business that tomorrow will exhibit the same conditions as today. Accordingly, managing and handling uncertainty is fundamental, but also one of the most difficult tasks in the management field (Miller and Waller, 2003). Therefore, implementing a scenario analysis may be useful in overcoming uncertainty. In line with this discussion, the following hypothesis is suggested:

H12: The planning factor is positively and significantly associated with SMEs performance: hence the more important the planning factor is to SMEs, the higher probability of business success in the Saudi market.

4.3.2 The External environment factors

4.3.2.1 Microenvironment

Micro-environmental factors are recognised as those aspects of a business's immediate area of operations that can influence decision-making and performance (Hill et al., 2007). Such elements might include competitors, customers, distribution channels and suppliers, for example. Overall, deficiencies in the internal micro-environment are seen to be the key causes behind failures amongst small organisations. In this regard, a model has been devised by Porter (1980) that considers the impact of external competitive factors on the success of a firm, with such factors including buyers, entry barriers, rivalries, substitute products and suppliers (Porter, 1998).

Porter's model is applied with the intention of examining the development of business strategy and the industry overall. It explains that a corporate strategy needs to exploit opportunities whilst minimising threats in the external environment of the firm. Five forces are identified by Porter as being present in every industry and every market as the result of firm competiveness; therefore, such forces establish the overall intensity of completion and accordingly improve profitability (Porter, 1998). It should be recognised that factors stemming from the immediate environment have a direct and strong influence on the performance of SMEs, but may also be overcome depending on the abilities and experiences of the owner/managers . For example, suppliers' bargaining power can be fundamental in importing needed materials.

4.3.2.1.1 Competition

In the modern-day world, SMEs function in a worldwide arena with intensified competition and, often, unknown competitive rivals (Kristiansen, 2002). Competitive concentration, in addition to competitor strategies and market actions, can have a positive or negative effect on the entrepreneurial process (Kangasharju, 2000; Baron, 2004). Accordingly, the role of competition should be examined, as these are pivotal to achieving SME success (Kristiansen, 2002). Competitive intensity can be described as the extent to which a business comes to experience market competition.

Competitive intensity was one of the most fundamental aspects shaping success identified in the Iranian market (Arasti et al., 2014). Moreover, intensity of competition in the market was one of the key elements identifiable in Botswana as having a potentially negative impact on the performance of SMEs (Temtime and Pansiri, 2004).

A Small Business Survey carried out by the Department for Business Innovation & Skills (2013) in the UK context highlighted that managers of SMEs emphasised competition as being a key obstacle to business success. In this vein, Gill and Biger (2012) identified various issues facing SMEs in relation to growth in the Canadian market, including intense market competition. As highlighted by Franco and Haase (2010), who identified factors causing poor performance and the failure of SMEs in Portugal, negative performance is recognised as stemming from a lack of cooperation between SMEs. In line with this discussion, the following hypothesis is suggested:

H13: Intensity of competition is negatively and significantly associated with SMEs' performance: hence, the more important the intensity of competition is to SMEs, the lower probability of business success in the Saudi market.

4.3.2.1.2 Suppliers

During recent times, the literature focused on the effects of suppliers on business performance has been increasing, with the completion of a number of works having identified supplier availability as fundamental to firms. It is possible that suppliers could have a direct effect on production costs, quality and schedules, in addition to the delivery times of services and goods. Moreover, the literature has emphasised that suppliers are fundamental for SMEs in particular. As highlighted by Gelinas and Bigras (2004), small businesses of all sizes require that supply chains are smooth and problem-free in complicated business environments, which is a perspective further emphasised by Ellegaard (2006), who suggested that SMEs depend on their networking abilities to gain access to external resources. In a comparable vein, the importance of supplier capabilities has been emphasised by Jones (1996), who proposed that some SMEs in Australia have implemented a progressive mindset and worked closely with suppliers for their mutual gain. The work of Morrissey and Pittaway

(2006) has provided further evidence to suggest that most SMEs have reported valuable relationships with suppliers; in a number of instances, the view was held that these relationships were better than those with their customers. With regard to supplier selection, SMEs' desired supplier capabilities were found to be fragmented to some degree. The study of Quadir and Jahur (2011) recognised that the limited suppliers in the Bangladeshi market were one of the important threats facing SMEs.

H14: The supplier factor is positively and significantly associated with SMEs performance: hence, the more important the supplier factor is to SMEs, the higher probability of business success in the Saudi market.

4.3.2.2 Macro environment

As highlighted by several researchers, including Hill et al. (2007) and Grundy (2006), the external environment is regarded as being the competitive force, as discussed in the work of Porter, who referred to these forces as the micro-environment, which is in contrast with the more general term macro-environment. Those forces recognised as close to a company are identified as affecting its overall position and ability to fulfil the needs of its customers and, accordingly, to make a profit. The macro-environment has been described by Simpson et al. (2004) as comprising various factors external to the enterprise that present situational variables that could either facilitate or altogether inhibit entrepreneurship at start-up and throughout the lifespan of the SME. It is further argued that the macro-environment is comprised of more general forces, including those that do not directly affect the short-run decisions or short-run activities of the business but which can, and often do, influence its long-run decisions (Hill et al., 2007). These more general forces include the economic forces that regulate the exchange of various resources, including materials, money, energy and information; the technological forces that may be responsible for generating problem-solving inventions; the political-legal forces that allocate power and provide constraining and protecting laws and regulations; and finally, the socio-cultural forces that regulate the values, customs and overall customs of society (Grundy, 2006).

4.3.2.2.1 The benefits of multinational companies (MNCs)

In developing regions, SMEs might also benefit from the operations of multinational companies (MNCs) owing to the fact these companies provide access to skilled workers and updated technology, for example. Moreover, SMEs are required to optimise their productivity, meaning there is a need for two-way links with MNCs. SMEs are able to benefit from MNCs in various ways, such as through achieving subcontracts for the production of intermediate products, for example. Moreover, as has been recognised by Bala Subramhanya (2007), small businesses could achieve benefits from MNCs, such as subcontracting particular activities to domestic businesses so as to create intermediate goods, and from the horizontal cooperation of SMEs, which may create networks to overcome their weak infrastructure when compared to large businesses. Alvarez and Vergara (2006), using enterprises from Chile as a sample, established that those SMEs from markets and industries that are more exposed to foreign competition have a greater chance of survival. Moreover, in consideration to Mexico, evidence from a study has highlighted a positive link between SME owners' prior experience working in MNCs and their subsequent performance (Vera-Cruz and Dutrénit, 2005).

Moreover, there are a number of other channels which MNCs provide for SMEs in the local market that can increase competition and are recognised as having a positive influence on SMEs' performance when facing competition from more productive MNCs (Rugraff and Hansen, 2011). As established through interviews with successful owner/managers in the hospitality market in the Eastern Province of Saudi Arabia, it was found that SMEs reap advantages from MNCs in various ways, including access to technology, access to skilled workers, advanced marketing, better ways of doing business, and as a source of innovation (Eastern Chamber of Commerce and Industry, 2011). In this vein, it was also established by Zulkifli-Mohammad et al. (2009) in Malaysia, that MNCs influence local SMEs in the host country to create overseas markets for their services and products. In line with this, the following hypothesis has been devised:

H15: The benefits of multinational companies factor is positively and significantly associated with SMEs performance: hence, the more important the benefits of MNCs are to SMEs, the higher probability of business success in the Saudi market.

4.3.2.2.2 Regulatory Environment

The literature has recently examined the performance of SMEs as being affected by the regulatory environment. The related literature has been categorised into three different types of research: business burden works, compliance-cost works and business decision-making and competitiveness works (Kitching, 2006). Importantly, however, such researches have shown a tendency to produce mixed evidence with regard to impacts on business performance as a result of regulation. One explanation for this is that the majority of the research to date has been quantitative in nature; as highlighted by Kitching (2006), this is considered to be the least satisfactory form of research in building understanding of the effects of regulation on small business performance.

A number of studies have identified a negative impact arising from regulation on SMEs' performance. The Small Business Survey carried out in 2010 by the Department for Business Innovation and Skills (2011), which carried out 4,580 computer-assisted telephone interviews in the UK, stated that almost half (47%) of the subjects stated 'regulation' as one issue they had to contend with while seeking business success. The main regulations recognised as obstacles to business success included health and safety, tax-related issues, sector-specific issues, employment, planning and environmental regulations, which scored 35%, 20%, 16%, 14%, 7% and 7%, respectively.

Nonetheless, regardless of the clear burden associated with such regulations, it has been stated by Vickers *et al*. (2003) that businesses that are positively influenced by these regulations are better positioned to achieve profit, and are more actively managed. In contrast, the link between new firm formation and regulation has been analysed in the work of Van Stel et al. (2007) across 39 countries. Their findings

emphasised that labour market regulations were responsible for lowering rates of entrepreneurship across various countries.

In line with the literature in developing contexts, the regulatory environment has generally been identified as burdensome, meaning that it is believed to limit SME performance. A wealth of literature in developing regions has portrayed the regulatory environment as an obstacle for SMEs. In line with an economic analysis of firm-level data across 4,000 organisations in 54 countries, Beck et al. (2005) suggested that legal challenges disproportionately restrict the growth of small firms. The World Bank (2005) believes that smaller organisations more widely identify government policies as unpredictable. Such uncertainty regarding policies decreases growth-facilitating investment. Nonetheless, Harabi (2003), whose study was in the Moroccan context, stated that government policies, such as labour regulations, anti-trust policies and environmental policies, have actually encouraged firm growth. In contrast, the study by Arasti et al., (2014) suggested that unsuitable polices, which involve excessive bureaucracy, instability of rules and no guarantee of monitoring for rules execution, are the key factors behind SME failure in the context of Iran. Thus, the following hypothesis has been formed in order to test the regulatory environment factor in the Saudi context:

H16: The regulatory environment factor is negatively and significantly associated with SMEs performance: hence the more important the regulatory environment is to SMEs, the lower probability of business success in the Saudi market.

4.2.2.2.3 Terrorism risk

Today, terrorism is considered to threaten human life worldwide. It affects both developed and developing contexts (El-Said, 2012). As a result of its detrimental effects on SMEs, terrorism has affected the living standards of people around the world, and has been recognised as causing hazards and insecurities in the business field. Comparisons centred on the economic effects of New York as a result of the 9/11 attacks and of London as a result of the 7/7 attacks should, of course, be carried out with caution. Importantly, however, in New York, 14,500 businesses were destroyed

or otherwise significantly affected as a result of the attacks. With regard to individual businesses, it was found that 20% of all businesses had increased their security as a result of the 9/11 attacks, with 52% completing risk assessments which aimed to evaluate their overall vulnerability to attack and 47% improving their security at access points. One-third of all organisations changed how business meetings and travel were carried out, with email and online conferences shown to be preferred rather than travelling to one location. In addition, 8% of businesses were recognised as having considered fear of terrorism as a way of improving their profits, with 53% of these firms operating in technology, 27% in security consultancy and 23% in security equipment (London Chamber of Commerce and Industry Report, 2005).

It has also been found that tourism may be affected by terrorism, as in the case of Indonesia, where visitor numbers notably dropped following the occurrence of an attack. The Eastern Province in Saudi Arabia has also been attacked by terrorisers several times, such as the bombing of Alkhobar Tower in 1996, which had a negative spillover onto the whole economy and for the SMEs sector in particular (The International Institute of Strategic Studies and Lloyd's, 2008) . Saudi Arabia continue to work very hard to contain the threat from violent extremism. However, there remains an ongoing threat of terrorism, for example, in the beginning of 2015, Saudi Arabia was again attacked by terrorists targeting mosques in the Eastern Province.

There is no question that the costs facing a country as a result of terrorism can be significant, with terrorist incidents recognised as having economic consequences such as diverting FDI (Foreign Direct Investment), destroying infrastructure, limiting trade, and the redirecting of public investment funds to security. Should significant amounts of FDI be lost, a country could also experience limited economic growth. Terrorism, in much the same way as civil conflict, can cause spillover effects between neighbouring countries, with capital inflows decreasing. In some instances, terrorism could affect particular sectors, such as the tourism and airline industries, as recognised following the 9/11 attacks (Drakos, 2004 ; Ito and Lee, 2005). One further cost is that of the security measures that need to be applied following large-scale attacks, such as the in the case of the notable homeland security outlays in the USA since 9/11 (Enders

and Sandler, 2006). Importantly, terrorism is also responsible for increasing the costs of doing business in the form of greater insurance premiums, security precautions and larger salaries for those individuals recognised as at-risk. Accordingly, the following hypothesis is proposed:

H17: The terrorism risk factor is negatively and significantly associated with SMEs' performance: hence, the more important the terrorism risk factor is to SMEs, the lower the probability of their business success in the Saudi market.

4.4 Summary

This chapter has set out the theoretical framework of the study. It introduced the key issues relevant to the current research. Then, the classification of the key factors affecting SMEs' performance in relation to the internal and external environments were discussed. Following this, the research's model was presented and the development of hypotheses regarding the internal and external environmental factors was provided. Finally, a summary of the chapter was given. In the following chapter, the methodology of the present research is presented.

Chapter Five: Methodology

5.1 Introduction

All the methodological approaches employed throughout the current research study are introduced, explained and analysed in this chapter. Initially, an explanation is provided relating to the paradigms of the research structure, together with its effect upon the methodology. Following this, the chapter will justify the form of the utilised data collection method then discuss the procedures used by presenting the data relating to the structure, before the methodology is set out. Lastly, a conclusion is provided that demonstrates the analysed data in detail in three sections: descriptive, exploratory factors, and logistic regression analysis.

5.2 Research paradigms

Over the last few years, interest has been focused on how philosophical paradigms and assumptions are deployed in conducting research (Therenou et al., 2007). Paradigms are sometimes referred to as assumptions, concepts, or propositions, which are loosely connected but ultimately direct research formulations (Weaver and Olson, 2006). They are also known as the motive or philosophical reason behind a study's purpose (Crossan, 2003). In fact, the principal belief defining a specific paradigm may be expressed through the approaches to three distinct areas (Guba and Lincoln, 1994). These are the ontological, the epistemological, and the methodological. The process of defining the criteria of a paradigm benefits by defining the issues for the inquiry, due to the theoretical questions arising from different conceptions and interpretations of social reality. Moreover, various paradigms, such as critical theory, interpretivism, positivism, and postmodernism, have become more widely known through the distinctive recent growth in social science research. Investigations have shown that these differences need to be explored, particularly because one paradigm cannot be measured against another (Weaver and Olson, 2006). Hence, critical appraisal and comprehension of the available and utilised paradigms needs to be achieved.

Commonly, positivism and interpretivism are the most common paradigms utilised within studies (Mackenzie and Knipe, 2006). Stemming from philosophical concepts which observe human behaviour in order to comprehend the process, the positivist explores social reality. Additionally, thinkers using a positive paradigm utilise this specific method to generate knowledge via objective reasoning that aims to represent and measure, while attempting to predict and analyse the function between vital working variables (McGregor and Murnane, 2010). Within social research, positivism has grown into an overriding institutional concept, which has also attracted critical challenges from interpretive constructionism, but it requires a large number of samples in order to get an accurate results and generalise the conclusions (Therenou et al., 2007). Indeed, this has been caused specifically through a lack of consideration by individuals who are not objective in thought. Likewise, the understanding and rationale involved in the procedure of defining quantifiable measures of phenomena can be lost (Guba and Lincoln, 1994), as well as interpretations becoming excluded from data collection (Therenou et al., 2007).

The interpretive paradigm, in contrast, is based on the working experiences that people acquire, which help to define reality as a social construction (Creswell, 2012). This paradigm usually stems from the background, experience, and views of a participant relating to the case being studied, with the overall perception being an interpretation, which also does not require a large number of cases. Thus, a human's reason is viewed as purely subjective and based on their own specific, conditioned opinion. (Mackenzie and Knipe, 2006).

5.3 Research approach

In order to provide specific research outcomes in the present study, the research methodology has been selected and designed in order to answer the research questions and achieve the research objectives. In investigations in areas of social science, in order to answer the research questions, it is required to decide on the best possible method from the literature, and the research methodologies normally utilised are quantitative, qualitative or a mixed method involving both quantitative and

qualitative (Creswell, 2012). An explanation of each of the three methodologies that can be used in research now follows, and from them will be selected the most appropriate approach for use in the present research.

When research is quantitative, it centres around the concepts of deductive conclusions, confirmation, predictions, statistical analysis, and theory/hypothesis testing. Subsequently, quantitative research was initially used in the context of physical science data (in physics and chemistry). It focuses on answering questions that distinguish of the researched phenomenon or concept in relation to people, places and time (Tashakkori and Teddlie , 2003). Furthermore, emphasis is placed within quantitative research on the conceptualisation, measurement and analysis of specific, real information through numerical data that demonstrates specifically defined variables (Bryman and Bell, 2015).

On the other hand, the inductive approach, also known as qualitative research, focuses on how to explore the generation of propositions through developing a theorised analysis (Onwuegbuzie and Leech, 2005). In fact, qualitative research has been defined as: "a means for exploring and understanding the meaning individuals or groups ascribe to asocial or human problem" (Creswell, 2009, p.4). Instead of analysing statistics, verbal evaluation is a vital part of qualitative data collection methods (Shankar and Goulding, 2001). In fact, the principal attributes of this data collection method are: "(1) a recognition that researchers need to listen to the view of participants in studies; (2) a recognition that researchers need to ask general, open questions and collect data in places where people live and work; and (3) a recognition that researchers have a role in advocating for change and bettering live of individuals" (Creswell, 2008, p.51).

In addition, researchers have also used a combined paradigm of quantitative and qualitative data, which is referred to as 'mixed method' study (Onwuegbuzie and Leech, 2005). This is often defined as: "…the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods,

approaches and concepts into a single study" (Jonson and Onwuegbuzie, 2004, p.17). Therefore, as there are three different possible formulations of research to choose from, researchers have to strategically perceive and evaluate the benefits and drawbacks for each in relation to the investigation they wish to undertake (Jonson and Onwuegbuzie, 2004).

The present research employs a quantitative method in order to achieve its aim, which is developing a prediction model that is able to predict SMEs performance in the Saudi context. Researchers have to actively define the rationale for their particular study by showing the justification for their chosen methodology, as the process, from the aims and objectives through to the analysis of the findings, must adhere to the quantitative method used (Avis, 2003). Moreover, these attributes can be shown to emphasise the collection and analysis of data through numerical formations, defining the distinct attributes of both individuals and organisations by collecting scores, as well as emphasising comparison groups or relating variables pertaining to the individuals or groups in correlational investigations (Creswell, 2008). Therefore, for example, by employing quantitative methods in the present research it is possible to discover the relations between the internal and external factors in terms of performance, differences between SMEs, and owners/mangers characteristics and how these lead to success or otherwise (Creswell, 1994). In others words, the present research uses quantitative methods because it aims to test hypotheses in the Saudi market in order to determine whether they hold true**.**

Additionally, one aim of the quantitative research method that led to its use in the present research is that the results can be generalized in all objectively similar situations (Bryman and Bell, 2015). Furthermore, most research relating to this topic has been shown to utilise a quantitative method in order to acquire sufficient data to investigate the factors associated with business performance (e.g. Isaga , 2015 ;Arasti et al., 2014 ; Marom and Lussier, 2014; Siow Song Teng et al., 2011; Temtime and Pansiri, 2004 ;Lussier and Pfeifer, 2001)

5.3.1 Data collection method

One specific data collection resource for quantitative research is the survey, and several different forms of survey are available to choose from. Researchers have generally utilised two distinct survey forms in quantitative research: interviews and questionnaires. According to Thomas (2003) and Creswell (2008), the interview tool enables participants to demonstrate individual opinions and beliefs, while a questionnaire can trace how trends differ across individuals. A questionnaire was labelled by Creswell (2008) as a survey designed to be completed and returned individually by the participant. Moreover, a questionnaire strategy can help a researcher to separate the statements of a participant into personal opinion and fact (Thomas, 2003). In addition, the questionnaire can also be self-administrated or used in interviews.

The self-administered questionnaire is considered the principal method of research, with the self-administrated form being completed through the internet, via post; or by delivery (by hand). On the other hand, the interview questionnaire method can be conducted via telephone or in person, together with a structured interview.

It has been highlighted that a separate personally administrated interview results in better response rates, as the vital human interaction helps to deliver quality feedback and ensures control, even though it is more expensive and can result in an unplanned bias from the interviewer (De Vaus, 2003). Surveys that are self- administered, which are the least expensive method, are known to create excessive data, and result in low responses rate, as well as depending upon the participant's literary skills (Thomas, 2003). However, surveys administered through a computer can be quick to use, and can help bias reduction and data collection error, although they can also be expensive and time-intensive when designing and setting up (Neuman, 2006).

When deciding upon the correct form of survey it is necessary to consider how the process will reduce errors, create a sufficient sample base without taking too much time, as well as how the sample will be accessed and analysed. Hence, after such an

evaluation, the decision was made to incorporate the self– administered questionnaire into the present investigation through a combination of an internet-based questionnaire, together with a questionnaire delivered (by hand) to the participants.

An internet-based questionnaire will eradicate bias from the interviewer, and reduce set-up time, which can be considerable for large samples. Moreover, it is inexpensive, time efficient, incorporates a large sample base with high convenience, while still being able to ascertain measurements of attitude or practice, which are all distinct advantages (Creswell, 2008). Additionally, in order to understand the working advantages of the computer/internet administered method, the current research included an online survey to analyse the responses from the Saudi Arabian population before initiating it. Thus, one specific advantage that was deduced from the online surveys was that computer- administered methods are the most popular for participants, which also boosts their cost-effectiveness as against mailing or telephone surveys, as well as one-to-one interviews (Summers et al., 2002). Furthermore, a questionnaire based around delivery and collection was also utilised as it is highly common in Saudi Arabia, although it can result in considerable time periods for the researcher to administer.

The incorporation of computer-based surveys within research is modern and increasing as time passes (Wright, 2005). It has only been in recent years that an online survey has become less time-consuming, as the adaptability of researchers to comprehend and utilise programs, such as HTML code and scripting programs, has improved (Wright, 2005). Nowadays, online survey services and new software packages have made the process distinctly easier, quicker to use, as well as more attractive (Wright, 2005). These computer- administered surveys present various advantages, as well as certain disadvantages that researchers are sometimes not fully aware of. On the one hand, the benefits are considerable in relation: there are no geographical restrictions; there is no difficulty in contact; and the method is a convenient/detailed form of data collection, which specifically reduces the effort and time required for the investigation (see Figure 5.1). However, the weaknesses of an

online survey lie in data and sampling unreliability, as well as issues relating to the structure, implementation and detailed evaluation (Wright, 2005).

The internet is one area that researchers in various fields of investigation have found to be highly effective in research, as hardware and software are continuously being made more accessible, while social information is becoming more detailed through internet usage, which in turn has developed communication and knowledge accessibility (Nie et al., 2002). Subsequently, various organisations and groups have started to promote their ideas by becoming totally computer-administered. Likewise, researchers understand that the present technological climate has created a great opportunity to access larger samples and information (Wright, 2005).

A major benefit that computer-based surveys provide is that individual and group access is obtained in areas that would otherwise be impossible or hard to reach (Kraut et al., 2004). Moreover, online research surveys can ultimately reduce excessive research time in the attempt to create a sample base, even when the desired geographical remit is huge. In fact, time is also actively saved through online surveys as researchers are presented with extra time to administer separate tasks while the computer performs its own data analysis (Lefever et al., 2007). Likewise, computer-administered surveys are highly cost effective, as the survey format is moved from a paper format to become completely electronic (Yun and Trumbo, 2000).

5.4 Instrument development

5.4.1 Questionnaire design

This section of the chapter explains the development of the self-designed questionnaire used in this research. The questionnaire consists of questions relating to the identification of factors arising from the two environments: external and internal, which are thought to be associated with the performance of small and medium enterprises and to shape whether they are to be successful or not in the Saudi market (see Appendix 1). The questionnaire is designed as follows. The first page in the questionnaire is a cover letter, which is considered an important section in motivating

the participants to complete the survey. In such letters researchers introduce themselves, identify the aim of the research, and explain the expected benefits of the study. Moreover, the letter will gather the sample participants' approval to participate in the research by answering the questionnaire questions; provide them with clear instructions about how to conduct the questionnaire, and advise of the time needed to complete the questions in advance; as well as providing the signature of the supervision team and researcher, with full contact details. Consequently, the importance of this cover letter is in building confidence and trust between researchers and participants, which is necessary to increase the response rates (Dillman and Christian, 2005).

Then, the questionnaire is divided into three parts. The first part asks demographic questions that relate to the owners or managers and their SME's characteristics, such as their gender, education, age, experience, etc. In addition, in this part there are questions relating to the business, such as the number of employees, the sectors the business works in, the kind of partnership, etc. (see Appendix 2). All these questions are closed-ended questions, which provide a number of different answers from which the respondent is instructed to select. Closed–ended questions are usually quicker and easier to answer and they limit the writing needed, in order to avoid legibility issues which can occur in self-administrated questionnaires (Dillman and Christian, 2005).

The following parts of the questionnaire (two and three) have the same instructions and format. Part two is about the variables that are produced from the internal environment, which is divided into owner-managers' characteristics and business attributes that have an influence on SMEs' performance in the Saudi market, as discussed in the literature review (see chapters 2 and 3). Part three of the questionnaire has the sample opinions on the variables that are produced from the external environment which have an influence on SMEs' performance, as discussed earlier in chapters two and three.

The questions in both of these parts are ordinal, and are measured using an easily understood five-point Likert–type scale ranged from "not important" (coded 1) to "extremely important" (coded 5), corresponding to other studies in the field (e.g. Islam et al.,2011; Okpara and Okpara, 2011 ; Arasti et al., 2014). A Likert scale is adopted because it is a psychometric scale commonly adopted in several types of questionnaire and is the most common and widely used scale in surveys across most disciplines. It is also generally used in questionnaires in order to enable respondents to clearly indicate their level of agreement with a statement (Saunders et al., 2011). In fact, in order for the respondents to adopt a neutral position, it has been recommended that the appropriate number of response categories must not be more than nine and must also be no less than three, as well as being an odd number (Aaker et al., 2007). Consequently, the sheer volume of responses is sufficiently documented by the use of the five point Likert Scale, which enables measurement standardisation within a survey. However, the use of extra points such as 7 or 9 points on a Likert scale could increase the time needed for completing the questionnaire, particularly when there are many variables to be measured, and a five-point Likert scale provides sufficient discrimination among levels of agreement (Saunders et al., 2011).

The questions were designed by concentrating on the constructs and variables that have been identified from the literature. It should be mentioned that some of the questions were developed particularly for the present research. In addition, attention is given to the format and design of the questions because these play an essential role in increasing the rate of response. According to Dillman (2000), paying attention to the first question is what engages the respondents to go through and complete a survey. They suggest some characteristics that should be present in the first part, such as that it applies to all respondents, is easy to complete within a few seconds, has close–ended questions, is interesting, and connects with the aim of the survey that was addressed in the cover letter. According to Saunders et al., (2011) all questions should be understood by the respondents in the method intended by the researcher, and the answer given by the respondent must be understood by the researcher in the same meaning intended by the respondent. Nevertheless, Dillman (2000) note that it is not just good questions which have to influence and motivate respondents to go through and complete the survey, especially when considering self–administrated survey

respondents. The visual appearance and layout including nonverbal languages, such as symbols, numbers and graphic features (i.e. variations in size, spacing, shapes and brightness) as a specific paralanguage, provides additional meaning to words and have an essential role in persuading respondents to complete the survey. Where the choice is between adding an extra page or a cramped questionnaire, the former appears to be more acceptable to respondents (Dillman and Christian, 2005). In fact, Dillman and Christian (2005) concluded that the best way of getting a valid response to questions is both by making the visual appearance of the questionnaire appealing, and the keeping wording of each question simple.

The questionnaire in the present study is designed to be clear and visible and neither too long or short. It is designed to contain four pages. The length of the questionnaire affects the response rate. There is a widespread view that longer questionnaires reduce response rates relative to shorter questionnaires. On the other hand, a very short questionnaire may give an indication that the research is not important and hence that the receiver is not a valued participant. Conversely, a questionnaire which takes a couple of hours to be completed may just be thrown away by the intended respondent. Researchers have found that a length of between four and eight A4 pages to be acceptable for a self–administered questionnaires. To sum up, researchers should not be obsessed with the length of the questionnaire, as they have to control the length without reducing legibility, a balance which will assist and motivate the respondents to go through it (Saunders et al., 2011).

5.4.2 Translation processes

In this part of the chapter, an explanation is given of the procedure of the questionnaire translation process which covers issues relating to the translation process, and the validity and reliability of the questionnaire, because the questionnaire was developed in the English language and translated into Arabic as the mother language in the place of study, Saudi Arabia.

The translation of questionnaires is the most frequently chosen method to employ 'equivalent' instruments in cross-lingual survey research. The aim of an equivalent paradigm is to achieve the same meaning of the original language to the target language. The major reason behind the translation of questionnaires is to make the instrument available in the language required for the field of the study (Chidlow et al., 2014). Translating an existing instrument means a shorter developmental period and a lower cost than developing a completely new instrument cross-culturally (Peters and Passchier, 2006). There are three common types of translation methods: (1) one-way translation, (2) committee approach, and (3) forward and back translation.

According to Peters and Passchier (2006), a one-way translation is the cheapest and quickest method with which to translate a survey instrument. However, it is considered to be of lower quality than other options, due to the process of the translation using only a singular time completion. Hence, researchers generally do not use this type of translation method. Next, the committee approach to translation contains two panels, and each panel has five to seven members. The first panel makes the translation, then the second panel carries out an evaluation of the quality of this translation, which is to be conducted by people who speak the target language; hence, this method is not used by the researcher in this study because it is considered too costly as it requires two groups of people totalling up to fourteen individuals (Peters and Passchier, 2006).

Within the translation guidelines of Brislin's work (1970), the forward and back translation method is an approach that is commonly recommended and used. This was conducted in the present study to increase the accuracy, clarity, and consistency of the information in order to remove possible errors, as well as to make sure that the translation would not impact upon the participants' understanding. In fact, this method is believed to be the most utilised form in assessing translations (Hilton and Skrutkowski, 2002; Peters and Passchier, 2006; Saunders et al., 2011).

Initially, the researcher defines the issues that can arise from translating, prior to enacting the process. Following this, a questionnaire is translated between two

individual languages, which create new issues, such as how the questionnaire's equivalence and quality transfer over from the originally translated language, a process which can acutely affect the reliability, even more than word-for-word translated accuracy (Peters and Passchier, 2006).

A vital element is the translation quality, which is analysed by examining distinct forms of equivalence both pre- and post-versions of the translated questionnaire, a process which is recording the initial instrument's meaning (Brislin, 1970), as this will help to confirm that the cross-cultural comparison has been successful. Subsequently, an investigation is required to adhere to international protocol in order to ensure translation quality, which helps to create a standardization of the translation process across many languages, as well as to develop the validity of the questionnaires (Peters and Passchier, 2006). In fact, it is considered imperative that the document is translated into the most comparative and relevant form, so that high validity is achieved from the answers given by respondents in the target community (World Health Organisation, 2011). Therefore, to achieve a high quality translation, researchers need to adhere to the forward and back translation method, while using guidelines for the process of translation and assessment in order to ascertain the quality and equivalence of the translation, as well as using applicable psychometric testing and pilot testing (Peter and Passchier, 2006).

The questionnaire's translation into Arabic from the original English version in the present investigation, was formulated through the forward and back method, which several scholars had previously proposed (Brislin, 1970; Peters and Passchier, 2006; Chidlow, 2009). Initially, the questionnaire was translated from English into Arabic by the researcher (see Appendix 3). Following this, the questionnaire in Arabic was cross-translated back by an expert certified translator into the original English in order to ascertain its exact reliability. The final stage was then for both approved copies in both languages to be analysed by both the researcher and the translator, in order to remove any further possible discrepancies. Subsequently, the approved translation was then be tested as a pilot using the specific target population (Peters and Passchier, 2006).

5.4.3 Validity and reliability

It is imperative within the process of research that validity and reliability are sufficiently tested, especially when they rely on data collection tools such as surveys (Pallant, 2013). It is possible to evaluate the validity of measuring in various ways, such as through the content and construct (Hancock and Mueller, 2010). It is possible to define content validity as a scale, which reasonably and rationally reflects that which it is supposed to measure (De Vaus, 2003). Through the current research, the evaluation of content validity was implemented in stages. Firstly, in order to improve the items within the questionnaire, a wide literature review was conducted. Secondly, the preliminary questionnaire instrument was reviewed with the researcher's supervision team and two academics expert in the relevant field in Saudi Arabia. Thirdly, a pilot study was conducted in order to test the instrument of the questionnaire and to make any modifications required (Chidlow, 2009).

In addition, in order to explain how random errors are not an active part of the scale, the most commonly used method is an internal consistency score (Pallant, 2013). The items of such a scale evaluate the internal consistency of the survey to assess the similar base attributes, which through a value between 0 and 1 (positive and minus function) different techniques to provide a valid approximation of Cronbach's coefficient alpha (Pallant, 2013). In fact, the Cronbach alpha reliability test was established after 1951 in order to assess the reliability of measuring scales, such as inventories, mixed-item tests, and questionnaires. It should be noted that to be consistent, it is acceptable to have an alpha value of between 0.50 and 0.60 within the behavioural and social sciences, and 0.70 or above in the coefficient alpha (Hancock and Mueller, 2010).

5.5 Sampling

Establishing the correct sample size involves systematically selecting the group of people or cases that are to become included in the study, which is essential in survey research (Racha, 2002). It is difficult to work with the whole population within the scope of cases, so the sample represents the population in a way which is easily manageable

(Neuman, 2006). In sampling, this process of selection involves defining the population from that which the sample is shaped. A population can be defined as involving all the people with the characteristics one specifically seeks to understand. Consequently, this is unavailable in its entirety because there is very rarely enough time and money to collect data or information from everyone who is eligible in the place of study. It is therefore necessary to find representative samples of the population.

It is essential to understand the meaning and difference between probability and non–probability sampling before deciding which technique to adopt. Probability sampling means that everyone in the study population has the chance to answer the questionnaire, whereas non-probability does not. By adopting probability sampling, it is known that the research represents the population since the confidence interval for the statistics can be valued. On the other hand, a non–probability sampling technique might not represent the population well, and often it is hard to know how close it is to being a universal representation. As a result, researchers usually prefer to use probabilistic or random sampling to non–probabilistic, which is considered more rigorous and accurate (Neuman, 2006). In other words, according to Saunders et al., (2011) , a probability sampling technique is one in which every unit in the population could be selected in the sample and the probability of this happening can be accurately determined. However, a non–probability sample involves the selection of elements that depends on assumptions according to population interests, which shape the criteria for selection. Researchers can adopt different sampling methods individually or in combination, but various factors impact the selection, including:

- The availability of auxiliary information about units on the frame.
- The nature and quality of the frame.
- Whether detailed analysis of the sample is expected.
- Accuracy requirements, and the need to measure accuracy.
- Cost.

In a simple random sample of a given size, all such subsets of the frame are given an equal probability. Therefore, each one in the frame has an equal possibility of selection, and the frame is not subdivided or portioned.

The current research has therefore adopted a random sample technique in order to generalise the findings (Saunders et al., 2011). They were selected from the small businesses and medium enterprises list of the Chamber of Commerce in the Eastern province of the KSA, as all businesses must register with the Chamber of Commerce, and they have a list of SMEs according to their definition. Alsharqia Chamber of Commerce classifies business organisations in relation to their employees as follows (Eastern Province Chamber of Commerce and Industry, 2012):

- Mini business = 3 employees and fewer;
- Small business = four to nine employees;
- Medium business =   10 to 200 employees;
- Large business = more than 200 employees.

Consequently, this research adopts these definition criteria because the sample is selected from Eastern Province Chamber of Commerce and Industry in Saudi Arabia. As was discussed in the Saudi context chapter (chapter three) Saudi Arabia is large country, which makes it difficult to conduct the research in more than one province with limited time. Moreover, the lengthy official procedures required in order to get permission from a Chamber of Commerce to gain access to the SMEs list and to gain the ethical approval required to conduct such research are also time consuming. The Eastern Province is the second largest area in the KSA after the Middle province, and is considered to be the richest area in the Kingdom as a result of its oil fields. In the same context, it is the main gateway to the Arabian Gulf.

The second criteria is that the age of the SMEs must be 3 years and more, as this classification is used to measure the business performance, businesses success (if they have achieved profit during the previous three years), and failure (when they do not make a profit throughout this period) (Lussier and Pfeifer, 2001; Siow Song Teng et al., 2011). As a result, there is no available database relating to the research, which can inform of this information. Therefore, the researcher has had to present the questionnaire to SMEs from the list, and then exclude cases that do not fall within the sample criteria.

5.6 Data collection procedure

Before the distribution of the questionnaire, it was necessary to consider some issues in connection with the collection of the data, such as getting the SMEs list from the Chamber Commerce, which, as discussed above, is considered an umbrella for businesses in Saudi Arabia. Furthermore, in order to receive the list, there are ethical procedures that had to be sufficiently dealt with. According to Chidlow (2009), researchers need to think carefully about how they will access the undertaking of their studies and about possible ethical concerns that might appear in relation to the conduct of their entire research project. Therefore, the present researcher followed some steps before gaining access to the SMEs list.

