

Original Research Article

Unforeseen Challenges Facing Entrepreneurs in the UAE

Abstract

Although the UAE government does all efforts to support the entrepreneurs and SMEs to launch new ventures and participate effectively in the economic development, the reality is that the entrepreneurs experience fundamental difficulties in managing their own businesses in the country. In an interview with 50 business owners, findings reveal that unforeseen challenges such as loss of market share, implicit overhead expenses and high employee turnover rate, ranked the top 10 for managing their own enterprises. Entrepreneurs should prepare themselves for the implicit challenges and handle them properly in order to survive in the marketplace.

In this paper, I will look at the top 10 entrepreneur unforeseen challenges, and then I will suggest strategies to overcome these issues. The paper provides the rational remedies for a proposal to consider the unforeseen challenges facing entrepreneurs and implications of economic development of the country.

Keywords: Entrepreneurs unforeseen challenges, UAE entrepreneurs, top ten entrepreneurs' challenges in the UAE, Middle East Entrepreneurs.

1. Introduction

Indeed, dealing and managing the changes required to establish an entrepreneurial project tends to be very demanding in the 21st century (Hoque, 2012). A global consensus on the crucial role

of competitive markets and small businesses in economic growth has emerged in the past few decades. In emerging markets, the central problem that prevents economic development is not always a lack of capital, land or labor as it's a lack of both the active entrepreneurs that can bring these together and the markets that can support them in this mission.

Under such circumstances, the UAE government has been observed as quite supportive to small business entrepreneurs (El-Sokari, Horne, Huang and Awad, 2013). However, a critical evaluation of the current market scenario reveals that entrepreneurs in the UAE have to face various challenges that are, at often instances, remain unforeseen (Malit Jr & Oliver, 2013). In order to support entrepreneurship in the UAE, we need to know the unforeseen challenges that slow down entrepreneurs and overcome them. In this paper we are going to identify the unforeseen challenges facing entrepreneurs in the country and how to overcome these issues.

2. Literature review

An entrepreneur is the one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalize on them (Scarborough, 2013). Entrepreneurship is a process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential (Terwiesch & Ulrich, 2009). In this case adventurers identify an innovation to create an opportunity, mobilize money and management skills to open markets for new products and services.

Entrepreneurs facing numerous barriers to achieve their goals and some barriers are so strong that can prevent them to open their new ventures or can drive them out of a business. According to William Kerr, a professor at Harvard Business School, "adequate access to capital is one of

the biggest hurdles to starting and growing a new business”. On the other hand, Professor Lynda Applegate at Harvard Business School highlights the impact of economic recessions “tend to spur innovation” and “companies that survive the financial crises by identifying and exploiting innovation will act as economic growth engines in the future”.

In the next section, I will focus on the unforeseen challenges for further discussion.

3. Unforeseen challenges facing by the entrepreneurs in the UAE

3.1 Inconsistent policies and regulations

The government policies and procedures to support entrepreneurs in the country are a functional guide for conducting the operations of new or existing firms. The policies regarding labor laws, immigration rules and regulations, wages and salaries, overtime payments, part-time jobs, and other issues are changeable according to the economic and political situations (Truitt, 2004).

3.2 Implicit Overhead Expenses

A business owner must be prepared for the unexpected expenses, which may be in terms of financial management, cash control or any other operational obstacle. Few challenges like loss of inventory, bad obligations from customers, loss of market segment, decreasing working capital, unpaid payroll and bills and unexpected resignation among others account for this unforeseen challenge as faced by many entrepreneurs in the current day context. As argued by Singh, Jones and Hall (2012), an urgent need can be identified among the national entrepreneurs in the GCC region concerning financial management to make better use of the limited financial resources and mitigate the aforementioned challenge. Many training programs are designed to train entrepreneurs on how to prepare financial reports and keep their eyes open on the liquidity. Lack of the financial management is one of the ten deadly mistakes to force you out of business (Scarborough, 2013).

3.3 High Employee Turnover Rate

An entrepreneur's task does not finish with just assembling a team and further expanding the transfer of vision and passion to the team. Cultural divergences and the currently observed alterations in the Emirati society can be signified as a major constituent in causing this particular challenge for the entrepreneurs (Malit Jr & Oliver, 2013). Contextually, understanding the cultural dimensions, various societal forces affecting the labor market and employees' motivational needs must be considered as essential for skilled entrepreneurs in the UAE to contribute to the efficiency of entrepreneurs in managing the team more efficiently to avoid disloyalty and unexpected resignation consequences (Drucker, 2012).

3.4 Loss of Market Share

In the UAE, most small entrepreneurs have been studied to find competition as outbreak and lack in understanding that it should be taken as challenge as competition enables the business to be innovative and increasingly sustainable (El-Sokari, Horne, Huang and Awad, 2013).

To overcome this challenge, entrepreneurs need to focus on quality and the continuous innovation as it can ensure better efficiency in satisfying customers as well as generating employee morale over the long-run and hence, obtain the expected competitive advantages (Drucker, 2012).

