

Article

Factors Affecting Success and Survival of Small and Medium Enterprises in the Middle East

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Abstract: SMEs are one of the leading solutions for reducing unemployment and poverty and boosting economic growth. Due to this, the determinants of the survival and success of SMEs have received increasing scrutiny in recent years. Empirical evidence has been uncovered in different countries. Enriching this growing body of evidence, this paper explores the internal and external factors that affect the survival and success of SMEs in the middle eastern country of Oman. We used a quantitative approach to collect the data by distributing a survey questionnaire among SME owners and prospective entrepreneurs. The survey was distributed in different industries throughout Oman. The findings, based on 344 responses, show that for SME survival and success, the education system needs intervention. Other areas of intervention include transforming Omani business culture, focusing on managerial skills, and improving the procedures required for establishing a business. These findings offer vital implications for Oman's economy and for SME owners. The findings of this study can help policymakers make the appropriate interventions at various levels to enhance SME survival and success in Oman. The study also provides insights for existing and prospective entrepreneurs to bridge the skillset gaps to keep pace with ever-changing market demands.

Keywords: SME sector; small business; SME challenges; entrepreneurship education; culture; entrepreneurship development centers; managerial skills; business establishment procedures; SME growth; Oman



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1. Introduction

Governments worldwide realize the critical role that small and medium enterprises (SMEs) play in fostering and strengthening economies. In both developed and developing countries, SMEs are regarded as the economic backbone [1,2]. Unlike big enterprises, SMEs are easy to establish and do not require massive resources in terms of large capital to prepare the business location, procure the needed technology or machinery, or attract the required talent to run the business. SMEs usually require small offices with minimal preparations, such as computers and telephone lines, with a limited number of essential employees.

Recent research shows that SMEs are considered one of the leading solutions for reducing unemployment and poverty and boosting economic growth [3,4]. SMEs are an important sector of the global economy, contributing significantly to the gross domestic product (GDP) and job creation globally [5]. Generating approximately 60 percent of employment, SMEs have been the key drivers of employment growth [6]. Most importantly, SMEs are crucial for the development and growth of the local economy by generating employment, which helps to alleviate poverty [7,8]. Most SMEs often do not require a highly educated workforce with higher education degrees. As a result, SMEs can easily employ less-educated citizens of a community. This consequently improves their standard of living and alleviates poverty. Moreover, a flourishing SME sector in a community usually promotes a culture of self-dependency among the population, rather than depending on the government and its public sectors to provide jobs and secure sources of income.

Therefore, it reduces the pressure on governmental agencies to create jobs while increasing the standard of living of business entrepreneurs [9]. At the same time, SMEs are an excellent opportunity to develop necessary managerial and human resource skills essential in the marketplace, especially in big enterprises and companies.

According to the United Nations Industrial Development Organization, SMEs form approximately 99% of enterprises in Japan, 99.7% in Singapore, and 96% in Malaysia. Universally speaking, 90% of businesses worldwide consist of SMEs that directly contribute to the employment of not less than 60% of the total global workforce [3]. Moreover, SMEs contribute significantly to the GDP of the world's significant economies, such as 90% in America, 97% in Japan, and 95% in the United Kingdom [3].

However, despite the significant contribution of SMEs to economies worldwide, their contribution towards the GDP of Oman, a country on the south-eastern coast of the Arabian Peninsula, is only 20% [10]. Conscious of the importance of SMEs to the economy, the Omani government has taken multiple steps towards diversification of its economy, which is primarily (85%) oil-dependent [1]. The government has also been looking for other sources to boost the economy and find opportunities to reduce unemployment among the youth, which stands at 13.1% [11]. These efforts have resulted in policies that support the SME sector and aim at turning it into a robust and efficient participant in the national economy. As part of Oman Vision 2040, through the National Programme for Enhancing Economic Diversification (*Tanfild*), Oman has undertaken measures to realign its focus and diversify the economy, emphasizing entrepreneurship development [12,13]. While the efficacy of the programs introduced by the Omani government is still unclear, several studies suggest that the SME sector in Oman has not yet matured enough. Al Balushi, Locke [14], however, note that the potential for growth of the SME sector in Oman is tremendous.

SMEs face more impediments that affect their survival than larger businesses [15]. The SME sector in Oman faces several challenges that can hinder the government's ambitious plans for it to thrive. Many internal factors can be identified in Omani SMEs which play a crucial role in impeding them and forcing them backwards, eventually towards closure. Ramachandran and Yahmadi [16] highlight that some internal challenges facing SMEs are related to the capabilities of entrepreneurs and the society they live in, such as a lack of managerial skills, human resource management skills, marketing strategies, and the inadequacy of operation management.