Firstly, the researcher sought, and received, recommendations from the Saudi Cultural mission in London and from the Director of Study via a letter requesting the information from the Chamber of Commerce, because the researcher cannot contact SMEs directly, without an agreed letter from the Chamber. Moreover, the researcher sought to build relationship with Small and Medium Enterprise Development Centre in the Eastern Province Chamber of Commerce, a task which was completed by personal visits that helped to explain the research aims and importance. As a result, this letter increased the level of trust when contacting the actual sample in order to motivate them in terms of the benefits of participation through the questionnaire, as is recommended by a formal organisation. After that, the list of SMEs in the Eastern Chamber of Commerce was obtained .

Fig: 5.1: the web questionnaire process
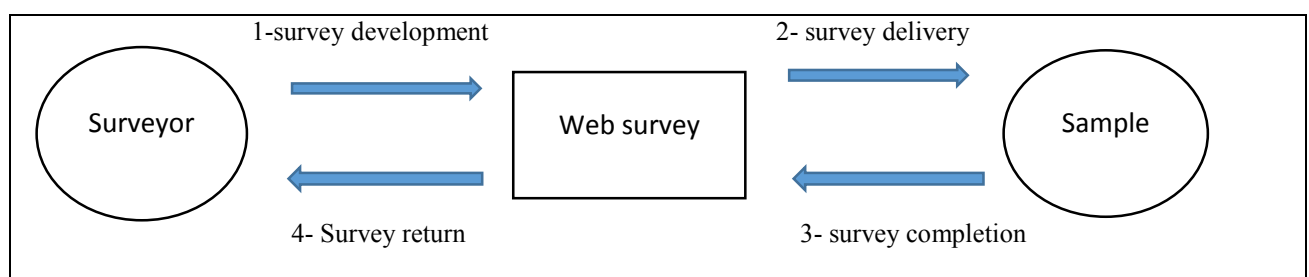
Sources: Fan and Yan (2009).

5.6.1 Pilot testing

Different researchers strongly recommend conducting a pilot study prior to initiating the main investigation (Neuman, 2006). Researchers are enabled through the pilot test to eradicate any issues that may arise, and can also incorporate a preliminary test for the different forms of data collection, as well as testing the procedure for the recognition and elimination of problems. Hence, this creates the possibility to improve upon the method and structure prior to the actual data collection implementation for the main study. It is common for a pilot test to simply reduce the scale of the actual analysed test in order to provide adequate feedback on the functionality of the research tool for a real life setting. In addition, the target population for the actual test is sampled in a pilot test, so that the practice data is administered through participants who possess similar characteristics, which will enable the analysed data to be transferred and administered to the main study's overall sample.

The pilot test permits a researcher to adequately adjust their methods and data collection procedure in order to ascertain which are the more functional questions, and the most beneficial collected data, as well as evaluating their chosen method of data collection. Hence, those researchers who decide to not undertake a pilot test will leave themselves open to the possibility of accruing wasted and irrelevant data, which is precisely why a pilot test is vital in locating any potential discrepancies that an instrument or method may present. For instance, respondents sometimes did not comprehend certain questions, as they might have been complex or ambiguous, and other questions might have more than one meaning, which leads to multiple interpretations (Winter, 2000).

A pilot test has many important features, and one of its key components is a method of identification that will develop the form of instrument application. A research instrument may have to be adjusted in relation to possible respondent fatigue during completion, which may affect the desired outcome. Moreover, if respondents are confused or they do not know how to return the completed instrument, then a researcher may be required to simplify the procedure when a participant becomes confused by the questions and fails to understand the completion process. Using a

pilot test provides a clear overview of the entire structure of a study which can incorporate experimental questions (Winter, 2000).

As a result of these considerations, the pilot study for this research took 20 days to be completed, between 15 May 2014 and 04 June 2014. Respondents were asked to complete the survey while recording the time taken to do so. In addition, after the completion of the survey, respondents were asked to provide feedback on the questions' content, clarity, phrasing and sequencing, as well as duplication of information or questions, or any issues they were not satisfied with (Van Teijlingen and Hundley, 2001). Such feedback was considered to enhance the survey formatting, clarity and layout. Following this, the researcher issued the final draft of the survey instrument.

For the pilot study, 80 questionnaires were distributed both by email and by hand, because post is not common in the Saudi context, is very time consuming, and cannot ensure that the questionnaire has reached the right person. 50 questionnaires were distributed by email, and 30 questionnaires by hand (drop and collect). In all, 53 questionnaires were completed and returned both online and by hand, with a response rate of 66%. 38 questionnaires were received back online with response rate of 76%, with only 15 questionnaires with a response rate of 50% were handed back (drop and collect). The most common feedback for the questionnaire related to the length of the questionnaire, as it was 5 pages long with the cover letter, and needed up to 20 minutes to complete, although as a result of the feedback from the participants, it was reduced to 15 minutes. Therefore, the design and the layout of the questionnaire were improved, and reduced to four pages ahead of the actual data gathering stage of the research.

One of the best methods to measure the reliability of data is to measure its internal consistency, that explains the degree to which the factors hang together. Cronbach's alpha coefficient was used to measure the degree of constancy for the items used in the current research. It found that the overall Cronbach's alpha was 0.913, which is >

than 0.70, and according to Hancock and Mueller (2010), is considered greatly consistent between the items. In the same context, the Cronbach's alpha degrees for both the internal and external environment were 0.852 and 0.886, leading to the conclusion that no problems could be identified with the questionnaire in the pilot study, so it was decided to use a similar questionnaire in the main study. In the analysis chapter each Cronbach's alpha for each factor for both environments, internal and external, are discussed.

Table 5.1: Cronbach's Alpha for the internal and external environments.

Reliability/environments	Internal environment (Int).	External environment (Ex).	Overall (Int. &Ex)
Cronbach's Alpha	0.852	0.886	0.913
Number of items	25	23	48

5.6.2 Main Study

The period of the main data collection in the research covered approximately three months between 10 June 2014 and 4 September 2014 for both the online mode and by hand mode (drop and collect). First, in the online phase, the list of the Eastern Chamber of Commerce contains 3000 businesses in all (these businesses form only the SMEs that had registered in Small and Medium-sized enterprise development centres), and after reviewing these businesses, 1,050 businesses were found to be less than 3 years old, and were therefore excluded from the list, leaving 1,950 businesses. Of these, 600 businesses had full address details with e-mail addresses, so the researcher attempted to send the questionnaire to all these email addresses, as will be explained later in this chapter.

In order to increase the percentage of respondents and motivate a high level of participation in the survey, the techniques in the electronic mail surveys of Dilmman et al. (2009), and Chidlow (2009) were considered and adopted. The following section presents all the procedures that were followed.

The first step is called the pre-notice email, which ensures the quality of responses and increases the response rate through an introduction email sent to the owner/manager of the SME to verify their contact details before sending the questionnaire. This step aims to make sure that the email has reached the appropriate person, to introduce the researcher to the individual, to explain how and why the contact details have been obtained, and to initiate future contact for the study. The pre-notice email was sent individually to each contact in order to obtain the contact's trust and to ensure the confidentiality of the study (see Appendices, 4 & 5). As a result of this step, a fairly low number (33) of responses were received which agreed to participate in the study. Following this, the researcher decided to send the questionnaire link to everyone in the contact list, as recommended by the Chamber of Commerce in the Eastern Province, to increase the response rate and to save time.

The covering email is the following step that the researcher adopted in the online mode survey. This email was sent to all individuals in the Chamber of Commerce list. The purpose of this email was to explain the objectives and importance of the current research, to provide the web questionnaire, as well as to ensure participation and the voluntary work that they can provide for their community (see Appendices, 6 & 7).

An email was sent after fifteen days to all individuals to thank people who had already completed the questionnaire, and encouraged and reminded people who had not yet completed it to do so. In addition, the email explained the importance of their participation in the research, and mentioned that it required just 15 minutes for completion. Consequently, after this email, the response rate increased from 45 questionnaires, or an 8% response rate, to 95, a 16 % response rate. After that, the thank you email to all participants was sent in order to appreciate the time and cooperation the person had demonstrated (see Appendixes, 8 & 9).

The establishment of contact via email with individuals meant that assurances could be provided that their participation would be kept confidential and anonymous. This means that their names or their organisations would not be identified during the study

and analysis, which would increase the truthfulness of the data obtained. Moreover, an electronic signature with the researcher's name, address, telephone number and an email address were attached to each individual contact in order to obtain trust and emphasise the authenticity of the research.

The process of sending the web-link of the questionnaire to all the identified participants in the first place was chosen instead of pre-notice because when they see an email with a link, people are encouraged to have a look at the questionnaire and then decide if they will participate or not. Additionally, a reminder email increased the response rates and motivated people to participate in the current research. People received an email to remind them that their participation was valued and essential to the study, and as a result, the rate of response increased.

In addition, the researcher distributed 400 questionnaires through by hand (drop and collect). Of these, 130 were distributed in the First Industrial City in the Eastern Province by visiting them personally to deliver the questionnaires and then going back to collect them, and 95 manufactures asked to take the questionnaire online after they gave their email addresses.

Moreover, 200 questionnaires were distributed through the Small and Medium Enterprises Development Centre at the Eastern Province Chamber of Commerce and Industry, which asked certain SME owners who visited them to fill out the questionnaire. Further, 70 questionnaires were distributed by visiting the location of the businesses and asking them to participate in the research, which resulted in 60 businesses requesting to complete and send the questionnaire online after they provided their email addresses.

As a result, there were 207 respondents from these different channels of distribution, although 24 respondents did not match the research criteria. Four businesses were defined as large, 11 businesses were less than 3 years old, and 9 questionnaires were

provided without completed answers regarding the profit question, so they were excluded from the study. In total, 183 respondents were accepted for analysis in the current research, which forms 18% of the questionnaires that were included in the analysis (see Table 5.2).

Table 5.2 : Response rate for the data collection

Action / Mode	Online	By Hand	Total
Number of questionnaires distributed	755	245	1000
No. of responses	180	27	207
No. of questionnaires rejected	14	10	24
No. of questionnaires accepted	**166**	**17**	**183**
The response rate from each mode	22%	7%	-
The response rate compared with the total questionnaires accepted	**91%**	**9%**	100%
The total response rate	**18%**		

5.7 Data analysis

In order to obtain knowledge, quantitative data analysis is used, which analyses, interprets and organizes the given responses from the questionnaires (Saunders et al., 2011). Moreover, quantitative analysis works together with data through the utilisation of mathematical operations that evaluates distinct properties and achieves set objectives. A quantitative method has been incorporated into the present study to collect numeric data, with a Statistical Package for the Social Science (SPSS) V. 21 used for the analysis and interpretation, as it is able to discover the differences and relationships in a dataset (Pallant, 2013). In addition, it is commonly recommended for use in the analysis of quantitative research (Field, 2005); also, the researcher has experience in using the SPSS programme, which saves time and ensures the quality of the work instead of using other programmes that would require extensive training and practice in order to become an expert user.

The stages in undertaking the quantitative analysis are detailed in the following part of the chapter. This will include the evaluation of the foundations of useful analysis

alongside the analysis of the sample using a descriptive analysis approach, ending with a conclusion that will address the objectives of the research, which were ascertained through inferential statistics.

Data preparation is required prior to initiating the descriptive analysis, and in order to maintain data comprehensibility for scores that are not inside the accepted range, data cleaning and screening was utilised (Creswell, 2008 ; Pallant, 2013). The coded system is structured as, for instance, in a statement regarding the owner's nationality: 1 = Saudi Arabian, 2 = not Saudi Arabian. Hence, this form of variable is only measured through the scores 1 and 2. Additionally, in order to ensure a removal of errors through the data collection, it is vital to conduct data cleaning prior to the descriptive analysis. Subsequently, data cleaning was completed through an evaluation of the separate variables, a process, which encompasses a review of the parameters of the variables and a check for out of range scores, before ensuring that the exact variable responses were documented by going back to the standard questionnaire.

In addition, prior to starting the analysis, missing data was also considered. The SPSS programme provides various methods for dealing with the problem of missing data (Creswell, 2008; Pallant, 2013). First, if one variable is missing, a method is deployed to exclude a case from the analysis. Second, if certain answers have not been provided, then the use of the mean option is enacted to justify implanted data. Consequently, in the current research, cases have been excluded from the current study when missing data through a lack of answers has been detrimental to the function of the research; nine questionnaires were excluded from the analysis for this reason.

5.7.1 Descriptive analysis

In order to evaluate and describe the respondents' demographic information, descriptive analysis is used as it provides various data analysis options, which are imperative in providing an establishing pattern to the questions and data of the

research (De Vaus, 2003; Pallant, 2013). Likewise, several methods can assist in processing participants' and businesses' information and characteristics, such as: their frequencies, mean mode, percentage, as well as their standard deviation. Subsequently, in the current research, descriptive analysis was used to demonstrate the differences between successful businesses and failing businesses by showing a formulated presentation of answer frequencies and percentages.

5.7.2 Factor analysis

The utilisation of specific research instruments has been validated by the factor-analysis techniques involved in many investigations; these are used to decrease large numbers of variables into a more compact factor base, but it is not designed to test a hypothesis or distinguish differences between groups (Coakes, Steed, and Price, 2008; Pallant, 2013). Moreover, this factor analysis is divided into a dual approach of conformity factors analysis (CFA) and exploratory factor analysis (EFA). Confirmatory factor analysis is a multifaceted and sophisticated set of techniques used to test specific hypotheses or theories that relate to the base foundation for different variables (Chidlow, 2009). Exploratory factor analysis, on the other hand, attempts to explore the nature of the constructs impacting a set of responses. Exploratory factors analysis was undertaken in the present research in order to detect structures in the relationships between variables (Cooper and Schindler, 2008). This method will be explained in detail below.

The specific method, which used to test for reliability in the factor analysis is described in this section. This explanation demonstrates the process of distilling both internal and external environmental factors into new variables where an exploration is initiated into each distinct factor based on a set of original items, which are referred to as factor components. Similarly, the exploration of factor analysis is often considered an imperative part of initiating the data analysis process (Dewberry, 2004). Exploratory factor analysis (EFA) is commonly implemented to check which factors contribute to the data variable reduction to ascertain a more precise set of factors, in order to evaluate the structures and dimensions, which are responsible for the original variables' differences. Additionally, this technique allows analysing the structure of the

interrelationships among a large number of correlated variables (items) in order to produce a new set of variables, which are smaller in number than the original set of variables. Consequently, a fresh and more compact set of variables will be produced in comparison to the originals, which will be more understandable. This is imperative, as the investigation must know how the variables are interrelated, as well as interpreting the different factors obtained and interpreting them (Hair et al., 2006). The various considerations that were structured into the exploratory factor analysis technique are detailed in the following paragraph.

The first technique assesses and examines the applicability of the data in factor analysis prior to extracting the factors from the dataset through the utilisation of a Kaiser-Meyer-Olkin test (KMO) and a Bartlett's test for measuring the applicability of factor analysis, as there are some correlations among variables that can be used to identify coherent factors (Field, 2005). In order to assess the actual frequency of differences in variable, the KMO is used as a measure (Hair et al., 2006), which uses values that fall between 0 and 1. The correlated structure among the original variables is relatively compact when the KMO is near to one, so the reliable factors will be found through a factor analysis. Contrastingly, in cases of a lack of pattern correlation, factor analysis is defined as most probably inappropriate when the KMO is around zero (Field, 2005). Furthermore, the KMO values are recommended to be defined into different categories for a more detailed factor analysis, as follows: Superb = 0.93; Great = 0.8-0.9; Good = 0.7-0.8; Fair = 0.5-0.7 (Hutcheson and Sofroniou, 1999). Nevertheless, in order to conduct a detailed factor analysis, Bartlett's test of sphericity is also viewed as significant (p-value<.05) (Field, 2005). Hence, the understanding of data validity for factor analysis requires both tests. Furthermore, based on the factor loading value, the original variables are allocated to only one extracted factor, so factor loading is implemented to provide an indication of the relative contribution of each variable to the extracted factors (Field, 2005).

Factor extraction is the second method, which involves defining the smallest set of factors to most adequately demonstrate how the variables interrelate, as this permits separating the smallest number of independent factors (Pallant, 2013). Various forms are used in factor extraction through statistical software. These include: Principle

Components and Factors; Image Factoring; Maximum Likelihood; Alpha; Unweighted Least Squares; and Generalised Least Squares. Principle Components Analysis (PCA) is the most commonly used technique, which is utilised to present a summarisation of information for a number of factors, as in the present study (Field, 2005).

PCA produces the same number of factors as the number of original factor variables, so a method is needed to help determine the number of maintainable factors remaining which distinguish the majority of variations in the original data. A scree test is one specific method which is able to comprehend the beneficial factors which should be retained (Field, 2005). This test locates the place at which the shape changes direction and becomes horizontal by inspecting each of the values in the factors (Pallant, 2013).

Each set of initial variables are designated to only one extracted factor based on the factor loading value, which indicates the relative contribution of each variable to each extracted factor (Field, 2005). These factor loading values have a range of -1 to 1, and the analysis method involves determining all the loading factors greater than 0.40 (Field, 2005). Additionally, across certain extracted factors, no indication of distinct loading is specified by the variables through the process of factor loading, although a rotation technique is utilised in order to combat this.

Factor rotation and interpretation are able to provide an overview of the exploratory factor analysis, which helps in extracting a more compact set of factors through the interpretation of the most relevant factors. Moreover, the production of distinguishable factor loading is made more comprehensible with the aid of factor rotation (Pallant, 2013), which increases the overall understanding of the factors (Hair et al., 2006). Likewise, a beneficial method which can be used to simplify the understanding of factors is the implementation of Varimax rotation methods (Field, 2005). Furthermore, rotation can minimise those variables which have high loadings on each factor (Pallant, 2013).

5.7.3 Correlation

In order to stipulate the use and strength of the linear relationship that occurs between variables, a correlation analysis should be implemented; namely Pearson's product-moment correlation coefficient (r) which is utilised for parametric statistics, and Spearman's Rank correlation for non-parametric statistics. The strength of the relationship in the Pearson correlation is presented in a value range of between -1.00 and +1.00, with zero indicating that the variables share no relationship correlation. Similarly, as highlighted by Cohen, strength is defined as a value structure which correlates as: large = 0.50-1.0; medium = 0.30 - 0.49; and small= 0.10 - 0.29 (Pallant, 2011). Moreover, separate consideration is needed as to how the relationship between variables is directed, as an indication is provided through the use of (+) and (-) signs (Pallant, 2011). Pearson product-moment correlation distinguishes the extracted factor correlation from the factor analysis by describing the direction and strength of the linear relationships between factors extracted.

5.7.4 Logistic regression (logit regression analysis)

Logistic regression is used in the present research in order to find the relations between the independent factors, the internal environment factors (factors relating to owners/managers, and factors relating to enterprises) and the external environment factors (factors relating to the micro-environment, and factors relating to the macro environment) with the dependent dichotomous variable SME performance, which could be a success or a failure.

In addition, logit regression is one of the statistical techniques used to compare groups, which is advantageous in comparison to linear regression as it is able to cope with dependent variables (DVs) which are categorical, and dichotomous (Scott and Carrington, 2011).

The logit regression analysis presents two separate functions. Firstly, it helps to predict group membership, through calculation of the probability of success or

failure, together with an odds ratio presenting the results. Secondly, it provides information relating to the variables' interrelating relationships and strengths. Moreover, although it relies on certain assumptions, logit regression does not assume an existing linear relationship between the dependent and independent variables, with the dependent variable requiring the form of a dichotomy, and a substantial sample is decidedly more important for the logistic regression than either the linear or simple regression (Hyoun-Ae, 2013).

Consequently, the binary logit regression model has been incorporated into the present study in order to measure and determine the relationship between the independents factors and the dependent factor. This is formulated by exploring and distinguishing whether the factors used in the analysis on SMEs performance are successful or not.

Each individual predictor (an independent factor) is presented with a coefficient, 'b', through logistic regression, which creates a measurement of distinct independent variations in the dependent variable. This dependent variable is then only able to adopt either a 0 or 1 value, while the regression gives a probability of being a part of two possible conditions of DV, which are valued anywhere between 0 and 1. Hence, the numerical value of a dependent variable is not created by logistic regression (Hyoun-Ae, 2013).

5.7.4.1 Log odds and the Odd Ratio

The logistic regression equation works through the use of SPSS, which is used within the current study, and the log odds are calculated from the b coefficients of the regression equation. Moreover, from a singular unit of alteration in independent variables, the slope can be interpreted as the change in the average value of DV, from one unit of change in independent variables. In SPSS, b coefficients are located in column 'B' in the 'Variables in the Equation' table. Logistic regression calculates changes in the log odds of the dependent variable. For a dichotomous variable, the

odds of membership of the target group are equal to the probability of membership in the target group divided by the probability of membership of the other group. Odds values can range from 0 to infinity and indicate how much more likely it is that an observation is a member of the target group rather than a member of the other group. Another important concept is the odds ratio, which estimates the change in the probability of membership in the target group for a one unit increase in the predictor. It is calculated by using the regression coefficient of the predictor as the exponent. (Scott and Carrington, 2011).

5.7.4.2 Model fit and the likelihood functions

Likelihood always means probability under a specified hypothesis. In logistic regression, two hypotheses are of interest: the null hypothesis, which occurs when all the coefficients in the regression equation take the value zero; and the alternative hypothesis is that the model with predictors currently under consideration varies significantly from the null of zero (Scott and Carrington, 2011).

The likelihood ratio test is based on a –2log likelihood ratio. This is a test of the significance of the difference between the likelihood ratio (–2log likelihood) for the researcher's model with predictors (known as a chi square model) minus the likelihood ratio for the baseline model with only a constant in it. Significance at the 0.05 level or lower means the researcher's model with the predictors is significantly different from the one which solely contains the constant (all 'b' coefficients being zero). It measures the improvement in fit that the explanatory variables make compared to the null model. Chi square is used to assess the significance of this ratio. Consequently, if the probability fails to reach the 5% significance level, the null hypothesis shows that the independent variables (predictors) have had no increased effects as a result of their inclusion (Scott and Carrington, 2011).

5.8 Summary

A quantitative research methodology has been shown in this chapter to be necessary for the study, together with the chosen research paradigms and philosophy. The chapter has discussed in detail and outlined the process of data collection, and demonstrated the methods that can most sufficiently ascertain the relevant data prior to commencing actual data collection. This led to an explanation that a pilot study will also present results that could aid in the exploration and modification of the justification for the main study before starting.

After the development and utilisation of the pilot study, the data analysis method was set out in order to explain the techniques and processes to be used throughout the descriptive analysis, which evaluates the different factors and builds logistic understanding. The culmination of all the evaluation and data analysis will be documented in the findings and final results sent investigation in the following chapter, in which the research findings are presented.

Chapter Six: Findings of the Research

6.1 Introduction

The methodology of the present research was described in the previous chapter. The present chapter reports the empirical research findings. The chapter begins with a demographic descriptive analysis of the owners/managers who agreed to participate in the present research. Then, a descriptive analysis is used to discover the SMEs' characteristics. After that, an exploratory factors analysis is conducted; within this phase, the reliability of each factor will be reported. Following that, a correlation test for the factors is conducted. The chapter then proceeds to conduct a logit regression analysis in order to provide the SME performance prediction model for use in the Saudi context. Subsequently, the research's hypotheses are tested. Lastly, a summary of the chapter is provided.

6.2 Descriptive analysis

Before analysing a dataset using sophisticated statistical techniques, a researcher should get a feeling for what the data is like (Pallant, 2013). This involves examining the characteristics of individual variables, enabling the researcher to obtain a better understanding of each of the variables as they are, without manipulation or attempting to establish causality. This part of this chapter is based on the results gathered from a survey of 183 small and medium-sized enterprises in the Eastern Province of Saudi Arabia. Descriptive statistics are used to present the data that resulted from the first part of the survey, which explores the demographics of SMEs owner/managers, and the characteristics of their businesses.

The present research sample is based on successful businesses and failed businesses, so each variable is classified based on these two businesses categories, as explained below.

The answers to the question in the questionnaire on the level of business profits enables the research to classify the sample into successful and failed businesses. This

question is divided into three groups of answers that determine whether or not the businesses are successful, failed or had achieved a break-even point. Therefore, any businesses achieving break-even will be excluded from the analysis, and there were no participants in this classification. Businesses are classified as successful if they made profits in the previous three years. On the other hand, business are classified as failures when they did not make a profit in the last three years (Lussier and Pfeifer, 2001). In addition, this classification is accepted by the Eastern Province Chamber Commerce in Saudi Arabia to determine whether a business is successful or not. In the current research, there are 137 successful businesses and 46 businesses showing symptoms of failure.

Table 6.1: Classification of businesses

Types of businesses	Number of business
Successful businesses	137 (75%)
Failed businesses	46 (25%)
Total	**183**

6.2.1 Owner/managers' characteristics

6.2.1.1 Gender of owner/managers

Based on the 183 responses received, of the 137, which came from successful businesses, 99 were managed or owned by males and 38 by females. The failed businesses were run by males (35) and females (11), so the majority of responses were male, at 73% of the respondents.

Table 6.2: Gender of owner/managers

Types of businesses	Male	Female	Total
Successful businesses	99 (72%)	38 (28%)	137
Failed businesses	35 (76%)	11 (24%)	46
Total	134 (73%)	49 (27%)	183

6.2.1.2 Age of business owner/managers

The ages of the business owners or managers were divided into three groups to simplify the questionnaire for the respondents. The majority fell into the age group of 30 – 50 with 111 responses, and of these, 84 responses came from successful businesses and 27 responses from failed businesses in the Saudi market, followed by those older than 50, with 37 responses, then 35 responses came from the 18-29 age group.

Table 6.3: Age of business owner/managers

Types of businesses	18-29	30-50	Over50	Total
Successful businesses	24 (18%)	84 (61%)	29 (21%)	137
Failed businesses	11 (24%)	27 (59%)	8 (17%)	46
Total	35 (19%)	111 (61%)	37 (20%)	183

6.2.1.3 Education level of owner/managers

Six different levels were used and the majority of responses came from people with university degrees, diplomas, postgraduate degrees, and then high school with 82, 36, 33 and 30 respectively. One response replied that their education was less than high school and one response was from the no education group. From the sample, it can be seen clearly that the majority of the respondents have at least a high school level of education, which indicates a high level of education overall for SME owners; only one person had less than high school from successful businesses and one person had no education at all in the failed businesses.

Table 6.4: Education level of owner/managers

Types of businesses	No education	Less than high school	High school	Diploma	University	Postgrad	Total
Successful businesses	0	1 (.70%)	20(14.60%)	27(19.8%)	67 (48.9%)	22(16%)	137
Failed businesses	1(2%)	0	10 (21%)	9 (20%)	15 (33%)	11 (24%)	46
Total	**1(.0055%)**	**1(.0055%)**	**30 (16%)**	**36 (20%)**	**82 (45%)**	**33 (18%)**	**183**

6.2.1.4 Nationality of owner/managers

The majority of the sample answered that they were from Saudi Arabia, forming 93% of the 171 respondents. Other nationalities forms the remaining 7% having been listed in 12 responses out of the total sample. There are 126 responses from successful Saudi small and medium-sized businesses, and 45 responses from failed Saudi businesses. Obviously, the majority of the sample concerning businesses with failure came from Saudi owner/managers.

Table 6.5: Nationality of owner/managers

Types of businesses	Saudi	Non-Saudi	Total
Successful business	126 (92%)	11(8%)	137
Failed businesses	45 (98%)	1 (2%)	46
Total	**171 (93%)**	**12 (7%)**	**183**

6.2.1.5 Position in the business

Respondents were asked about their position in the enterprise, as this information was needed to measure the factors associated with business performance of the owner/managers with ultimate responsibility for the business. An answer from anyone

else was rejected, as it did not help to define the factors that affected business performance. The respondents' positions in the business were divided into five groups: owner, manager and owner at the same time, managers, employees, and partners. The majority were from managers and owners at the same time, with 97% of 132 responses from successful businesses and 46 responses from failed businesses. The manager group formed 3% of the total sample with 5 responses from successful businesses.

Table 6.6: Position in the business

Type of businesses	Manager	Manager and owner at the same time	Owner	Total
Successful businesses	5 (4%)	132 (96%)	0	137
Failed businesses	0	46 (100%)	0	46
Total	**5 (3%)**	**178 (97%)**	**0**	**183**

6.2.1.6 Time involvement in the business

As shown in Table (6.7), 54% of respondents came from full time. Also, 46% of respondents were from part time. In addition, most respondents from successful businesses were full time, while the part time category had the most respondents from failed businesses.

Table 6.7: Time involvement in the business

Types of businesses	Part time	Full time	Total
Successful businesses	59 (43%)	78 (57%)	137
Failed businesses	26 (57%)	20 (43%)	46
Total	**85 (46%)**	**98 (54%)**	**183**

6.2.1.7 Number of years of experience of owner/managers before starting the business

The results shown in Table (6.8) indicate that most owner/managers with successful businesses had more than 10 years' experience before starting their current business with a figure of 28%. On the other hand, the highest number of respondents in the failed businesses sample came from respondents who had not had previous experience.

Table 6.8: Number of years of experience for owner/managers before starting their business

Types of businesses	None	Less than 3 years	3-5	6-10	More than 10 years	Total
Successful businesses	32 (23%)	24 (18%)	21(15%)	22 (16%)	38 (28%)	137
Failed businesses	13 (28%)	7 (15%)	8 (17.5%)	8 (17.5%)	10 (22%)	46
Total	**45 (25%)**	**31(17%)**	**29(16%)**	**30 (16 %)**	**48 (26%)**	**183**

6.2.1.8 Types of work experience of owners/managers

The results in table (6.9) indicate that the highest percentage of businesses with failure came from respondents with no experience, while the lowest percentages came from respondents who had worked as employees in the private sector. On the other hand, the highest number of respondents in successful businesses were respondents who had worked as employee in the private sector, while the lowest number of responses in the successful businesses came from owner/managers who had owned a business.

Table 6.9: Types of owner/managers' experience

Types of businesses	None	Government	Owned a business	Employee in private sector	Total
Successful businesses	32 (23%)	31 (22.6%)	27(19.7%)	47 (34%)	137
Failed businesses	13 (28%)	11 (24%)	12 (26%)	10 (22%)	46
Total	**45 (25%)**	**42 (23%)**	**39 (21%)**	**57 (31%)**	**183**

6.2.2 SMEs' characteristics

6.2.2.1 Age of the business

It is essential for the current research to concentrate only on small and medium–sized enterprises which have been in operation for three years and more, so any business less than three years old was excluded from the research according to the sample criteria explained in the methodology chapter (chapter five). Both types of businesses, successful and failed, came from businesses aged between 3-5 years.

Table 6.10: Age of the businesses

Types of businesses	3-5 years	6-10	11-15	>15	Total
Successful business	58(42.34%)	30 (21.89%)	47 (34.31%)	2(1.46%)	137
Failed businesses	19 (41%)	9 (20%)	18(39%)	0	46
Total	**77 (42%)**	**39 (21%)**	**65 (36%)**	**2 (1%)**	**183**

6.2.2.2- Number of employees

It is very important for this research to focus only on small and medium–sized enterprises. Any enterprise with 200 workers but more than nine can be considered medium-sized, while small enterprises are defined as businesses with four to nine workers. Consequently, it was vital to ask about the number of employees. Any questionnaire not satisfying this condition was subsequently excluded. The majority of respondents for small and medium-sized enterprises with either successful or failure signs came from small businesses (see Table 6.11).

Table 6.11 Size of businesses

Types of businesses	< 4	4-9 workers	10-200 workers	>200	Total
Successful businesses	0	113 (82%)	24 (18%)	0	137
Failed businesses	0	35 (76%)	11(24%)	0	46
Total	**0**	**148 (80%)**	**35 (20%)**	**0**	**183**

6.2.2.3 - Percentage of Saudi employees in a business

One of the main challenges for SMEs in the Saudi market is that they do not offer a good number of jobs to Saudi citizens. The Saudi government requires that 30 per cent of employees must have Saudi nationality in any business, this research shows that only 22 per cent of small and medium enterprises achieve this requirement.

Table 6.12: Percentage of Saudi employees in the business

Types of businesses	Less than 5 %	5-10 %	11-20 %	21- 29%	30 % and more	Total
Successful businesses	23 (17%)	37 (27%)	23 (17%)	18 (13%)	36 (26%)	137
Failed businesses	21 (46%)	7 (15%)	8 (17%)	5 (11%)	5 (11%)	46
Total	**44(24%)**	**44 (24%)**	**31 (17%)**	**23 (13%)**	**41 (22%)**	**183**

6.2.2.4 Business sector

The classifications used in this section are based on those used by the Saudi Chamber of Commerce to classify businesses sectors. The trade or retail sector involves the sale of goods or merchandise from a fixed location such as a boutique or kiosk, department store, or by post, in small or individual lots, for direct consumption by the purchaser. The hospitality industry comprises businesses offering food services and accommodation. The service sector is defined as containing businesses that provide intangible goods. Manufacturing refers to the use of machines, tools and labour to create things for use or sale. The fifth sector is the agriculture sector that involves any farming operation which produces such as fruit, vegetables, meat, dairy products, and other crops such as oils, wheat etc. that has to be registered with the Trade Ministry and with the Eastern Province Chamber of Commerce and Industry. The results in Table 6.13, indicate that the highest number of respondents from successful businesses were in the manufacturing sector, while the highest number of responses from failure businesses came from the trade sector.

Table 6.13: Business sector

Types of businesses	Trade	Hospitality	Services	Manufacturing	Agriculture	Total
Successful businesses	39 (28%)	12 (9%)	37(27%)	46 (34%)	3 (2%)	137
Failed businesses	18 (39%)	1 (2%)	13 (28%)	14 (31%)	0	46
Total	**57 (31%)**	**13 (7%)**	**50 (27%)**	**60 (33%)**	**3 (2%)**	**183**

6.2.2.5 - Kind of ownership

The results in Table 6.14 indicate that the highest percentage of successful businesses and failure businesses were sole trader respondents.

Table 6.14: Kind of ownership

Types of businesses	Partnership	Sole trader	Total
Successful businesses	45 (33%)	92 (67%)	137
Failed businesses	11 (24%)	35 (76%)	46
Total	**56 (31%)**	**127 (69%)**	**183**

6.3 Exploratory factor analysis

This part of the present chapter sets out the exploratory factors analysis for both environments, internal and external. The internal environment is measured by 25 items and the external environment is measured by 23 items. Several approaches are used to describe the constructs of study. The principal component technique is used in SPSS to extract new factors. A simple correlation between the resulting factors is measured to find the degree of relationship. Finally, the reliability of each factor is also measured.

6.3.1 Exploratory factor analysis for the internal environment

The KMO statistic is found to be 0.869 (>.50), and Bartlett's test of sphericity produces a very highly significant value (P-value < .001), indicating that an exploratory factors analysis is appropriate for the underlying data. Since factors analysis is a data reduction technique, it is not true to retain a large number of factors. The extraction of the factors relating to the internal environment depends on more than one criteria. First, it is necessary to look to the table of Total Variance Explained to adopt the Components with an Eigenvalue of one or more. Second, each component must contain three items to be considered a component or factor, so each component with two items or less will be rotated again with a fixed number of factors (Pallant, 2013). As a result, five factors have been constructed for the internal environment (see Appendix 10) as was recommended by the conceptual framework for the research (see chapter four).

Table 6.15: Variance explained for internal environment factors

Component	Initial Eigenvalues			Extraction Sums of Squared loadings.			Rotation sums of squared loadings.		
	total	%Variance	Cumulative %	total	%of var.	Cum.%	Total	% of var.	Cum.%
1	7.777	29.911	29.911	7.777	29.911	29.911	7.714	29.669	29.669
2	4.199	16.114	46.025	4.190	16.114	46.025	2.609	10.033	39.702
3	1.758	6.760	52.786	1.758	6.760	52.786	2.241	8.620	84.322
4	1.689	6.494	59.280	1.689	6.494	59.280	2.146	8.253	56.574
5	1.256	4.832	64.112	1.256	4.832	64.112	1.960	7.537	64.112

Table 6.15 presents five linear factors with their corresponding eigenvalues before and after extraction. From the total Variance Explained, the eigenvalue for each represents the variance explained by the factors, and each eigenvalue is displayed with the percentage of variance explained. It is noted before rotation that the first factor explained more variance the remaining factors (29.911%, compared with 16.114%, 6.760%, 6.494% and 4.832%). Whilst after rotation the first factor explained 29.669 % compared with 10.033%, 8.620%, 8.253% and 7.537%. The total variance of these five factors is therefore 64.112, which indicates that these five factors are a good reflection of the internal environment, because if the total variance is 60 or more, then that is considered a good reflection (Pallant, 2013). The explanation of each factor that used Principle component analysis is explained in the following.

6.3.1.1 Owner/managers' experience factor (OMEX)

The owner/managers experience factor, OMEX, consists of three items and their loading scores between 0.797 and 0.515. They have been ranked based on the mean score. First, the past work experience of owner/managers has the highest mean score, of 3.995. Second, the industry experience of owners has a mean score of 3.913. Lastly, parents owning a business has a mean score of 3.454 (see Table 6.16).

