

An Investigation into Why Very Few Small Start-Ups Business Survive for Longer Than Three Years: An Explanatory Study in the Context of Saudi Arabia

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Abstract : Nowadays, the challenges of running a start-up can be very complex and are perhaps more difficult than at any other time in the past. Changes in technology, manufacturing innovation, and product development, combined with intense competition and market regulations are factors that have put pressure on classic ways of managing firms, thereby forcing change. As a result, the rate of closure, exit or discontinuation of start-ups and young businesses is very high. Despite the essential role of small firms in an economy, they still tend to face obstacles that exert a negative influence on their performance and rate of survival. In fact, it is not easy to determine with any certainty the reasons why small firms fail. For this reason, failure itself is not clearly defined, and its exact causes are hard to diagnose. In this current study, therefore, the barriers to survival will be covered more broadly, especially personal/entrepreneurial, enterprise and environmental factors with regard to various possible reasons for this failure, in order to determine the best solutions and make appropriate recommendations. Methodology: It could be argued that mixed methods might help to improve entrepreneurship research addressing challenges emphasis in previous studies and to achieve the triangulation. Calls for the combined use of quantitative and qualitative research were also made in the entrepreneurship field since entrepreneurship is a multi-faceted area of research. Therefore, explanatory sequential mixed method was used, using questionnaire online survey for entrepreneurs, followed by semi-structure interview. Collecting over 750 surveys and accepting 296 valid surveys, after that 13 interviews from government official seniors, businessmen successful entrepreneurs, and non-successful entrepreneurs. Findings: The first phase findings (quantitative) shows the obstacles to survive; starting from the personal/ entrepreneurial factors such as; past work experience, lack of skills and interest, are positive factors, while; gender, age and education level of the owner are negative factors. Internal factors such as lack of marketing research and weak business planning are positive. The environmental factors; in economic perspectives; difficulty to find labors, in socio-cultural perspectives; Social restriction and traditions found to be a negative factors. In other hand, from the political perspective; cost of compliance and insufficient government plans found to be a positive factors for small business failure. From infrastructure perspective; lack of skills labor, high level of bureaucracy and lack of information are positive factors. Conclusion: This paper serves to enrich the understanding of failure factors in MENA region more precisely in SA, by minimizing the probability of failure in small-micro entrepreneurial start-up in SA, in the light of the Saudi government's Vision 2030 plan.

Keywords : small business barriers, start-up business, entrepreneurship, Saudi Arabia

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