On the other hand, external factors also play a significant role in the survival and success of SMEs in Oman. Such factors are characterized in Oman's economic and investment environment and the extent to which governmental organizations play a role in making the business environment conducive. These factors play a significant role and include, but are not limited to, the rules and regulations introduced by the government in facilitating business establishments [17], and the ease of providing loans to entrepreneurs and different supporting programs targeting business owners' capacity development [18].

Against this backdrop, this study examines the factors responsible for the survival and success of SMEs in Oman. This study focusses on Oman as the Omani government has recently taken a keen interest in developing entrepreneurship in the country. Several programs have been launched to facilitate entrepreneurs. Such programs include those aimed at financing entrepreneurial ventures of the entrepreneurs, providing training and mentoring, and promoting the products produced by the SMEs. However, as noted above, several internal and external factors affect the survival and success of SMEs in Oman [19]. Hence, this study focuses on the internal and external factors that determine the survival and success of SMEs in Oman. Specifically, our study attempts to provide answers to the following four research questions: (1) How can the government improve the procedures of establishing, funding, and financing SMEs? (2) How can the government and entrepreneurs overcome challenges related to self-development in terms of managerial skills and capabilities? (3) How can the education system be improved to encourage an entrepreneurial culture? (4) How can the government and society promote initiatives towards self-employment and independence in the SME sector?

In answering the above research questions, this research contributes mainly in three ways. Firstly, the study discovers the difficulties SME owners face in Oman at different levels. The study examines the challenges that SME owners face and proposes methods that can be used to overcome such challenges. The study looks at specific challenges, such as SME owners' lack of expertise and experience in running a business. Secondly, the study examines the process and procedures that the Omani government can either incorporate or improve to make the entrepreneurship experience desirable, especially for the young generation who represent the country's future. Lastly, this research will help in policymaking related to improving the procedures of granting funds and support to business owners (financial and non-financial) from the setup stage until the business flourishes.

In the next section, we present a literature review and the theoretical background. We then present the methods and procedures used in this study, followed by data analysis. In the last section, we discuss the findings, recommendations, limitations, and future research directions.

2. Literature Review and Background

There is no single universal definition of SMEs around the globe [3]. This is because different countries have different criteria depending on the developmental status of their economies and the size of their population. Accordingly, the number of employees in SMEs varies in each country, and it determines whether an enterprise is a micro-, small-, or medium-sized enterprise. According to the Organisation for Economic Co-operation and Development [20], the standard number of employees for SMEs is (a) micro-enterprises with less than 10 employees, (b) small enterprises with less than 50 employees, and (c) medium-sized enterprises with less than 250 employees. As per another classification, the European Union defines SMEs as businesses employing less than 250 persons with an annual income of up to 50 million euros [9]. On the other hand, the American definition classifies any company employing less than 500 persons as an SME [9]. According to the Ministry of Commerce and Industry in Oman (Table 1), SMEs are defined, as per the latest update in 2016, depending on the number of employees and the annual sales as shown in the following figure [16].

Table 1. Classification of SMEs in Oman.

Classification	No. of Employees	Annual Sales (OMR)
Micro	1–5	Less than 100,000 (~USD 260,000)
Small	6–25	100,000–500,000 (~USD 260,000–1,300,000)
Medium	26–99	500,000-less than 3,000,000 (~USD 1,300,000–7,800,000)

Source: Ministry of Commerce and Industry, Oman.

2.1. Policy Interventions by the Omani Government to Support SMEs

According to the National Centre for Statistics and Information [21], Oman's number of registered SMEs stood at 42,698 enterprises in 2019. This figure has seen a steady growth from just 9118 companies in 2015. This highlights the potential opportunities in the market that is developing at a fast pace. At the same time, the Oman government has placed a strong emphasis on the SME sector, listing its development as a key goal in its ninth five-year development plan.

Among the facilitating measures the Omani government has taken is establishing the Public Authority for Small and Medium Enterprises Development (*Riyada*) in 2013, an agency that looks after the development of the SME sector in the country [16]. *Riyada* is considered an advisory organization that provides non-financial support to entrepreneurs and helps them through training, consultancy, feasibility studies, and marketing SME products in local and international exhibitions. Furthermore, Oman established the Al Raffd Fund to enable Omani youth to establish and develop their own small- and medium-size projects. The government also established funding agencies, such as the SME Development

Fund (SMEF) in 2014, with the objective of developing entrepreneurship and financing small and medium enterprises in the country [16]. Along with these initiatives, the Oman government, through the Public Establishment for Industrial Estates, promotes the products produced by Omani SMEs at various national, regional, and international platforms.