Table 6.16: Description of owner/managers' experience factor

Owner/managers' experience items	Loading	Mean	Std. Deviation	Rank
Past work experience of owners	0.797	3.995	1.0136	1
Industry experience of owners (owners have worked in the same sector as the current business).	0.746	3.913	1.0654	2
Parents own a business	0.515	3.454	1.1468	3

6.3.1.2 Deficiency of entrepreneurial competency (DENC)

Deficiency of entrepreneurial competency, DENC, consists of 11 items which are ordered according to their relative contribution using factor loading, as explained in Table 6.17. It is found that the loading scores for the 11 items that form the deficiency of the entrepreneur competency score between 0.906 and 0.764. They ranked as

dependent in the mean score for each item. It is found that lack of negotiation skills has the highest mean score, at 4.16. The item ranked next is the lack of conceptual understanding (lack of thinking intuitively and quickly when making decisions), with a mean score of 4.08. Lack of opportunity (e.g. unable to assess and identify business opportunities) is the third item ranked as having an importance influence on SMEs performance, with a mean score of 4.07. The item that the respondents ranked as fourth in importance is lack of strategic skills (taking appropriate action when necessary).with a mean score of 4.02. The fifth item is lack of self –management, with a mean score of 4.01. Then, lack of self-motivation has a mean score of 3.99, ranked in sixth. The seventh item is the lack of self–confidence, with a mean score of 3.96. The lack of relationship skills such as building relationship, and managing conflict effectively has been ranked eighth, with a mean score of 3.93. In the ninth rank, two items have the same mean score of 3.89: lack of persistence, and lack of commitment to long-term goals. Finally, inadequate main management skills (e.g. directing, organising) has the lowest mean score of 3.78 (see Table 6.17).

Table 6.17: Deficiency of entrepreneurial competency (DENC).

Deficiency of entrepreneur competency DENC items	Loading	Mean	Std. Deviation	Rank
Lack of conceptual understanding (lack of thinking intuitively and quickly when making decisions).	0.906	4.08	1.117	2
Lack of opportunity (e.g. unable to assess and identify business opportunities).	0.891	4.07	1.115	3
Lack of relationship skills such as building relationship, managing conflict effectively.	0.871	3.93	1.161	8
Lack of self –confidence.	0.864	3.96	1.194	7
Lack of self- motivation.	0.847	3.99	1.069	6
Lack of self –management.	.0843	4.01	1.167	5
Lack of negotiation skills.	0.838	4.16	1.146	1
Lack of persistence.	0.788	3.89	1.167	9
Inadequate main management skills (e.g. organising, directing).	0.777	3.78	1.186	10

	0.774	3.89	1.181	9
Lack of commitment (e.g. sustained effort, commitment to long term).	0.774	3.89	1.181	9
Lack of strategic skills (taking appropriate action when necessary).	0.764	4.02	1.165	4

6.3.1.3 Financial management factor (FINM).

The financial management factor, FINM, contains three items and their loading scores are between 0.767 and 0.683. They have been ranked based on their mean scores as follows. First, collecting accounts receivables has the highest mean score of 4.52. Second, record keeping has a mean score of 4.36. Lastly, separation between business funds and personal funds scores 4.32 (see Table 6.18).

Table 6.18: Description of the financial factor (FINM)

Financial management items	Loading	Mean	Std. Deviation	Rank
Separation between business funds and personal funds.	0.767	4.32	.839	3
Record keeping.	0.741	4.36	.864	2
Collecting accounts receivables.	0.683	4.52	.769	1

6.3.1.4 Marketing factor (MARK).

The marketing factor has five items, with scores of between 0.794 and 0.607.These five items have been ranked based on the score of their mean. First, commitment to customer satisfaction has the highest mean score, with 4.61. Second, following up of customer behaviour has been ranked with a mean score of 4.45. Improving knowledge of customers' characteristics has been ranked third with a mean score of 4.41. Focus on particular customers has been ranked fourth, with a mean score of 4.38. Finally, advertising via the internet has the lowest mean score, of 4.22 (see Table 6.19).

Table 6.19: Description of marketing factor

Marketing items	Loading	Mean	Std. Deviation	Rank
Commitment to customer satisfaction	0.794	4.61	.635	1
Following up of customer behaviour	0.694	4.45	.684	2
Focus on particular customers	0.686	4.38	.815	4
Improving knowledge of customers' characteristics	0.647	4.41	.757	3
Advertisement via the internet	0.607	4.22	.988	5

6.3.1.5 Planning (PLAN).

Table 6.20 Description of planning factor

Planning items	Loading	Mean	Std. Deviation	Rank
Making a business plan	.0847	3.85	1.170	3
Clear idea for the next start up	0.833	4.25	.985	1
Alternative business plan to overcome any emergency changes.	0.818	3.97	1.277	2

The planning factor, PLAN, consists of three items, and their loading scores of between 0.847 and 0.818 have been ranked based on their mean scores as follows. First, a clear idea for the next start up has the highest mean score, with 4.25. Second is having an alternative business plan to overcome any emergency changes, with a mean score of 3.97. Lastly, making a business plan has the lowest mean score, of 3.85 (see Table 6.20).

6.3.2 Description of the internal environment factors

The internal environment factors have been ranked based on their mean scores as follows. The first factor, with the highest mean score, is the marketing factor MARK, with a mean score of 4.4142. The financial management factor, FINM, has the second highest mean score, with 4.3989. The planning factor, PLAN, came out third with a mean score of 4.0255. Next, deficiency of entrepreneurial competency, DENC, has the fourth highest mean score, of 3.9896. Lastly, the owner/managers' experience factor, OMEX, has the lowest mean score, with 3.7869 (see Table 6.21).

Table 6.21: Ranking of the internal environment factors

Factors	Mean	Std. Deviation	Rank
Owner/managers' experience factor, OMEX.	3.7869	.78376	5
Deficiency of entrepreneurial competency, DENC.	3.9896	.96024	4
Financial management factor, FINM.	4.3989	.65787	2
Marketing factor, MARK.	4.4142	.55472	1
Planning factor, PLAN.	4.0255	.97744	3

6.3.3 Reliability of the internal factors

It can be seen from Table (6.22) that majority of the values of Cronbach's alpha show very good internal consistency. The alpha for most of factors exceeds the accepted value of 0.60 (Malhotra, 1993). Overall, this means that a good level of reliability is achieved for the study, with coefficient alphas ranging from 0.60-0.96.

Table 6.22: The reliability of the internal environment factors

Internal factors	No. of items	Cronbach's Alpha
Owners/managers' experience factor	3	0.601
Deficiency of entrepreneurial competency	11	0.956
Financial management factor	3	0.715
Marketing factor	5	0.767
Planning factor	3	0.813

6.3.4 Exploratory factor analysis for the external environment

The KMO statistic is found to be 0.825 (>.50), and Bartlett's test of Sphericity is very highly significant (P-value < .001), indicating that the exploratory factors analysis is appropriate for the underlying data in the external environment. Since the factor analysis is a data reduction technique, it is not realistic to retain a large number of factors. The extraction of the factors of the internal environment depends on more than one criteria. First, the table of Total Variance Explained is referred to in order to adopt the components which have an Eigenvalue of one or more. Second, each component must contain three items to be considered as a component or factor, so each component with two items or less will be rotated again with a fixed number of factors (Pallant, 2013). As a result, five factors have been constructed for the external environment (see Appendix 11) as was recommended by the conceptual framework for the research (see chapter four).

Table 6.23: Total variance explained for the external environment factors

Component	Initial Eigenvalue Initial			Extraction Sums of Squared Loadings.			Rotation sums of squared loadings.		
	total	%Variance	Cumulative %	total	% of var.	Cum.%	Total	% of var.	Cum.%
1	6.851	29.788	29.788	6.851	29.788	29.788	5.260	22.871	22.871
2	3.420	14.870	44.658	3.420	14.870	44.658	3.497	15.205	38.075
3	1.963	8.533	53.191	1.963	8.533	53.191	2.481	10.789	48.864
4	1.539	6.690	59.881	1.539	6.690	59.881	2.242	9.749	58.613
5	1.490	6.477	66.358	1.490	6.477	66.358	1.781	7.745	66.358

Table 6.23 presents five linear factors with their corresponding eigenvalues before and after extraction. From the Total Variance Explained, the eigenvalue for each represents the variance explained by the factors, and it displays each eigenvalue with the percentage of variance explained. It is noted that before rotation, the first factor explained more variance than the remaining factors (29.977% compared with

14.870%, 8.533%, 6.690% and 6.477%). Whilst after rotation the first factor explained more variance with 22.871% compared with 15.205%, 10.789%, 9.749% and 7.745%. The total of variance of these five factors is 66.358%, which indicates that these five factors are a good reflection of the external environment, because if the total variance is 60 or more then that can be considered a good reflection (Pallant, 2013). The explanation of each factor produced by Principal Component Analysis (PCA) in the external environment is explained in the following section.

6.3.4.1 Intensity of competition (INTESC)

This factor results from four items, which are ordered according to their relative contributions using factor loading, and their loading scores are between 0.795 and 0.573. In addition, they have been ranked based on their mean score for each item as follows. First, aggressive competition from non-Saudi companies has the highest mean score at 4.06. Second, competition and non-cooperation with large businesses and competitors able to produce a better product or service in the Saudi market has the mean score 4.04. Lastly, the lack of good relations with competitors has the mean score 3.59 (see Table 6.24).

Table 6.24: Description of the intensity competition factor

Items	Loading	Mean	Std. Deviation	Rank
Competition and non–cooperation with large businesses	0.795	4.04	1.005	2
Aggressive competition from non-Saudi companies	0.749	4.06	1.085	1
Competitors are able to produce a better product or service	0.607	4.04	1.121	2
Lack of good relations with competitors	0.573	3.59	1.355	3

6.3.4.2 Suppliers

The supplier factor contains three items, which are ordered according their relative contribution using factor loading, and their loading scores are between 0.826 and 0.513. They have been ranked depending on their mean scores as follows. First, the availability of raw materials has the highest mean score, 4.54. Suppliers are co-operative has the second highest mean score, with 4.46. Lastly, easy access to suppliers has the lowest mean score, 4.45 (see Table 6.25).

Table 6.25: Description of supplier factor

Items	Loading	Mean	Std. Deviation	Rank
Availability of raw materials	0.826	4.54	.732	1
Easy access to suppliers	0.814	4.45	.837	3
Suppliers are cooperative	0.513	4.46	.761	2

6.3.4.3 Benefits of multinational companies (MNCs).

This section discusses the benefits of MNCs in the host market factor. This factor contains five items, which are ordered according their relative contribution using factor loading, and their loading scores are between .851 and 0.665. The five items have been ranked depending on their mean scores as follows. Domestic firms learn by imitating MNCs has the highest mean score, of 4.13. Second, hiring workers that were highly trained and worked for a MNC has a mean score of 4.03. MNCs enable access to valuable technologies is ranked third, with a mean score of 4.00. Fourth, MNCs create an innovation environment in the market has a mean score of 3.95. Lastly, MNCs divert demand from imported inputs to domestic inputs has the lowest ranked mean score, of 3.63 (see Table 6.26).

Table 6.26: Description of the benefits of MNCs factor

Items	Loading	Mean	Std. Deviation	Rank
MNCs create an innovation environment in the market.	0.851	3.95	1.065	4
MNCs enable access to valuable technologies	.0849	4.00	1.016	3
Domestic firms learn by imitating MNCs.	0.813	4.13	.38	1
Hiring workers that were highly trained and worked for MNCs.	0.769	4.03	.969	2
MNCs divert demand from imported inputs to domestic inputs.	0.665	3.63	1.154	5

6.3.4.4 Regulatory environment (REGEN).

The regulatory environment factor (REGEN) contains eight items, which are ordered according to their relative contributions using factor loading, and their scores are between 0.847 and 0.709. These items are ranked based on their mean scores as follow. First, difficulty of getting visas for foreign workers got the highest mean score with 4.17. Next, two items have the same mean score: bureaucracy when interacting with government organisations, and late payment of bills from government organisations, with a mean score of 4.04 in each case. Third, the instability of the market policies has a mean score of 3.99. Lack of good organisation for the market is fourth with a mean score of 3.98. Fifth, lack of information about the market has the mean score 3.93. Sixth, difficulty in obtaining contracts from government organisations has a mean score of 3.90. Lastly, lack of regulations to prevent non Saudi workers from monopolising the market (Tassture) has the lowest mean score, with 3.85 (see Table 6.27).

Table 6.27: Descriptive analysis for the regulatory environment factor

Items	Loading	Mean	Std. Deviation	Rank
Bureaucracy when interacting with government organisations.	0.847	4.04	1.118	2
Instability of market policies	0.806	3.99	1.094	3

Late payment of bills from government organisations.	0.794	4.04	1.013	2
Lack of good organisation for the market.	0.785	3.98	1.112	4
Difficulty in getting visas for foreign workers.	0.785	4.17	1.063	1
Lack of information about the market.	0.784	3.93	1.119	5
Difficulty in obtaining contracts from government organisations.	0.763	3.90	1.154	6
Lack of regulations to prevent non Saudi workers from monopolising the market (Tassture)	0.709	3.85	1.132	7

6.3.4.5 Terrorism risk (TERORs).

Terrorism risks are measured by the results for three items, which are ordered according to their relative contribution using factor loading, and their loading scores are between 0.883 and 0.826. First, domestic terrorism (terrorist acts that happen in the same market) has the highest mean score, 3.44. Second, international terrorism (terrorist acts that happen in other countries) has a mean score of 3.39. Lastly, terrorism increases business cost has the lowest mean score, 3.36 (see Table 6.28).

Table 6.28: Descriptive analysis of terrorism risks

Items	Loading	Mean	Std. Deviation	Rank
Terrorism increases business cost.	0.883	3.36	1.301	3
International terrorism (terrorist acts that happen in other countries).	0.882	3.39	1.287	2
Domestic terrorism (terrorist acts that happen in the same market).	0.826	3.44	1.324	1

6.3.5 Description of the external environment factors

As shown in Table 6.29, five factors have been constructed from the external environment. They have been ranked based on their mean scores as follows. The first factor with the highest mean score is the supplier factor (SUPP), with 4.4827. Regulatory environment (REGEN) has the second highest mean score with 3.9884.

Intensity of competition (INTESC) has been ranked third, and its mean score is 3.9331. Next, benefits of multinational companies (MNCs) has the fourth highest mean score, 3.3953. Lastly, terrorism risk (TEROR) has the lowest mean score, with 3.3953 (see Table 6.29).

Table 6.29: Ranking of the external environment factors

External environment factor	Mean	Std. Deviation	Rank.
Intensity of competition (INTESC)	3.9331	.81871	3
Supplier factor (SUPP)	4.4827	.58744	1
The benefits of multinational companies (MNCS).	3.9475	.83855	4
Regulatory environment (REGEN).	3.9884	.88211	2
Terrorism risks (TERORs).	3.3953	1.19668	5

6.3.6 Reliability of the external environment factors.

It can be seen from Table 6.16 that the majority of the values of Cronbach's alpha show a very good internal consistency. The alpha for most of the factors exceeds the accepted value of 0.60 (Malhotra, 1993). Overall, reliability is achieved with a coefficient alpha ranging from 0.62-0.92.

Table 6.30: The reliability of the external environment factors.

The External factors	No. of items	Cronbach's Alpha
Intensity of competition (INTESC)	4	0.690
Suppliers factor (SUPP)	3	0.623
The benefits of multinational companies (MNCS)	5	0.876
Regulatory environment (REGEN).	8	0.921
Terrorism risks (TERORs)	3	0.906

6.3.7 Description of internal and external factors

The internal and external factors have been ranked based on the mean score for each factor as follows. First, the supplier factor (SUPP) has the highest mean score, with 4.4827. The marketing factor (MARK) has the second highest mean score, with 4.4142. Third, the financial management factor (FINM) has mean score of 4.3989. After that, the planning factor (PLAN) is the fourth factor mean score at 4.0255. Fifth comes the deficiency of entrepreneurial competency factor (DENC) with a mean score of 3.9896. The regulatory environment (REGEN) is the sixth-ranked factor with a high mean score of 3.9884. The benefits of multinational companies (MNCS) has the seventh highest mean score, 3.9331. Eighth comes intensity of competition (INTESC) with a mean score of 3.9331.The last two factors have the lowest mean scores; the owner/managers' experience factor (OMEX) has a mean score of 3.7869 and then lastly, terrorism risk (TEROR) has a mean score of 3.3953.

Table 6.31: Ranking of the internal and external environment factors

Factors	Mean	Std. Deviation	Rank
Owner/managers' experience factor (OMEX).	3.7869	.78376	9
Deficiency in entrepreneurial competency (DENC).	3.9896	.96024	5
Financial management factor (FINM).	4.3989	.65787	3
Marketing factor (MARK).	4.4142	.55472	2
Planning factor (PLAN).	4.0255	.97744	4
Intensity of competition (INTESC).	3.9331	.81871	8
Supplier factor (SUPP).	4.4827	.58744	1
The benefits of multinational companies (MNCS).	3.9475	.83855	7
Regulatory environment (REGEN).	3.9884	.88211	6
Terrorism risks (TERORs).	3.3953	1.19668	10

6.4 Sampling biases

The sampling technique and procedure are crucial in any research. From the early stages of this research this challenge was considered. The availability of and access to the sample were slightly problematic. It was necessary to determine the availability of the sample and how to access it while used the most appropriate data-collection method. A questionnaire was designed to be attractive, clear and have an easy structure. In addition, the researcher used two methods to distribute the questionnaire, namely an online questionnaire and a hard-copy questionnaire (distributed hand) so as to get a high-percentage response rate. Moreover, a pilot study was also conducted in order to test the questionnaire before final distribution, ensure its reliability and get participants' feedback in order to encourage the main sample to participate in the main study (Neuman, 2006). However, non-response is a common problem in research. According to Churchill and Lacobucci (2009), non-responses can contribute to a sampling bias or error which is hard to assess. Non-response bias was examined using a similar approach to that used by Lussier, and Halabi (2010), in which the responses from the first mailing of the questionnaire and those responses after reminder were compared in order to find any significant differences. This method to test bias is based on a discussion by Rogelberg and Luong (1998) which suggests that the later respondents may have been non-respondents if the questionnaire deadline was observed. Therefore, as suggested by Baruch and Holtom (2008) and Sax et al., (2003) the latter respondents can be employed as alternatives to non-respondents.

In this present research, 45 responses were received after the first mailing of the questionnaire, whereas a total of 50 was received after subsequent reminders were sent out. Accordingly, an independent t-test was conducted to determine whether there were significant differences in the response ratings of these two groups, i.e. before and after reminders. Appendix (12) shows the results of this test. The results indicate that there were no significant differences between early and late respondents. Thus, there is no evidence of non-response bias.

6.5 Correlations between the constructed factors

Table (6.32) presents a bivariate correlation matrix of the factors associated with each other. To interpret the correlation matrix values, the research applies Cohen's (1988) guidelines, which are: small (r =0.10 to 0.29), medium (r = 0.30 to 0.49) and large (r = 0.50 to 1.0). An investigation of the relationship between the overall factor variables using Pearson's correlation coefficient revealed that the values for the owners' /managers' experience factor (OMEX) (r= 107, p<0.05), had a small but significant positive correlation with the financial management factor (FINM). It means that the more experience owners/ mangers have, the more they pay attention to financial management. In addition, a small but significant positive correlation was found between the owners'/ managers' experience factor (OMEX) and the marketing factor (MARK) (r= 0.244, p<0.01), which indicates that when owners'/ managers' experience is substantial, the marketing factor is important.

In addition, there is a significant positive and strong correlation between a deficiency in entrepreneurial competency (DENC) and the intensity of competition (INTESC) (r= 0.603, p<0.01). It means that when owners/ mangers lack entrepreneurial competency, the intensity of the competition is increased. Furthermore, there are small but significant positive correlations between a deficiency in entrepreneurial competency (DENC) factor and the following factors: suppliers (SUPP) (r= 0.157, p<0.05), and the benefits of multinational companies (MNCs) (r= 0.204, p<0.01). These results indicate that with increasing deficiency in entrepreneurial competency, the more participants rate the importance of suppliers and the benefits of multinational companies. There are medium-sized positive correlations between a deficiency in entrepreneurial competency (DENC) and the regulatory environment (REGEN) (r= 0360, p<0.01) and the terrorism risk (TERORs) (r= 0.310, p<0.01). These results could be explained thus: the more there is a deficiency in entrepreneurial competency, the more that the regulatory environment and terrorism risks are influential.

There are medium significant positive relationships between financial management (FINM) and the marketing factor (MARK) (r=0.454, p< 0.01). This means that with increased importance of financial management, the marketing factor also increases, so that financial management has a positive influence on/ association with the

marketing factor. In addition, the financial management factor (FINM) has a small but significant positive relationship with the planning factor (PLAN) (r= 0.295, p<0.01), the supplier factor (SUPP) (r= 0.218, p< 0.01) and the benefits of multinational companies (MNCs) (r= 0.157, p<0.05). These results indicate that the more important the financial management factor is, the more important are the planning factor, the supplier factor and the benefits of multinational companies.

There is a significant medium-sized positive correlation between the marketing factor (MARK) and the benefits of multinational companies (MNCs) (r= 0.307, p< 0.01). This indicates that the more important the marketing factor is for owners/ managers, the more benefits the MNCs factor offers. In addition, there are small but significant positive correlations between the marketing factor (MARK) and the planning factor (PLAN) (r= 0.251, p<0.01) and the supplier factor (SUPP) (r = 0.232, p<0.01). Thus the more that importance is given to the marketing factor, the more that importance is given to the planning and supplier factors. Moreover, there is a small but significant positive relation between the planning factor (PLAN) and the regulatory environment (REGEN) (r= 0.237, p< 0.01). It means that the more importance is given to the planning factor, the higher the regulatory environment's impact is rated.

Moreover, there is a significant positive medium-sized correlation between the intensity of competition (INTESC) and MNCs (r= 0.302, p<0.01). This indicates that the more importance is given to the benefits of MNCs, the greater is the intensity of the competition factor. Similarly, there are significant and positive correlations between the intensity of competition and the regulatory environment (REGEN) (r= 0.312, p<0.01) and the terrorism risk (TERROs) (r= 0.368, p<0.01). These results indicate that the greater is the intensity of competition, the more importance is attached to the regulatory environment and the terrorism risk factors. In addition, there is a small but significant positive correlation between the benefits of multinational companies (MNCS) and the regulatory environment (REGEN) (r= 0.243, p< 0.01). This means that the higher the rating that is given to the regulatory environment factor, the greater are the benefits of MNCs. There is a significant positive medium-sized correlation between the benefits of multinational companies (MNCS) and the terrorism risk

(TERROs) (r= 0.384, p< 0.01). This indicates that the higher the terrorism risk factor is rated, the more the benefits of the MNCs factor are rated. Finally, there is a small but significant positive relation between the regulatory environment (REGEN) and the terrorism risk (TEROROs) (r= 0.278, p<0.01), which means that when the importance of the regulatory environment factor increases the terrorism risk factor also increases.

Table 6.32 : Correlations matrix for the factors

		OMEX	DENC	FINM	MARK	PLAN	INTESC	SUPP	MNCS	REGEN	TERORs
MEX	Pearson Correlation	**1**	.107	.174*	.224**	.130	.050	-.034	.092	.027	.045
	Sig. (2-tailed)		.148	.018	.002	.080	.504	.649	.215	.718	.542
DENC	Pearson Correlation	.107	**1**	.060	.061	-.107	.603**	.157*	.204**	.360**	.310**
	Sig. (2-tailed)	.148		.417	.410	.150	.000	.033	.005	.000	.000
FINM	Pearson Correlation	.174*	.060	**1**	.454**	.295**	.067	.218**	.157*	-.068	.071
	Sig. (2-tailed)	.018	.417		.000	.000	.369	.003	.034	.360	.341
MARK	Pearson Correlation	.224**	.061	.454**	**1**	.251**	.109	.232**	.307**	.007	.116
	Sig. (2-tailed)	.002	.410	.000		.001	.143	.002	.000	.921	.117
PLAN	Pearson Correlation	.130	-.107	.295**	.251**	**1**	-.124	.100	-.035	.237**	-.044
	Sig. (2-tailed)	.080	.150	.000	.001		.095	.180	.634	.001	.558
INTESC	Pearson Correlation	.050	.603**	.067	.109	-.124	**1**	.135	.302**	.312**	.368**
	Sig. (2-tailed)	.504	.000	.369	.143	.095		.068	.000	.000	.000
SUPP	Pearson Correlation	-.034	.157*	.218**	.232**	.100	.135	**1**	.258**	.269**	.144
	Sig. (2-tailed)	.649	.033	.003	.002	.180	.068		.000	.000	.052
MNCS	Pearson Correlation	.092	.204**	.157*	.307**	-.035	.302**	.258**	**1**	.243**	.384**
	Sig. (2-tailed)	.215	.005	.034	.000	.634	.000	.000		.001	.000
REGEN	Pearson Correlation	.027	.360**	-.068	.007	.237**	.312**	.269**	.243**	**1**	.278**
	Sig. (2-tailed)	.718	.000	.360	.921	.001	.000	.000	.001		.000
TERORs	Pearson Correlation	.045	.310**	.071	.116	-.044	.368**	.144	.384**	.278**	**1**
	Sig. (2-tailed)	.542	.000	.341	.117	.558	.000	.052	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

6.6 Logistic regression model

A logit regression model is used to examine the external and internal factors as predictors of SMEs performance. It is used because the outcome the dependent variable is binary (i.e., it is either success or failure). As was explained in the theoretical framework chapter (chapter four), the independent variables (IVs) are the internal and external environments factors, while the dependent variable (DV) is the SMEs performance. The dependent variable (DV) is business profit. Businesses are classified as successes if they have made profits for the previous three years (Lussier and Pfeifer, 2001). On the other hand, businesses are classified as failures if they did not make profits for the last three years. This definition is adopted by the Eastern Chamber Commerce in the KSA as is discussed in detail in the literature review chapter (chapter three). Consequently, the coding for the dependent variable Dv is as follows:

0 (no): business failure (it has not made profits in the last three years); and

1 (yes): business success (it has made profits in the previous three years).

Figure 6.1: The research's model
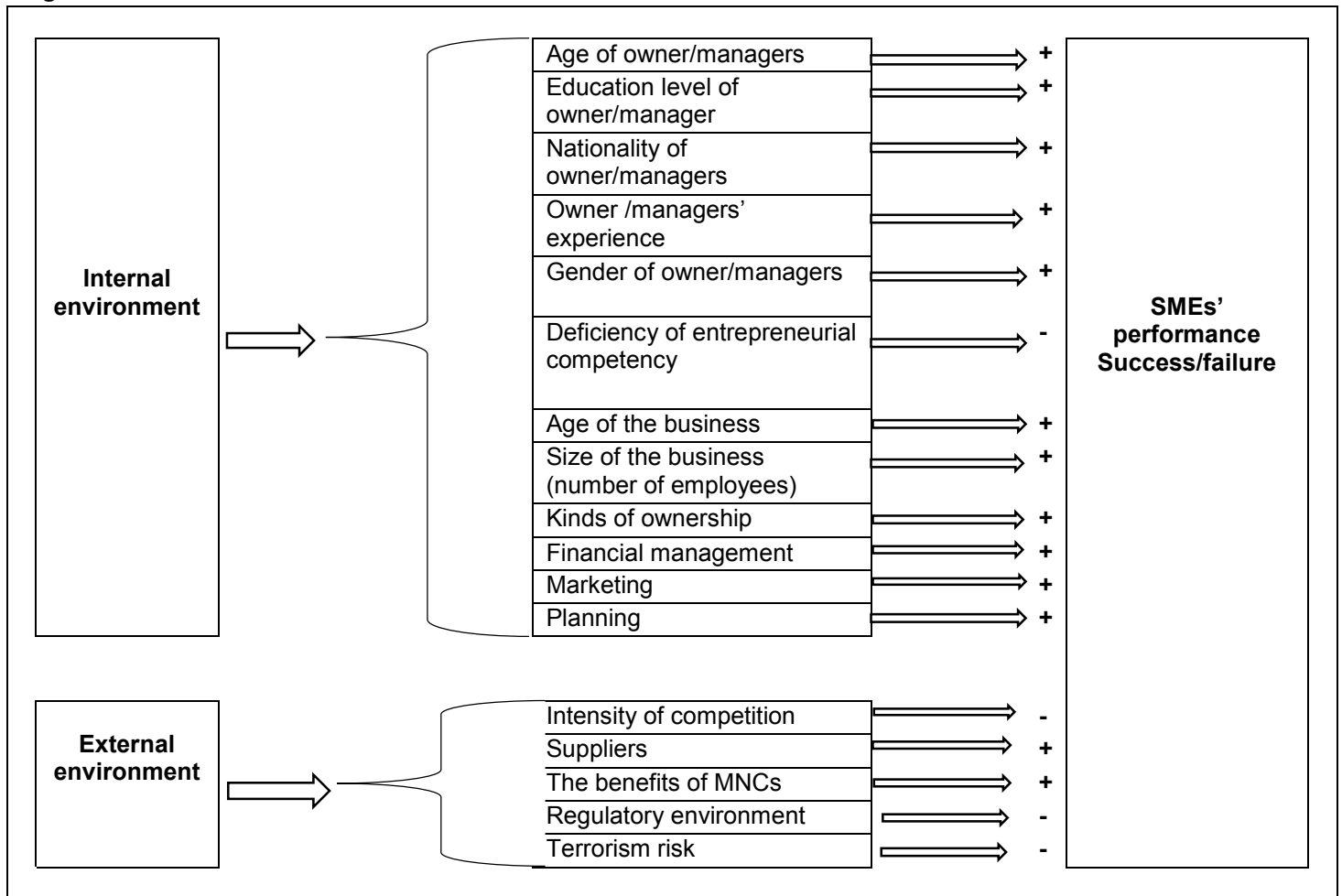
The internal environment is divided into: first, factors relating to owner/mangers (gender (GEN), the age of the owner/managers (AGEOMs), their education level (EDU), the nationality of the owner/managers (NATION), owner/managers' experience (OMEX), and deficiencies of the entrepreneurial competency (DENC). Second, factors relating to business (the age of the business (AGEBUS), the size of the business (SIZ) (based on the number of employees), kinds of ownership (KOWN), financial management (FINM), marketing (MARK), and planning (PLAN)).

The external environment is divided into: first, factors relating to the microenvironment (intensity of competition (INTESC), and suppliers (SUPP). Second, factors relating to

the macro environment (the benefits of multinational companies (MNCS), the regulatory environment (REGEN), and terrorism risks (TERORs).

6.33: Logit regression model test results

Factors	B	Sig.	Exp(B)	95% for EXP (B)	
				Lower	Upper
Gender	1.865	0.059	0.155	0.022	1.070
Age of owner/managers	-0.874	0.224	0.417	0.102	1.709
Education level of owner/managers	0.275	0.439	0.760	0.378	1.525
Nationality of owner/managers	-1.646	0.455	0.193	0.003	14.457
Owner/managers' experience	1.159	**0.027**	3.186	1.138	8.919
Deficiency of entrepreneurial competency	-1.204	0.196	0.300	0.048	1.864
Age of the business	0.102	0.825	1.107	0.449	2.730
Size of the business.	-1.999	0.082	0.135	0.014	1.286
Kind of ownership	1.787	0.071	5.970	0.860	41.425
Financial management	-0.404	0.565	0.668	0.168	2.647
Marketing	1.698	0.104	5.465	0.704	42.428
Planning	0.882	**0.045**	2.415	1.020	5.720
Intensity of competition	-2.661	**0.002**	0.070	0.013	0.371
Suppliers	2.002	0.063	7.402	0.898	61.042
The benefits of MNCs.	0.346	0.632	1.413	0.343	5.830
Regulatory environment	-2.750	**0.003**	0.064	0.010	0.399
Terrorism risk	-2.988	**0.000**	0.050	0.012	0.209
Constant	28.926	0.000	3.652		
Model Test Results					
-2 Log likelihood	57.781				
Model Chi-square	148.581				

Model significant	0.000
Cox & Snell R Square	0.556
Nagelkerke R Square	0.822
Classification results	
Successful businesses	95.6%
Failed businesses	84.8%
Overall percentage	92.9%

The results of the logistic regression model in table (6.32) show that a logit regression analysis was performed to assess the relationships of a number of factors, along with the likelihood that respondents would report that they had made profits (success), or not (see Appendix, 13) .

The values used in the logistic regression equation for predicting the dependent variable from the independent variables are in log –odds units. The prediction equation is:

Log (p (probability)/1-p) =

28.926 **+**1.865 Gender - 0.874 Age of owner/managers + 0.275 Education level of owner/managers -1.646 Nationality of owner/managers (1) + 1.159 Owner/managers' experience -1.204 Deficiency of entrepreneurial competency + 0.102 Age of the business - 1.999 Size of the business   + 1.787 Kind of ownership (1) - 0.404 Financial management + 1.698 Marketing + 0.882 Planning - 2.661 Intensity of competition + 2.002 suppliers + 0.346 The benefits of MNCs - 2.750 Regulatory environment - 2.988 Terrorism risks.

The full model containing all predictors is statistically significant: χ^2 (17, N =183) = 148.581 $p < 0.05$ ($p = 0.000$), indicating that the model is able to distinguish between respondents who made profits for the previous three years (successful businesses) and those who had not made profits for the previous three years (failed businesses).

The model as a whole explained between 55.6% (Cox and Snell R square) and 82.2% (Nagelkerke R squared) of the variance of SMEs' performance, and correctly classified 92.9% of cases.

However, the model is much better at predicting business success (at 95.6%) than business failure (84.8%). As shown in Table (6.32), five of the independent factors add a unique, statistically significant contribution to the model at p <0.05:

1. Owner/managers' experience factor (OMEX)
2. Planning factor (PLAN)
3. Intensity of competition (INTESC)
4. Regulatory environment (REGEN)
5. Terrorism risk factor (TEROR)

6.6.1 Hypothesis testing

H1: The male gender of owner/managers is positively and significantly associated with SME performance, where male owner/managers are more likely to achieve business success in the Saudi market.

This hypothesis was related to the comparison of the gender of owner/managers to predict their SMEs' performance. At a significant level of 5%, the p value for gender is (B=1.865, p = 0.059, p>0.05), indicating that the gender of owner/managers is not statically significant in predicting SMEs' performance in the Saudi market. In addition, it cannot be concluded that males are more likely to achieve business success in the Saudi market. Hence, H1 is rejected (see Table, 6.33).

H2: The older age of SME owners/managers is positively and significantly associated with business performance, where older owner/managers are more likely to achieve business success in the Saudi market.

Hypothesis two relates to testing the probability of owner/managers' age as a predictor of SME performance in the Saudi market. At the significance level of 5%, no statistically significant relation was found between the age of an owner/managers and their SME business performance

 (B= - 0.874, p = 0.224, p>0.05). Therefore, the age of owner/managers does not significantly predict SME performance in the Saudi market. It cannot be concluded that older owner/ managers are more likely to achieve success in the Saudi market. Thus, H2 is rejected (see Table 6.33).

H3: Owner/managers' education is positively and significantly linked with the performance of SMEs where the owner/manager's education increases the likelihood of business success in the Saudi context.

Hypothesis three relates to the testing of SMEs' performance in relation to their owner/managers' education. The analysis of the logit regression analysis found no statistically significant relation between the education level of owner/managers and SMEs' performance (B= 0.257, p = 0.439, p>0.05). Consequently, the education level of the owner/managers does not predict SME performance in the Saudi market. The results indicate that the education of owners/ managers does not significantly increase the probability of business success in the Saudi context. Therefore, H3 is rejected (see Table 6.33).

H4 The nationality of owner/managers is positively and significantly associated with SMEs performance: hence, Saudi owner/managers have a high probability of business success in the Saudi market.

Hypothesis four relates to testing whether the owner/managers' nationality predicts SME performance in the Saudi context. At the significance level of 5%, no statistically significant relation was found between the nationality of the owner/managers and business performance (B = -1.646, p = 0.455 >0.05). Consequently, the nationality of owner/managers cannot be used to predict SME performance in the Saudi market. It

cannot be concluded that Saudi owner/ managers have a higher chance of business success in the Saudi market. Therefore, H4 is rejected (see Table 6.33).

H5: Owner/managers' experience factor is positively and significant associated with SMEs performance: hence, the more important owner/managers experience factor to SMEs, the higher the probability of business success in the Saudi market.

Hypothesis five relates to testing the probability of owners/managers' work experience as being able to predict SME performance in the Saudi context. At the significance level of 5%, there is a statistically significant relation between owner/managers' experience and business performance (B= 1.159, p = 0.027, p<0.05, OR= 3.186); therefore, the hypothesis is accepted. It indicates that owner/managers are 3.186 times more likely to belong to the SME success category with every increase of one unit in the owner/manager experience factor (see Table 6.33).

In addition, the mean score for successful businesses is (M = 3.8564, SD= 0.80825), while the mean score of failed business is (M=3.8478, SD=0.63025). In light of these findings, the owner/managers' work experience factor is more important for successful businesses than failed businesses (see Table 6.34).

H6: Deficiency of the entrepreneurial competency is negatively and significantly associated with SME performance: hence, the more important the deficiency of the entrepreneurial is to SMEs, the lower the probability of business success in the Saudi market.

Hypothesis six relates to testing the probability of a deficiency in the entrepreneurial competency being able to predict SME performance in the Saudi context. At the significance level of 5%, no statistically significant relation was found between a deficiency in the entrepreneurial competency of an SME and its business performance (B= -1.204, p = 0.196, p>0.05), so it cannot be used to predict SME performance. Furthermore, it cannot be concluded that owners/ managers with an entrepreneurial

deficiency are less likely to achieve success in the Saudi context. Therefore, H6 is rejected (see Table 6.33).

In addition, the mean score for successful SMEs is (M = 3.7857, SD = 1.00924) while the mean score for failed businesses is (M= 4.5573 SD = 0.44189). This indicates that the deficiency of the entrepreneurial competency factor is more important for failed businesses than for successful businesses (see Table 6.34).