3.5 Collecting Bad Debts

Entrepreneurs in the UAE facing a problem of how to collect their debts from default clients, even when the sums involved are small. There is no clear structure for collecting bad debts such as a credit bureau or a bankruptcy courts or formal financial planning. However, many business owners are increasingly hiring legal consultants specialized in debt recovery services and debt collection agencies. In addition, Credit rating agencies play a critical role in capital markets

(Langohr, 2009).It's important to start thinking of establishing credit bureau to store credit history of residents in the UAE, this process will help creditors to classify their clients according to the score they received and will help them to make better credit decisions.

3.6 Establishing Business Credit

Although the business environment in the UAE is still conducive for business growth, many commercial banks and suppliers are reluctant to give business loans to support business people to set-up new businesses or to expand their existing ones(Kargwell, S. & Inguva, 2012). It's hard to find suppliers who can give twelve months credit as most of business transactions are fulfilled in cash.

3.7 Lack of Entrepreneurship Education

According to Logic Models and Outcomes for Youth Entrepreneurship Programs, a report by the D.C. Children and Youth Investment Corporation a form of education programs that are well designed to make entrepreneurs sufficiently knowledgeable about small business industry, management skills, leadership skills, problem solving skills, time management. According to the same study the other positive outcomes include: improved academic performance, school attendance; and educational attainment.

3.8 Lack of Sufficient Training Programs

A well designed training program to stress practical application which allows entrepreneurs a special kind of situation where they can make their own choices about their own businesses (Vesper 2009).

3.9Unsupportive Business Environment

The society culture is important to encourage or discourage entrepreneurial rates of new business ventures. Entrepreneurial capacity is the existence of people with entrepreneurship qualities,

willingness and motivation to initiate new ventures (Freytag & Thurik, 2010). It's important for the society, government agencies, nonprofit organizations, and private enterprises to support youth entrepreneurship with disregard of nationalities ((Freytag & Thurik, 2010).

3.10 Lack of Entrepreneurship Opportunities

New business requires existing marketplace opportunities with possibilities known to the entrepreneurs and favorable odds for success for entrepreneurial spirit to succeed. Opportunity can be defined as the seed that might later grow into an innovation, and innovation can be defined as a new match between a need and a solution (Terwiesch& Ulrich, 2009).

4. Research Methodology

The research paper was based on structured qualitative interviews. The potential participants were randomly selected and contacted either by phone or face to face. The candidates who were contacted and responded to participate were from different industries and nationalities.

5. Data Collection

The filed data collection was accomplished by structured qualitative interviews between OCT 24th and NOV 5th 2013 in the UAE. The structured interview was based on well prepared questions to be asked through an interview or by phone. I have to say that some people refused to talk to us or to be interviewed, even though, I precisely stated that this information will be used for educational purposes only.

5.1 Predetermined Questions

The first step that made prior to the interviews was developing interview schedules which organized the wording and sequencing of questions for data collection. The question was predetermined to answer the research question was open question:

- What are the most unforeseen challenges facing entrepreneurs in the UAE?

6. Findings

6.1 Interview Results

Table 1 shows the interview results. The respondents were asked to rank the unforeseen challenges facing their adventures in the UAE business environment.

24 percent of the respondents revealed that the most unforeseen challenges facing them is that the threat of losing their business to competitors. Many entrepreneurs during interviews stated that the reason behind this fear is that they think that this market is open to the “global world”, so “you can expect anything to happen”.

18 percent of participants revealed that the second unforeseen challenge is the implicit overhead expenses which lead to “in most cases” to be unable to pay current liabilities such as “expenses such as payrolls”. Many entrepreneurs who feel the need for training programs that are designed to better understanding of financial statements and how to control their expenses especially “implicit” ones. 14 percent of respondents revealed that the third unforeseen challenge facing their business is the high employee turnover rate. Many of the people who were interviewed stated that “it’s annoying process” referring to constant hiring and training of new employees. Some of them referred to the “high costs associated to the new recruitment process including orientation programs”.