2.2. Challenges Facing SMEs in Oman

The challenges facing SMEs have been discussed in several studies (e.g., [22]). Al-Tit, Omri [23] identified four main challenges facing SMEs: firstly, difficulties related to financial resources with the time-consuming procedures of obtaining loans and a lengthy list of guarantees; secondly, lack of critical knowledge regarding local, regional, and international market variables and changing circumstances; thirdly, the inability of entrepreneurs to reach customers beyond local markets, be it regional or international due to their lack of marketing strategies; and finally, inadequate managerial skills in areas such as human, financial, and administrative fields. Similarly, Alqassabi [10] reported that SMEs face several constraints that hinder their success and limit their chances of growth. One such constraint is the lack of managerial skills among enthusiastic business pioneers. Such managers lack the necessary skills required to drive the company forward, resulting in poor management of financial, human, or other resources available. Another pitfall is a lack of marketing strategies and an inadequate understanding of the market in which they operate. One of the reasons behind weak marketing could be a poor feasibility study. Some businesses fail to thoroughly study all aspects of the market comprehensively, which is reflected in their inability to maintain constant growth or expansion. Alqassabi [10] also cites the inadequate availability of funds, which is directly reflected in the ability of organizations to provide other necessities, such as technology and infrastructure. We discuss in detail below the challenges faced by SMEs. We have divided the factors affecting the SME sector into two types—external and internal factors. External factors are related to the business environment, such as regulations, the education system, and culture, and internal factors are related to the readiness and capabilities of business owners.

2.3. External Factors

Despite the government's efforts, many studies suggest that the SME sector in Oman is still struggling with significant issues which hinder its full potential.

2.3.1. Processes and Procedures

Firstly, the procedures and processes that must be followed to establish new organizations are complex [24]. The entrepreneurs are required to go through an administrative bureaucracy that is highly centralized and requires authorization from the Ministry of Commerce's main office in the capital, Muscat. As a solution, such a bureaucratic setup and decision-making process could be decentralized to regional and governorate levels to expedite the process [18]. The procedures of licensing different types of businesses, which vary and could take a long time, do not complement a modern globalized business environment [10].

Another procedure-related difficulty facing SMEs in Oman is the long bureaucratic measures involved in granting loans and funding to newly established companies [10]. The processes used by government agencies, banks, and financing companies are complicated and lengthy. These processes are time-consuming due to the scheduling of meetings and obtaining approvals from central offices, which are located in the capital, Muscat. At the same time, regional managers are not given full autonomy to make decisions. Business owners are also constrained by the long and complicated measures imposed by public and private financing agencies Ramachandran and Yahmadi [16]. The demanding conditions and guarantees are challenging for businesses in the establishment phase to meet, which is sometimes made worse by loan disbursement delays that directly result in delays in setting up a business [25]. In 2016, approximately 50–70% of the loan applications from SMEs in Oman were rejected by the banks since the risk associated with the small-scale sector

is higher, and the applicants failed to provide collaterals and fulfil other conditions [26]. Loans are typically associated with high-interest rates and short reimbursement periods that burden business owners and impede steady development in the initial phases of the establishment [16].

2.3.2. Education System

The education system is one of the critical factors that helps to establish an entrepreneurial mindset in citizens. It initially shapes their attitudes and approaches and how they perceive business and then sharpens their skills towards success in a sector. The education system in Oman has been recently reformed into “basic education,” which consists of two cycles: cycle one, from grades one to four, and cycle two, from grades five to ten, after which students move on to two more grades, then to colleges and universities [27]. However, the reformed education system has not considered the necessary strategies and methods to develop an entrepreneurial mindset among Omani students [28]. The Omani government has taken many steps to reform the education system and introduce the knowledge of entrepreneurship through different interventions. For instance, it has started forming committees and developing curricula that aim at improving student abilities. Other measures have also been taken to incorporate new programs such as *Injaz Oman* and *Intiqala* into the education system. These programs are collaborations between the government and the private sector aimed at higher education students to increase their awareness and support them in creating their private businesses [29]. However, Al-Mataani [29] concludes that the effectiveness, coverage, and reach of these programs are questionable. In a similar conclusion, Yarahmadi and Magd [28] doubt the efficacy of these programs as they lack the core fundamentals of entrepreneurship, such as knowledge and skills.