H7: *The age of the business is positively and significantly associated with SMEs' performance: hence, the older the business, the higher the business's probability of success in the Saudi market.*

Hypothesis seven relates to testing the ability of the age of the business to predict SME performance in the Saudi context. At the significance level of 5%, no statistically significant relation was found between business age and business performance (B= 0.102 , p = 0.825 >0.05). In addition, it cannot be concluded that older businesses have a higher chance of success in the Saudi market. Therefore, H7 is rejected (see Table 6.33).

H8: The size of the business (defined by its number of employees) is positively and significantly associated with SME performance: hence, medium-sized enterprises have a higher probability of business success in the Saudi market.

Hypothesis eight relates to testing the ability of SMEs' size to predict their performance in the Saudi context. The result of the logit regression analysis indicates no significant relation between the size of a business and its performance (B= -1.999, p = 0.0.082, p<0.05). Moreover, it cannot be concluded that having more employees increases the probability of business success in the Saudi market. Therefore, H8 is rejected (see Table 6.33).

H9: The kind of ownership of a business is positively and significantly associated with SMEs performance: hence, partnership enterprises have a higher probability of business success in the Saudi market than solo businesses.

Hypothesis nine relates to testing the ability of types of ownership to predict SMEs performance in the Saudi context. The result of the logit regression analysis indicates that no statistically significant relation exists between types of ownership and business performance (B=1.787, p = 0.071, p>0.05). In addition, it cannot be concluded that partnership enterprises are more likely to have business success in the Saudi context. Therefore, H9 is rejected (see Table 6.33).

H10: Financial management is positively and significant associated with SMEs performance: hence, the more important financial management is to SMEs, the higher the probability of business success in the Saudi market.

Hypothesis ten relates to testing the ability of financial management to predict SME performance in the Saudi context. The result of the logit regression analysis indicates that no statistically significant relation exists between financial management and business performance (B= -0.404, p = 0.565 p>0.05). Moreover, it cannot be concluded that the more important financial management is to SMEs, the higher is the probability of business success in the Saudi context. Therefore, H10 is rejected (see Table 6.33).

In addition, the mean score for successful SMEs is (M=4.3917, SD = 0.66899), while the mean score for failed businesses is (M= 4.4203, SD = 0.63025). This indicates that the financial management factor is more important for failed business than for successful businesses (see Table 6.34).

H11: The marketing factor is positively and significantly associated with SMEs performance: hence, the more important the marketing factor is to SMEs, the higher the probability of business success in the Saudi market.

Hypothesis eleven relates to testing the ability of the marketing factor to predict SMEs performance in the Saudi context. The result of the logit regression analysis indicates

that no statistically significant relation exists between the marketing factor and business performance (B=1.698, p = 0.104 p> 0.05). In addition, it cannot be concluded that the more important the marketing factor is to SMEs in Saudi Arabia, the higher is the chance of business success. Therefore, H11 is rejected (see Table 6.33).

Comparing the mean scores for successful businesses and failed businesses, the mean score for successful SMEs is (4.4088, SD = 0.56925), while the mean score for failed businesses is (M= 4.4304, SD = 0.51462). This indicates that the marketing factor is more important for failed businesses than successful businesses (see Table 6.34).

H12: *The planning factor is positively and significantly associated with SMEs performance: hence the more important the planning factor is to SMEs, the higher probability of business success in the Saudi market.*

Hypothesis twelve relates to testing the ability of the planning factor to predict SMEs' performance in the Saudi context. The result of the logistic regression analysis indicates that there is a statistically significant relation between the planning factor and business performance (B = 0.882, p = 0.045 <0.05, OR= 2.415). In light of these findings, the hypothesis is accepted (see Table 6.33). The odds ratio is 2.415, which indicates that owner/managers are 2.415 times more likely to belong to the SEM success category with every increase of one unit in the planning factor(see Table 6.33).

In addition, the mean score for successful SMEs is (M = 4.0852, SD = 0.94716) while the mean score for failed businesses is (M= 3.8478, SD = 1.05340). These results indicate that the planning factor is more important for successful businesses than failed businesses (see Table 6.34).

H13: *Intensity of competition is negatively and significantly associated with SMEs performance: hence, the more important the intensity of competition is to SMEs, the lower probability of business success in the Saudi market.*

Hypothesis thirteen relates to testing the ability of the intensity of competition to predict SMEs' performance in the Saudi context. At the significance level of 5%, there is a statistically significant relation between the intensity of competition and SMEs' performance (B=-2.661, p= 0.002, OR=0.070). Therefore, the hypothesis is accepted. This indicates that owner/managers are 0.070 times less likely to belong to the SME success category with every increase of one unit in the intensity of competition factor (see Table 6.33).

In addition, the mean score for failed business (M= 4.6141, SD = 0.50472) is more than that of successful businesses (M = 3.7044, SD = 0.77662). This indicates that the intensity of competition factor is more important for failed business than successful businesses (see Table 6.34).

H14: *The supplier factor is positively and significantly associated with SMEs performance: hence, the more important the supplier factor is to SMEs, the higher probability of business success in the Saudi market.*

Hypothesis fourteen relates to testing the ability of the supplier factor to predict SMEs performance in the Saudi context. At the significance level of 5%, no statistically significant relation is found between the supplier factor and SMEs performance (B= 2.002, p = 0.063, p>0.05) (see Table 6.33). Moreover, it cannot be concluded that, the more essential is the supplier factor to business, the higher is the probability of SME success in the Saudi context. Therefore, H14 is rejected (see Table 6.33).

In addition, the mean score for successful businesses is (M= 3.70, SD= 0.7766) while the mean score for failed businesses is (M= 4.614, SD = 0.50472), indicating that the supplier factor is more important for failed businesses than successful businesses (see Table 6.34).

H15: *The benefits of multinational companies factor is positively and significantly associated with SMEs performance: hence, the more important the benefits of MNCs are to SMEs, the higher probability of business success in the Saudi market.*

Hypothesise fifteen relates to testing the ability of the benefits of MNCs factor to predict SMEs performance in the Saudi context. The result of the logistic regression analysis indicates that no statistically significant relation exists between this factor and business performance (B= 0.346, p= 0.032, p>0.05). Moreover, it cannot be concluded that the more important are the benefits of MNCs to SMEs, the higher is the chance of business success in the Saudi market. Therefore, H15 is rejected (see Table 6.33).

In addition, the mean score for successful SMEs is (M=3.8015, SD = 0.84905), while the mean score for failed SMEs is (M= 4.3826, SD = 0.63781). This indicates that the benefits of MNCs factor is more important for failed businesses than successful businesses (see Table 6.34).

H16: *The regulatory environment factor is negatively and significantly associated with SMEs performance: hence, the more important the regulatory environment is to SMEs, the lower the probability of business success in the Saudi market.*

Hypothesis sixteen relates to testing the ability of the regulatory environment to predict SMEs performance in the Saudi context. At the significance level of 5%, there is a statistically significant relation between the regulatory environment and SMEs performance (B= -2.750, p = 0.003, OR = 0.060), therefore, the hypotheses is accepted. This indicates that owner/managers are 0.060 times less likely to belong to the SME success category with every increase of one unit in the regulatory environment factor (see Table 6.33).

In addition, failed businesses have a higher mean score (M=4.5951, SD= 0.44580) than successful businesses (M= 3.7847, SD = 0.80825) in relation to the regulatory environment factor. This indicates that the regulatory environment factor is more important for failed businesses than successful businesses (see Table 6.34).

H17: *The terrorism risk factor is negatively and significantly associated with SMEs performance: hence, the more important the terrorism risk factor is to SMEs, the lower probability of business success in the Saudi market.*

Hypothesis seventeen relates to testing the ability of the terrorism risks factor to predict SMEs' performance in the Saudi context. At the significance level of 5%, there is a statistically significant relation between the terrorism risks factor and SMEs' performance (B= -2.988, p= 0.000, OR= 0.050), therefore the hypothesis is accepted. This indicates that, owners/managers are 0.050 times less likely to belong to the SME success category with every increase of one unit in the terrorism risks factor (see Table 6.33).

Furthermore, the mean score for failed businesses (M 4.4710, SD= 0.61894) is more than the score for successful businesses (M= 3.0341, SD = 1.2552). This indicates that the terrorism risks factor is more important for failed businesses than successful businesses (see Table 6.34).

Table 6.34: Differences in mean between successful and failed SMEs

Factors	Mean	S.d.	Success mean	Success S.d	Failed business mean	Failed business. S.d
Owners/managers experience factor.	3.7869	.78376	3.8564	.80825	3.5797	.67196
Deficiency of the entrepreneur competency	3.9896	.96024	3.7857	1.00924	4.5573	.44189
Financial management factor	4.3989	.65787	4.3917	.66899	4.4203	.63025
Marketing factor	4.4142	.55472	4.4088	.56925	4.4304	.51462
Planning factor	4.0255	.97744	4.0852	.94716	3.8478	1.05340
Intensity of competition	4.0255	.97744	4.0852	.94716	3.8478	1.05340
Supplier factor	3.9331	.81871	3.7044	.77662	4.6141	.50472
The benefits of MNCs	3.9475	.83855	3.8015	.84905	4.3826	.63781

Regulatory environment	3.9884	.88211	3.7847	.89957	4.5951	.44580
The terrorism risk factor	3.3953	1.19668	3.0341	1.2552	4.4710	.61894

6.7 Multicollinearity

Multicollinearity refers to the relationship among independent factors. It arises when independent factors strongly correlate which each other (r=0.9 or above) (Pallant, 2013). A singularity exists when one apparently independent factor is actually a combination of other ones. A correlation analysis was run to assess the degree of multicollinearity among the factors that form the internal and external environments. A correlation matrix (see Appendix 14A) shows that most of the correlations are relatively low. Thus, multicollinearity should not be a problem in the model.

Moreover, multicollinearity was diagnosed for the model by determining the variance inflation factor (VIF). This reflects whether a predictor has a strong linear relationship with another factor. However, there is no consensus over what value of VIF should be a cause for concern but there is a general guideline: if the largest VIF is greater than 10 then caution should be exercised (Field, 2005). No VIF value for any factor in the model exceeds 5, which indicates that there is no cause for concern about multicollinearity in the model (see Appendix 14B).

6.8 Summary

In summary, the present chapter has analyzed the factors associated with SMEs' performance in the Kingdom of Saudi Arabia. In the beginning, the descriptive analysis was conducted in relation to the demographic characteristics of owner/managers and SMEs. Then, an exploratory factors analysis was conducted with regard to the internal and external environments. An analysis of the correlation between the environmental factors were conducted. Following this, the prediction model for SMEs' performance was tested by logit regression analysis, and the research's hypotheses were examined. Then, the multicollinearity for the model was tested .Lastly, a summary of the chapter was provided. The next chapter discusses the research's findings.

Chapter Seven: Discussion

7.1 Introduction

The main aim of the present research is to identify the factors that predict SMEs' performance in the Kingdom of Saudi Arabia. The main reason for investigating in this field of research is that the number of SMEs that have ceased to operate in the Saudi market has been on the increase, whilst the contribution of SMEs to GDP has remained low. It was therefore identified that investigating how SMEs could play a more important role in the economy would be beneficial, and this could be done by identifying the factors associated with their performance. The Saudi economy heavily depends on oil exports, where large firms are usually the main players in the economy and are considered more important to it than SMEs. In order to identify the factors that predict SMEs' performance, SMEs needed to be defined in the Saudi context.

When determining which businesses are considered SMEs, no consensus has been reached with regard to a definition for SMEs; each country has its own definition. The definition of SMEs in the Kingdom of Saudi Arabia is complicated as different organisations use variations of definitions. Therefore, researchers can become confused in regard to the definition and identification of SMEs. However, this research adopts the Eastern Chamber of Commerce's definition of SMEs, as the data collection was conducted in the Eastern province, which is also known as Alsharqia. Chapter two of this thesis, on the Saudi context, has already provided an overview about the Eastern Province, which explains the importance of this region. According to Alsharqia Chamber of Commerce, small businesses have between four and nine employees and medium businesses have 10–200 employees, meaning that any respondents of the quantitative questionnaire that do not satisfy these criteria were excluded from this study.

Success and failure definitions are used to measure SMEs' performance in line with other studies in the field, such as that by Marom and Lussier (2014). In this vein, there are various classifications through which SMEs can be considered successes or

failures. Generally speaking, there are two main measures of success and failure: financial and long-term (Simpson, 2004). Therefore, the present research defines successful businesses as those that have made a profit for the last three years and whose age is three years or older, whilst businesses that have failed have not made a profit for the last three years (Siow Song Teng et al., 2011; Lussier and Pfeifer, 2001).

In fact, each study uses different criteria for success and failure measurements and definitions, and researchers have to adopt appropriate measures and definitions based on the availability of data. For example, some studies in the SMEs field, such as Marom and Lussier (2014) and Lussier (1994), have used a bankruptcy list to identify their failure sample, whereas other researches based on the identification of SME owners/managers were concerned with how they answered profits questions, with the researchers later on classifying them in terms of whether they are a success or a failure. Some difficulties are associated with locating businesses that have already ceased trading in the market as obtaining data from them can be very difficult. In addition, the lack of an official list about them is considered the main challenge to identifying such businesses in the Saudi market. This issue will be discussed in greater detail in the next chapter. Consequently, after determining a suitable definition of SMEs in the place of study and accordingly establishing the success and failure measurements, this research's investigations centred on the possible factors that could be used to predict SMEs performance and their success or failure in the Saudi context. This was achieved through the completion of a quantitative questionnaire. These questionnaires were distributed online and by hand; consequently the response rates for the online mode were around 91%, while those distributed by hand were only 9%.

Through the data collection phase, the researcher observed that people in Saudi Arabia now prefer to use the internet and emails in their daily life, rather than more traditional ways of communication, such as paper copies of documents, but the problem is that there is a shortage of databases that contain email addresses. Nevertheless, the use of the internet in the daily lives of people in Saudi Arabia has

increased, with more than 17 million people being defined as users in 2014 (World Wide Web Foundation, 2014). According to the Communications and Information Technology Commission (2010), Saudis display high usage rates when it comes to static content and social networking. Email is the main reason why Saudi people use the Internet (see Fig. 7.1). In the same context, Simsim (2011) found that email is widely used between businesses in Saudi Arabia rather than other usages of the internet. As a result, it is possible to conclude that people in Saudi Arabia prefer to contact each other by email, and that information technology (IT) has begun to take the place of traditional communication in Saudi culture.

Therefore, the points mentioned above lead to the need for a greater comprehension of the factors ,which cause that trend. Young people make up the highest percentage of the population in Saudi Arabia, at around 67% (Saudi Central Department of Statistics and Information, 2015), and according to the World Wide Web Foundation (2014), the majority of people world-wide who use the internet are of a young age. In addition, Saudi Arabia is one of the fastest rising countries in the Middle East in terms of spending on information and communications technology. The Kingdom spent around SR 27 billion in 2010 on the IT sector, and spending is expected to reach SR 46.3 billion in 2015. Furthermore, the Saudi Government has recently paid more attention to investment in the country's IT infrastructure in order to attract local and foreign investment in the private sector. Moreover, Saudi Arabia is ranked the third country in the world after the United Arab Emirates and South Korea for people who own smartphones, with 72.8% of the population doing so (Deloitte, 2013). These points emphasise the increased Saudi internet usage and indicate that people now depend on emails and other new electronic communication tools. These facts could explain the reasons behind the fact that most respondents in this study came from the online survey method, as they represented 91% of the total response rate.

Figure 7.1: Saudi usage of internet content

Saudi usage of internet content
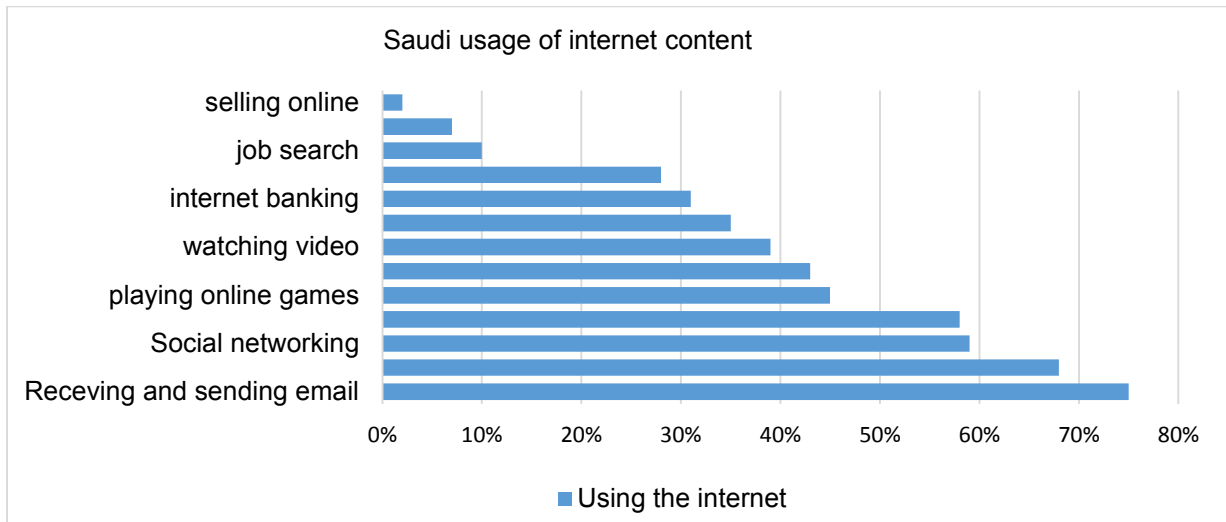
Source: Communications and Information Technology Commission (2010).

A logit regression analysis was used to predict SMEs' performance in the Saudi context. Various factors were examined in the present research with regard to measuring their contribution to the performance of SMEs in the KSA. They were then classified according to the literature in relation to the internal and external environments (Storey, 1994; Simpson et al., 2012). The results of the logit regression model indicate that the internal and external environments are able to predict SMEs' performance in the Saudi context. The following sections discuss the internal and external environmental factors by comparing the present research findings with those of other studies in different contexts.

7.2 Internal Environment

The internal environment is classified in the present research into factors relating to owner/managers and factors that relate to enterprises (Simpson et al., 2012).

7.2.1 Factors relating to owner/managers

7.2.1.1 Gender of owner/managers

The results of the descriptive analysis indicate that most of the study's participants are of male gender. It is clear that males are more dominant in business life in Saudi Arabia, as a result of the culture and customs in the KSA, as discussed in the Saudi context. It is common for women to prefer to work with government organisations due to the official working hours, as government organisations' employees work less than those in the private sector. In the same context, according to the Saudi culture, women's first priority is given to their family, which is convenient considering the nature of working for government organisations. In addition, according to the Hofstede Cultural Model, Saudi Arabian culture has a high rank of masculinity, meaning that women are not as dominant as men in Saudi society. Furthermore, according to the study conducted by Sadi and Al-Ghazali (2009) which investigated barriers to women's entrepreneurship in Saudi Arabia, the most important factors include social restrictions and high competition from businessmen. In the developing country literature, it has been identified that numerous gender-related challenges are posed in relation to SMEs' performance. Women face asymmetrical rights and obligations that limit their labour mobility and, accordingly, burden them with disproportionate household responsibilities. Furthermore, as shown by Islam et al. (2011) in South Asia, the gender of owner/managers was found to have an influence on SME performance. Therefore, these discussions have led to emphasising that businessmen seem to have a better chance of succeeding in the Saudi market than women, with females facing more barriers in the Saudi market than businessmen.

However, the results of the logistic regression model suggest there is no statistically significant relation between gender and SME performance. Previous research, such

as that by Robb and Watson (2012) in the United States, has found no significant difference between males and females in terms of their influence on business performance. Moreover, according to Malaya (2013), no variation can be attributed to gender identifiable in firm performance for SMEs in Metro Manila, Philippines.

7.2.1.2 Age of the owner/managers

The findings of the descriptive statistics analysis indicate that the majority of successful SME business owners were between the ages of 30 and 50 years, which is seen to equate to 61% of the participants, whilst 20% were over 50, and only 19% were aged 18–29 years. As explained by Achoui (2009) in the Saudi literature review, nowadays Saudi young people prefer to work with government organisations rather than own their own business or work in the private sector. This could be explained by the fact that the majority of the sample is older people.

The results of the inferential analysis using a logistic regression analysis showed no significant association between owner/managers' age and SME performance. This finding is in line with the findings of Woldie et al. (2008), who undertook an exploratory study of owner/managers and firm characteristics to identify the factors affecting SME growth in Nigeria. Using a self-administered questionnaire survey on a sample of 523 SME owner/managers, their study reported that middle-aged and older owner/managers tended to run more growth-oriented firms. The findings relating to owner/managers' age groups in the present research are supported by other studies undertaken in different contexts, such as that by Lussier and Pfeifer (2001), who found that the age of SME owner/managers was not statistically significant in terms of predicting SMEs' performance in the Croatia. Furthermore, Siow Song Teng et al., (2011) proposed that SMEs with older owner/managers have more chance than those with younger owner/managers to be successful in the Singapore market, but found no statistically significant association between SME owner/managers' ages and SME performance. On the other hand, the findings in the present research are at odds with findings in the literature from developing countries, such as the study by Kristiansen et al. (2003) which centred on failure factors of SMEs in Indonesia , and which found

that the age of business owner/managers has an influence on business performance, where the success factors of SMEs in Indonesia included the relatively young age of entrepreneurs (> 25 years).

7.2.1.2 3. Education level of owner/managers of SMEs

The education level of SMEs' owners/managers has an influence on SMEs' performance and is related to their success, where those who lack education or have a low level of education have a lower chance of avoiding failure in a market (Kim et al., 2006). The results of the descriptive analysis in the present research showed that SME owner/managers with a university degree were the most common participants for both successful businesses and failed businesses. In addition, an inferential analysis of the logit regression analysis showed no statistically significant association between the education level of owner/managers and SMEs' performance in the Saudi market. This result is perhaps rather odd when considering the findings of Gray et al., (2006) in Morocco, which were that the education of SME owners was associated with their businesses' performance.

However, the result supports those of other studies undertaken in different contexts, such as that by Soriano and Castrogiovanni (2010) who, through their research for CEO-owners, were selected from four small business development centres in the European Union (EU) to measure the influence of education on SME performance. They found that education has no positive influence on SMEs' performance. Moreover, the results of the present research relate to the ability of the education level of owner/managers to increase their chances of achieving success, which are similar to the results identified in the Lussier model when it was conducted in Chile by Lussier and Halabi (2010). Importantly, they found that owner/managers' education level is not statistically significant in relation to SME performance.

7.2.1.2.4 Nationality of SMEs owner/managers

There are several reasons behind Saudi owner/managers' success in the Saudi market when compared with non-Saudi owners/managers. First, in order for the Saudi government to decrease the unemployment rate and increase the percentage of Saudi young people working in the private sector, it has started numerous support programmes for Saudi owner/managers. For example, the Human Resources Fund pays 50% of the salary of Saudi employees who work in Saudi SMEs in order to support them in the market. In addition, several government organisations provide loans with low interest rates over the long-term, such as the Saudi Industrial Development Fund, the Centennial Fund, the Saudi Credit and Saving Bank, and others. As a result, these organisations might play an essential role in terms of improving SMEs' performance, especially when taking into account the constraints involved when trying to secure a loan from traditional banks, as explained in detail in regard to the challenges facing SMEs in the Saudi market (see Chapter 3). According to the study carried out by the National Entrepreneurship Institute (2013), Saudi owner/managers (as opposed to non-Saudis) are associated with success in the Saudi market. Furthermore, some constraints may add additional costs for non-Saudi owners/managers, such as that non-Saudi owners/managers need sponsors in order to work or own businesses in the KSA. Moreover, some literature, such as that by Dodd and Patra (2002), found that there is a probability of national-owned SMEs being more successful as a result of the network resources and relationships, such as family and many friends, which nationals of the country of operation are more likely to have, and which usually have a positive influence on performance. Therefore, it is proposed that the nationality of owner/managers is positively and significantly associated with SME performance, and hence, that the presence of Saudi owner/managers raises the business's probability of success in the Saudi market. However, the results of the inferential analysis in the present research showed that the nationality of owner/managers cannot be used to predict SMEs' performance. Therefore, it is not possible to say that Saudi owner/managers have a greater chance of being successful in the Saudi market.

7.2.1.2.5 Owner/managers' experience

The result of the descriptive analysis indicates that the owner/managers of most successful businesses have more than 10 years' experience, whilst most failed businesses have, or had, owners with no previous experience. In addition, the results of the logistic regression model indicate that the experience of owner/managers is statistically significant in relation to SMEs' performance in the Saudi market. The result is consistent with the findings derived by Naqvi (2011) in relation to the Pakistan market. In addition, SMEs' owners/managers lacking the relevant experience suffer a decrease in their probability of success (Lussier and Pfeifer, 2001) as such experience would support owner/managers in building up the ability to exploit and manage the various resources available to their businesses.

In addition, the higher experience of owner/managers increases the probability of their business survival, especially in unstable situations. For example, in the Saudi Arabian context, in order to improve the private sector, the Saudi Labour Ministry has issued and applied new regulations without forewarning businesses, so SMEs suddenly find the rules have changed, which makes for an unstable environment for SMEs in the short term, meaning that owners/managers with previous experience could become more able to deal with a changeable environment. On the other hand, the experience of owner/managers is important because it moderates with other factors, such as networks and access to market information. In the same vein, as noted by Dobbs and Hamilton (2007), experience is positively associated with networks and ensures a better understanding of how to meet demanding conditions and improve access to market information. Consequently, if the level of experience does not enable access to market information, for example, or does not add advantages for businesses, the experience factor is not necessary. However, the result of the owner/managers' experience is better support, with Okpara and Wynn (2007) noting that lack of experience was the main reason behind business failures in Nigeria, while a recent finding by Isaga (2015) for Tanzanian SMEs emphasised the experience of owners /managers as having a positive relation with business performance.

7.2.1.2.6 Deficiency of entrepreneurial competency

The logistic regression analysis model found no statistically significant association of the factor with SME performance. In other words, whether or not SMEs owner/managers have obtained entrepreneurial competency does not affect them in being a success in the Saudi market. The results of the logistic regression analysis model are at odds with the findings of Boden and Nucci (2000), who pointed out that entrepreneur competence is related to business performance. On the other hand, entrepreneur competence is not statistically significant as, according to Man et al. (2002), entrepreneur competence with regard to entrepreneurship is most essential for new or start-up businesses. Therefore, according to the descriptive result in the present research, a high percentage of businesses are aged 11–15 years, meaning that they have already passed through the start-up business phase, where entrepreneur competence seems most necessary. Additionally, according to Irefin et al. (2012), the entrepreneurship concept needs to be developed in developing economies contexts owing to the fact that it requires more attention than it has so far received. Nowadays, few universities include entrepreneurship in their courses. As a result, the importance of entrepreneur competence seems to be non-essential in the Saudi market.

7.2.2 Factors relating to enterprise

7.2.2.1 Age of the business

The descriptive analysis in the present study indicates that the majority of businesses in the sample are 3–5 years old (across both successful businesses and those that have failed). In addition, the results of the inferential analysis using the logistic regression test show no statistically significant association between the age of the SME business and its performance in the Saudi market. Therefore, the age of the business is unable to predict business success in the KSA. The results seems to go against findings by Kristiansens et al. (2003) in the Indonesia market, which found an opposing relation between firm age and performance. On the other hand, the results are consistent with those of Carter and Auken (2006) in the Iowa market, which did not identify any influence of firms' age on their business performance.

7.2.2.2 Size of business

The number of employees involved in research to identify businesses size (The Australian Bureau, 2001), as was explained in detail in the SMEs definition in different contexts (see Chapter three), were 4–9 workers (for small businesses), and 10–200 employees (which meant that the firm would be classified as a medium-sized enterprise). The results of the descriptive analysis indicate that most of the participants' businesses in this research can be considered small businesses. In addition, the results of the inferential analysis using the logistic regression test, showed no statistically significant association between the size of the business and SMEs' performance in the Saudi market. Conversely, the results seem to be at odds with the findings of McMahon (2001), who found that business size may be significantly correlated to better business performance among Australian SMEs. On the other hand, the result is consistent with the findings of Baum and Locke (2004) in North America, where enterprise size was not found to be linked with business performance.

7.2.2.3 Kind of ownership

The results of the descriptive analysis indicate that the majority of the present study's participants are from sole trader businesses, forming 69% of respondents. In addition, comparing the two groups of businesses, it may be stated that most failed businesses are sole trader businesses, which form 76% of the total of failed businesses. These results are in accord with the results provided by the Jeddah Chamber Commerce in the KSA, where solo traders were found to be the most responsible for business failures.

Additionally, the results of the logistic regression analysis model indicate no statistically significant relation between kinds of ownership and business performance, which means that the kind of ownership is not a predictor of SMEs' performance in the Saudi context. The results of the logit regression analysis go against the findings of

Lee and Tsang (2001) amongst Chinese entrepreneurs in the Singapore market, which were that partnership businesses have a positive effect on SME performance. On the other hand, there is also evidence in support of the present research's results in relation to kinds of ownership, such as the findings by Lussier and Pfeifer (2001), who observed that the kind of ownership do not predict an increase in the probability of success in the Croatia market. Moreover, similar results were also found by Siow Song Teng et al. (2011) through their study conducted in the Singapore market, who stated that partnerships do not have a statistically significant association with better SME performance.

7.2.2.4 Financial Management

Financial management was recognised in this study as one of the factors which could potentially be used to predict success in the Saudi market. The descriptive statistics indicate that owner/managers of both successful businesses and failed businesses tend to highlight the importance of financial management. The results of the inferential analysis, using the logistic regression analysis, corroborate the findings of the descriptive analysis and further reveal interesting findings in line with the financial factor. Contrary to expectations, the study did not find any significant association between the financial factor and the likelihood of SME success in the Saudi market. The results are therefore at odds with findings derived by Quadir and Jahur (2011) in Bangladesh and Gill and Biger (2012) in Canada. On the other hand, the findings support the study of Siow Song Teng et al. (2011), who found that financial management is not associated with business performance in the Singapore market.

7.2.2.5 Marketing action

The results of the logistic regression analysis model indicate that the marketing factor does not have a statistically significant association with SMEs' performance in the Saudi market. This result is consistent with the view of Hogarth-Scott et al. (1996), who pointed out that marketing seems not to have an influence on SMEs' performance because, they explained, SMEs regard marketing as a 'luxury' activity and not one

which is suitable for businesses with limited resources. On the other hand, the results of the present research are at odds with findings in relation to Thailand by Chittithaworn et al. (2011) and those of Eunni et al. (2007) in the China market, who emphasise the role of marketing in achieving superior performance.

However, one reason which could explain why marketing is not viewed as significantly associated with SMEs' performance in the present context is the nature and characteristics of the Saudi people. To support this idea, the evidence example explains that usually, Saudi people depend on people in their social circles, such as family or friends, for advice on products and services before deciding to whether to obtain them, meaning that this could decrease the importance of marketing amongst owner/managers. This would explain why it is not associated with success in the Eastern Province in Saudi Arabia. Nonetheless, with the current regulations that allow foreign firms to invest in the Saudi market without Saudi sponsorship (Ministry of Commerce and Industry- Saudi Arabia, 2015), an increased use of marketing among these firms may increase their probability of success in the Saudi market, as the density of competition will be increased.

7.2.2.6 Planning

Planning was considered as one of the factors likely to predict the performance of businesses in achieving success in the Saudi market. The descriptive statistics indicate that the owner/managers both of successful businesses and failing or failed businesses tend to highlight the importance of planning. However, planning was more highly correlated with successful businesses than with failed businesses.

The results of the inferential analysis, using the logistic regression analysis, corroborate the findings of the descriptive analysis and further reveal interesting findings in line with the planning factor. There is a statistically significant association between the planning factor and SME performance. This means that the planning factor predicts SMEs' performance in the Saudi context. The results support the

findings from different contexts, such as those of Quadir and Jahur (2011) in the Bangladesh market, who found that formal business plans are identified as fundamental keys to success. In addition, Raj (2009) found that planning is associated with business performance in the UK. On the other hand, the result is at odds with findings that in the Singapore market, no statistically significant association existed between planning and businesses performance (Song Teng et al., 2011). However, the planning factor was added as a contribution to Lussier's model in different contexts, i.e. in the United States, Croatia and Chile. Therefore, it is not surprising that the planning is one of the factors likely to be associated with SME success in the Saudi market.

7.3 External Environment

7.3.1 Factors relating to the microenvironment

7.3.1.1 Competition

The intensity of competition is one factor often found in the literature to have an influence on business performance. The descriptive results indicate that the failed businesses highly considered the importance of competition intensity to have had a bearing on their business performance. In addition, the result of the inferential analysis using the logistic regression analysis was that there is a statistically significant association between the intensity of competition factor and SME performance. The results support those of Arasti et al. (2014) in the Iranian market, who observed that competitive intensity is one of the essential factors leading to a decreased chance of business success. In addition, the present findings are compatible with the findings of Gill and Biger (2012), who recognised tough competition as one of the factors considered to be an obstacle to good SME performance in the Canadian market.

7.3.1.2 Suppliers

Suppliers are one of the most important factors discussed in terms of SME performance. The results of the descriptive analysis indicate that both successful businesses and failed or failing business agree on the importance of easily available

suppliers. However, failed businesses had a higher mean than successful businesses. Contrary to expectations, the study did not identify a significant association to suggest that the supplier factor is likely to predict SMEs' performance in the Saudi market. This result is contrary to findings by Arasti et al. (2014) in the Iranian market, where the availability of suppliers was found to be associated with SMEs' performance. In addition, the result is at odds with the findings of Quadir and Jahur (2011), where suppliers were associated with SMEs' performance.

7.3.2 Factors relating to the macro environment

7.3.2.1 The benefits of MNCs

MNCs have an essential role to play in improving the SMEs sector. The result of the descriptive analysis shows that failed businesses in the Eastern Province in the KSA considered the beneficial role of MNCs on SMEs' performance more highly than did successful businesses. In addition, the results of the inferential analysis using the logistic regression analysis found no statistically significant positive relationship between the benefits of MNCs and SMEs' performance. In the same regard, the benefits of MNCs in the host country are not predicted as contributing to the success/failure factor of SMEs in the Saudi market. These results are at odds with the findings of Alvarez and Vergara (2006) in Chile and of Zulkifli-Mohammad et al in Malaysia, who emphasised the benefits to be obtained from MNCs in the host country. On the other hand, various studies in the prior literature, such Blomström and Kokko (1998), have argued that small businesses, for example, cannot employ workers who have worked with MNCs because they usually require higher wages, which adds extra cost for small businesses. However, SMEs' owner/managers, through the interviews conducted by the Eastern Chamber of Commerce and Industry, (2011) found that, they benefited from MNCs through various channels, such as ways of doing business and the obtaining of new technology.

7.3.2.2 Regulatory environment

The regulatory environment is an essential factor which has been investigated in the SME literature in different contexts worldwide. It can be said that every individual study has investigated the relationship between the external environment and business performance, and has mentioned the role of the regulatory environment. The descriptive results of the present research emphasise the importance of the regulatory environment on businesses performance. In addition, they indicate that failed businesses recognise the importance of the regulatory environment more than successful businesses do. Furthermore, the results of the inferential analysis using the logistic regression analysis are that there is a negative statistically significant relation between the regulatory environment factor and SME performance. This means that the regulatory environment can be used to predict the performance of SMEs in the Kingdom of Saudi Arabia. This finding is consistent with those of Arasti et al. (2014) where inappropriate regulatory policies are recognised as being among the threats to SMEs in the Iranian market. Additionally, according to Naqvi (2011), the regulatory environment is the main obstacle facing SMEs in the Pakistani market, leading some of them to stop trading in the market. On the other hand, Song Teng et al. (2011) found in the Singapore market that SMEs' owner/managers pointed out that the regulatory environment has a less important role in contributing to the success/failure of SMEs. However, The Saudi National Entrepreneurship Institute (2013) has found that one of the obstacles influencing SME performance is the regulatory environment, although this is not considered to be the most important factor; rather, there are others factors, such as administration and organisational issues, which have a greater effect on SMEs' performance. The finding of the present study regarding the regulatory environment was expected because, as discussed in detail in Chapters two and three, the government has aimed at developing the SME sector, meaning that it has produced new regulations and dropped others, leading to an unstable situation for SMEs in which the regulation environment is viewed as a threat to SME success in the short-term. In fact, currently, the Saudi government is paying increasing attention to developing the regulatory environment, especially elements related to the SMEs sector, based on a sincere faith about the role of the SMEs sector in the economy, but this process requires patience from SMEs and further efforts from the government to

develop the regulatory environment in the Saudi market. Therefore, it is expected that the regulatory environment will play an essential role to support SMEs in the future.