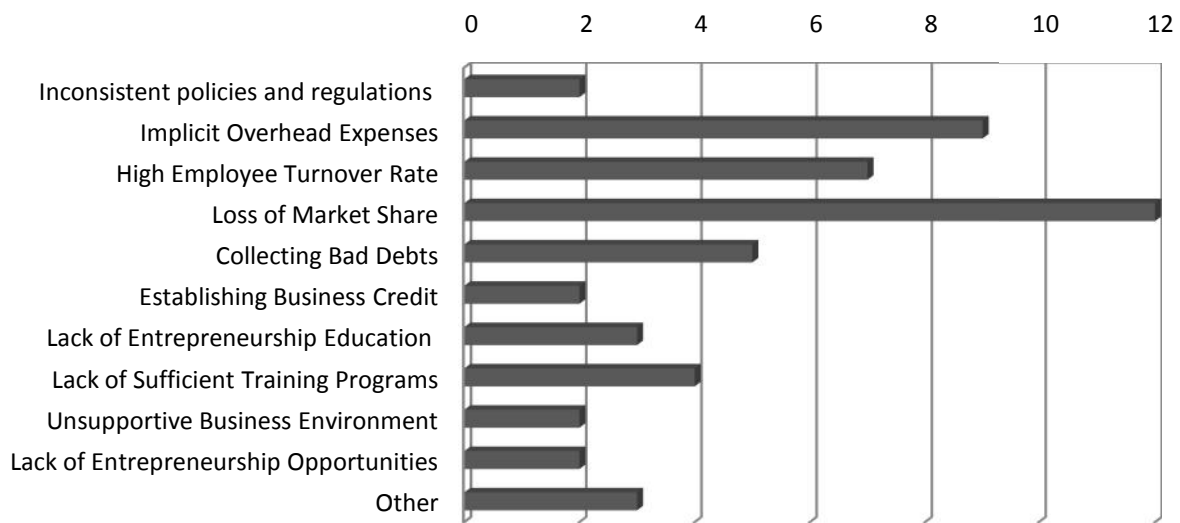
10 percent of respondents revealed that the fourth unforeseen issue facing them is the complex procedure of collecting bad debts from the clients. Many interviewed business people committed on sending defaulters to jail is not a “solution” to the problem and it’s not going to “return our money”. Despite the fact that the new laws are tough enough to force debtors to think about how to pay their debts to avoid consequences, some of the interviewed people committed “They just flee the country if you push them too hard to repay their debts”.

163 6percent and 8 percent of respondents revealed that the fifth and the sixth of the unforeseen
 164 challenges facing entrepreneurs in the UAE are the lack of entrepreneurship education and
 165 training programs, respectively. Many entrepreneurs stressed the need for “practical”, “focused”,
 166 “oriented” education and training programs. Some of the interviewed committed on the existing
 167 training centers “ineffective”, “not specialized”, “expensive”, “not familiar with local market”,
 168 “theory”.

169 4 percent of respondents revealed that the seventh, eighth, ninth and tenth of the unforeseen
 170 challenges facing the entrepreneurs in the country are inconsistent policies and regulations,
 171 unsupportive business environment, lack of entrepreneurship opportunities and establishing
 172 business credits, respectively. Many respondents committed on the” unstable immigration rules”,
 173 “wages and salaries and new policies”, “Business license requirements changes all the time and
 174 fees always go up”, “Permits time is too long”. Many females who were interviewed stressed the
 175 unsupportive environment in many emirates in the UAE. Many entrepreneurs who were
 176 interviewed committed on the lack of opportunities by “market saturation”, “not easy to expand”,
 177 “we need more capital for expansion”. Some respondents committed on the difficulties of
 178 establishing business credit” only cash”, “ nobody accepts checks anymore”, “ cash and cash”.
 179 Finally, 6 percent of the interviewed people disclosed other unforeseen challenges that were not
 180 listed in the top ten such as UAE national sponsor issues, Quality standards issues, minimum
 181 wages issues, business corruption, and ethical trading issues.

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Table 1: Unforeseen Challenges



7. Conclusion and Discussion

The aim of this research paper is to explore the unforeseen challenges facing the entrepreneurs in the UAE. It has been noted that even after continuous efforts and support obtained from the UAE government, entrepreneurs in the nation have been reporting many fundamental difficulties in managing the business functions with smooth obtainment and allocation of resources. In most cases, these challenges remain unforeseen to the entrepreneurs imposing greater threat to the overall sustainability of the organization. Unforeseen uncertainties cannot be anticipated in the beginning, so the entrepreneurs need to be prepared for any kind of challenges depending on their forecasting ability and proficiency in handling crisis situations.

The findings revealed that the top three unforeseen challenges facing the entrepreneurs in the UAE are; loss of market share, implicit overhead expenses, and high employee turnover rate.

The UAE will keep supporting competition in its markets and the entrepreneurs should focus on quality, customer satisfaction, employee satisfaction and innovation for competitive advantages in global markets. On the other hand, entrepreneurs should have more control over their financial

operations and track liquidity to pay current liabilities and accruals. The training centers around the country should respond positively to the needs of many entrepreneurs and develop specialized training programs that concentrate on practical cash control techniques and various sales forecast methods.

Finally, employees' retention and satisfaction strategies should be carefully considered through many activities of the human resource management. As mentioned before, understanding the cultural dimensions, various societal forces affecting the labor market and employees' motivational needs must be considered as essential for skilled entrepreneurs in the UAE to contribute to the efficiency of entrepreneurs in managing the team more efficiently to avoid disloyalty and unexpected resignation consequences.

7.1 Limitation of the Study

Due to the limited number of respondents, the result of this study was also limited. Additional primary research is needed to clarify mechanisms underlying these findings, taking into consideration gender entrepreneurs, culture, and business environment in the country.

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