The extant studies have also shown that the current education system is not designed to encourage an entrepreneurial mindset and culture among students; this applies to all levels, from primary education to colleges and universities (both public and private) [30]. Educational institutions only provide academic degrees that are in a way related to the field but do not instil the necessary motivation and enlightenment towards pioneering in the business area. They do not provide entrepreneurship education, such as the required training or technical assistance [31]. Overall, the education system in Oman does not promote an investment mentality among students to become pioneers in the field [32].

2.3.3. Culture

Omani society shares many cultural features and characteristics with its neighboring Gulf countries, such as the United Arab Emirates and Saudi Arabia, which, according to Hofstede [33], score high on uncertainty avoidance, both scoring 80. Sharing the feature of uncertainty avoidance with their Emirati and Saudi counterparts, most Omanis tend to depend on the government to provide employment opportunities in the public sector. They feel reluctant to pursue their future towards entrepreneurship due to the risks involved in the latter. Consequently, this is directly reflected in avoiding initiatives that can potentially lead to the growth of the SME sector [34].

2.4. Internal Factors

One of the main internal factors that affects SME survival and success in Oman is the poor managerial experience of business owners. This results in low performance of SMEs as business owners are not aware of the best modern approaches for conducting business [5]. The extant literature highlights that business owners falter in managerial experience and entrepreneurial capabilities, especially in the field of marketing. SMEs in Oman are impeded by the lack of comprehensive and professionally conducted market research, resulting in most business owners establishing their SMEs without performing feasibility studies [26]. In addition, Al Bulushi and Bagum [35] reported that SME owners in Oman lack other managerial skills, such as those related to human resource management,

financial management, marketing, and operation management. They conclude that SMEs in Oman face problems as they do not allocate a specific budget for marketing their products in the local and regional market, and the majority do not conduct any research and analysis of the market needs and demands [35]. Lack of marketing knowledge results in failure to attract the attention of the SMEs' target market since marketing acumen is essential, particularly in the competitive business environment [26]. Furthermore, many SME owners are unfamiliar with outsourcing skills that can lead to cost reduction. Bilal and Al Mqbali [18] further reported that the lack of administrative capabilities and skills are among the main issues entrepreneurs face, as these skills are essential for the smooth functioning of their business.

3. Research Methods and Procedures

To meet the objectives of this study, we used a quantitative approach to collect data. A questionnaire survey was distributed among SME owners who had spent a considerable amount of time in the market and experienced the procedures of establishing their businesses from the beginning. This category of participants is the most appropriate for this study as they are witnesses to the areas of strength, difficulty, and weakness in the system. The survey was also distributed among the unemployed youth to identify their future interest in self-employment and to gauge their awareness of different support programs to establish a business. The researchers used an online survey developed using "Qualtrics". This saved time in data collection and provided convenience to the respondents in filling out the survey.

The survey was conducted across the length and breadth of Oman. It covered the capital city Muscat, where most Omani SMEs operate, and other remote locations to understand the readiness and understanding of local citizens in these areas. The survey was directed towards individuals operating in diverse industries and business environments, such as retail, health, recreation, and food industries. Moreover, the survey focused on entrepreneurs with diverse educational backgrounds to enrich the variety of respondents in the study. The survey was distributed randomly using a convenience sampling approach among eligible Omani citizens of different backgrounds and ages, and in total, 344 valid responses were received.

The survey comprised of three sections: the first section asked questions related to the participant's personal information, such as age, gender, and education level. The second section asked questions related to the causes of current barriers to establishing businesses (external factors); procedures and facilitating factors (external factors), and entrepreneurial skills and capabilities (internal factors). The third section elicited the suggestions of respondents on the interventions that can be made to mitigate the internal and external challenges facing SMEs in Oman. In addition to collecting primary data via the survey technique, the study also reports on secondary data by analyzing the extant literature on the topic.

4. Analysis and Findings

The data collected using the first section of the survey instrument was analyzed using descriptive statistics. As shown in Table 2, 77.03% of the respondents were male and 22.97% were female. The largest group of respondents (51.16%) comprised of youths aged between 26 and 35 years old, while 36.92% were aged between 36 and 45 years. Most of the respondents (36.63%) had bachelors degrees, followed by diploma holders (27.91%). Most respondents (46.8%) were employed in the public sector, while 27% worked in the private sector. A total of 18.02% of respondents were entrepreneurs who ran their own private businesses. The survey also shows that only 8.13% of the total respondents were unemployed. The findings also show that most of the respondents (89.83%) were more inclined toward jobs in the public sector than pursuing entrepreneurship.