7.3.2.3 Terrorism risk

As mentioned earlier, terrorism has become one of the major risks faced by business, including SMEs. Terrorism has no nationality; it affects both developed and developing countries alike, although Muslim countries have been the main sufferers from terrorism (El-Said, 2012). The SMEs sector has also suffered major costs as a result of terrorism. The results of the descriptive analysis indicate that failed businesses include greater consideration of the role of terrorism in their businesses. In addition, the results of the inferential analysis using the logistic regression analysis are that there is a negative statistically significant relation between terrorism and SMEs' performance in the Eastern Province in the Kingdom of Saudi Arabia. This result is consistent with prior findings derived from both developing and developed contexts, such as the London Chamber of Commerce and Industry's report (2005), and the International Institute of Strategic Studies and Lloyd's, (2008). The Eastern Province of the KSA has been attacked by terrorists on several occasions, including the bombing of Alkhobar Tower in 1996, each of which have had a negative spillover on all SMEs in the area. However, the Saudi government has directed huge efforts and developed security systems to combat terrorism. For example, the KSA and the USA have established two joint task forces, one aimed at pursuing leads relating to terrorist activities and another centred on monitoring terror financing. Additionally, such efforts have been concerned with improving the overall sophistication of human resources in the KSA, which have been further enhanced by the application of innovative technologies aimed at assisting the safeguarding of the state (Royal Embassy of Saudi Arabia in Washington, 2015). To sum up, terrorism is a world issue that each state and all businesses must consider; at the same time, however, it can increase activities in some sectors, such as in the security technology industry, but that may only boost business in a very narrow field (Frey, 2009).

7.4 Summary

The present chapter has discussed the research's findings. It began by identifying the research problem and the main issues encountered in the previous chapters. The research's findings were discussed by comparing them with those found in the supporting literature, as well with researches found to be against this research's findings. In this vein, the hypotheses for each factor were discussed. Lastly, a summary of the chapter was introduced. In the following chapter, the conclusions of the present research are provided.

Chapter Eight: Conclusion

8.1 Introduction

The current chapter offers conclusions for the present research. First, a review of the research process is given. Then, the chapter discusses and identifies the contributions of the present research before shedding light on the limitations of the research. Following this, the implications for practice, policy and further researches are provided and the chapter is summarised in a concluding section.

8.2 Review of the research process

Small and medium-sized enterprises are one of the main economic sectors that have attracted the recent interest of researchers, organisations, bodies and national and international institutions, due to the pivotal role that such enterprises play in increasing production, creating employment opportunities, generating income, and achieving economic and social objectives in all countries. They improve the production of an economy and reduce unemployment, which can be high in developing countries; for example, unemployment has reached 12% in the Saudi context (Central Department of Statistics and Information, 2015).

The principal aim of this research, as was explained in chapter one, has been to identify the key factors associated with SMEs' performance and to use them as predictors of SMEs' success in the Kingdom of Saudi Arabia. The main motive behind this research was to investigate the reasons behind the apparently large number of drop-outs or early closures of SMEs in Saudi Arabia; a phenomenon that has increased in recent years. It also sought to investigate the reasons behind the relatively low contribution of SMEs to KSA's GDP. I sought to provide an enquiry into how to increase SMEs' economic contribution to the Saudi economy and to enable them to play a more important role in economic activities by enabling them to achieve greater levels of success. In order to provide a model able to predict SMEs' performance in the Saudi market, the research has focused on answering the main

research question: *What are the factors associated with SMEs' performance which might be used to predict their performance in order to continue their activities and assist them in avoiding failure in the Saudi market?*

The research has answered this question through addressing the following questions:

- What are the internal factors that relate to the internal environment of owners/managers and the enterprises, which predict SMEs' performance in the Saudi market?

- What are the external factors relating to micro and macro environments, which predict SMEs' performance and success in the Saudi market?

In chapter two, a literature review established the definition and importance of SMEs in both developed and developing contexts by shedding light on the differences between the different definitions of SMEs in Saudi Arabia and more widely. In this vein, the present research adopted the definition used by the Eastern Province Chamber of Commerce and Industry in Saudi Arabia because the research is conducted specifically on SMEs operating in the Eastern province of KSA. It therefore involves small businesses with between 4-9 workers, and medium enterprises, which have between 10-200 workers. The chapter went on to discuss the meaning of SME performance and how it is measured in the SME field. The literature review identified various meanings and measurements of success and failure: Simpson et al. (2004) found that a business is considered successful if it continues its business operations, while failed businesses are those that leave and stop trading in the market, because they are unable to continue trading. Meanwhile, Watson (2003) defined failure as the discontinuance of business based on entry and exit rates, while Everett and Watson (1998) based failure on discontinued ownership. Some researchers, such as Marom and Lussier (2014), have defined business failure as involving official bankruptcy. In addition, other studies have defined business success as continued trading and achievement of profits (Lussier and Pfeifer, 2001; Lussier and Halabi, 2010). Consequently, various definitions of success and failure exist in the literature and a single definition of success and failure has yet to be agreed upon.

In the present research, performance (success/failure) is measured depending on profits. In the same vein, Lussier and Halabi (2010) measured the performance of SMEs and defined them as successes or failures in Chile, based on profits, to test Lussier's model as to why some SMEs succeed and others fail. As a result, businesses that did not achieve an overall profit for the last three years are known as failed businesses (Lussier and Pfeifer 2001; Song Teng et al., 2011); this is the definition used in the present research, which is accepted by the Eastern province Chamber of Commerce in the Kingdom of Saudi Arabia.

After that, the literature review chapter analysed a large number of prior studies which have discussed the different factors associated with SMEs' performance and which have been conducted in both developed and developing contexts around the world, in order to emphasise the various factors that have been associated with business performance. Then, it discussed the Lussier model in different contexts, with the fifteen variables that explain why some businesses are successful and others fail in both developed countries such as The United States of America (Lussier,1995) and developing countries such as Singapore (Song Teng et al., 2011).

Chapter three, which presented the Saudi context to the research problem, provided an overview of the place of study. It described Saudi Arabia and its status in the world; identified the Eastern Region of KSA, which is the place of study, set out the religious and cultural contexts in KSA, and gave information about the national and regional governments, population, economic background, KSA in the global economy, and the current reforms of the Saudi government, especially in the private sector.

The second part of chapter three concerns small and medium-sized enterprises in the Saudi context. The available studies into the factors that influence SMEs' performance were reviewed and placed in the Saudi context. Because of the shortage of prior research about SMEs' performance in the Saudi context, other studies in a similar

context were located and discussed. This process began by identifying the challenges facing SMEs. Business planning and management issues are the main challenges facing SMEs in the Saudi market. 'Copycat' behaviour, where many similar shops and outlets are set up next to each other, kills innovation. Saudi SMEs tend to focus on the simple buying and selling of goods and standard services; therefore, their margins are low. The level of specialisation and diversification in SMEs suffers from a lack of marketing, and managerial information. The owners of SMEs do their own rudimentary planning because professional studies are often too expensive. The Riyadh Chamber of Commerce and Industry has shown that 61% of SMEs in Saudi Arabia begin their activities without conducting suitable feasibility studies. The National Entrepreneurship Institute (2013) studied the obstacles SMEs face in Saudi Arabia and found several issues considered to be obstacles for SMEs: financial issues, marketing issues, administrative and organisational issues, and legislative problems. It was also found that the administrative and organisational problems have more negative impacts on SMEs' performance than other types of problem.

The chapter then identified the opportunities SMEs have in the Saudi context by identifying the role of the main support programmes for SMEs in Saudi Arabia. The Saudi government has paid more attention in recent years to developing SMEs in the Saudi context through the Ninth Economic plan that seeks to further expand SME support by increasing the capability of specialised funds and financial organisations to offer credit to SMEs, through the provision of different forms of technical support (SUSRIS, 2011). Saudi Arabia has the largest number of support programmes for SMEs in the Middle East, including Kafalah, which was established by the Saudi Industrial Development Fund and the Ministry of Finance. The World Bank provides loans to Saudi SMEs for renewable energy and cleaner production projects in the Kingdom. The Bank's International Finance Corporation (IFC) offered a SR75 million ($20m) investment in the Saudi ORIX Leasing Company to continue sustainable energy financing and growth access to finance for smaller businesses in Saudi Arabia (SUSRIS, 2011).

Chapter four explains the theoretical framework of the present research. This chapter starts with an explanation of the role of businesses' resources and their relationships with business environments. Businesses are less likely to succeed when there is a misalignment in their operation in relation to the resources of the business and their placement in order to achieve the business's aims and/or the environment in which they operate (Thornhill and Amit, 2003 ; Turner, 2005). Barney (1991) explained that the reasons for businesses' failures are based on their lack of success in obtaining competitive advantages by implementing strategies that exploit their internal strengths through responding to environmental opportunities, while being able to neutralise external threats and avoid internal weaknesses. There is no consensus among researchers regarding the factors that contribute to success or failure in the SME sector, but prior studies have identified certain factors that influence SMEs' performance. The literature review revealed a number of success and failure factors for SMEs. In order to classify them, Storey (1994) asserts that both internal and external factors are associated with business performance, and their relative significance will depend on the posture and composition of the firm and the prevailing characteristics of the operating environment.

The chapter then moved on to identify the internal factors associated with SMEs' performance. The internal environment refers to the resources inside a firm, which can be directed and managed by the business. In this vein, an emphasis on the role of the resource-based view of firms facilitates the identification of those factors linked with the failure or success of businesses within the economy. According to the models of Storey (1994) and Simpson et al. (2012), the internal environment can be classified into SME owners'/managers' characteristics that include personal and demographic factors, while SMEs' characteristics also include the demographic factors of businesses, as well as their functions and resources. After that, based on this classification of the internal environment, the hypothesis for the internal environment was developed based on the gender of the owner/managers, the age of the owner/managers, the education level of the owner/managers, the nationality of the owner/managers, deficiencies in entrepreneurial competency, and the experience of the owner/managers. Second, the factors that relate to the enterprise such as the age

and size of the business, kinds of ownership, financial management, marketing and planning, are also included and classified.

Next, in chapter four of the thesis, the theoretical framework determined the factors associated with SMEs performance, which were produced by the external environment. In this vein, according to several prior studies such as those of Olawale and Garwe (2010) and Jasra et al. (2011), the external environment was classified into the micro and macro environments. Then, the hypothesis of the micro environment was examined in terms of the intensity of competition and the availability of suppliers. Meanwhile, the concept of the macro environment was developed based on the regulatory environment, the benefits of multinational companies and the terrorism risk factor. Consequently, these factors, from both the internal and external environments, along with their classifications, make up the model that is examined in order to predict SMEs' performance in the Saudi context.

The methodological considerations set out in chapter five reviewed and analysed all the methodological approaches employed throughout the present research. Initially, an explanation was provided relating to the paradigms of the research structure along with an explanation of the effect upon the quantitative method involved. Following this, the chapter justified the form of data collection utilised, before a discussion of the procedures involved was presented using data relating to the structure and then the methodology was finalised. The chapter concluded with an in-depth analysis of data through three specific sections: descriptive, exploratory factors of analysis, and logit regression analysis.

This research adopted a positivist philosophy based on an objectivist position. A positivist paradigm utilises this specific method in order to generate knowledge, by initiating objective reasoning, which aims to represent and measure, while attempting to predict and analyse the function between vital working variables (McGregor and

Murnane, 2010). The positivist approach centres on concepts of confirmation, deductive conclusions, predictions, statistical analysis, and theory/hypothesis testing. Thus, a quantitative research approach was adopted (Therenou et al., 2007). One specific data collection resource for quantitative research is the use of questionnaires, although the possible forms of a questionnaire also have variations. The present investigation has incorporated self-administered questionnaires through a combination of the internet in terms of a computer-based questionnaire, together with questionnaires delivered to the participants by hand.

The current research employed randomly adopted sample techniques. The sample was selected from the small businesses and medium enterprises list held by the Chamber of Commerce in the Eastern Province of the KSA, as all businesses must register with the Chamber of Commerce, and they have a list of SMEs according to their definition. The Eastern Province Chamber of Commerce and Industry classifies business organisations with regard to their number of employees as follows:

- Small business: 4 to 9 employees
- Medium business: 10 to 200 employees
- Large business: over 200 employees (outside the scope of this research)

The present research adopted these criteria because the sample was selected from the Asharqia Chamber in the Eastern Province in Saudi Arabia. The second criteria is that the age of SMEs must be 3 years or over, in order to measure their performance with reference to their profits over the previous three years. There is no available database relating to the research that can provide this information directly. Therefore, the researcher had to present the questionnaires to SMEs from the list, and then exclude questionnaires falling outside the sample criteria. As a result, 183 respondents were included in the analysis. Lastly, principal component analysis, descriptive analysis and binary logit regression analysis were adopted.

Chapter six was the findings chapter. It was separated into sections on descriptive analysis, principal component analysis and logit regression analysis. Each part offered a detailed analysis, which aimed to answer the research questions. The aim of a descriptive analysis is to discover the nature of the data (Pallant, 2013). Descriptive statistics are adopted to present the data that resulted from the first part of the questionnaire, which explored the demographic of SME owners/managers, and the characteristics of their businesses. Then, an exploratory factor analysis was adopted using principal component analysis for both internal and external environments in order to identify relationships or factors where variables are maximally correlated with one another and minimally correlated with other variables, before grouping the variables accordingly (Coakes et al., 2008; Pallant, 2011). As a result, five factors were produced from the internal environment and five factors from the external environment based on the theoretical framework of the present research, as discussed in chapter four. Subsequently, the research model was ready to be tested via logit regression analysis in order to identify the factors associated with SMEs' performance from both the internal and external environments, which are then used to predict whether or not businesses will be successful in the Saudi context.

The logit regression model was used to examine the external and internal factors as predictors of SMEs' performance. It was used since the outcome in the form of the dependent variable is a binary indication of success or failure (Scott and Carrington, 2011). The internal environment was split into, first, factors relating to the owner/managers' gender, age, education level, nationality, experience, and deficiencies of their entrepreneurial competency. Second were a group of factors related to the business including the age of the business, its size, kind of ownership, financial management, marketing, and planning.

The external environment was split into, first, the micro environment or immediate environmental factors including competition and suppliers. Second were general or macro environmental factors including the regulatory environment, the benefits of MNCs and terrorism risk. Therefore, these factors from the both internal and external

environments are the independent variables (IVs) used to predict SMEs' performance. The dependent variable (DV) is the business profit. Businesses are classified as successful if they had generated overall profits for the previous three years. On the other hand, they are classified as failures if they did not make an overall profit over the last three years (Lussier and Pfeifer, 2001), as discussed in detail in chapter three, the literature review chapter. Consequently, the coding for the dependent variable Dv is as follows: zero (no): has not made profits for the last three years, and one (yes): has made profits for the previous three years.

The results of the logit regression model reflected that the logit regression analysis was performed to assess the impact of a number of factors on the likelihood that respondents would or would not report that they had made profits (i.e. had experienced business success). The full model containing all predictors was shown to be statistically significant. This indicates that the model is able to distinguish between respondents who had made profits for the previous three years and those who had not made profits for the previous three years (success and failure). The model as a whole explained between 55.6% (Cox and Snell R squared) and 82.2% (Nagelkerke R squared) of the variance of SMEs' performance, and correctly classified 92.9% of cases. However, the model was also shown to be much better at predicting business success, at 95.6%, than businesses that failed, at 84.8%. Looking to the individual factors, it was found that five factors add a unique statistically significant contribution to the model, $p<0.05$. These are:

- Owner/managers' experience;
- Planning factor;
- Intensity of competition;
- Regulatory environment;
- Terrorism risk factor.

Chapter Seven discussed the research's findings by comparing the findings with those drawn from previous studies in the literature in various contexts and by giving the main observations about the research.

8.3 Limitations of the research

As is common in any research, this study has its limitations, and it is essential to discuss these. This section of the current chapter addresses the limitations of the present research, while also offering a reflection on the difficulties and challenges faced in conducting the research. These limitations arise mostly from the literature review, the research methodology, and the nature of the findings.

First and foremost, there is a shortage of prior SME research, and an acute shortage of data about SMEs in the Saudi context in general. These can be considered the main obstacles encountered by the SME sector, and as limitations for researchers in the Saudi context, such as this research. In addition, this limitation of the data concerning SMEs in the Saudi context may mean that the SME sector is not attractive for researchers to investigate. There is no single, agreed definition of SMEs among the different stakeholders in the Saudi context. Additionally, there is overlapping between various forms of official data regarding SMEs. Further, gaining permission for collection of data in the Saudi market can be difficult and time-consuming. The time and extra effort required should be considered in terms of gaining responses from participants because of the nature of life and society in the Saudi context. Therefore, these difficulties have created some of the limitations of the present research.

One of the challenges that the researcher faced in the present research was that the research and supervision site was in the United Kingdom, but the site of investigation and for data collection was in the KSA, where Arabic is the mother tongue, though the research language is English. Therefore, this required not only reviewing the literature in English but also paying attention to and investigating reports and studies published in Arabic that are not available in English, in order to conduct a comprehensive analysis of the research problem and get statistics and data that are only available in Arabic. Fortunately, Arabic is the mother tongue of the author of the present research, so this facilitated reviewing reports and studies only available in Arabic. In addition, the author has Saudi Arabian nationality, which made it easier to overcome challenges that might resulting from the privacy culture in the KSA. For example, the researcher

used email instead of personal visits to contact women participants or officials to deliver a questionnaire. In the same vein, the author considered and made sufficient time for the necessary procedure to get approval for the research before starting data collection and communicating with respondents. Moreover, the author used his contacts to get access to some data such as a list of SMEs from the Eastern Chamber of Commerce. Furthermore, as explained in the methodology chapter (Chapter Five), a questionnaire was developed in English and then translated into Arabic by using a forward-back translation method in order to increase the accuracy, clarity and consistency of the information therein. This was also used to help remove possible errors, as well as to make sure that the translation would not affect participants' understanding (Saunders et al., 2011).

The present research is not specific to one sector of business, so it may be the case that some factors are more important in some sectors and less so in others. Focusing on one sector would have enabled the author to be more specific and would have enabled him to identify critical factors that affect performance of SMEs in a particular sector instead of sweeping generalisations covering all sectors. However, because of the shortage of research predicting SMEs' performance in the Saudi context, it is preferred to examine the factors across different sectors. This study therefore recommends further future research that focuses more particularly on each sector, in order to increase understanding of the SMEs' environment in the Saudi context.

A further limitation is related to geographical issues. The present research was conducted solely in the Eastern Province of Saudi Arabia, so any differences in terms of other factors associated with SMEs' performance in other provinces, or of their relative importance elsewhere, are not traced here. Saudi Arabia is the largest country in the Middle East. Given time and financial resource limitations, this meant it was not possible to conduct this study in more than one province at the same time. Bureaucratic approvals required to access other regions, lack of data on SMEs in these regions, and lack of contacts for such firms also meant that it was not possible to focus on more than one province in this study.

There is no single, agreed upon list in the previous literature in the SME field that identifies the key factors associated with business performance. Therefore, selecting the factors to be examined in this study was difficult. This issue was addressed by adopting the common factors that were examined in similar environments to the context of Saudi Arabia by other studies, and referring to the most commonly found factors in different models, such as the Lussier model, the Storey model and others. This study also considered some possible new factors that have not been discussed in other contexts. For example, the study considered the differences between various countries and the privacy of the Saudi Arabian market, such as differences in cultures, customs and religion. However, the present research did not give attention to certain factors that could also play an important role in defining business performance, such as the roles of the networking skills of owners/managers, customer relationships, and innovation. This study included them with other factors because they are often associated with various factors such as marketing action and planning, and it is suggested that they should be considered in future researches.

Depending on only one measurement to measure performance is another limitation of the present research. The present study depended solely on profit to determine business success or failure. Therefore, other measurements of performance, such as the self-classification of participants depending, for example, on their objectives, or on sales growth or market share, all of which may increase the justification for business operations, were not included. However, dependence on one measurement of performance in the field of business performance adds to contributions and is considered in studies such as that conducted in Singapore by Song Teng et al. (2011).

Additionally, using businesses that are still working in the market and classifying them as failures instead of bankrupt businesses is an added limitation of the present research. The lack of official classification of when businesses are considered successes or not, the lack of official lists of bankrupt businesses and the difficulty in locating them are the reasons why the profit measurement was used. In other words, this limitation is explained by the difficulties that researchers may face in conducting similar studies where solutions will need to be found to the data availability problem.

Data collection for the present research depended on one method: a quantitative questionnaire. It therefore lacks the possibility of triangulating the findings, which can be achieved through using more than one data collection method, such as by adding interviews. However, using a single method can avoid other problems such as sampling issues and analysis and reporting issues, and reduces the wide-ranging demand on research skills and the finance and time required (Barney, 2009). For example, a mixed methods approach carries sampling issues such as requiring a large number of participants, which is not possible in such a context and not possible with limited time. This research suffered from these issues, having been conducted abroad.

One of the limitations of quantitative research (such as the present research) is that it often suffers from non-response bias. Unless the response rate is one hundred per cent, the possibility of non-response bias will always be present, regardless of how carefully the initial sample was selected. In the present research, a great effort was made to maximise the number of returns, but the research still suffers from this limitation. The sample was limited to owners/managers who were actively involved in the management of SMEs, and the present research was designed to investigate probable business performance in relation to how to be a successful business in the Saudi market. The reason behind the limit of the sample to only owners/managers was that it aimed to obtain real data from those who manage the businesses. Hence, the generalisation of such findings to other stakeholders beyond this kind of individual engagement is limited.

8.4 Research contributions

The literature review concluded that there is a significant body of literature in various areas of SMEs' performance in developed countries, such as studies by Storey (2011), Gill and Biger (2012), and Franco and Haase (2010). In addition, there have been studies in developing countries such as those by Hassanein and Adly (2008) and Quadir and Jahur (2011). There is, however, a gap in the literature regarding the context of the Middle East and especially in the Kingdom of Saudi Arabia. Thus,

although different studies relating to SMEs have been conducted in KSA, they have focused more on the importance of SMEs and investigated the roles of the support programmes provided by different organisations to SMEs in Saudi Arabia. In the same vein, most of the prior studies investigated start-up businesses, but the present research has focused on businesses operating for three years or more, which means they have already passed that early stage. Additionally, no study has been conducted to consider all the aspects used in this study to date.

An extensive review of the pertinent literature revealed that in the research on performance among SMEs, no single agreed list had been established to determine the factors associated with SMEs' performance. In this regard, the present research study integrated and extended prior work from well-accepted studies about business performance and then offered a model, based on Saudi SMEs owners/managers' perceptions and views, which offers a new insight into the factors that tend to be associated with businesses' levels of success in the Saudi market.

Therefore, the results of the present research provide a number of essential theoretical contributions. First, one of the contributions the present research adds to the SME field are its measures of performance. As has been discussed, various measurements of business performance can be used to classify whether or not a business is a success, but there is no agreement across prior studies on which of the definitions should be adopted in order to measure the performance. The traditional measurement of business performance identified by several researchers is that businesses are considered successful if they remain trading in the market, while failure is defined as when a business suffers bankruptcy and stops trading in the market.

Successful businesses are available in terms of contact details, and access, but on the other hand, it is not easy to locate bankrupt businesses or businesses that stop trading in the market in order to invite them to participate in such research. In the case of the Kingdom of Saudi Arabia, there is no opportunity to locate bankrupt businesses and there is a shortage of official data on them. In fact, a main dilemma for researchers

is how to include them in a research, because no study to date has examined business success versus failure in the Saudi context. However, this research overcomes the issue by adopting a definition used in other researches such as that of Lussier and Pfeifer (2001) to classify business success, and this definition is also accepted by the Chamber of Commerce in the Eastern Province of Saudi Arabia. Therefore, this definition could be considered as the first building block to measure SMEs' performance in the Saudi context.

In this regard, the present research focuses on SMEs that are already established as businesses and which have operated for three years or more. The main reason for this classification is that, according to data from the Saudi Trade Ministry, the majority of businesses that stop trading in the Saudi market are three years or less in age. The factors associated with performance in established businesses could differ from those impacting upon businesses at the start-up stage; for example, the latter may need, for example, a greater availability of capital than businesses already in the market. Therefore, this study adds a new contribution in the SME field with regard to identifying the factors associated with performance for SMEs, which have already become established. The Saudi context has a shortage of both types of investigation, and researchers therefore should conduct more studies in the SME field, especially to measure performance and determine the factors governing the probability of success and failure among Saudi SMEs.

Given the lack of consensus on the success or failure factors associated with SMEs' performance, this research has been contributed by identifying a group of factors from different studies and models and selecting the factors suitable to the Saudi context. It has provided evidence from the Saudi context about the interaction between the external and internal environmental factors, and their roles in predicting SME success. The results of the logit regression model showed the relationships between the factors and performance and the ability of the model to predict SMEs' performance in the Saudi market. As a result, this research emphasises the role of the resource-based theory, especially with regard to intangible resources and their relation to performance, in order to determine the most important factors of the internal environment.

In the present research, it was found that two factors from the internal environment are statistically significant in relation to business performance: owners/managers' experience and planning. These two factors have the ability to predict SMEs' performance in the Saudi market. Furthermore, this research emphasises the role of the external environment in terms of both the micro and macro environments and their relations with businesses' performance. Three independent factors were found to be statistically significant and to have the ability to predict SMEs' performance. The model indicated that intensity of competition, the regulatory environment, and terrorism risks are associated with businesses' performance and the ability to predict SMEs' performance in the Saudi context.

This research emphasises the importance of SMEs in the Saudi context and increases the volume of studies about SMEs in the Saudi market. The research plays an important role in contributing to understanding the situation of SMEs in order to improve the SME sector and, as a result, to increase their contribution to the Saudi economy. Additionally, this research sheds light on the challenges SMEs face in the Saudi market through reviewing the most relevant reports and studies in different languages and from different contexts in order to provide a clear description of SMEs' situation in the target market. Last but not least, the model established in the present research has the advantage of being suitable for use in other similar countries, especially the other states of the Gulf Cooperation Council (Qatar, Bahrain, Oman, Kuwait, and the United Arab Emirates) because it was conducted in the Eastern Province of KSA, which has similarities to these other states in terms of its economy and culture.

The present research makes a significant contribution to methodology in the Saudi context. Up until the time of writing, there is no evidence of studies having been produced that have used exploratory factors analysis and logit regression analysis in the Saudi context. The present research has used these analyses to provide its prediction model, which measures SMEs' performance and gives an indication of which factors have an influence on businesses succeeding or otherwise. In addition, the sample of respondents who participated in the present research could give other

contributions to this research because they are from two groups —, successful businesses and failed businesses — and researchers in the Saudi context have not usually included them in one research study. Therefore, the advantages of the present research are enhanced because the sample assisted the building of a comprehensive view and analysis of the factors associated with business performance in the Saudi context.

Moreover, through the data collection phase, it was observed that participants in the research preferred to respond to the questionnaire online instead of in person or by post, which gives indications of the owners/managers' dependency or preferences regarding technological communication in their daily life. In this vein, researchers have to consider this finding in future research to save the time and effort involved in hand-delivery of questionnaires.

To sum up, researchers in developing countries now have a great opportunity to make more contributions to the SME field, because there is a clear shortage of research on the SME sector in different areas. For example, in most developing countries, people and governments still ignore the importance of SMEs to economic growth and do not use SMEs to tackle the unemployment challenge. The SME sector needs to be paid more attention by researchers in order to identify the benefits of SMEs in developing countries. Consequently, the contribution of the present research is multi-faceted. It contributes to increasing the understanding of, and the emphasis on, the role of SMEs in the Saudi context, and it identifies the key factors associated with business performance in order to increase SMEs' likelihood of achieving success and avoiding failure by providing a new model for business performance in the Saudi context.

8.5 Implications of the research

The present research study has produced a number of findings and conclusions that may have related implications for practice, policy, and research. The implications discussed here are intended to stimulate thinking on how the insights from the research could influence practice, policy and research with respect to SMEs' activities in the context of Saudi Arabia.

8.5.1 Implications for practice

The findings of the present research may prove important for practitioners examining the interplay of factors that contribute to SMEs' performance in order to increase the probability of success and the avoidance of failure. The present research has classified the factors associated with SME performance into those pertaining to the internal and external environments, respectively. The classification of factors used in the present research could assist owners/ managers in understanding the nature and importance of each factor, the source of the factors and how each factor influences business performance.

This research has produced a model that enables SME owners/managers to identify the factors assisting them to increase their probability of success in the Saudi context. It shows, for example, how owners/managers might have the opportunity to find success in the Saudi market by obtaining further experience in business. Therefore, in practice, owners/managers should practise business management in ways such as working in similar businesses to obtain the knowledge and skills necessary for them to be successful before starting their own business. Furthermore, if owners/managers have insufficient management experience concerning how to manage the daily operations in a business, they may employ expert workers in order to deal with this issue.

The model introduced in the present research should increase the awareness of SMEs' owners/managers in relation to the regulations associated with their business performance. They need to adapt to market regulations because these issues are out of business control, and enable and direct their resources to overcome these challenges. SMEs suffer from instability of regulation, so they should pay more attention to scenario planning and emergency planning in order to overcome any challenges that emerge from the surrounding environment, as planning is a factor included in the research model.

Moreover, SMEs' owners/managers have to pay more attention to their immediate operating environment. The present research emphasises the role of competition in business performance. Therefore, owners/managers should work to control the risks they face through building good relations and cooperation with competitors and depend on innovative and creative products and services instead of traditional or imitative ones. In this regard, SMEs should place value on marketing and innovation, in order to build their share in the market. Additionally, SMEs are recommended to employ workers who have previously worked with multinational companies to add advantages to their businesses. Consequently, the present research intends to raise the awareness of SMEs about the factors that may increase their opportunity to be successful.

Additionally, one of the factors in the logit model is terrorism risk, which is considered as a current threat for SMEs in the Saudi context. From the beginning of the twenty first century, terrorism risks have been present in different contexts across the world, especially in developing countries. Therefore, businesses may suffer decreased growth or a shortage of suppliers, and so SMEs have to cope with terrorism challenges by following government instructions and consulting expert organisations. Additionally, SMEs have to convert this challenge into an opportunity, for example via investment in the safety, security and technology sectors. SMEs in Saudi Arabia also need to consider decreasing their dependence on foreign markets, especially those of the countries around Saudi Arabia, which suffer particularly from terrorist threats. With regard to the negative influence of terrorism on a country, unfortunately Saudi Arabia has been attacked several times by terrorists in the Eastern Province, so the number of visitors to the province is likely to decrease. As a result, the hospitality sector may be affected more than other sectors. In this regard, SMEs could work to reduce daily operation costs, creating attractive offers and paying more attention to marketing their products or services and begin to export to other markets when possible.

8.5.2 Implications for policy

Success among SMEs is considered essential to the balanced improvement of a country's economy. Some of the present research's findings indicate the important role of SMEs in terms of policy implications.

Policy makers can use the results of this study to increase the probability of SMEs finding success and reduce their failure rates. SMEs play an essential role in an economy by reducing the unemployment rate, which is one of the challenges in the Saudi context. The Saudi Arabian government has to develop the SME sector further in order to reap the benefits of SMEs in terms of the country's social wellbeing and economic life. Thus, research such as this aims to increase the understanding of the critical role of SMEs, to shed light on the important factors that enable SMEs to increase their contribution to the economy, and as a result help to reduce the failure rate. The evidence of this study suggests that SMEs in Saudi Arabia suffer from an unstable and over-complex regulatory environment and that this is associated with their business performance. Policy makers have to develop the consistency of their rules and play a more important role in the sector to enable SMEs to flourish in the market. Regulations need to develop and become more stable because unstable rules add extra costs for SMEs. The government should provide accurate and regular information about the market and announce new rules with sufficient lead in time before they become applicable to the market to enable SMEs to take suitable action. Furthermore, a reduction in bureaucracy assists SMEs to continue their business activities and increase their motivation to continue to operate.

From a different perspective, the findings of the present research are intended to be of use to policymakers to assist SMEs in the Saudi market to overcome some of the factors that decrease their opportunity of success, such as the risk of terrorism and the intensity of competition. The Saudi government has to issue rules that determine the relations between large businesses and SMEs. In Australia, for example, large businesses must allow SMEs to share some works with them (Council of Small Business Organisations of Australia (COSBOA), 2015). Additionally, terrorism is one

factor that is associated negatively with SMEs' performance in the Saudi context, so in this vein, the Saudi government must continue their efforts to contain the terrorist threat and pay more attention to the SME sector.

The findings of the present research indicate the importance of owners/managers' experience as it is positively associated with SMEs' performance; so one of the forms of support necessary for SMEs is that the government should provide programmes that enable entrepreneurs to practise business before starting their own businesses. In the same context, suitable management courses for SMEs, as well as courses in basic skills in accounting and marketing areas should be made available, and universities should provide practical entrepreneurship courses.

In the Saudi context, the government is the main provider of SME support programmes, as discussed in Chapter Three. These should focus on building up the competitive potential of indigenous businesses, not only through financial assistance but also through education, training and strategic awareness programmes. The aim should be not only to enable SMEs to continue their activities but also to allow them to grow into the most important players in the Saudi economy. In this vein, support programmes should be geared to and maintaining upgrading high quality human resources and enhancing them for SMEs. They should not limited to providing funds, some form of business-development service (BDS) should be paid more attention. However, according to Elasrag (2012), the experience of BDS in developing countries is mostly limited to publicly supported programmes in the field of training and marketing. State agencies are the main providers of services that have been criticized for being badly planned and managed. Additionally, they suffer from an inability to recruit and maintain competent staff, a lack of coherence and coordination, and concentrating too much on business start-ups and paying too little attention to the growth trajectories of businesses. Moreover, these programmes do not address the requirements of globalization, the intensification of competition or the knowledge-intensive economy. They lack adequate performance indicators, coordination among service providers, qualified staff and follow-up measures (Elasrag, 2012).

Striking a balance between finance and financial support with support for innovation should be sought. For example, Zamberi Ahmad (2012) recommends that there should relationships between SMEs and that new small businesses should build business networks and seek advice from experienced businesses in similar sectors. He stresses the importance of owners'/ managers' experience and their influence on business performance, which is consistent with the findings of the present research. It means that support programmes in the KSA should motivate successful businesses to assist the establishment of mentoring networks to facilitate improvements in nascent businesses. Theses forums need to play a more essential role by providing the business development services (BDS) required by business owners in vulnerable stages of business improvement (Zamberi Ahmad, 2012), and thus create a more cooperative environment between businesses. In addition, support for SMEs could be take the form of suitable rules and regulations that protect SMEs' rights. In the kingdom, policymakers make an effort to create a good business climate, such as reducing the time required to start a business, and simplifying the onerous procedures involved for getting a licence and the bureaucracy encountered when interacting with government agencies. Moreover, one way to support SMEs is by having regulations suitable for SMEs; as was found in the present research, regulation of the environment has a negative influence on SMEs' performance, so this should be considered by the Saudi authorities. In the KSA, the need for soft support is more essential than physical support, especially for businesses that are already established and past the start-up phase. SMEs in the KSA now face a new challenge that can affect them, as found in the present research, i.e. the terrorism risk, so business development services have to become knowledgeable on this issue and go beyond the traditional type of support for SMEs in order to be able to consult and overcome this challenge effectively. The ideas discussed above can be used to form a support bundle for SMEs in the KSA, while financial support programmes can help SMEs in the KSA to thrive and increase their competiveness.

The government of KSA has to motivate Saudi people to start businesses, and to train them, so that they are able to increase their skills and build awareness of what is

required to succeed, and the challenges that they may face in their management careers. It is recommended that universities pay more attention to management and entrepreneurship courses, so that prospective SME owners/managers can increase their chances of success in business and improve the GDP and employment contribution of the SME sector in the Saudi market.

Last but not least, in Saudi Arabia there is a persistent need to create an independent organisation that is responsible for SME issues. One of the most essential reasons is that there is a need to have one definition for SMEs, to determine measurements of SMEs' performance and to deal with the other issues facing SMEs. Providing accurate data and research about SMEs is one of the tasks that could be conducted by the organisation. It could also coordinate the support programmes provided by different organisations so that there is harmony between them, which may have a positive effect on the SME sector in Saudi Arabia.

To sum up, government and policymakers have an important role to play in making the SME sector work in a good manner that will increase their contribution to the economy. Policymakers are associated with SMEs' performance (as was found in the present research), so when SMEs become more motivated and there is a sound, stable operating environment, this is likely to have a positive influence on SMEs' performance, and, as a result, on the social and economic life of the country.

8.5.3 Implications for future research

This study provides various opportunities for further research. The findings, as well as the limitations, of the present research indicate some fruitful and interesting possible directions for future research.

There is a need for longitudinal SME studies that would enable monitoring of the condition of the SME sector over a period of time, to enable better understanding of the dynamics of SME development (Erikson, 2002). In order to generate richer results,

longitudinal researches into SMEs' performance could be conducted to investigate the factors contributing to an increased probability of business success and how best to avoid failure over time.

No single theory or list of factors has been agreed upon in the previous literature to determine the factors associated with performance, so in this vein, researchers need to investigate the possibilities in order to emphasise the factors considered as critical in contributing to SMEs' performance in various contexts.

Networking relations also need to be investigated in future research. Networking relationships were considered in the present research when it was proposed that Saudi owners/ managers have a higher probability of business success in the Saudi market because they have better access to the community and relationships with various stakeholders. SMEs are required to deal with different stakeholders, including employees, customers, suppliers, government organisations and competitors, in order to access information and other resources. In Arab countries, networking takes different forms. Arab communities are fully networked and all business activities revolve around these networks. Networking is essentially tied to trust, family connections and social structures. Therefore, while making connections and building relationships, 'the concept of wasta', prior to starting business can be costly, it is important for the success of a business (Weir, 2002). Owners/ managers of SMEs can get contracts, seize opportunities and increase their likelihood of success based on the robust connections or 'wasta' they have. Thus, networking practices for SMEs need to be investigated and the concept of 'wasta' in networking relations could be usefully explored in future SMEs research (Hutchings and Weir, 2006).