Table 2. Demographic profile of participants (*n* = 344).

Variable	Category	Frequency	Percentage
Gender	Male	265	77.03%
	Female	79	22.97%
Age	25 or less	15	4.36%
	26–35	176	51.16%
	36–45	127	36.92%
	46 or above	26	7.56%
Educational Background	Secondary or below	68	19.76%
	Diploma	96	27.91%
	Bachelor	126	36.63%
	Master or above	54	15.70%
Employment	Public sector only	161	46.80%
	Private sector only	93	27.04%
	Entrepreneurs	62	18.02%
	Unemployed	28	8.14%
Job Preference	Public sector	309	89.83%
	Private sector	11	3.20%
	Entrepreneurs	24	6.97%

4.1. Four-Dimensional Analysis

The second part of the survey instrument helped us collect data on the procedures and practices affecting SMEs in Oman. Exploring these procedures and practices is expected to help us better understand the internal and external factors that affect the survival and success of SMEs. Specifically, the study used a four-dimensional approach to understand the dynamism of SMEs in Oman. The four dimensions are the education system, culture, business establishment procedures, and managerial skills. The first three of these dimensions represent the external factors that affect SMEs, while the fourth dimension captures the internal factors that affect the survival and success of SMEs. As shown in Table 3, the respondents of this study believed that the education system (mean, 4.29) is the most critical dimension that requires intervention to enhance SMEs survival and success. The findings also show that culture (mean, 4.28), managerial skills (mean, 4.25), and business establishment procedures (mean, 4.08) are other significant areas that need attention to improve the success and survival of SMEs in Oman.

Table 3. Four determinants of SME survival and success (*n* = 344).

Dimension	Mean	Rank
Education system	4.29	1
Culture	4.28	2
Managerial skills	4.25	3
Business establishment procedures	4.08	4

We looked deeper into each of the above dimensions to understand how they affect SMEs (see Table 4).

4.1.1. Education System

We firstly analyzed how the respondents perceived the education system in Oman. The findings show that 86.63% of the respondents agreed with the need to start basic entrepreneurship education at early stages (at grade 10 of basic education) to help imbibe an entrepreneurial mindset among young generations. Some respondents suggested starting entrepreneurial education even earlier than grade 10. A majority (93.9%) of the respondents also stressed that colleges and universities should start teaching a course in entrepreneurship to all students regardless of their disciplines to help them develop and

enhance their confidence and skills in entrepreneurship. The respondents were almost unanimous (90.99%) in suggesting that higher education institutions should further their efforts to introduce non-academic events, such as organizing networking sessions with successful local entrepreneurs, to inspire and encourage students. Most of the respondents (91.86%) also supported the idea of having specialized entrepreneurship development centers on campus to assist and guide students who would like to take the path of private business after their graduation.

4.1.2. Culture

A detailed examination of the participants’ perception of culture and its effect on the survival and success of SMEs in Oman revealed that 91.86% of the participants believed that the education system should be transformed to reduce uncertainty avoidance, encourage risk-taking, and minimize fear of failure among young generations.

Most of the survey participants (90.40%) also revealed that the negative societal public perception of those who fail in business for the rest of their lives should be eliminated. The findings suggest that any failures in entrepreneurship should instead be embraced by society without stigmatization. Most respondents (92.74%) also emphasized the need for a national strategy to shift the public attitude away from public sector jobs and more towards private businesses and entrepreneurship.

Table 4. Support for interventions in determinants of SME survival and success (*n* = 344).

Determinants of SME Survival and Success	Respondent Support for Reforms
Interventions in the education system	
<ul style="list-style-type: none"> Basic entrepreneurship mindset should start at least at grade 10 (Cycle 2-Basic Education). 	86.63%
<ul style="list-style-type: none"> Universities and colleges should introduce an “easily understood” course to develop confidence and know-how in entrepreneurship to all students of all disciplines. 	93.90%
<ul style="list-style-type: none"> Universities and colleges should arrange events with successful local entrepreneurs on campus to encourage networking with students and inspiring them. 	90.99%
<ul style="list-style-type: none"> Universities and colleges should open entrepreneurship development centers to assist students who desire to take that path after graduation. 	91.86%
Reforms in the cultural dimension	
<ul style="list-style-type: none"> The education system should be strategized to encourage risk-taking traits and minimise fear of failure among young generations (reduce uncertainty avoidance). 	91.86%
<ul style="list-style-type: none"> The education system should be strategized to introduce a mindset to embrace entrepreneurs who fail among new generations, rather than considering them failures all their life. 	90.40%
<ul style="list-style-type: none"> The government should develop a strategy to change public attitude away from public sector jobs and more towards private businesses. 	92.74%
Interventions related to managerial skills	
<ul style="list-style-type: none"> The entrepreneur should set a clear vision for the enterprise to help him/her steer it towards success. 	96.51%

Table 4. *Cont.*

Determinants of SME Survival and Success	Respondent Support for Reforms
<ul style="list-style-type: none"> The entrepreneur should be trained, even roughly, to best practices in specific areas such as planning finance, accounting knowledge, credit management, inventory management, cash flow management, marketing management, and human resource management. 	93.90%
<ul style="list-style-type: none"> The enterprise should be obliged to hire competent and qualified staff even in minimum critical positions such as marketing, finance, and HR. 	74.42%
Interventions in business establishment procedures	
<ul style="list-style-type: none"> A center in every governorate to finish all procedures and required by different regulatory agencies for all types of businesses. 	92.74%
<ul style="list-style-type: none"> The measures taken by the government (loans, training, follow-up) are enough, but need more publicity. 	35.76%
<ul style="list-style-type: none"> Different schemes of taxes and charges paid by SMEs should be reduced. 	86.91%
<ul style="list-style-type: none"> Loans processing and related activities should be decentralized in governorates, rather than centralized in the capital, Muscat. 	88.08%
<ul style="list-style-type: none"> Interest rates on loans from finance companies for SMEs should be reduced. 	79.95%
<ul style="list-style-type: none"> Conditions and guarantees for obtaining loans from finance companies should be less complicated. 	85.48%
<ul style="list-style-type: none"> The government should introduce a plan for longer-term loans specifically for SMEs. 	91.86%
<ul style="list-style-type: none"> The government should ease some conditions on SMEs, such as reducing the percentage of hiring local workforce. 	75.87%
<ul style="list-style-type: none"> The government should introduce more flexible legislation to obtain visas for foreign workers for SMEs. 	76.16%

4.1.3. Managerial Skills

Most of the respondents (96.51%) emphasized the importance of entrepreneurs setting a clear vision before starting their businesses so that they can think strategically and overcome future uncertainties. Furthermore, 93.9% of the respondents supported the idea of training SME owners in basic managerial skills—such as those related to marketing, finance, and human resource management—to help them run their businesses smoothly and with confidence. Most respondents (74.42%) also supported having experienced and qualified staff in administrative positions, such as marketing, finance, and human resources management, to successfully manage the business and avoid fatal mistakes that could jeopardize the business.

4.1.4. Business Establishment Procedures

The study participants supported the idea of reform in the business establishment procedures. A majority (92.74%) agreed that there should be decentralized execution of endorsing all types of businesses and granting approvals at the governorate level. The findings revealed disagreement among the respondents regarding the measures taken by the government to support the SME sector. A total of 35.76% of respondents felt that the steps taken by the government were supportive enough, but more needed to be done in terms of more publicity and marketing to reach more beneficiaries.

Most of the participants (86.91%) felt that the taxes and renewal charges imposed on the enterprises in the initial or running stages are high and should be reduced. Furthermore,

a large portion of the respondents (88.08%) noted that loan processing by financing agencies and administrative work related to it should be decentralized. The decisions should be made at regional levels without going back to the main head offices in the capital, Muscat. In addition, 79.95% of the respondents stressed that loan interest rates by private and governmental financing agencies were high and should be reduced to the minimum. A large portion of the respondents (85.48%) revealed that the conditions and guarantees related to loans are complicated and impose high demands on SMEs that sometimes cannot be met. Furthermore, 91.86% of the participants believed that the government should introduce longer-term loan plans specifically designed to support SME owners to overcome financial difficulties. Results also show that most respondents (75.87%) felt that the conditions imposed on SME owners are complicated and should be eased. For instance, Omanization criteria should be relaxed to allow for hiring a more significant percentage of the foreign workforce, as engaging the local workforce involves paying higher wages and benefits, which creates an extra financial burden on SME businesses. At the same time, 76.16% of the respondents stressed that more flexible legislation should be introduced to grant foreign worker visas to SMEs.

5. Discussion and Implications

This study set out to examine the factors that affect the survival and success of SMEs in Oman. We investigated the business-related internal factors and the environment-related external factors to develop a holistic understanding of the functioning of SMEs in Oman. The study provided insights into the varied aspects of the functioning of SMEs.