Moreover, it is important for future research to investigate linkage and cluster networking relationships for SMEs in the KSA in order to develop a strategy to connect to other business partners and thus overcome size constraints (Braun et al.,2005 ; Gunawan et al., 2013). Cluster networking provides an environment that can be further developed to form linkages for better competitiveness. SMEs within clusters can

achieve collective efficiency through joint actions with similar businesses (Gunawan et al., 2015). For example, businesses can pool mutual interests through sharing equipment, conducting joint advertising, bulk-input purchasing and finding the most efficient ways to provide technical assistance. Moreover, SMEs in Saudi Arabia can achieve results which would be out of reach of individual enterprises acting alone. Zheng and Shi (2015) argues that, for small businesses, relying on local businesses to take joint action is not sufficient, they need to be encouraged to seek economic diversification through attracting foreign direct investment (FDI). The benefits of attracting more FDI, as identified by De Propris and Driffield (2006), include facilitating the growth of small-business clusters and linkages with other business ventures, both locally and internationally.

In the era of globalization and market integration, SMEs face increased global competition. Thus, SMEs in the KSA need to investigate new practices and strategies to achieve competitive advantage. This research recommends further investigation of 'cluster' networking relationships among SMEs in Saudi Arabia for the development of 'linkages' for better competitiveness.

In addition, SMEs operate across many different sectors in an economy, and so with that in mind, researchers could provide studies in specific individual sectors because certain factors may play a more important role in one sector than in others. Therefore, investigations in an individual sector of SMEs would enable a fuller understanding about the exact factors impacting on SMEs requiring to improve their competitiveness.

Through the review of SME literature, it was observed that usually, the success of SMEs' owners/managers is based on the internal environment and failure factors are based on the external environment, which could be appropriate in certain contexts. On the other hand, researchers should consider attribution theory, which explains that people do not like to blame themselves, so they attribute failure factors to the external environment and claim that success factors lie within their internal environment.

Therefore, in some contexts, this may lead to inaccurate and unrealistic identification of the factors that influence SMEs' performance, especially in qualitative researches. Further, the researcher could distinguish between the factors that influence SMEs' performance in various stages, because some factors are associated with businesses in the start-up phase, but others may play a more important role in the advanced phase. Therefore, a classification of factors based on businesses' ages could be considered in future research.

SMEs in the Kingdom of Saudi Arabia require more attention from researchers. Researchers can add different contributions to the SME field. First, they might investigate the best definitions concerning SMEs in the Saudi context because there are currently numerous overlapping definitions of SMEs in different researches. Second, SMEs' performance measurement needs further exploration in the Saudi context. The meaning of success, failure, symptoms of failure and other terminologies that could be used in measuring business performance each require to be better defined. In this vein, it should be mentioned that it can be very difficult to get participants from bankrupt businesses to take part in research, so it could be that instead of using quantitative data collection, which requires large numbers of participants, qualitative research could be used. Third, external environment factors and internal environment factors could be investigated in separate studies because each environment has numerous factors that need to be examined, so to increase the understanding of the SME field in the Saudi context, such a separation may help in providing much needed fresh research. Fourth, there is also an opportunity for researchers to investigate SMEs in the international field; for example, the factors that motivate SMEs to export and the factors that those SMEs need in order to be successful in foreign markets.

In addition, Saudi Arabia is the largest country in the Middle East region and each province has particular characteristics and attributes. Consequently, this leads to the recommendation that the model built in the present research could be used to examine other provinces in Saudi Arabia in order to find any differences in results in the SME field. One of the contributions of the present research is the identification of the

terrorism risk factor in relation to SMEs' performance in the Saudi context, so in this vein, researchers should study this issue in greater detail with various approaches. First, they could study the kinds of harm inflicted on SMEs in Saudi Arabia and how these have affected their performance. Second, investigative studies could attempt to provide solutions and suggestions with regard to how SMEs overcome the terrorism challenges they face. Studies could build expertise in terrorism's effects or examine other countries' findings in the Saudi context in order to use the same methods to decrease the effects on SMEs' business success resulting from terrorism.

Furthermore, the data collection in such a context is usually a lengthy process. Researchers have to be patient and seek to create relationships with officials who have the authority to gain access to data that could be important to the research. Personal visits are needed as well as convincing officials of the importance of the research in building cooperation and enabling access to the data required. Moreover, a formal letter is always welcome and could accelerate the procedure to obtain the data. Foreign researchers should also consider the privacy of Saudi culture, especially that related to communication with women. Data planning should be organised with this consideration and should factor in the extra time that may be needed to complete the data collection.

Finally and importantly, researchers have a great opportunity to investigate the SME field in developing contexts. Not all of the factors found in developed contexts have an important role to play in contexts such as this research. Due to the different cultural habits and beliefs, researchers should consider the differences between contexts. In other words, researchers should be aware that not all contexts in developing countries are the same, as some countries for example have poor physical infrastructures, but others, such as Saudi Arabia, have good, modern infrastructure and the availability of capital. Therefore, it is important that the differences between contexts should be considered.

8.6 Summary

This chapter started by presenting a review of the research process. It provided brief descriptions of the major procedures carried out at each stage of the study as well as outlining the key outcomes of each chapter. It then proceeded to illustrate the theoretical contributions made by this research, before evaluating its limitations and discussing the future implications for practice and policy. Finally, suggestions for future research opportunities were proposed.

References

Aaker, A., Kumar, V. D., and Day, G. S. (2007). *Marketing research.*9th ed., New York: John Wiley & Sons.

Abdul-Rahman, Y. (2014) *The Art of RF (Riba-Free) Islamic Banking and Finance: Tools and Techniques for Community-Based Banking.* John Wiley & Sons.

Abor, J. and Quartey, P. (2010) 'Issues in SME development in Ghana and South Africa.' *International Research Journal of Finance and Economics*, 39(6) pp. 215-228.

Achoui, M. (2009) 'Human resource development in Gulf countries: an analysis of the trends and challenges facing Saudi Arabia.' *Human Resource Development International*, 12(1) pp. 35-46.

Ahmad, N. H., Halim, H. A. and Zainal, S. R. M. (2010) 'Is entrepreneurial competency the silver bullet for SME success in a developing nation.' *International Business Management*, 4(2) pp. 67-75.

Ahmed, N., and Seet, P. (2009) 'Understanding business success through lens of SME founder-owner in Australia and Malaysia.' *International Journal of Entrepreneurial Venture*, (1),pp. 72-87.

Akio, T. (2005) 'The Critical Assessment of the Resource-Based View of Strategic Management.' *International Affairs*, 3 pp. 125-150.

Al-Khalifah, A. (1995) *Urban Development in Saudi Arabia –Challenges and Opportunities*. Riyadh: Dar AL-Sahan.

Almobaireek, W. (2009) *Small businesses organisations establishment and management*. (Small businesses establishment and management.) Al-Qassim: Dar Al- Jamiah

Alshahrani, S. and Alsadiq, A. (2014) *Economic and Government Spending in Saudi Arabia*. [Online] [Accessed on 1 February 2015]: https//www.imf.org/external/pubs/ft/wp

Al-Shahri, M. (2002). 'Culturally sensitive caring for Saudi patients. ' *Journal of transcultural nursing,* 13(2), pp. 133-140.

Alvarez, R. and Vergara, S. (2006) 'Globalization, survival, and growth of small and medium-sized firms.' *Available at SSRN 880785,*

Alvarez, S. A. and Busenitz, L. W. (2001) 'The entrepreneurship of resource-based theory.' *Journal of management*, 27(6) pp. 755-775.

Arasti, Z., Zandi, F. and Bahmani, N. (2014) 'Business failure factors in Iranian SMEs: Do successful and unsuccessful entrepreneurs have different viewpoints?' *Journal of Global Entrepreneurship Research*, 4(1)

Asian Development Bank Project. (2002) *Developing of a SME Credit Support System.* [Online] [Accessed on 10 February 2012]: http://www.adb.org/Documents/Reports/PRC-SME/TA3493-Final.pdf

Audretsch, D. B. and Mahmood, T. (1995) 'New firm survival: new results using a hazard function.' *The Review of Economics and Statistics*, pp. 97-103.

Avis, M. (2003). 'Do we need methodological theory to do qualitative research?. ' *Qualitative Health Research, 13*(7), pp. 995 -1004.

Bala Subrahmanya, M. (2007) 'Development strategies for Indian SMEs: promoting linkages with global transnational corporations.' *Management Research News*, 30(10) pp. 762-774.

Barney, J. (1991) 'Firm Resources and Sustained Competitive Advantage.' *Journal of Management*, 17(1) pp. 99-120.

Barney, J. (2001) 'The resource-based view of the firm: Ten years after 1991.' *Journal of Management*, 27(6) pp. 625-641.

Baruch, Y. and Holtom, B. C. (2008) 'Survey response rate levels and trends in organizational research.' *Human Relations*, 61(8) pp. 1139-1160.

Bates, T. and Nucci, A. R. (1990) *An analysis of small business size and rate of discontinuance.* US Department of Commerce, Bureau of the Census.

Bates, T., and Nucci, A., (1989) 'An analysis of small buisiness size and rate of discontinuance.' *Journal of Small Business Management*, 27(4) pp. 1-7.

Baum, J. R. and Locke, E. A. (2004) 'The relationship of entrepreneurial traits, skill, and motivation to subsequent venture growth.' *Journal of applied psychology*, 89(4) p. 587.

Beck, T., Demirgüç-Kunt, A. and Maksimovic, V. (2005) 'Financial and legal constraints to growth: does firm size matter?' *The Journal of Finance*, 60(1) pp. 137-177.

Benzing, C., Chu, H. M. and Callanan, G. (2005) 'A regional comparison of the motivation and problems of Vietnamese entrepreneurs.' *Journal of Developmental Entrepreneurship*, 10(01) pp. 3-27.

Benzing, C., Chu, H. M. and Kara, O. (2009) 'Entrepreneurs in Turkey: A factor analysis of motivations, success factors, and problems.' *Journal of small business management*, 47(1) pp. 58-91.

Bird, B. (1995) 'Towards a theory of entrepreneurial competency.' *Advances in entrepreneurship, firm emergence and growth*, 2(1) pp. 51-72.

Blackburn, R.,A., Hart, M. and Wainwright, T. (2013) 'Small business performance: business, strategy and owner-manager characteristics.' *Journal of Small Business and Enterprise Development*, 20(1) pp. 8-27.

Blomström, M. and Kokko, A. (1998) 'Multinational corporations and spillovers.' *Journal of Economic surveys*, 12(3) pp. 247-277.

Boden, R. J. and Nucci, A. (2000) 'On the survival prospects of men's and women's new business ventures.' *Journal of business venturing*, 15(4) pp. 347-362.

Bolton Committee Report. (1971). *Report of the Commission of Inquiry on Small Firms.* London: HMSO.

Boyle, R. D. and Desai, H. B. (1991) 'Turnaround strategies for small firms.' *Journal of Small Business Management*, 29(3) p. 33.

Braun, P., McRae-Williams, P. and Lowe, J. (2005) 'Small business clustering: Accessing knowledge through local networks.' *Journal of New Business Ideas & Trends*, 3(2) pp. 57-63.

Brislin, R. W. (1970) 'Back-translation for cross-cultural research.' *Journal of cross-cultural psychology*, 1(3) pp. 185-216.

Brooksbank, R., Kirby, D., Tompson, G. and Taylor, D. (2003) 'Marketing as a determinant of long-run competitive success in medium-sized UK manufacturing firms.' *Small business economics*, 20(3) pp. 259-272.

Bryman, A. and Bell, E. (2015) *Business research methods.* Oxford university press.

Burke, W. W. and Litwin, G. H. (1992) 'A causal model of organizational performance and change.' *Journal of management*, 18(3) pp. 523-545.

Carter, R. and Auken, H. V. (2006) 'Small firm bankruptcy.' *Journal of Small Business Management*, 44(4) pp. 493-512.

Cassell, M. and Blake, R. (2012) 'Analysis of Hofstede's 5-d model: the implications of conducting business in Saudi Arabia. ' *International Journal of Management & Information Systems (IJMIS),* 16 (2) pp. 151-160.

Central Department of Statistics and Information, Saudi Arabia. (2012) *Statistical Yearbook (47).*[Online] [Access on 2 January 2013] http://www.cdsi.gov.sa/index.php.

Central Department of Statistics and Information, Saudi Arabia. (2015) *Saudi's Unemployment rate.*[Online] [Access on 5 February 2015]: http://www.cdsi.gov.sa/english/

Central Department of Statistics, Kingdom of Saudi Arabia. (2013) *Saudi Arabia People.*[Online] [Accessed on 10/11/2014]: http://www.citypopulation.de/SaudiArabia.html

Chandler, G. N. and Hanks, S. H. (1994) 'Market attractiveness, resource-based capabilities, venture strategies, and venture performance.' *Journal of business venturing*, 9(4) pp. 331-349.

Chandler, G. N. and Jansen, E. (1992) 'The founder's self-assessed competence and venture performance.' *Journal of Business venturing*, 7(3) pp. 223-236.

Charney, A. and Libecap, G. D. (2000) 'The impact of entrepreneurship education: an evaluation of the Berger Entrepreneurship Program at the University of Arizona, 1985-1999.' *Available at SSRN 1262343,*

Chawla, S. K., Khanna, D. and Chen, J. (2010) 'Are small business critical success factors same in different countries.' *SIES Journal of Management*, 7(1) pp. 1-12.

Chidlow, A. (2009) *What attracts foreign companies to invest in Poland? The choice of location*. Saarbrucken, Germany: VDM Verlag Dr. Muller Aktiengesellschaft & Co. Kg

Chidlow, A., Plakoyiannaki, E. and Welch, C. (2014) 'Translation in cross-language international business research: Beyond equivalence.' *Journal of International Business Studies*, 45(5) pp. 562-582.

Chittithaworn, C., Islam, M. A., Keawchana, T. and Yusuf, D. H. M. (2011) 'Factors affecting business success of small & medium enterprises (SMEs) in Thailand.' *Asian Social Science*, 7(5) p. p180.

Chu, H. M., Benzing, C. and McGee, C. (2007) 'Ghanaian and Kenyan entrepreneurs: A comparative analysis of their motivations, success characteristics and problems.' *Journal of Developmental Entrepreneurship*, 12(03) pp. 295-322.

Churchill, G. A. and Iacobucci, D. (2009) 'Marketing research: methodological foundations: Cengage Learning.'

CIA World Fact book. (2014) *Saudi Arabia People* .[Online] [Accessed on 15 November 2014] http://www.theodora.com/wfbcurrent/saudi_arabia/saudi_arabia_people.html

Ciravegna, L., Lopez, L. and Kundu, S. (2014) 'Country of origin and network effects on internationalization: A comparative study of SMEs from an emerging and developed economy.' *Journal of Business Research*, 67(5) pp. 916-923.

Clover, T. and Darroch, M. A. (2005) 'OWNERS'PERCEPTIONS OF FACTORS THAT CONSTRAIN THE SURVIVAL AND GROWTH OF SMALL, MEDIUM AND MICRO AGRIBUSINESSES IN KWAZULU-NATAL, SOUTH AFRICA.' *Agrekon*, 44(2) pp. 238-263.

Co, M. J. (2004) 'The formal institutional framework of entrepreneurship in the Philippines: Lessons for developing countries.' *The Journal of Entrepreneurship*, 13(2) pp. 185-203.

Coakes, S., Steed, L., and Price, J. (2008) *SPSS: Analysis Without Anguish : Version 15.0 for Windows*. Australia: National Library

Communications and Information Technology Commission. (2010) IT report On the Internet Ecosystem in Saudi Arabia. [Online] [Accessed on 2 March 2013]: http://www.citc.gov.sa/english/Pages/default.aspx

Cooper, D. and Schindler, P. (2008) *International Edition: Business Research Methods*. New Delhi.

Council of Small Business, Australia. (2015) [Online] [Accessed on 20 September 2015]: http://www.cosboa.org.au/

Coy, S. P., Shipley, M. F., Omer, K. and Khan, R. N. A. (2007) 'Factors contributory to success: A study of Pakistan's small business owners.' *Journal of Developmental Entrepreneurship*, 12(02) pp. 181-198.

Creswell J. W. (2008) *Educational Research ,Planning,Conducting,and Evaluating Quantitative and Qualitative Research*. 3rd ed., Kevin M. Davis.

Creswell, J. (2009) *Research Design Qualitative, Quantitative,and Mixed Methods Approaches* . 3rd ed., SAGE.

Creswell, J. (2012) *Educational Research Planning, Conducting, and Evaluating Quantitative and Qualitative Research.* 4th ed., Pearson.

Creswell, J. W. (1994) *Research design: qualitative and quantitative Essentials of Marketing*. Australia: Thomson Learning.

Crook, T. R., Ketchen, D. J., Combs, J. G. and Todd, S. Y. (2008) 'Strategic resources and performance: a meta-analysis.' *Strategic management journal*, 29(11) pp. 1141-1154.

Crossan, F. (2003) 'Research philosophy: towards an understanding.' *Nurse researcher*, 11(1) pp. 46-55.

Crutzen, N. and Van Caillie, D. (2008) 'The business failure process: An integrative model of the literature.' *Review of Business and Economics*, 53(3) pp. 287-316.

Dahlqvist, J., Davidsson, P. and Wiklund, J. (2000) 'Initial conditions as predictors of new venture performance: A replication and extension of the Cooper et al. study.' *Enterprise and Innovation Management Studies*, 1(1) pp. 1-17.

Davila, A., Foster, G. and Gupta, M. (2003) 'Venture capital financing and the growth of startup firms.' *Journal of business venturing*, 18(6) pp. 689-708.

De Bel –Air, F. (2014) *Demography, Migration and Labour Market in Saudi Arabia*. [Online] [Accessed on 3 February 2015]: http://www.http://www.gulfmigration.eu/media/pubs/exno

De Propris, L. and Driffield, N. (2006) 'The importance of clusters for spillovers from foreign direct investment and technology sourcing.' *Cambridge Journal of Economics*, 30(2) pp. 277-291.

De Vaus, D. A. (2003) *Research design in social research*. London: SAGE.

Deloitte. (2013) *Arab States Mobile Observatory 2013*. [Online] [Accessed on 3 May 2015]: http://www.gsma.com/publicpolicy/wp-content/uploads/2012/03/GSMA_MobileObservatory_ArabStates2013.pdf

Department for Buisness Innovation & Skills-UK. (2010) *Small Buisness Survey 2011: Are EU SMEs recovering from the crises?.* [Online] Accessed on 1 May 2012]:https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31930/10-p58-bis-business-plan.pdf

Department for Buisness Innovation & Skills-UK. (2013) *Small Buisness Survey 2012: SME Employers.* [Online] Accessed on 1 March 2014]: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193555/bis-13-p74-small-business-survey-2012-sme-employers.pdf

Dewberry, C. (2004) *Statistical methods for organizational research: Theory and practice.* Psychology Press.

Dillman, D. A. (2000). *Mail and internet surveys*. New York: Wiley.

Dillman, D. A. and Christian, L. M. (2005) 'Survey mode as a source of instability in responses across surveys.' *Field methods*, 17(1) pp. 30-52.

Dillman, D. A., Phelps, G., Tortora, R., Swift, K., Kohrell, J., Berck, J. and Messer, B. L. (2009) 'Response rate and measurement differences in mixed-mode surveys using mail, telephone, interactive voice response (IVR) and the Internet.' *Social Science Research*, 38(1) pp. 1-18.

Dobbs, M. and Hamilton, R. (2007) 'Small business growth: recent evidence and new directions.' *International journal of entrepreneurial behavior & research*, 13(5) pp. 296-322.

Dodd, S. D. and Patra, E. (2002) 'National differences in entrepreneurial networking.' *Entrepreneurship & Regional Development*, 14(2) pp. 117-134.

Drakos, K. (2004) 'Terrorism-induced structural shifts in financial risk: airline stocks in the aftermath of the September 11th terror attacks.' *European Journal of Political Economy*, 20(2) pp. 435-446.

Eastern Chamber of Commerce and Industry (ASHARQIA CHAMBER). (2012) Small and medium –sized development. [Online] [Accessed on 2 May 2013]: http://www.chamber.org.sa/arabic/Pages/default.aspx

Eastern Chamber of Commerce and industry. (2011) *Small and medium-sized enterprises and the strategic Importance*. [Online] [Accessed on 3 March 2012]: http://www.chamber.org.sa/Arabic/InformationCenter/Pages/publications.aspx

Economist Intelligence Unit. (2010) *SMEs in Japan*. [Online] [Accessed on 3 October 2011]: http://www.economistinsights.com/sites/default/files/EIU_Microsoft_JapanSMEs_FINAL-WEB.pdf

Edinburgh Group. (2012) *Growing the global economy through SMEs*. [Online] [Accessed on 3 March 2013]: http://www.edinburghgroup.org/media/2776/edinburgh_group_research_-_growing_the_global_economy_through_smes.pdf

El – Said, S. (2012) *De – Radicalising Islamists: Programmes and their Impact in Muslim Majority States*. [Online] [Accessed on 2 December 2013]: http://www.icsr.info

Elasrag, H. (2012) 'The developmental role of SMEs in the Arab countries.' *Available at SSRN 2127954*,

Ellegaard, C. (2006) 'Small company purchasing: a research agenda.' *Journal of purchasing and supply management*, 12(5) pp. 272-283.

Emine, D. (2012) 'Financial challenges that impede increasing the productivity of SMEs in Arab region.' *Journal of Contemporary Management*, 1 pp. 17-32.

Enders, W. and Sandler, T. (2006) 'Distribution of transnational terrorism among countries by income class and geography after 9/11.' *International Studies Quarterly*, 50(2) pp. 367-393.

Entrialgo, M. (2002) 'Analysis of the abilities of the manager as an explanatory factor of innovation management in Spanish small and medium enterprises.' *International Journal of Entrepreneurship and Innovation Management*, 2(6) pp. 501-519.

Erikson, T. (2002) 'Entrepreneurial capital: the emerging venture's most important asset and competitive advantage.' *Journal of Business Venturing*, 17(3) pp. 275-290.

Eunni, R. V., Brush, C. G., Kasuganti, R. R., Mu, J., Peng, G. and Tan, Y. (2007) 'New product development in Chinese SMEs: Key success factors from a managerial perspective.' *International Journal of Emerging Markets*, 2(2) pp. 123-143.

European Commission.(2015) *User guide to the SME definition.* [Online] [Accessed on 18 January 2016] http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm

Everett, J. and Watson, J. (1998) 'Small business failure and external risk factors.' *Small Business Economics*, 11(4) pp. 371-390.

Fatoki, O. O. and Asah, F. (2011) 'The impact of firm and entrepreneurial characteristics on access to debt finance by SMEs in King Williams' Town, South Africa.' *International Journal of Business and Management*, 6(8) p. p170.

Field, A. (2005) Discovering statistics with SPSS. London: Sage.

Foley, P. and Green, H. (1989) *Small business success.* Paul Chapman London.

Forsman, H. (2008) 'Business development success in SMEs: a case study approach.' *Journal of Small Business and Enterprise Development*, 15(3) pp. 606-622.

Franco, M. and Haase, H. (2010) 'Failure factors in small and medium-sized enterprises: qualitative study from an attributional perspective.' *International Entrepreneurship and Management Journal*, 6(4) pp. 503-521.

Frey, B. S. (2009) 'How can business cope with terrorism?' *Journal of Policy Modeling*, 31(5) pp. 779-787.

Frisbie, W. (1995) *Saudi Arabian Urban Development in Comparative Perspective*. Riyadh: Dar AL-Sahan.

Galbreath, J. (2005) 'Which resources matter the most to firm success? An exploratory study of resource-based theory.' *Technovation*, 25(9) pp. 979-987.

Gelinas, R. and Bigras, Y. (2004) 'The characteristics and features of SMEs: favorable or unfavorable to logistics integration?' *Journal of Small Business Management*, 42(3) pp. 263-278.

General Organization for Social Insurance. (2012) *Yearly report*. [Online] [Access on 5 March 2013] http://www.gosi.gov.sa/portal/web/guest/home

Ghosh, B. and Kwan, W. (1996) 'An analysis of key success factors of SMEs: A cross national study of Singapore/Malaysia and Australia/New Zealand.' *ICSB, Sweden, in the proceedings of selected papers*.
Gill, A. and Biger, N. (2012) 'Barriers to small business growth in Canada.' *Journal of Small Business and Enterprise Development*, 19(4) pp. 656-668.

Gray, K. R., Foster, H. and Howard, M. (2006) 'Motivations of Moroccans to be entrepreneurs.' *Journal of Developmental Entrepreneurship*, 11(04) pp. 297-318.

Grundy, T. (2006) 'Rethinking and reinventing Michael Porter's five forces model.' *Strategic Change*, 15(5) pp. 213-229.

Guba, E. G. and Lincoln, Y. S. (1994) 'Competing paradigms in qualitative research.' *Handbook of qualitative research*, 2(163-194)

Gunasekaran, A., Forker, L. and Kobu, B. (2000) 'Improving operations performance in a small company: a case study.' *International Journal of Operations & Production Management*, 20(3) pp. 316-336.

Gunawan, T., Jacob, J. and Duysters, G. (2013) 'Entrepreneurial Orientation and Network Ties: Innovative Performance of SMEs in an Emerging-Economy Manufacturing Cluster.' *Maastricht School of Management, Tilburg University, The Netherlands*,

Gunawan, T., Jacob, J. and Duysters, G. (2015) 'Network ties and entrepreneurial orientation: Innovative performance of SMEs in a developing country.' *International Entrepreneurship and Management Journal*, pp. 1-25.

Guzmán, J. and Javier Santos, F. (2001) 'The booster function and the entrepreneurial quality: an application to the province of Seville.' *Entrepreneurship & Regional Development*, 13(3) pp. 211-228.

Hair, J., Black, B., Babin, B., Anderson, R., & Tatham, R. (2006) *Multivariate data analysis*. 6th ed., New Je: Printice-Hall.

Hancock, G. R. and Mueller, R. O. (2010) *The reviewer's guide to quantitative methods in the social sciences.* Routledge.

Harney, B. and Dundon, T. (2006) 'Capturing complexity: developing an integrated approach to analysing HRM in SMEs.' *Human resource management journal*, 16(1) pp. 48-73.

Hassanein, A. A. and Adly, S. W. (2008) 'Issues facing small Egyptian construction firms: the financing barrier.' *Journal of Small Business & Entrepreneurship*, 21(3) pp. 363-376.

He, Y., Price, S., and Banham, H., (2008) 'Comparartive Study on SME Policy: Canada, United Satatesand The European Union.' Journal of International Buisness & Economics, 8(1) p.80

Heider, F. (1958) *The Psychology of Interpersonal Relations*. New York: Wiley.

Hertog, S. (2010) *Benchmarking SME Policies in the GCC: a survey of challenges and opportunities*. [Online] [Accessed on 2 March 2012] http://eprints.lse.ac.uk/29870/

Hertog, S. (2013) *The private sector and reforms in the Gulf Cooperation Council.* [Online] [Accessed on 12 December 2015] http://lse.ac.uk/middleEastCentre/kuwait/documents/the-private-sector-and-reform-in-the-gcc.pdf

Heshmati, A. (2001) 'On the growth of micro and small firms: evidence from Sweden.' *Small business economics*, 17(3) pp. 213-228.

Hill, C., Jones, G., Galvin, P., Haidar, A. (2007) *Strategic Management An Integrated Approach*. 2nd ed., Sydney: John Wiley & Sons Australia, Ltd.

Hilton, A. and Skrutkowski, M. (2002) 'Translating instruments into other languages: development and testing processes.' *Cancer nursing*, 25(1) pp. 1-7.

Hoffman, K., Parejo, M., Bessant, J. and Perren, L. (1998) 'Small firms, R&D, technology and innovation in the UK: a literature review.' *Technovation*, 18(1) pp. 39-55.

Hofstede, G. (2011) ' Dimensionalizing Cultures: The Hofstede Model in Context.' *Online Readings in Psychology and Culture,* 2(1) pp. 3-26

Hogarth-Scott, S., Watson, K. and Wilson, N. (1996) 'Do small businesses have to practise marketing to survive and grow?' *Marketing intelligence & planning*, 14(1) pp. 6-18.

Honig, B. and Karlsson, T. (2004) 'Institutional forces and the written business plan.' *Journal of Management*, 30(1) pp. 29-48.

Hussain, I., Farooq, Z. and Akhtar, W. (2012) 'SMEs development and failure avoidance in developing countries through public private partnership.' *African Journal of Business Management*, 6(4) pp. 1581-1589.

Hutchings, K. and Weir, D. (2006) 'Guanxi and wasta: A comparison.' *Thunderbird International Business Review*, 48(1) pp. 141-156.

Hyeoun-Ae, P. (2013) ' An Introduction to logistic regression: from basic concepts to interpretation with particular attention to nursing domain. ' *J Korean Acad Nurs* , 43(2) pp. 154-164.

IMA Ltd. (2013) *Doing Buisness in Saudi Arabia.* [Online] Accedded on 2 Jun 2016]: http://www.saudiarabia.doingbusinessguide.co.uk/the-guide/legal/

International Finance Corporation. (2013) *Access To Credit Among Micro, Small, And Medium Enterprises.* [Online] [Accessed on 3 March 2014] http://www.ifc.org/wps/wcm/connec

International Finance Corporation. (2014) *Islamic Banking Opportunities Across Small and Medium Enterprises In MENA*. [Online] [Accessed on 2 February 2015] http://www.ifc.org/wps/wcm/connect/7ab5500045503ad09e619ec66d9c728b/Executiv+Summary+final+31-8-2014+.pdf?MOD=AJPERES

International Labour Organisation. (2000) *Guidelines for the Analysis of Policies and Programs for Small and Medium Enterprises Development*. [Online] [Accessed on 3 March 2012]:http://www.ilo.org/empent/lang--en/index.htm

International Labour Organisation. (2012) *Rethinking Economic Growth: Towards Productive and Inclusive Arab Societies*. [Online] [Accessed on 3 March 2013]: http://www.ilo.org/wcmsp5/groups/public/arabstates/---ro-beirut/documents/publicati.pdf

International Monetary Fund (2015) Saudi Arabia: Tackling Emerging Economic Challenges to Sustain Growth. [Online] [Accessed on 1 December 2015] https://imf.org/external/pubs/ft/dp/2015/1501mcd.pdf

International Monetary Fund. (2013) *Saudi Arabia Selected Issue*. [Online] [Accessed on 9 August 2014]: https://www.imf.org/external/pubs/ft/scr/2013/cr13230.pdf

Irefin, I., Abdul-Azeez, I. and Tijani, A. (2012) 'An investigative study of the factors affecting the adoption of information and communication technology in small and medium scale enterprises in Nigeria.' *Australian Journal of Business and Management Research*, 2(2) pp. 1-9.

Isaga, N. (2015) 'Owner-Managers' Demographic Characteristics and the Growth of Tanzanian Small and Medium Enterprises.' *International Journal of Business and Management*, 10(5) p. p168.

Islam, M. A., Khan, M. A., Obaidullah, A. Z. M. and Alam, M. S. (2011) 'Effect of entrepreneur and firm characteristics on the business success of small and medium enterprises (SMEs) in Bangladesh.' *International Journal of Business and Management*, 6(3) p. p289.

Ito, H. and Lee, D. (2005) 'Assessing the impact of the September 11 terrorist attacks on US airline demand.' *Journal of Economics and Business*, 57(1) pp. 75-95.

Jalali,M., Jalali,F., Shamsodin, R., Dadbeh, F., and Sharifi, S. (2013) ' The role of social capital and innovation in SMEs ' success: A partial least squares Approach.' Journal of Basic and Applied Scientific Research, 3(4) pp. 515-522.

Jamali, D. (2009) 'Constraints and opportunities facing women entrepreneurs in developing countries: A relational perspective.' *Gender in Management: An International Journal*, 24(4) pp. 232-251.

Jasra, J. M., Khan, M. A., Hunjra, A. I., Rehman, A. U. and Azam, R. I. (2011) 'Determinants of business success of small and medium enterprises.' *International Journal of Business and Social Science*, 2(20)

Jeddah Chamber Commerce and Industry. (2014) Saudi Arabia sees in SMEs growth. *Zawaya.* [Online] [Accessed on 11th February 2015]: http://www.jcci.org.sa Jennings, P. and Beaver, G. (1997) 'The performance and competitive advantage of small firms: a management perspective.' *International Small Business Journal*, 15(2) pp. 63-75.

Jindrichovska, I. (2013) 'Financial management in SMEs.' *European Research Studies Journal,* 16(Special Issue on SMEs) pp. 79-96.

Johnson, R. B., and Onwuegbuzie, A. J. (2004) 'Mixed method research: a research paradigm whose time has come. ' *Educational Researcher,* 33(7), 14-26.
Jones, R. (1996) 'Small-firm success and supplier relations in the Australian boat-building industry: A contrast of two regions.' *Journal of Small Business Management*, 34(2) p. 71.

Kangasharju, A. (2000) 'Growth of the smallest: Determinants of small firm growth during strong macroeconomic fluctuations.' *International Small Business Journal*, 19(1) pp. 28-43.

Katz, D., and Kahn R. (1978) *The Social Psychology of Organizations.* 2nd ed., New Yourk: Wiley

Kautonen, T. (2008) 'Understanding the older entrepreneur: Comparing third age and prime age entrepreneurs in Finland.' *International Journal of Business Science and Applied Management*, 3(3) pp. 3-13.

Kazlauskaite, R. and Buciuniene, I. (2008) 'The role of human resources and their management in the establishment of sustainable competitive advantage.' *Inzinerine Ekonomika-Engineering Economics*, 5 pp. 78-84.

Kim, P. H., Aldrich, H. E. and Keister, L. A. (2006) 'Access (not) denied: The impact of financial, human, and cultural capital on entrepreneurial entryin the United States.' *Small Business Economics*, 27(1) pp. 5-22.

Kitching, J. (2006) 'A burden on business? Reviewing the evidence base on regulation and small-business performance.' *ENVIRONMENT AND PLANNING C*, 24(6) p. 799.

Kitching, J., Hart, M. and Wilson, N. (2013) 'Burden or benefit? Regulation as a dynamic influence on small business performance.' *International Small Business Journal*, 33(2) pp. 130-147.

Kraut, R., Olson, J., Banaji, M., Bruckman, A., Cohen, J. and Couper, M. (2004) 'Psychological research online: report of Board of Scientific Affairs' Advisory Group on the Conduct of Research on the Internet.' *American psychologist*, 59(2) p. 105.

Kreiser, P. , Marino, L. , Dickson, P. and Weaver, K. (2010) 'Cultural Influences on Entrepreneurial Orientation: The Impact of National Culture on Risk Taking and Proactiveness in SMEs.' *Entrepreneurship Theory and Practice*, 34(5) pp. 959-983.

Kristiansen, S. (2002) 'Competition and knowledge in Javanese rural business.' *Singapore Journal of Tropical Geography*, 23(1) pp. 52-69.

Kristiansen, S., Furuholt, B. and Wahid, F. (2003) 'Internet café entrepreneurs: Pioneers in information dissemination in Indonesia.' *The International Journal of Entrepreneurship and Innovation*, 4(4) pp. 251-263.

Lee, D. and Tsang, E. (2001) 'The effects of entrepreneurial personality, background and network activities on venture growth*.' *Journal of management studies*, 38(4) pp. 583-602.

Lefever, S., Dal, M. and Matthiasdottir, A. (2007) 'Online data collection in academic research: advantages and limitations.' *British Journal of Educational Technology*, 38(4) pp. 574-582.

Liedholm, C. (2002) 'Small firm dynamics: evidence from Africa and Latin America.' *Small Business Economics*, 18(1-3) pp. 225-240.

Littlewood, J., and Yousuf, S. (2000). 'Primary health care in Saudi Arabia: applying global

London Chamber of Commerce and Industry. (2005) *The economic Effects of Terrorism on London – experiences of firms in London's business community.* [Online] [Accessed on 2 October 2013]: http://www.londonchamber.co.uk/docimages/754.pdf

Long, D. (2005) *Culture and Customs of Saudi Arabia.* USA: Greenwood Publishing Group.

Lopez-Gracia, J. and Aybar-Arias, C. (2000) 'An empirical approach to the financial behaviour of small and medium sized companies.' *Small Business Economics*, 14(1) pp. 55-63.

Lukács, E. (2005) 'The economic role of SMEs in world economy, especially in Europe.' *European Integration Studies*, (1 (4) pp. 3-12.

Lussier, R. and Halabi, C. (2010) 'A Three-Country Comparison of the Business Success versus Failure Prediction Model.' *Journal of Small Business Management*, 48(3) pp. 360-377.

Lussier, R. N. (1995) 'A nonfinancial business success versus failure prediction mo.' *Journal of Small Business Management,* 33(1)**,** pp.1-8.

Lussier, R. N. and Halabi, C. E. (2010) 'A Three-Country Comparison of the Business Success versus Failure Prediction Model.' *Journal of Small Business Management*, 48(3) pp. 360-377.

Lussier, R. N. and Pfeifer, S. (2001) 'A crossnational prediction model for business success.' *Journal of Small Business Management*, 39(3) pp. 228-239.

Mackenzie, N. and Knipe, S. (2006) 'Research dilemmas: Paradigms, methods and methodology.' *Issues in educational research*, 16(2) pp. 193-205.

Malaya, M. F. (2013) 'A gender-based analysis of performance of small and medium printing firms in Metro Manila.' *Journal of International Women's Studies*, 8(1) pp. 83-95.

Man, T. W., Lau, T. and Chan, K. (2002) 'The competitiveness of small and medium enterprises: A conceptualization with focus on entrepreneurial competencies.' *Journal of Business Venturing*, 17(2) pp. 123-142.