The first finding of this study revealed that the education system in Oman plays a crucial role in SME survival and success and that the government should prioritize its efforts towards improving the education system in a way that serves the human resource needs of SMEs. Properly designed entrepreneurship education systems equip new generations with the necessary skills and knowledge to develop their readiness to start private businesses. The research results on improvements to the education system are consistent with past studies in the context of Oman, which show that entrepreneurial education is one of the essential enablers in encouraging students to develop their future businesses. For instance, Belwal, Al Balushi [31] observed that “enterprise education can influence the performance of entrepreneurs by enhancing their profitability, entrepreneurial spirit, entrepreneurial attitudes, and chances of survival.” The research showed that most of the students were highly interested in starting their businesses; however, reality hindered that desire as they lacked the necessary basic knowledge, confidence, and suffered from fear of failure.

The current tertiary education system also seems to be disconnected from the market-place needs of skills and knowledge. It does not produce students who have the necessary know-how to establish enterprises. Al-Shanfari [36] identified the education system as one of the obstacles in promoting the SME sector in Oman. He argued that it is based more on memorizing than creativity. It also does not include a business-related curriculum, which could help shape aspiring entrepreneurial characteristics among the students. Yarahmadi and Magd [28] also spotted this gap between the output of educational institutions and the current market demands for a skilled and knowledgeable workforce. They noted that “despite various efforts, the quality of education in terms of 21st-century requirements of knowledge acquisition and skills seems to be missing and is not up to the desired level”.

The second finding of this study revealed that culture affected the survival, success, and performance of SMEs in Oman. This finding is consistent with the available literature, which discusses the role of culture in SMEs [37]. The Omani society ranks high on uncertainty avoidance in Hofstede’s cultural dimensions scale, scoring 80 [33]. The societies that score high on uncertainty avoidance are characterized as risk avoiders and fearful of the unknown consequences of certain decisions, such as adventurous entrepreneurship. Omanis tend to be highly dependent on the government to provide secure jobs with a stable income and almost guaranteed future promotions in the public sector. Al-Mataani [29] noted that the Omani society does not support risk-takers and rarely embraces those who

fail; instead, it exerts pressure and blames unsuccessful entrepreneurs for taking the risk in the first place. Al-Shanfari [36] also acknowledged that Omani culture is one of the main contributing factors in shaping a negative entrepreneurial mindset among society members towards not taking initiatives and risks. This societal reaction is a severe cultural issue that needs to be thoroughly addressed and examined by the authorities in Oman. Not doing so can impede entrepreneurship from flourishing in the country. Although it is complicated, difficult to change, and requires an extended timeframe, it is imperative to make interventions at different societal levels to make risk-taking acceptable and accept failure as a regular part of the entrepreneurial process.

The third dimension that our study examined is the managerial skills of entrepreneurs. Managerial skills play an important role in the success of enterprises [38]. The findings revealed a consensus among the participants that there is a considerable gap between the administrative skills and capabilities of the business owners and the market demands, especially in the necessary skills of running organizations. This becomes particularly true for the entrepreneurs who run businesses for the first time without proper initial training and poor management background. The extant literature is consistent with this shortfall among Omani entrepreneurs. One of the causes for this weakness is the lack of best practices in administrative and vital functions such as human resource management and filling vacancies with best fits [35]. Furthermore, Al Bulushi and Bagum [35] reported flaws in the financial asset management of organizations regarding apportionment to different departments in the short, medium, and long term. The usual practice is that the business owner, who is the manager in most cases, would make these important decisions on their own even without any prior experience [16]. Another area of weakness, particularly in newly established enterprises, relates to the managerial lack of knowledge of the local and regional market and the best practices for marketing their products [18,39]. In this regard, the Omani government has taken some initiatives to train entrepreneurs. However, there is a lack of awareness among business owners about such programs, resulting in many SME owners not availing the benefits of such programs. This conclusion is supported by the findings of this study which show a disagreement among the subjects about the sufficiency of governmental services in this regard. Alqassabi [10] came to the same conclusion stating that entrepreneurs lack awareness on the available governmental support services.

The fourth factor that our study examined relates to business establishment procedures. SMEs in Oman are faced with complicated, lengthy procedures that require much effort, time, and money. Some specific types of business activities require approval from certain governmental agencies, which can be obtained only in the capital, Muscat. This is time-consuming since the decisions are made in the capital city and are not decentralized at the governorate level. Moreover, the financial liabilities for establishing businesses and taxes associated with procedures such as renewal charges and worker visas are relatively high and impose an extra burden on business owners. Similarly, access to financing is yet another area of difficulty facing entrepreneurship in Oman. Entrepreneurs are hassled by many administrative requirements when applying for loans to governmental or private financing companies. The conditions to meet many requirements and provide guarantees, which sometimes cannot be easily met, results in the loans not being granted to the aspiring entrepreneurs. Decisions on loans are also centralized at the headquarter level of the respective loan providers in the capital and are not taken at the regional managers level. Furthermore, loan applicants are faced with more challenges in terms of high-interest rates that must be met or rescheduled, which adds to their interest burden. The current body of literature is consistent with these challenges facing entrepreneurs and agrees that business establishment procedures and loan processing are some of the biggest challenges facing SME owners in Oman. For instance, Alqassabi [10] cited rules and regulations and access to finance as among the top five challenges SMEs face in Oman, while Bilal and Al Mqbali [18] stated that finance and legislation are among the top five obstacles faced by SMEs in Oman.

5.1. Implications for Practice and Recommendations

The findings of this study holistically capture the main factors that affect entrepreneurship in Oman. Based on the revelations of this extensive survey exercise, the following recommendations are made for policy making at two levels: the government level and the SME owner level. This approach assumes that the responsibility for a thriving SME sector in Oman is a shared obligation and requires interventions at multiple levels. Accordingly, the following recommendations cover the internal and external factors that affect the survival and success of SMEs in Oman:

- Introducing a basic entrepreneurship mindset at early stages in basic education curricula and making it mandatory for public and private schools.
- Colleges and universities could introduce entrepreneurship (breadth) courses to all students from different disciplines and specialties.
- Colleges and universities could open in-campus entrepreneurship centers to assist students who follow this path after graduation.
- Colleges and universities could arrange social events hosting successful local entrepreneurs who could share their experiences and connect with students and possibly mentor them.
- The education system could be redesigned to help, in the long run, reduce uncertainty avoidance among Omani new generations and encourage rational risk-taking.
- Steps could be taken to gradually transform society to be more supportive towards entrepreneurs, especially the unsuccessful ones.
- The government could develop a strategy to change the mindset of citizens away from public sector jobs and more towards private businesses while focusing on and shedding more light on successful local entrepreneurship stories.
- Individuals who pursue an entrepreneurial future should seek appropriate training to advance their necessary managerial skills before taking that path.
- Governmental support programs should be publicized more to reach the maximum number of beneficiaries around the country. Different innovative marketing techniques could be used to accomplish this outcome.
- The government could decentralize certain functions and establish a center in every governorate to manage the procedures required by different regulatory agencies.
- Conditions, guarantees, and interest rates on loans from governmental and private agencies could be rationalized to encourage entrepreneurship. These decisions could also be decentralized at the governorate level.

5.2. Conclusions, Limitations, and Future Research

The SME sector is considered a vital part of any developed economy as countries worldwide rely on it to generate employment, raise the standard of living, and expand their respective GDP. The SME sector in Oman is promising and can become successful to help develop the economy further and reduce the dependence on depleting natural resources. However, certain areas need attention for this to happen.

This research has shown that the education system in Oman is the first and most important dimension that needs immediate remedial actions from the government. Early interventions in the education system can help shape new mindsets and refine some obsolete cultural aspects that obstruct successful entrepreneurship. Education plays a vital role in shaping the cultural aspects of societies—the second obstacle to successful entrepreneurship identified in this study. Therefore, a carefully crafted education system could also enhance some cultural elements of the Omani society in the long term by shaping students' mindset to become more open to risk-taking with a positive perception of failure. Such upbringing of new generations will subsequently help reduce uncertainty avoidance in future generations. Generations that are equipped with necessary entrepreneurial skills and knowledge feel more confident and willing to establish private businesses as fear of failure gradually decreases. The third impediment to successful entrepreneurship relates to the entrepreneurs themselves and their readiness to develop their managerial capabilities

before commencing their businesses. Finally, the government should ease the procedures of establishing new enterprises and introduce new flexible conditions to financing plans that provide attractive incentives for business owners. In conclusion, these interventions can be a good starting point for improving entrepreneurship outcomes in Oman. Some of these measures (e.g., business establishment procedures) could be applied in the short term, while others (e.g., the education system) require a long-term perspective.

This study has some limitations. This study relied entirely on a quantitative dataset. While this per se may not be a limitation, to confirm the findings of this study, we recommend that future studies include qualitative data to understand further the nuances of the issues raised in this study. Future research may also compare the Omani SME sector to a prosperous neighboring country that shares a similar culture, such as the UAE [40]. Such a benchmarking exercise may lead to adopting the relevant policy interventions and avoid reinventing the wheel.

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