March, J. and Sutton, R. (1997) 'Crossroads-organizational performance as a dependent variable.' *Organization science*, 8(6) pp. 698-706.

Marom, S. and Lussier, R. (2014) 'A Business Success Versus Failure Prediction Model for Small Businesses in Israel.' *Business and Economic Research*, 4(2) p. 63.

Martin, B. C., McNally, J. J. and Kay, M. J. (2013) 'Examining the formation of human capital in entrepreneurship: a meta-analysis of entrepreneurship education outcomes.' *Journal of Business Venturing*, 28(2) pp. 211-224.

Martínez, D., MORA, J. G. and Vila, L. E. (2007) 'Entrepreneurs, the Self-employed and Employees amongst young European higher education Graduates.' *European Journal of Education*, 42(1) pp. 99-117.

Mazzarol, T., Volery, T., Doss, N. and Thein, V. (1999) 'Factors influencing small business start-ups: a comparison with previous research.' *International Journal of Entrepreneurial Behavior & Research*, 5(2) pp. 48-63.

McCline, R. L., Bhat, S. and Baj, P. (2000) 'Opportunity recognition: An exploratory investigation of a component of the entrepreneurial process in the context of the health care industry.' *Entrepreneurship Theory and Practice*, 25(2) pp. 81-94.

McGregor, S. L. and Murnane, J. A. (2010) 'Paradigm, methodology and method: Intellectual integrity in consumer scholarship.' *International Journal of Consumer Studies*, 34(4) pp. 419-427.

McMahon, R. G. (2001) 'Deriving an empirical development taxonomy for manufacturing SMEs using data from Australia's business longitudinal survey.' *Small Business Economics*, 17(3) pp. 197-212.

Merdah, W. and Sadi, M. (2011) 'Technology Transfer in Context with Saudi Arabian Small-Medium Enterprises.' *International Management Review*, 7(1) p. 30.

Michaelas, N., Chittenden, F. and Poutziouris, P. (1999) 'Financial policy and capital structure choice in UK SMEs: Empirical evidence from company panel data.' *Small business economics*, 12(2) pp. 113-130.

Miller, A., and Dess, G. (1996). *Strategic management* (2nd ed.). New York: McGraw-Hill.

Miller, K. D. and Waller, H. G. (2003) 'Scenarios, real options and integrated risk management.' *Long range planning*, 36(1) pp. 93-107.

Ministry of Commerce and Industry – Saudi Arabia. (2012) The Internal trading report. *Direct Open Data Library* .[Accessed on 13th January 2013] http://mci.gov.sa/Pages/Default.aspx

Ministry of Commerce and Industry – Saudi Arabia. (2014) The Business records. *Direct Open Data Library*. [Accessed on 2 February 2015]: https://www.mci.gov.sa/en/Pages/default.aspx

Ministry of Commerce and Industry – Saudi Arabia. (2015) Rules and Regulations.[Accessed on 13th Sptember 2015]: https://mci.gov.sa/LawsRegulations/LicensingRegulationsAndDecisions/Pages/default.aspx

Ministry of Labour Saudi Arabia. (2012) *Nitaqat Program.* [Online] [Accessed on 2 December 2013]: http://taqatonline.org.sa/

Ministry of Labour Saudi Arabia. (2014) *Employment Plan Saudi Arabia*. [Online] [Accessed on 5 December 2015]: https://g20.org/wpcontent/uploads/2014/12/g20_employment_plam_saudi_arabia.pdf

 Minstry of Labor, Kingdom of Saudi Arabia. *(2015) Saudi Arabia Labor Market Report.* [Online] [Accessed on 15 May 2016]: http://www.g20report.mol.gov.sa/Saudi%20Arabia%20Labor%20Market%20Report%20G20.pdf

Minstry of Labour Saudi Arabia. (2014) Organisations by region and size. *Open Data Library*. [Accessed on 2 March 2015]: http://www.portal.mol.gov.sa/ar/Statistics/Pages/opendata.aspx?m=8

Mohiuddin, M. and Su, Z. (2013) 'Manufacturing small and medium size enterprise's offshore outsourcing and competitive advantage: An exploratory study on Canadian offshoring manufacturing SMEs.' *Journal of Applied Business Research (JABR)*, 29(4) pp. 1111-1130.

Morrissey, W. J. and Pittaway, L. (2006) 'Buyer-supplier relationships in small firms the use of social factors to manage relationships.' *International Small Business Journal*, 24(3) pp. 272-298.

Mutula, S. M. and van Brakel, P. (2006) 'E-readiness of SMEs in the ICT sector in Botswana with respect to information access.' *The electronic library*, 24(3) pp. 402-417.

Najib, H. (2003) 'Determinants of firm growth: An empirical analysis from morocco.' *MPRA Paper*, 4394.

Naqvi, S. W. H. (2011) 'Critical success and failure factors of entrepreneurial organizations: Study of SMEs in Bahawalpur.' *Journal of Public Administration and Governance*, 1(2) pp. Pages 17-23.

National Entrepreneurship Institute. (2013) *The challenges of small projects under the auspices of the national business in Saudi Arabia Leadership Institute* 2012. Riyadh
National Small Business Act. (2004). [Online][Accessed on 3 March2012]:http://info.gov.za /view/ DownloadFileAction?id=70848

Neuman, W. (2006) *Social Research Methods:qualitative and quantitative approaches*. 7th ed., Pearson Allyn & Bacon.
Newbert, S. L. (2007) 'Empirical research on the resource-based view of the firm: an assessment and suggestions for future research.' *Strategic management journal*, 28(2) pp. 121-146.

Nguyen Van, P., Laisney, F. and Kaiser, U. (2004) 'The performance of German firms in the business-related service sector: A dynamic analysis.' *Journal of business & Economic statistics*, 22(3) pp. 274-295.

Nie, N. H., Hillygus, D. S. and Erbring, L. (2002) 'Internet use, interpersonal relations, and sociability.' *The Internet in everyday life*, pp. 215-243.

O'Cass, A. and Sok, P. (2013) 'The role of intellectual resources, product innovation capability, reputational resources and marketing capability combinations in firm growth.' *International Small Business Journal*, 32(8) pp. 996-1018.

Okpara, J. O. and Okpara, J. O. (2011) 'Factors constraining the growth and survival of SMEs in Nigeria: Implications for poverty alleviation.' *Management Research Review*, 34(2) pp. 156-171.

Okpara, J. O. and Wynn, P. (2007) 'Determinants of small business growth constraints in a sub-Saharan African economy.' *SAM Advanced Management Journal*, 72(2) p. 24.

Olawale, F. and Garwe, D. (2010) 'Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach.' *African Journal of Business Management*, 4(5) pp. 729-738.

Olson, P. D. and Bokor, D. W. (1995) 'Strategy process-content interaction: Effects on growth performance in small, start-up firms.' *Journal of small business management*, 33(1) p. 34.

Onwuegbuzie, A. J. and Leech, N. L. (2005) 'On becoming a pragmatic researcher: The importance of combining quantitative and qualitative research methodologies.' *International Journal of Social Research Methodology*, 8(5) pp. 375-387.

O'Regan, N. and Ghobadian, A. (2002) 'Effective strategic planning in small and medium sized firms.' *Management Decision*, 40(7) pp. 663-671.

Organisation For Economic CO-Operation And Development. (2009) *The Impact of the Global Crisis on SME and Entrepreneurship Financing and policy Responses*. [Online] [Accessed on 21 January 2013] http://oecd.org/dataoecd/40/34/43183090.pdf

Pakkiasamy, D. (2004) *Saudi Arabia's Plan for Changing Its Workforce*. [Online] [Accessed on 2 March 2012]: http://migrationpolicy.org/article/saudi-arabias-plan-changing-its-workforce

Pallant, J. (2011) *SPSS Survival Manual: A step by step guide to data analysis using SPSS version 18*. 4th ed., Maidenhead, Berkshire: Open University Press.

Pallant, J. (2013) *SPSS survival manual.* UK: McGraw-Hill Education.

Penrose, E. (1959) *The Theory of the Growth of the Firm*. New York: John Wiley and Sons

Peters, M. and Passchier, J. (2006) 'Translating Instruments for Cross-Cultural Studies in Headache Research.' *Headache: The journal of head and face pain*, 46(1) pp. 82-91.

Peterson, R., Albaum, G., and Kozwtsky, R., (1986) 'The Public's Definition of Small Business.' *Journal of Small Business Management*, 24 (3), pp. 63-68.

Philip, M. (2010) 'Factors affecting business success of small & medium enterprises (SMEs).' *Asia Pacific Journal of Research in Business Management*, 1(2) pp. 1-15.

Porter, M. (1998) *Competitive Advantage Creating And Sustaining*. New York: The free Press.

Pretorius, M. and Shaw, G. (2004) 'Business plans in bank decision-making when financing new ventures in South Africa.' *South African Journal of Economic and Management Sciences= Suid-Afrikaanse Tydskrif vir Ekonomiese en Bestuurswetenskappe*, 7(2) pp. p. 221-241.

PwC, (2015) *Doing Buisness in the Kingdom of Saudi Arabia: A tax and legal guide*. [Online] [Accessed on 5 Jun 2016]: https://www.pwc.com/m1/en/tax/documents/doing-business-guide-ksa.pdf

Quadir, S. and Jahur, M.(2011) 'Determinants of success and failure of entrepreneurs of SMEs in Bangladesh-An Explorative Study.' *European Journal of Business and Management*, 3(3) pp. 1-15.

Racha, A. (2002) *Interpreting Quantitative Data with SPSS*. SAGE Ltd.
Raj, K. (2009).'SMEs Key Failure – Factors : A Comparison between the United Kingdom and Nigeria. ' *Journal of Soc Sci*, 18(3), pp.199-207.

Rangone, A. (1999) 'A resource-based approach to strategy analysis in small-medium sized enterprises.' *Small Business Economics*, 12(3) pp. 233-248.

Reijonen, H. (2010) 'Do all SMEs practise same kind of marketing?' *Journal of Small Business and Enterprise Development*, 17(2) pp. 279-293.

Ricardo, D. (1966) *Economic essays.* New York: Kelley.

RIYADAH. (2012) *The Annual Executive Summary.* [Accessed on 2 February 2013]: http://smes.tvtc.gov.sa/

Riyadh Chamber Commerce & Industry. (2011) *Small and medium enterprises in Saudi Arabia*. [Online] [Accessed on 5 March 2013]: http://riyadhchamber.com/indexen.php

Robb, A. M. and Watson, J. (2012) 'Gender differences in firm performance: Evidence from new ventures in the United States.' *Journal of Business Venturing*, 27(5) pp. 544-558.

Robson, P. J. and Obeng, B. A. (2008) 'The barriers to growth in Ghana.' *Small Business Economics*, 30(4) pp. 385-403.

Rody, C. and Stearns, M. (2013) 'Impact of Entrepreneurial Style and Managerial Characteristics on SME Performance in Macao SAR, China.' *Journal of Multidisciplinary Research*, 5(1) pp. 27-44.

Rogelberg, S. G. and Luong, A. (1998) 'Nonresponse to mailed surveys: A review and guide.' *Current Directions in Psychological Science*, 7(2) pp. 60-65.

Rogerson, C. M. (2001) 'In search of the African miracle: debates on successful small enterprise development in Africa.' *Habitat International*, 25(1) pp. 115-142.

Rogoff, E. G., Lee, M. S. and Suh, D. C. (2004) '"Who done it?" Attributions by entrepreneurs and experts of the factors that cause and impede small business success.' *Journal of Small Business Management*, 42(4) pp. 364-376.

Ropega, J. (2011) 'The Reasons and Symptoms of Failure in SME.' *International Advances in Economic Research*, 17(4) pp. 476-483.

 Royal Embassy of Saudi Arabia in Washington (2013a) *About Saudi Arabia.* [Online] [Accessed on14/11/2014]: http://saudiembassy.net/about/countryinformation/map_of_provinces.aspx

Royal Embassy of Saudi Arabia in Washington. (2012) *Public Statement by Senior Saudi Officials and Religious Scholars Condemning Extremism and Promoting Moderation.*[Online] [Accessed on 14/11/2014]: http://saudiembassy.net

Royal Embassy of Saudi Arabia in Washington. (2013b) *Economy and global trade*. [Online] [Accessed on 2 March 2014]: http://saudiembassy.net/about/country-information/economy_global_trade/

Royal Embassy of Saudi Arabia in Washington. (2015) *Public Statement by Senior Saudi Officials and Religious Scholars Condemning Extremism and Promoting Moderation.*[Online] [Accessed on 14/11/2015]: https://saudiembassy.net/files/PDF/Reports/Condemning_Extremism.pdf

Royal Embassy of Saudi Arabia in Washington. 2013 *Country information.* [Online] [Accessed on 12/12/2014]: http://saudiembassy.net/about/country-information/

Royal Embassy of Saudi Arabia Tokyo | Discover Saudi Arabia. (2008) *Administrative Regions.* [Online] [Accessed on 12/12/2014]: http://saudiembassy.or.jp/DiscoverSA/AR.htm

Rugraff, E. and Hansen, M. W. (2011) *Multinational corporations and local firms in emerging economies.* Amsterdam: University Press.

Sadi, M. and Al-Ghazali, B. (2010) 'Doing business with impudence: A focus on women entrepreneurship in Saudi Arabia.' *African Journal of Business Management*, 4(1) pp. 1-11.

Sandberg, K. W. (2003) 'An exploratory study of women in micro enterprises: gender-related differences.' *Journal of small business and enterprise development*, 10(4) pp. 408-417.

Saudi Arabia General Investment Authority (2016). *The latest News, and press release.* [Online] [Accessed on 17 January 2016] https://sagia.gov.sa/ar/job/Media-centre/News/--------2016/

Saudi Arabian Monetary Agency. (2010) *Small and medium enterprises*. [Online] [Accessed on 10 November 2011] http://sama.gov.sa/sites/samaen/News/Pages/SMEIOB.aspx.

Saudi-US Relation Information Service. (2010) *Boosting Small and Medium Enterprises in Saudi Arabia*. [Online] [Accessed on 10 February 2013] http://susris.com/2010/12/04/boosting-small-and-medium-enterprises-in-saudi-arabia/

Saunders, M. N., Saunders, M., Lewis, P. and Thornhill, A. (2011) *Research methods for business students.* India: Pearson Education.

Sax, L. J., Gilmartin, S. K. and Bryant, A. N. (2003) 'Assessing response rates and nonresponse bias in web and paper surveys.' *Research in higher education*, 44(4) pp. 409-432.

Schumpeter, J. (1934) *The theory of economic development.* Cambridge, MA: Harvard University Press.

Scott, J. and Carrington, P. J. (2011) *The SAGE handbook of social network analysis.* SAGE publications.

Sefiani, Y. (2012). 'A quantitative approach to understanding business success in Tangier. ' *International Journal of Research in Management*, 4 (2), 87-103.

Selznick, P. (1957) *Leadership in adminstartion*. A sociological interpretaion. New Yourk: Harper.

Shalaby, N. (2004) 'SMEs Developments Saudi Arabia.' Paper presented at: *Third national SMEs Forum*. Eastern Province Chamber of Commerce and Industry, Dammam, Saudi Arabia.

Shankar, A. and Goulding, C. (2001) 'Interpretive consumer research: two more contributions to theory and practice.' *Qualitative Market Research: An International Journal*, 4(1) pp. 7-16.

Sima, E., Bordânc, F. and Sima, C. (2015) 'Entrepreneurship Role In Promoting Rural Tourism.' *Agricultural Economics and Rural Development*, 12(1) pp. 71-80.

Simpson, M. and Taylor, N. (2002) 'The role and relevance of marketing in SMEs: towards a new model.' *Journal of small business and enterprise development*, 9(4) pp. 370-382.

Simpson, M., Padmore, J. and Newman, N. (2012) 'Towards a new model of success and performance in SMEs.' *International Journal of Entrepreneurial Behavior & Research*, 18(3) pp. 264-285.

Simpson, M., Tuck, N. and Bellamy, S. (2004) 'Small business success factors: the role of education and training.' *Education + Training*, 46(8/9) pp. 481-491.

Simsim, M. T. (2011) 'Internet usage and user preferences in Saudi Arabia.' *Journal of King Saud University-Engineering Sciences*, 23(2) pp. 101-107.

Sinha, T. (1996) 'Human factors in entrepreneurship effectiveness.' *Journal of Entrepreneurship*, 5(1) pp. 23-39.

Siow Song Teng, H., Singh Bhatia, G. and Anwar, S. (2011) 'A success versus failure prediction model for small businesses in Singapore.' *American Journal of Business*, 26(1) pp. 50-64.

Soriano, D. and Castrogiovanni, G. (2010) 'The impact of education, experience and inner circle advisors on SME performance: insights from a study of public development centers.' *Small Business Economics*, 38(3) pp. 333-349.

Storey, D. (1994). *Understanding small firms.* London: Routledge.

Storey, D. (2011) 'Optimism and chance: The elephants in the entrepreneurship room.' *International Small Business Journal*, p. 0266242611403871.

Summers, J., Gardiner, M., Lamb, C., Hair, J., and McDaniel, C. (2002) *Essential of marketing* . Australia: Thomson Learning.

SUSRIS. (2011) *A "SME" Authority for Saudi Arabia*. [Online] [Accessed on 10 March 2013] http://saudibrit.com/2011/02/04/a-sme-authority-for-saudi-arabia/

Swierczek, F. W. and Ha, T. T. (2003) 'Entrepreneurial orientation, uncertainty avoidance and firm performance: an analysis of Thai and Vietnamese SMEs.' *The International Journal of Entrepreneurship and Innovation*, 4(1) pp. 46-58.

Tashakkori, A. and Teddlie, C. (2003) 'Issues and dilemmas in teaching research methods courses in social and behavioural sciences: US perspective.' *International Journal of Social Research Methodology*, 6(1) pp. 61-77.

Temtime, Z. T. and Pansiri, J. (2004) 'Small business critical success/failure factors in developing countries: some evidences from Botswana.'American Journal of Applied Science, 1(1) pp.18-25.

Terziovski, M. (2010) 'Innovation practice and its performance implications in small and medium enterprises (SMEs) in the manufacturing sector: a resource-based view.' *Strategic Management Journal*, 31(8) pp. 892-902.

Tharenou, P., Donohue, R. and Cooper, B. (2007) *Management research methods.* New York: Cambridge University Press.

The Australian Bureau of Statistics. (2001) *Small Business in Australia* (2001). [Online] [Accessed on 3 March2012]: http://AUSSTATS/abs@.nsf/Lookup/1321.0Glossary12001

The Eastern Chamber of Commerce and industry. (2013) *About the Eastern Region.* [Online] [Accessed on 11/11/2014]: http://chamber.org.sa/English/AboutKingdom/abouteasternregion/Pages/default.aspx

The International Institute of Strategic Studies and Lloyd's. (2008) *Terrorism In Asia what does it mean for business?.* [Online] [Accessed on 2 October 2013]: https://lloyds.com/media/lloyds/reports/360/360%20terrorism%20reports/terrorismina sia_final.pdf

The U. S. Small Business Administration (SBA). (2008) *Table of Small Business Size Standards*. [Online] [Accessed on 3 March2012]:http://sba.gov/contractingopportunities/officials/size/summaryofssi/index. html

The World Bank. (2005) *Small business activities 2004* . [Online] [Accessed on 2 October2011]:http://microfinancegateway.org/files/fg-en-paper-2004-annual-review-small-business-activities-2004_0.pdf

The World Bank. (2014) *Doing Business Saudi Arabia 2015*. [Online] [Accessed on 2 February 2015]: http://doingbusiness.org/data/exploreeconomies/saudi-arabia/

The World Bank. (2016) *Doing Business Saudi Arabia 2016*. [Online] [Accessed on 4 January 2016]: http://doingbusiness.org/data/exploreeconomies/saudi-arabia/~/media/giawb/doing%20business/documents/profiles/country/SAU.pdf

Theng, L. G. and Boon, J. L. W. (1996) 'An exploratory study of factors affecting the failure of local small and medium enterprises.' *Asia Pacific Journal of Management*, 13(2) pp. 47-61.

Theriou, G. and Chatzoudes, D. (2015) 'Exploring the entrepreneurship-performance relationship: evidence from Greek SMEs.' *Journal of Small Business and Enterprise Development*, 22(2) pp. 352-375.

Thomas, R. M. (2003) *Blending qualitative and quantitative research methods in theses and dissertations.* Corwin Press.

Thornhill, S. and Amit, R. (2003) ' Learning about failure: bankruptcy, firm age, and the resource - based view. ' *Journal of organization Science*,14(5),pp. 497-509.

Turner, J., Bititci, S. and Nudurupati, S. (2005) 'Implementation and impact of performance measures in two SMEs in Central Scotland.' *Production Planning & Control*, 16(2) pp. 135-151.

U.S. Department of State (2015) *Investment Climate Statement*. [Online] [Accessed on 10 January 2016] http://state.gov/documents/organization/241938.pdf

Ucbasaran, D., Westhead, P. and Wright, M. (2002) *Human capital based determinants of opportunity identification.* Vol. 2006:

Uddin, M. and Bose, T. (2013) 'Factors Affect the Success of SME in Bangladesh: Evidence from Khulna City.' *Journal of Management and Sustainability*, 3(3)

United Nations (2015) *World Investment Report 2015*. [Online] [Accessed on 4 January 2016] http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf

United Nations Environment Programme (UNEP). (2000) How Small and Medium – Sized Enterprises In developing Country can Protect the Ozon Layer. [Online] [Accessed on 3 March 2012]: http://unep.fr/ozonaction/information/mmcfiles/3242_-e.pdf

Valliere, D., Gedeon, S. A. and Wise, S. (2014) 'A Comprehensive Framework for Entrepreneurship Education.' *Journal of Business and Entrepreneurship*, 26(1) p. 89.

Van el Der Wijst, D. (1989) 'Financial structure in small business: Theory, test and application.' *Lecture Notes in Economics and Mathematical Systems Series*, 320

Van Stel, A., Storey, D. J. and Thurik, A. R. (2007) 'The effect of business regulations on nascent and young business entrepreneurship.' *Small Business Economics*, 28(2-3) pp. 171-186.

van Teijlingen, E. and Hundley, V. (2001) 'The importance of pilot studies.' *Social research update*, (35) pp. 1-4.

Vera-Cruz, A. O. and Dutrénit, G. (2005) 'Spillovers from MNCs through worker mobility and technological and managerial capabilities of SMEs in Mexico.' *Innovation*, 7(2-3) pp. 274-297.

Vesper, K. (1990) 'New venture strategies.' *University of Illinois at Urbana-Champaign's Academy for Entrepreneurial Leadership Historical Research Reference in Entrepreneurship*,

Vickers, I., Baldock, R., Smallbone, D., James, P. and Ekanem, I. (2003) *Cultural influences on health and safety attitudes and behaviour in small businesses.* HSE Books Sudbury.

Von Potobsky, G. (1992) 'Small and medium-sized enterprises and labour law.' *Int'l Lab. Rev.*, 131 p. 601.

Walker, E. and Brown, A. (2004) 'What success factors are important to small business owners?' *International Small Business Journal*, 22(6) pp. 577-594.

Wasilczuk, J. (2000) 'Advantageous competence of owner/managers to grow the firm in Poland: Empirical evidence.' *Journal of small business management*, 38(2) p. 88.

Watson, J. (2003) 'Failure rates for female-controlled businesses: are they any different?' *Journal of Small Business Management*, 41(3) pp. 262-277.

Watson, J. and Everett, J. (1999) 'Small business failure rates: Choice of definition and industry effects.' *International Small Business Journal*, 17(2) pp. 31-47.

Weaver, K. and Olson, J. K. (2006) 'Understanding paradigms used for nursing research.' *Journal of advanced nursing*, 53(4) pp. 459-469.

Weir, D. (2002). *Human resource development in the Arab Middle East: a fourth paradigm. In M.* Lee, *HRD in a complex world*. London: Routledge.

West, G. and Noel, T. (2009) 'The impact of knowledge resources on new venture performance.' *Journal of Small Business Management*, 47(1) pp. 1-22.

Winter, G. (2000) 'A comparative discussion of the notion of'validity'in qualitative and quantitative research.' *The qualitative report*, 4(3) pp. 1-14.

Woldie, A., Leighton, P. and Adesua, A. (2008) 'Factors influencing small and medium enterprises (SMEs): an exploratory study of owner/manager and firm characteristics.' *Banks and Bank Systems*, 3(3), pp. 5-13

World Health Organization. (2011) *Process of translation and adaptation of instruments*. [Online] [Accessed on 10 October 2013]: http://who.int/substance_abuse/research_tools/translation/en/

World Population Review. (2014) *The Saudi Arabia Population 2014.* [Online] [Accessed on 12/12/2014] http://worldpopulationreview.com/countries/saudi-arabia-population/

World Wide Web Foundation. (2014) *Internet Society global internet report 2014.* [Online] [Accessed on 3 May 2015]: https://internetsociety.org/sites/default/files/Global_Internet_Report_2014.pdf

Wright, K. B. (2005) 'Researching Internet-based populations: Advantages and disadvantages of online survey research, online questionnaire authoring software packages, and web survey services.' *Journal of Computer-Mediated Communication*, 10(3).

Yun, G. W. and Trumbo, C. W. (2000) 'Comparative Response to a Survey Executed by Post, E-mail, & Web Form.' *Journal of Computer-Mediated Communication*, 6(1).

Yusuf, A. (1995) 'Critical success factors for small business: perceptions of South Pacific entrepreneurs.' *Journal of Small Business Management*, 33 pp. 2-68.

Zamberi Ahmad, S. (2011) 'Evidence of the characteristics of women entrepreneurs in the Kingdom of Saudi Arabia: An empirical investigation.' *International Journal of Gender and Entrepreneurship*, 3(2) pp. 123-143.

Zamberi Ahmad, S. (2012) 'Micro, small and medium-sized enterprises development in the Kingdom of Saudi Arabia: Problems and constraints.' *World Journal of Entrepreneurship, Management and Sustainable Development*, 8(4) pp. 217-232.

Zheng, M. and Shi, J. (2015) 'External Business Networks and Innovation Performance in SMEs: The Empirical Study on the Underwear Industrial Cluster in Shantou, China.' *Journal of Asia Entrepreneurship and Sustainability*, 11(4) p. 51.

Zulkifli-Muhammad, M., Char, A. K., bin Yasoa, M. R. and Hassan, Z. (2009) 'Small and medium enterprises (SMEs) competing in the global business environment: A case of Malaysia.' *International Business Research*, 3(1) p.66.

Appendices

Appendix (1): Conceptualisation and operationalisation

The internal environment factors			
	Conceptualisation	**Operationalisation**	**Items of construct**
Owner/managers			
Gender	Reflects understanding of how owners/managers' gender could predict SMEs' performance.	The construct was treated as classificatory and was measured by one question.	*Part one in the questionnaire.* Q1
Age	Reflects understanding of how owners/managers' ages could predict SMEs' performance.	Classificatory construct which was measured with one question	*Part one:* Q2
Education level	Shows understanding of how owners/managers' education could predict SMEs' performance.	Classificatory construct which was measured with one question	*Part one:* Q3
Nationality	Reflects understanding of how owners/managers' ages could predict SMEs' performance.	The construct was treated as classificatory and was measured by one question.	*Part one:* Q4
Competency	The construct exhibits how competences could predict the SMEs' performance	The measurement of scale was developed up of 11 items designed in a 5 Likert Scale format	*Part Two:* Q20,Q19,Q15,Q18, Q23,Q22, Q24, Q17,Q21,Q16,Q25
Experience	The construct indicates how the experience of owners/managers could predict the SMEs' performance	The measurement of scale was made up of 3 items designed in a 5 Likert Scale format	*Part Two:* Q1, Q2,Q3
Enterprises			
Age of business	Reflects understanding of how enterprise age could predict SMEs' performance	The construct was treated as classificatory and was measured by one question.	*Part one:* Q11
Size	Shows understanding of how enterprise size could predict SMEs' performance	The construct was treated as classificatory and was measured by one question: the number of employees.	*Part one:* Q12
Kind of ownership	Reflects understanding of how kinds of ownership could predict SMEs' performance	Classificatory construct which was measured with one question: whether the business was solo or partnership.	*Part one:* Q15

Financial management	The construct exhibits how competences could predict the performance of SMEs	The measurement of scale was made up of 3 items designed in a 5 Likert Scale format	*Part Two:* Q4, Q5, Q6
Marketing	The construct exhibits how marketing could predict the SMEs' performance	The measurement of scale was made up of 5 items designed in a 5 Likert Scale format	*Part Two:* Q7, Q8, Q9, Q10, Q11.
Planning	The construct indicates how planning could predict the SMEs' performance	The measurement of scale was made up of 3 items designed in a 5 Likert Scale format	*Part Two:* Q12, Q13, Q14
The external environment factors			
Micro Environment			
The intensity of competition	The construct indicates how the intensity of competition could predict the SMEs' performance	The measurement of scale was made up of 4 items designed in a 5 Likert Scale format	*Part three:* Q43, Q42, Q45, Q44.
Availability of Supplier	The construct indicates how the availability of suppliers could predict the SMEs' performance.	The measurement of scale was developed up of 3 items designed in a 5 Likert Scale format	*Part three:* Q26, Q27, Q28
Macro Environment			
Regulatory environment	The construct indicates how the regulatory environment could predict the SMEs' performance	The measurement of scale was made up of 8 items designed in a 5 Likert Scale format	*Part three:* Q35, Q36, Q38, Q41, Q37, Q40, Q34, Q39
The benefits of MNCs	The construct shows how the benefits of MNCs could predict the SMEs' performance.	The measurement of scale was made up of 5 items designed in a 5 Likert Scale format	*Part three:* Q31, Q32, Q29, Q30, Q33
The terrorism risk	The construct indicates how terrorism risk could predict the SMEs' performance.	The measurement of scale was made up of 3 items designed in a 5 Likert Scale format	*Part three :* Q46, Q47, Q48.

Appindex (2): Survey questionnaier in English language

Developing a Model to Predict the Performance of Small and Medium-Sized Enterprises: The Case of the Kingdom of Saudi Arabia

Manchester Metropolitan University
Business School

Dear Sir / Madam,

My name is Ahmed Al-Saleh, and I am a PhD candidate at the Business School of the Manchester Metropolitan University, United Kingdom. I am also a member of academic staff at King Fahd Naval Academy, Saudi Arabia. As part of my PhD research, I am conducting a fieldwork study that aims to identify the factors which are associated with small and medium enterprises' performance in the Saudi market. You are invited to participate in this study by answering the questions in this survey. Your responses are important in enabling researchers and the Saudi Government to obtain a better understanding of the obstacles which small and medium-sized enterprises face in Saudi Arabia.

The questionnaire should take you about fifteen minutes to complete. The information you provide will be treated in the strictest confidence. Please note that you are not asked to include your name in the questionnaire.

I hope that you will enjoy completing the questionnaire.

If you have any questions or would like further information, please do not hesitate to telephone me on +966504931631 or email me at ayaysa82@gmail.com.

Please tick (✓) in the following box:

☐ **I agree to participate in this study**

Thank you very much in advance.

Researcher

Ahmed Youssef Al- Saleh

PhD candidate at MMU

Academic member at

King Fhad Naval Academy.

http://www.moda.gov.sa/

Supervision team

Prof. Hamed El- Said, www.hamedelsaid.co.uk

Dr. Agnieszka Chidlow, Link/pub/agnieszka?chidlow/5/5a2/316.

260

Part 1: In this part, there are questions about yourself and your business, please tick (✓) the appropriate box in the following, one box only for each question.

1- **What is your gender?**
- Male ☐
- Femal ☐

2- **What is your age group?**

- 18 to 29 yaers ☐
- 30 to 50 years ☐
- Over 50 yaers ☐

3- **What is your education level?**
- No education ☐
- Less than high school ☐
- Diploma ☐
- University degree ☐
- Postgarduate ☐

4- **What is your nationality?**
- Saudi ☐
- Non- Saudi ☐
  Please specify....................

5- **What is your position in this business?**
- Mananger ☐
- Manaager and owner at the same time ☐
- Owner ☐
- Other ☐
  please specify ....

6- **What is your time involvement with the present business?**
- Part time ☐
- Full time ☐

7- **How many years of previous experience had you before starting this business?**
- Non ☐
- Less than 3 years ☐
- 3 – 5 yaraes ☐
- 6- 10 years ☐

- More than 10 yaers ☐

8- What is your experience?
- None ☐
- Government ☐
- Owned a business ☐
- Employee in private sector ☐
- Other, please specify................☐

9- Is your business still working in the Saudi market?
- Yes ☐
- No ☐

10- What is the level of the business profit?
- Made profits for the last three years ☐
- No prfit and no loss ☐
- No profits for the last three years ☐

11- What is the age of your business?
- Less than 3 yaers ☐
- 3 – 5 years ☐
- 6 – 10 years ☐
- 11 – 15 ☐
- More than 15 yeras ☐

12- What is the number of employees in the business?
- Less than 4 workers ☐
- 4 – 9 workers ☐
- 100 – 200 workers ☐
- More thand 200 workers ☐

13- What is the percentage of Saudi employees in the business?
- Less than 5% ☐
- 5% – 10% ☐
- 11% - 20 % ☐
- 21% - 29% ☐
- 30% and more ☐

14- **Which sector the business is operated in?**

- Trade ☐
- Hospitality ☐
- Services ☐
- Manufactoring ☐
- Agreculture ☐
- Other .... ☐

15- **What kind of ownership is your business?**
- Partnership ☐
- Solo ☐

Part 2: How important are the following factors that are originating from the internal environment and have affected small and medium enterprises performance in the Saudi market? Please tick (✓) in the box that matches your view most closely.

1	2	3	4	5
Very unimportant	Unimportant	Neutral	Important	Very important

Internal factors

		1	2	3	4	5
1.	Past work experience of owner.	☐	☐	☐	☐	☐
2.	Owners' parents own a business	☐	☐	☐	☐	☐
3.	Industry experience (owners have experience in the sector)	☐	☐	☐	☐	☐
4.	Separation between business funds and personal funds.	☐	☐	☐	☐	☐
5.	Record keeping	☐	☐	☐	☐	☐
6.	Collecting accounts receivables.	☐	☐	☐	☐	☐
7.	Commitment to customer satisfaction	☐	☐	☐	☐	☐
8.	Following up of customer behaviour	☐	☐	☐	☐	☐
9.	Improving knowledge of customers' characteristics	☐	☐	☐	☐	☐
10.	Focus on particular customers	☐	☐	☐	☐	☐
11.	Advertisement via the internet	☐	☐	☐	☐	☐
12.	Alternative business plan to overcome any emergency changes	☐	☐	☐	☐	☐
13.	Making a business plan	☐	☐	☐	☐	☐
14.	Clear idea for the next start up	☐	☐	☐	☐	☐
15.	Lack of relationship skills such as building relationship, managing conflict effectively	☐	☐	☐	☐	☐
16.	Lack of commitment (e.g. sustained effort, commitment to long term).	☐	☐	☐	☐	☐
17	Lack of persistence	☐	☐	☐	☐	☐
18.	Lack of self –confidence	☐	☐	☐	☐	☐

19.	Lack of opportunity (e.g. unable to assess and identify business opportunities).	□ □ □ □ □
20.	Lack of conceptual understanding (lack of thinking intuitively and quickly when making decisions).	□ □ □ □ □
21.	Inadequate main management skills (e.g. planning	□ □ □ □ □
22.	Lack of self –management.	□ □ □ □ □
23.	Lack of self- motivation	□ □ □ □ □
24.	Lack of negotiation skills	□ □ □ □ □
25.	Lack of strategic skills (taking appropriate action when necessary).	□ □ □ □ □

Part 3: How important are the following factors that are originating from the external environment and have affected small and medium enterprises performance in the Saudi market? Please tick (✓) in the box that matches your view most closely.

1	2	3	4	5
Very unimportant	Unimportant	Neutral	Important	Very important

External factors

1 2 3 4 5

26.	Availability of raw materials	□ □ □ □ □
27.	Easy access to suppliers	□ □ □ □ □
28.	Suppliers are cooperative	□ □ □ □ □
29.	Domestic firms learn by imitating MNCs	□ □ □ □ □
30.	Hiring workers that were highly trained and worked for MNCs.	□ □ □ □ □
31.	MNCs create an innovation environment in the market.	□ □ □ □ □
32.	MNCs enable access to valuable technologies	□ □ □ □ □
33.	MNCs divert demand from imported inputs to domestic inputs	□ □ □ □ □
34.	Difficulty in obtaining contracts from government organisations.	□ □ □ □ □
35.	Bureaucracy when interacting with government organisations	□ □ □ □ □
36.	Instability of market policies	□ □ □ □ □
37.	Difficulty in getting visas for foreign workers.	□ □ □ □ □
38.	Late payment of bills from government organisations	□ □ □ □ □
39.	Lack of regulations to prevent non- Saudi workers from monopolising the market (Tassature).	□ □ □ □ □
40.	Lack of information about the market	□ □ □ □ □
41.	Lack of good organisation for the market	□ □ □ □ □
42.	Aggressive competition from non-Saudi companies	□ □ □ □ □
43.	Competition and non–cooperation with large businesses	□ □ □ □ □
44.	Lack of good relations with competitors	□ □ □ □ □
45.	Competitors are able to produce a better product or service	□ □ □ □ □
46.	International terrorism (terrorist acts that happen in other countries).	□ □ □ □ □
47.	Terrorism increases business cost.	□ □ □ □ □
48.	Domestic terrorism (terrorist acts that happen in the same market).	□ □ □ □ □

Thank you for taking the time to complete this questionnaire. I appreciate your cooperation.

Appindex (3): Survey questionnaier in Arabic language

<div dir="rtl">

العوامل المؤثرة على نجاح و فشل المشاريع الصغيرةوالمتوسطة في المملكة العربية السعودية

Manchester Metropolitan University — Business School—

عزيزي مالك / مدير المنشأة

تحية طيبة ،،،،،،،،،،،،،،،،،،، وبعد

أنا الباحث أحمد الصالح،طالب الدكتوراه في كلية إدارة الأعمال والقانون- جامعة مانشستر متروبوليتان في المملكة المتحدة.عضو هيئة التدريس في كلية الملك فهد البحرية في المملكة العربية السعودية.هذه الدراسة الميدانية جزء من بحث الدكتوراه التي أقوم بها، و تهدف الدراسة إلى تصميم نموذج يهدف إلى التنبؤ بأداء الشركات الصغيرة والمتوسطة في السوق السعودي .أدعوكم في المشاركة في هذا الإستبيان عن طريق الإجابة على الأسئله المحددة .حيث أن مشاركتكم في هذا الإستبيان ستلعب دورا مهما في مساعدة الباحثين والحكومة السعودية على تطوير قطاع المنشات الصغيرة والمتوسطة فهم العقبات التي تواجه المشاريع الصغيرة وتحديد عوامل نجاحها مما له الأثر الإجابي في تعزيز الإقتصاد الوطني .سيستغرق إستكمال هذا الإستبيان خمسة عشر دقيقة،وسيتم التعامل مع المعلومات التي ستقدم بسرية تامة ولغرض البحث العلمي فقط. آمل بعد تعبئة الإستبيان تسليمها للباحث.

شاكرا لكم سلفا كريم تعاونكم

فريق الإشراف	**إسم الباحث**
أ.د. حامد آل سعيد	**أحمد يوسف الصالح**
www.hamedelsaid.co.uk	**طالب مرشح للدكتوراه في جامعة مانشستر متروبوليتان**
الدكتورةأجنيجيا تشدلوا [Link/pub/agnieszka?chidlow/5/5a2/316.](Link/pub/agnieszka?chidlow/5/5a2/316)	**عضو هيئة التدريس في كلية الملك فهد البحرية**
	http://www.moda.gov.sa/
	رقم الهاتف:504931631 (00966)
	البريد الإلكتروني:ayaysa82@gmail.com

</div>

الجزء الأول: هذا الجزء يتكون من عدة أسئلة عن صاحب المنشأة-المدير،وأسئله عامة عن المنشآة أوالنشاط التجاري، أرجوا وضع علامة (✓)في الخيار المناسب

1- ما هو نوع جنسك؟
- ذكر ☐
- أنثى ☐

2- ما هي الفئة العمرية التي تنتمي إليها ؟
- 18 – 29 سنة ☐
- 30 – 50 سنة ☐
- أكثر من 50 سنة ☐

3- ما هومؤهلك العلمي ؟
- غير متعلم ☐
- أقل من ثانوية عامة ☐
- ثانوية عامة ☐
- دبلوم ☐
- جامعي ☐
- دراسات عليا ☐

4- ما هي جنسيتك؟
- سعودي ☐
- غير سعودي، الرجاء التحديد ☐
  ....

5- ماهو دورك في هذا النشاط التجاري؟

- مدير للمنشأة ☐
- مدير ومالك للمنشأة ☐
- مالك للمنشأة ☐
- غير ذلك، الرجاء التحديد ☐
  ....

6- ماهو الوقت الذي تقضية في المنشأة ؟
- دوام جزئي ☐
- دوام كلي ☐

7- كم عدد سنوات الخبرة السابقة لك قبل البدء في هذا النشاط التجاري؟
- لم يكن لدي أي خبرة ☐
- أقل من ثلاث سنوات ☐
- 3 – 5 سنوات ☐
- 6 – 10 سنوات ☐
- أكثر من 10 سنوات ☐

8- ما هي نوع الخبرة السابقة؟

- لم يكن لدي أي خبرة □
- وظيفة حكومية □
- كنت أملك مشروع أخر □
- موظف في القطاع الخاص □
- خبرة أخرى ، الرجاء التحديد □
  ....

9- هل مازلت منشأتك التجارية تزاول نشاطها في السوق السعودي ؟
- نعم □
- لا □

10- ما هي مستوى الربح لنشاطك التجاري ؟

- حققت أرباح خلال الثلاث السنوات السابقة □
- لايوجد هناك ربح ولا خسارة □
- لم أحقق أرباح خلال الثلاث السنوات □
  السابقة

11- كم هو عمرمنشأتك ؟
- أقل من ثلاث سنوات □
- 3 – 5 سنوات □
- 6 – 10 سنوات □
- 11 – 15 سنوات □
- أكثر من 15 سنوات □

12- ما هو عدد الموظفين الذين يعملون في منشأتك؟
- أقل من 4 موظفين □
- 4 – 9 موظفين □
- 10 – 200 موظفين □
- أكثر من 200 موظف □

13- ما هي نسبة الموظفين السعوديين الذين يعملون في منشأتك ؟

- أقل من 5% □
- 5% - 10% □
- 11% - 20% □
- 21% - 29% □
- أكثر من 30% □

267

14- ماهو القطاع التي تنتمي إلية منشأتك؟

- تجاري □
- الضيافة (فنادق، مطاعم) □
- الخدمات □
- الصناعة □
- الزراعة □
- قطاع أخر ، الرجاء التحديد □

....

15- ما هونوع ملكية المنشأة ؟

- شركة □
- مؤسسة فردية □

الجزء الثاني : ما هي أهمية العوامل التالية الناتجة عن البيئة الداخلية المتعلقة بأداء المشاريع الصغيرة والمتوسطة في السوق السعودي.ضع علامة (✓) داخل المربع المقارب لرأيك.

5	4	3	2	1
مهم جداً	مهم	محايد	غير مهم	غير مهم أبداً

العوامل الداخلية

5 4 3 2 1

	5	4	3	2	1	
الخبرة العملية السابقة لصاحب المنشأة	□	□	□	□	□	**1-**
أحد الأباء يمتلك نشاط تجاري	□	□	□	□	□	**2-**
الخبرة السابقة في النشاط التجاري	□	□	□	□	□	**3-**
الفصل بين أموال المنشأة والأموال الشخصية	□	□	□	□	□	**4-**
المعرفة والقدرة بحفظ السجلات المالية	□	□	□	□	□	**5-**
جمع الذمم المدينة	□	□	□	□	□	**6-**
الإلتزام برضاء العملاء	□	□	□	□	□	**7-**
تقييم سلوك العملاء	□	□	□	□	□	**8-**
متابعة تغير رغبات العملاء	□	□	□	□	□	**9-**
التركيز على مجموعة معينة من العملاء	□	□	□	□	□	**10-**
إستخدام الإنترنت في الإعلان عن منتجات الشركة	□	□	□	□	□	**11-**
وجود خطة بديلة في حالة الطواريء	□	□	□	□	□	**12-**
إعداد خطة عمل	□	□	□	□	□	**13-**
وضوح في الرؤية للعمل التي سوف أقوم به في الغد	□	□	□	□	□	**14-**
عدم قدرة صاحب الشركة على التواصل وبناء علاقات داخلية وخارجية	□	□	□	□	□	**15-**
عدم الإلتزام (الإلتزام بالأهداف طويلة المدى)	□	□	□	□	□	**16-**
عدم الثبات في القرارات	□	□	□	□	□	**17-**
عدم وجود الثقة بالنفس والقدرات	□	□	□	□	□	**18-**
عدم القدرة على إقتناص الفرص المتاحة	□	□	□	□	□	**19-**
عدم التفكير المنطقي (أخذ قرارات بدون دراسة مسبقة)	□	□	□	□	□	**20**

1	2	3	4	5

☐ ☐ ☐ ☐ ☐					**21-** وجود نقص في المهارات الإدارية الرئيسية (تخطيط، تنظيم، توجية، رقابة)
☐ ☐ ☐ ☐ ☐					**22-** عدم القدرة على إدارة النفس
☐ ☐ ☐ ☐					**23-** عدم وجود حوافز داخلية لتطوير المشروع
☐ ☐ ☐ ☐					**24-** نقص في مهارات التفاوض
☐ ☐ ☐ ☐					**25-** الإفتقار للمهارات الإستراتيجية (إتخاذ القرارات المناسبة عند اللزم، وضع إستراتيجيات لتحقيق الأهداف)

الجزء الثالث : ما هي اهمية العوامل التالية الناتجة عن البيئة الخارجية المتعلقة بأداء المشاريع الصغيرة والمتوسطة في السوق السعودي.ضع علامة صح(✓)داخل المربع المقارب لرأيك

1	2	3	4	5
غير مهم أبداً	غير مهم	محايد	مهم	مهم جداً

العوامل الخارجية

5   4   3   2   1

	العوامل الخارجية
☐ ☐ ☐ ☐ ☐	**26-** توفر مواد الخام من الموردين
☐ ☐ ☐ ☐ ☐	**27-** سهولة الحصول على الموردين
☐ ☐ ☐ ☐ ☐	**28-** الموردين متعاونين
☐ ☐ ☐ ☐ ☐	**29-** الإستفادة والتعلم من الشركات الأجنبية
☐ ☐ ☐ ☐ ☐	**30-** توظيف موظفين تم تدريبهم أو عملوا لدى شركات أجنبية
☐ ☐ ☐ ☐ ☐	**31-** الإستفادة من البيئة الإبداعية التي تنتج من عمل الشركات الأجنبية
☐ ☐ ☐ ☐ ☐	**32-** الشركات الأجنبية تجلب تكنولوجيا حديثة للسوق المحلي
☐ ☐ ☐ ☐ ☐	**33-** الشركات الأجنبية تزيد الطلب على المنتجات المحلية
☐ ☐ ☐ ☐ ☐	**34-** صعوبة الحصول على عقود من المنشات الحكومية
☐ ☐ ☐ ☐ ☐	**35-** البيروقراطية عند التعامل مع المنشات الحكومية
☐ ☐ ☐ ☐ ☐	**36-** عدم ثبات الأنظمة الخاصة بالسوق
☐ ☐ ☐ ☐ ☐	**37-** صعوبة الحصول على تأشيرات للحصول على موظفين أجانب
☐ ☐ ☐ ☐ ☐	**38-** التأخر في سداد الفواتير من المنشات الحكومية للشركات
☐ ☐ ☐ ☐ ☐	**39-** عدم وجود قوانين تحد من سيطرة العمالة الأجنبية على السوق (تستر)
☐ ☐ ☐ ☐ ☐	**40-** نقص في المعلومات عن السوق
☐ ☐ ☐ ☐ ☐	**41-** عدم التنظيم الجيد للسوق
☐ ☐ ☐ ☐ ☐	**42-** المنافسة الشرسة من الشركات الغير سعودية
☐ ☐ ☐ ☐ ☐	**43-** المنافسة الشرسة وعدم التعاون مع الشركات الكبيرة
☐ ☐ ☐ ☐ ☐	**44-** عدم وجود علاقة جيدة مع المنافسين
☐ ☐ ☐ ☐ ☐	**45-** المنافسين لديهم القدرة
☐ ☐ ☐ ☐ ☐	**46-** الإرهاب الدولي (الإرهاب في الدول المجاورة يعيق نشاطي التجاري)
☐ ☐ ☐ ☐ ☐	**47-** الإرهاب يزيد من تكاليف نشاطي التجاري
☐ ☐ ☐ ☐ ☐	**48-** الإرهاب الداخلي (الإرهاب الداخلي يعيق نشاطي التجاري)

شاكرا لكم تعاونكم وتجاوبكم في تعبئة الإستبيان

Appendix (4): Pre –notice letter

Dear Sir / Madam

I am writing to you in order to ensure that certain information that I would like to send to your business reaches the appropriate person. I am a PhD researcher at Manchester Metropolitan University, UK, whose thesis is based on 'Developing a model to predict the performance of small and medium-sized enterprises: the case of the Kingdom of Saudi Arabia. As part of my research, I am carrying out a survey of SMEs' performance in Saudi Arabia. I got your email address from the Eastern Province Chamber of Commerce and Industry. If you are the owner/manager and would like to participate in this study, please just reply to this e-mail, ideally with words "will participate" in the subject header. You will then receive the questionnaire. If not, please can you suggest a contact for the owner/manager in your business. If you have any questions or comments about this study, I would be happy to discuss them with you. Please do not hesitate to contact me.

Thank you very much in advance

Sincerely

Ahmed Youssef Al- Saleh

PhD candidate - MMU.
Academic member –
King Fahad Naval Academy.   .
http://www.moda.gov.sa/
Mob: (00966) 504931631

Appendix (5): Pre –notice letter in Arabic language

تحية طيبة ،،،،،،،،،،،،،،،،،، وبعد

أكتب لكم رسالتي هذه لأتأكد من أنكم الشخص المناسب لمراسلتة . حيث أنني باحث الدكتوراة في جامعة مانشستر ميتروبوليتان في المملكة المتحدة وعضو هيئة التدريس في كلية الملك فهد البحرية وأقوم حاليا بعمل دراسة ميدانية تهدف إلى تصميم نموذج للتنبؤ بأداء الشركات الصغيرة والمتوسطة في السوق السعودي وجمع البيانات عن طريق إستبانة علمية خصصت لذلك الغرض. حيث تم الحصول على عنوانك البريدي من الغرفة التجارية الصناعية في المنطقة الشرقية مشكورة.إذا كنت ترغب المشاركة في هذا الإستبيان أمل الرد على هذا البريد الإليكتروني وذكر موافق على المشاركة في خانة الموضوع للبريد الإليكتروني. بعد ذلك ستتلقى الإستبيان برسالة منفصلة مع الرابط الإلكتروني . في حال أنك ليس صاحب المنشاة ، أمل منك مشكورا تزويدي بعنوان البريد الإليكتروني لصاحب المنشأة. إذا هناك أي إستفسار حول الدراسة أو الرغبة في الحصول على معلومات أكثر أمل الإتصال بي .

شاكرا لكم سلفا كريم تعاونكم

أحمد بن يوسف الصالح

باحث الدكتوراة – جامعة مانشستر ميتروبوليتان
المملكة المتحدة
كلية الملك فهد البحرية
http://www.moda.gov.sa

المملكة العربية السعودية
جوال رقم 0504931631

Appendix (6): Template of the cover E-mail in English language .

Dear Sir / Madam,

My name is Ahmed Al-Saleh, and I am a PhD candidate at the Business School of the Manchester Metropolitan University, United Kingdom. I am also a member of academic staff at King Fahd Naval Academy, Saudi Arabia. As part of my PhD research, I am conducting a fieldwork study that aims to identify the factors that associated with small and medium-sized enterprises' performance in the Saudi market. You are invited to participate in this study by answering the questions in this survey through following the following link: www.goo.gl/ebiU8v . Your responses are important in enabling the researcher and the Saudi Government to develop the small and medium-sized enterprises sector in Saudi Arabia.

The questionnaire should take you about fifteen minutes to complete. The information you provide will be treated in the strictest confidence. Please note that you are not being asked to include your name in the questionnaire.

I hope that you will enjoy completing the questionnaire.

If you have any questions or would like further information, please do not hesitate to contact me.

Thank you very much in advance.

Sincerely

Ahmed Youssef Al- Saleh

PhD candidate - MMU.
Academic member –
King Fahad Naval Academy.
http://www.moda.gov.sa/
Mob: (00966) 504931631

Appendix (7): The Template of the covering E-mail in Arabic language.

تحية طيبة ،،،،،،،،،،،،،،،،،،، وبعد

أنا باحث الدكتوراة في جامعة مانشستر ميتروبولتان في المملكة المتحدة وعضو هيئة التدريس في كلية الملك فهد البحرية بالجبيل . وأقوم ببحث لتصميم نموذج للتبوء بأداء الشركات الصغيرة والمتوسطة في السوق السعودي وكجزء من البحث أقوم حاليا بجمع البيانات عن طريق إستبانة علمية خصصت لذلك الغرض. أدعوكم للمشاركة في هذة الدراسة عن طريقة تعبئة الإستبيان على الرابط التتالي : www.goo.gl/ebiU8v. مشاركتكم الكريمة مهمة للباحث وكذلك الحكومة السعودية في معرفة العوامل المتعلقة بأداء الشركات الصغيرة والمتوسطة مما سيسهم بتطوير قطاع المنشات الصغيرة والمتوسطة في السوق السعودي .

تعبئة الإستبيان سيستغرق كحد أقصى خمسة عشر دقيقة. البيانات التي ستقدمونها ستستخدم فقط للبحث العلمي وستكون بسرية تامة ولا يتتطلب ذكر الإسم في الإستبيان.

أتمنى هذا الإستبيان ينال إستحسانكم . في حال وجود أي إستفسار أمل الإتصال بي.

شاكرا لكم مسبقا كريم تعاونكم.

أحمد بن يوسف الصالح

باحث الدكتوراة – جامعة مانشستر ميتروبوليتان
المملكة المتحدة
كلية الملك فهد البحرية
http://www.moda.gov.sa

المملكة العربية السعودية
جوال رقم 0504931631

Appendix (8): The Template of the reminder E-mail in English language.

Dear Sir / Madam,

A couple of weeks ago I emailed a request for you to complete a small questionnaire associated with the study of 'Developing a model to predict the performance of SMEs: the case of the Kingdom of Saudi Arabia' via : www.goo.gl/ebiU8v . The overall response so far has been good, but more information is needed to enhance the study. Please know that it takes approximately 15 minutes to complete the questionnaire, and the easiest way to do so is via the above link. You can just click on it and go straight to the questionnaire. So, if you have already completed and returned the questionnaire to me, please accept my sincere thanks. If not, I would like to ask again that you please do so as soon as possible.

If you have any questions or comments about this study, I would be happy to hear from you. If you would like further information, please do not hesitate to contact me.

Thank you very much in advance.

Sincerely

Ahmed Youssef Al- Saleh

PhD candidate - MMU.
Academic member –
King Fahad Naval Academy.
http://www.moda.gov.sa/
Mob: (00966) 504931631

Appendix (9): The Template of the reminder E-mail in Arabic language.

السلام عليكم ورحمة الله وبركاتة،،،،،

قبل إسبوعين قد تلقيتم رسالة بالبريد الإلكتروني تطلب منكم تعبئة إستبيان لدراسة تهدف إلى تصميم نموذج للتنبؤ بالعوامل المتعلقة بأداء الشركات الصغيرة والمتوسطة في السوق السعودي " على الرابط التالي :

www.goo.gl/ebiU8v

لقد تم الحصول على عدد جيد من الردود ولكنني بحاجة إلى عدد أكثر من المشاركين ، مع العلم بأن الإستبيان فقط يتطلب 15 دقيقة لتكملتة . إذا كنت قد أكملت تعبئة الإستبيان أتقدم إليك بخالص الإمتنان والشكر. إذا كنت لم تشارك بعد في الإستبيان ، أدعوك مجددا للمشاركة .

في حال وجود أي إستفسار أو الرغبة في الحصول على معلومات أكثر حول الدراسة أمل الإتصال بي عن طريق الجوال أو عن طريق البريد الإلكتروني.

شاكرا لكم سلفا كريم تعاونكم

أحمد بن يوسف الصالح

باحث الدكتوراة – جامعة مانشستر ميتروبوليتان

المملكة المتحدة

كلية الملك فهد البحرية

http://www.moda.gov.sa

المملكة العربية السعودية

جوال رقم / 0504931631

Appendix (10): Exploratory Factors analysis for the Internal Environment

Scree Plot
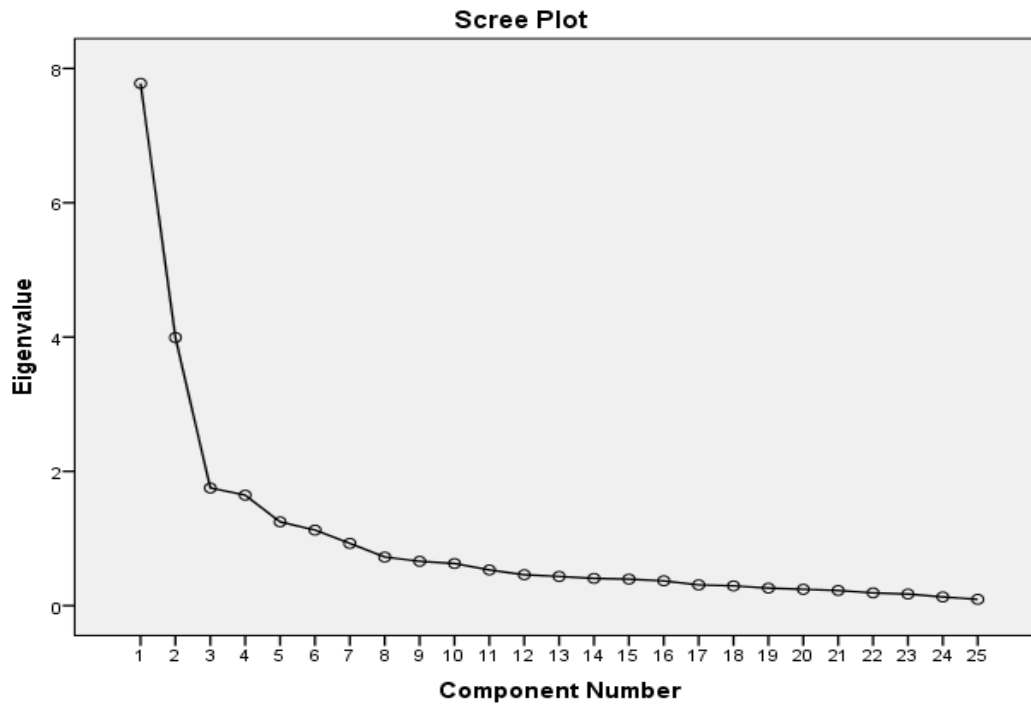
The loading scores for the internal environment.

Factors	Rotated Component Matrix^a					
		Component				
		1	2	3	4	5
Deficiency of entrepreneurial competency	Lack of conceptual understanding (thinking intuitively and quickly when make decisions)	.906				
	lack of opportunity(e.g. unable to access and identify business opportunities).	.891				
	lack of relationship skills such as build relationship , manage conflict effectively.	.871				
	Lack of self-confidence	.864				
	Lack of self-motivation	.847				
	Lack of self-management	.843				
	Lack of negotiation skills.	.838				
	Lack of persistence	.788				
	Inadequate in the main management skills (e.g. planning, organising , directing)	.777				
	Lack of commitment (e.g. sustain effort, commitment to long term)	.774				

	Lack of strategic skills (taking appropriate action when necessary).	.764				
Marketing factor	Commitment to customer satisfaction		.794			
	Following up customer behaviour		.694			
	Focus on particular customers		.686			
	Improving knowledge of customer's characteristics		.647			
	Advertisement via the internet		.607			
planning factor	Making a business plan			.847		
	Clear idea for the next start up			.833		
	Alternative business plan to overcome any change in business environment or in the emergency.			.818		
financial management	Separation between business funds and personal funds.				.767	
	Record keeping.				.741	
	Collecting accounts receivables				.683	
owner/ managers experience factor	Past work experience of owner.					.797
	Industry experience of owners (owners have worked in the same sector as the current business experience in the sector)					.746
	Owners' parent own a business.					.515

Appendix (11): Exploratory Factors analysis for the External Environment
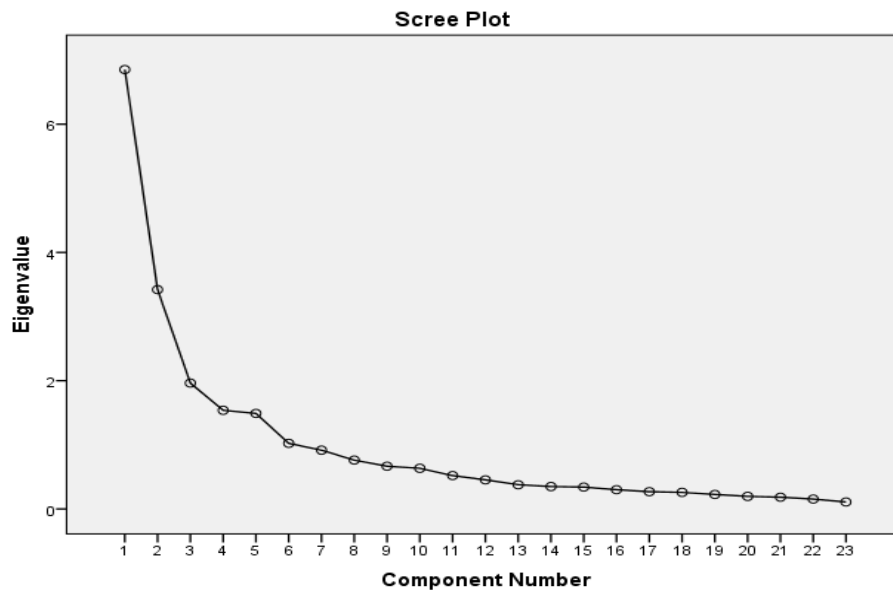
The loading scores for the external environment.

Factors	Rotated Component Matrix[a]					
		Component				
		1	2	3	4	5
Regulatory environment	Bureaucracy when interacting with government organisations.	.847				
	Instability of the market policies.	.806				
	Late payment of bills from government organisations.	.794				
	Lack of good organizing for the market	.785				
	Difficulty in getting visas for foreign workers.	.785				
	Lack of information about the market	.784				
	Difficulty in obtaining contracts and tenders from government organisations.	.763				
	Lack of regulations to prevent non Saudi workers to monopole the market (Tassture)	.709				
The beneficial of MNCs in the host market	MNCs create an innovation environment in the market.		.851			
	Multinational companies enable access to valuable technologies		.849			
	Domestic firms learn by imitating the multinational		.813			
	Hiring workers that were highly trained and worked for MNCs.		.769			

278

	MNCs divert demand from imported inputs to domestic inputs.	.665			
Terrorism risk factor	Terrorism increases business cost.		.883		
	International terrorism (terrorist acts that happen in other countries) decreases my business activities.		.882		
	Domestic terrorism (terrorist acts that happen in the same market) decreases my business activities.		.826		
Intensity of competition	Competition, and non- cooperation with large businesses.			.795	
	Aggressive competition from non-Saudi companies.			.749	
	Competitors are able to produce a better substitute of product or service.			.607	
	Lack of good relations with competitors			.573	
Suppliers	Availability of raw materials.				.826
	Easy access to suppliers.				.814
	Suppliers are cooperative.				.513

Appendix (12): Results of independent samples test between early and late responses.

Group Statistics					
	respondents	N	Mean	Std. Deviation	Std. Error Mean
OMEX.	Earlier responses	45	3.8222	.68755	.10249
	Later responses	50	3.6667	.81092	.11468
DENC.	Earlier responses	45	4.4869	.43346	.06462
	Later responses	50	4.4869	.46203	.06534
FINM.	Earlier responses	45	4.3852	.63547	.09473
	Later responses	50	4.4267	.63188	.08936
MAR.	Earlier responses	45	4.4311	.44098	.06574
	Later responses	50	4.4520	.49290	.06971
PLAN.	Earlier responses	45	3.6815	1.13697	.16949
	Later responses	50	4.0400	.97506	.13789
INTESC.	Earlier responses	45	4.3111	.58668	.08746
	later responses	50	4.2850	.54868	.07759
Supp.	Earlier responses	45	4.5852	.57803	.08617
	Later responses	50	4.6400	.48017	.06791
MNCs.	Earlier responses	45	4.2844	.69608	.10377
	Later responses	50	4.1040	.65058	.09201
REGEN.	Earlier responses	45	4.2222	.79634	.11871
	Later responses	50	4.3150	.83308	.11782
TEROs.	Earlier responses	45	3.9481	.99228	.14792
	Later responses	50	3.9733	.85407	.12078

Independent Samples Test

		F	Sig	t	df	Sig.(2-tailed)	Mean Differences	Std. Error Differences
OMEX	Equal variance assumed	.415	.521	1.003	93	.319	.15556	.15515
	Equal variance not assumed			1.011	92.686	.314	.15556	.15381
DENC	Equal variance assumed	2.117	.149	.272	93	.786	.02505	.09221
	Equal variance not assumed			.273	92.831	.786	.02505	.09190
FINM	Equal variance assumed	.281	.597	-.319	93	.751	-.04148	.13019
	Equal variance not assumed			-.319	91.844	.751	-.04148	.13023
MARK	Equal variance assumed	2.079	.153	-.217	93	.829	-.02089	.09638
	Equal variance not assumed			-.218	92.998	.828	-.02089	.09582
PLAN	Equal variance assumed	1.674	.199	-1.654	93	.101	-.35852	.21673
	Equal variance not assumed			-1.641	87.214	.104	-.35852	.21850
INTESC	Equal variance assumed	.001	.978	.224	93	.823	.02611	.11650
	Equal variance not assumed			.223	90.295	.824	.02611	.11692
SUPP	Equal variance assumed	.051	.823	-.505	93	.615	-.05481	.10864
	Equal variance not assumed			-.500	85.880	.619	-.05481	.10971
MNCs	Equal variance assumed	.002	.963	1.306	93	.195	.18044	.13818
	Equal variance			1.301	90.276	.197	.18044	.13868

	not assumed						
REGEN	Equal variance assumed	.012	.913	-.553	93	.581	-.09278	.16765
	Equal variance not assumed			-.555	92.650	.580	-.09278	.16725
TERORs	Equal variance assumed	.033	.857	-.133	93	.895	-.02519	.18946
	Equal variance not assumed			-.132	87.360	.895	-.02519	.19097

Appendix (13): Logistic Regression Analysis

Logit regression model test results

Factors	B	Wald	Df	Sig.	Exp(B)	95% for EXP (B)	
						Lower	Upper
Gender (1). *(male = 1 , female = 2)*	1.865	3.579	1	0.059	0.155	0.022	1.070
Age of owner/managers *(18 to 29 = 1, 30-50 = 2, over 50 = 3).*	-0.874	1.477	1	0.224	0.417	0.102	1.709
Education level of owner/managers *(No education = 1 , less than high school=2, high school= 3, diploma=4, university=5, postgraduate=6)*	0.275	0.598	1	0.439	0.760	0.378	1.525
Nationality of owner/managers (1) *(Saudi =1, non- Saudi = 2)*	-1.646	0.558	1	0.455	0.193	0.003	14.457
Owner/managers' experience *(Likert scale:1= very unimportant , 5= very important)*	1.159	4.870	1	**0.027**	3.186	1.138	8.919
Deficiency of entrepreneurial competency *(Likert scale:1= very unimportant , 5= very important)*	-1.204	1.669	1	0.196	0.300	0.048	1.864
Age of the business *(3-5 years=1, 6-10= 2, more than 10 years = 3).*	0.102	0.049	1	0.825	1.107	0.449	2.730
Size of the business. *(Small business (4-9 workers) = 1, medium enterprises (10-200) =2).*	-1.999	3.030	1	0.082	0.135	0.014	1.286
Kind of ownership (1) *(partnership = 1, solo = 2).*	1.787	3.269	1	0.071	5.970	0.860	41.425

Financial management *(Likert scale:1= very unimportant , 5= very important)*	-0.404	0.330	1	0.565	0.668	0.168	2.647
Marketing *(Likert scale:1= very unimportant , 5= very important)*	1.698	2.638	1	0.104	5.465	0.704	42.428
Planning *(Likert scale:1= very unimportant , 5= very important)*	0.882	4.021	1	**0.045**	2.415	1.020	5.720
Intensity of competition *(Likert scale:1= very unimportant , 5= very important)*	-2.661	9.747	1	**0.002**	0.070	0.013	0.371
Suppliers *(Likert scale:1= very unimportant , 5= very important)*	2.002	3.458	1	0.063	7.402	0.898	61.042
The benefits of MNCs. *(Likert scale:1= very unimportant , 5= very important)*	0.346	0.229	1	0.632	1.413	0.343	5.830
Regulatory environment *(Likert scale:1= very unimportant , 5= very important)*	-2.750	8.657	1	**0.003**	0.064	0.010	0.399
Terrorism risks *(Likert scale:1= very unimportant , 5= very important)*	-2.988	16.957	1	**0.000**	0.050	0.012	0.209
Constant	28.926	14.516	1	0.000	3.652		
Model Test Results							

-2 Log likelihood	57.781
Model Chi-square	148.581
Model significant	0.000
Cox & Snell R Square	0.556
Nagelkerke R Square	0.822
Classification results	
Successful businesses	95.6%
Failed businesses	84.8%
Overall percentage	92.9%

Appendix (14 A): Correlation Matrix

	GEN.	Age of O/Ms	EDU.	NATI. O/Ms	Age of BUSI.	SIZE of BUSI	OWNER-SHIP	DENC	MAR-K	PLAN	FINM	OME-X	REGE-N	MNCs	TEROs	INTE-SC	SUPP
GEN.	1	-.109	.131	-.060	-.257**	-.231**	.214**	-.057	.109	.039	.065	-.135	-.080	.180*	.013	-.105	.092
Age of O/Ms	-.109	1	.041	.207**	.174*	-.008	-.083	.008	-.057	.017	.065	.027	-.005	.003	-.089	-.047	.124
EDU.	.131	.041	1	.122	-.138	-.091	-.087	-.048	.102	-.010	.186*	-.048	-.126	.010	-.196**	-.001	.109
NATI.O/Ms	-.060	.207**	.122	1	.086	-.017	-.064	-.112	.153*	-.014	.086	.016	-.138	.027	-.075	-.093	-.080
Age. Of BUSI	-.257**	.174*	-.138	.086	1	.146*	-.229**	.108	.012	-.046	.032	.126	-.021	.078	.095	.113	-.046
SIZE of BUSI	-.231**	-.008	-.091	-.017	.146*	1	-.371**	.067	-.007	.040	.015	.144	.145	-.023	.021	.002	.074
OWNER SHIP	.214**	-.083	-.087	-.064	-.229**	-.371**	1	.008	.026	.009	.030	-.186*	.003	-.002	-.052	.062	-.006
DENC	-.057	.008	-.048	-.112	.108	.067	.008	1	.061	-.107	.060	.107	.360**	.204**	.310**	.603**	.157*
MARK	.109	-.057	.102	.153*	.012	-.007	.026	.061	1	.251**	.454**	.224**	.007	.307**	.116	.109	.232**
PLAN	.039	.017	-.010	-.014	-.046	.040	.009	-.107	.251**	1	.295**	.130	.237**	-.035	-.044	-.124	.100
FINM	.065	.065	.186	.086	.032	.015	.030	.060	.454**	.295**	1	.174*	-.068	.157*	.071	.067	.218**
OMEX	-.135	.027	-.048	.016	.126	.144	-.186*	.107	.224**	.130	.174*	1	.027	.092	.045	.050	-.034
REGEN	-.080	-.005	-.126	-.138	-.021	.145	.003	.360**	.007	.237**	-.068	.027	1	.243**	.278**	.312**	.269**
MNCS	.180*	.003	.010	.027	.078	-.023	-.002	.204**	.307**	-.035	.157*	.092	.243**	1	.384**	.302**	.258**
TEROs	.013	-.089	-.196**	-.075	.095	.021	-.052	.310**	.116	-.044	.071	.045	.278**	.384**	1	.368**	.144
INTESC	-.105	-.047	-.001	-.093	.113	.002	.062	.603**	.109	-.124	.067	.050	.312**	.302**	.368**	1	.135
SUPP.	.092	.124	.109	-.080	-.046	.074	-.006	.157*	.232**	.100	.218**	-.034	.269**	.258**	.144	.135	1

**. Correlation is significant at the 0.01 level
*. Correlation is significant at the 0.05 level (2-tailed).

Appendix (14b): The variance inflation factor

		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	2.134	.438		4.866	.000	1.268	2.999		
	GEN.	.039	.063	.040	.629	.530	-.084	.163	.783	1.278
	Age of O/MS	.004	.042	.006	.099	.921	-.079	.087	.865	1.156
	EDU	-.024	.027	-.055	-.879	.381	-.076	.029	.820	1.219
	NATI. O/Ms	.041	.106	.024	.388	.698	-.169	.251	.869	1.151
	Age. Of BUSI.	.013	.030	.026	.419	.676	-.046	.071	.824	1.214
	Size of BUSI.	-.106	.070	-.097	-1.520	.130	-.245	.032	.792	1.263
	OWNERSHIP	-.088	.061	-.093	-1.435	.153	-.209	.033	.755	1.325
	DENC.	.003	.034	.006	.082	.935	-.064	.070	.571	1.750
	MAR.	.016	.055	.021	.293	.770	-.092	.125	.649	1.540
	PLAN.	.044	.030	.100	1.503	.135	-.014	.103	.722	1.385
	FINM.	-.037	.045	-.056	-.809	.420	-.126	.053	.676	1.479
	OMEX.	.102	.034	.184	2.996	.003	.035	.169	.851	1.175
	REGEN.	-.117	.035	-.238	-3.329	.001	-.187	-.048	.624	1.602
	MNCS.	-.033	.036	-.064	-.931	.353	-.104	.037	.673	1.485
	TEROs	-.133	.024	-.365	-5.414	.000	-.181	-.084	.704	1.420
	INTESC.	-.134	.041	-.251	-3.282	.001	-.214	-.053	.544	1.839
	Supp.	.036	.048	.049	.763	.446	-.058	.130	.774	1.292

a. Dependent variable: The business profits.