

Royal Holloway, University of London

The Role of Business Model Information Systems and Human  
Capital in the Barriers to the Growth of Small and Medium-sized  
Enterprises (SMEs) in Kuwait.

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## DECLARATION OF AUTHORSHIP

I, Salman Khuraibet, hereby declare that this thesis and the work presented in it is entirely my own. Where I have consulted the work of others, this is always clearly stated.

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## ABSTRACT

A substantial amount of research has been undertaken on growth in developed nations, and to a lesser extent in developing nations. In comparison there have been very few studies which have looked at barriers or limits to growth and also business development, especially utilising large scale data sets and econometrics and linked to theory. There has been no large scale study of entrepreneurship, per se, in Kuwait, and no prior academic studies, qualitative or quantitative on barriers or limits for businesses in Kuwait. To fill this gap, this study utilises the first large scale survey of entrepreneurship in Kuwait.

The aim of the study is to shed new light on business model configuration and resource abundance in Kuwait, an oil rich nation in transition to an entrepreneurial economy. The sample framework used information from the Chambers of Commerce in the six Kuwaiti governorates (Al Jahra, Al Asimah, Al Farwaniyah, Hawalli, Mubarak Al-Kabeer, and Al Ahmadi). A response rate of 35 per cent was obtained. Using data from 396 entrepreneurs the researcher explores the relationship between characteristics of entrepreneurs and their firms against barriers to growth. Six groups of barriers to growth are assessed: finance, market, managerial and technical know-how, inputs, economic/regulatory and infrastructure. A business model configuration was used to bring together human capital theory, the resource based view of the firm, social network theory and the diffusion of innovation in a multi-theory framework.

62.1% of the entrepreneurs indicated that corruption was an important or a crucial factor which limited growth in Kuwait and this was ranked as the number one barrier in Kuwait. The second and third most mentioned barriers in rank order is registration and red tape which is mentioned by 60.6% of entrepreneurs, and closely followed by bureaucracy in government agencies which was mentioned by 59.6% of entrepreneurs. Four barriers are mentioned by less than one third of the entrepreneurs and they are: inadequate access to new technology (32.4%), low quality of electricity/water supply (30.8%), difficult to raise capital from family (27.5%), and difficult to raise capital from friends (24.3%).

The econometric results provide strong evidence that entrepreneurs encounter fewer barriers to growth when they have a greater level of education, indirect political contacts, and they use social media sites. Product or service and process innovative firms and firms with higher start-up finance encounter fewer barriers to growth. Entrepreneurs who follow business models in which revenue is captured through e-commerce also encounter fewer barriers. Several control variables are also systematically related to barriers to growth. Entrepreneurs in team businesses, with a greater number of full-time employees, and a smaller number of part-time employees encounter more barriers to growth.

By utilising the business model theory and 396 entrepreneur's responses this study provides advances for theory, practitioners, policy makers and entrepreneurs themselves. Prior to this study barriers and problems for entrepreneurs in Kuwait was only understood at an anecdotal level. Overall, the results present a complex picture of the role of political, human, economic and social capital in explaining barriers and limits to entrepreneurs achieving their objectives in Kuwait.

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## **LIST OF ABBREVIATIONS**

FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
OECD	Organisation for Economic Cooperation and Development
OLS	Ordinary Least Squares
SMEs	Small and Medium Sized Enterprises



## **Chapter 1**

### **Introduction and overview**

#### **1.1 Introduction**

There is a substantial corpus of knowledge – theoretical and empirical – which has endeavoured to understand business growth better in both developed and developing countries (Nightingale and Coad, 2014; Storey, 1994; Obeng, 2007; Parker, 2004). Indeed, research on the economic growth process and outcomes for SMEs, and larger sized businesses has proliferated, although our knowledge of the factors associated with economic growth remain inadequate (Leitch, Hill, and Neergaard, 2010; Coad and Tamvada, 2012). At this time there is a need to study Small and Medium Sized Enterprises (SMEs) and in particular provide an exploration of business performance, as well as the barriers to entrepreneurs achieving their business objectives in Kuwait. In the five-year period, 2009-2014, the Kuwaiti government implemented a national development plan which involved identifying and sponsoring 400 SMEs (Kuwait Government, 2013). The Kuwaiti Government and the Parliament of Kuwait are extremely concerned about the SME sector and seeks ways of improving it. The policy makers understand the importance of improving the environment to facilitate a stronger SME community. Also the Ministry of Commerce is building a one stop counter or shop to ease the steps to start small business in Kuwait (Khuraibet, 2013). The Kuwaiti Parliament has voted for a new national fund that is worth approximately £2 billion. The importance of this fund is not only the amount but also that it is to be accompanied by a new administration being developed which will help to organize this (Khuraibet, 2013). Kuwait is ranked 104<sup>th</sup> in the world, and lowest in the Gulf Cooperation Council (GCC), on the World Bank's 2014 ease of doing business survey,

and the country has consistently attracted the lowest amounts of foreign direct investment (FDI) in the entire Middle East and North Africa region.

Kuwait is the lowest levels of economic diversification in comparison with other GCC states. A recent report states that the Kuwaiti economy is one of the most oil dependent economies in the Middle East (GOIC, 2015). The contribution of the non-oil sectors is not more than 90% since 2004. Further, investment and industry sectors are suffering from some impediments that restrict its development in Kuwait. One of the most important impediments is the difficulty of practising business and the bureaucracy related to incorporation of companies. Therefore, Kuwait lacks competitiveness to set up an environment that attracts investment compared to the neighbouring countries. Further, visa restrictions and a lack of appropriate legislation renders the Kuwait economy as finding it difficult to attract investment. In this regard, Kuwait occupies the last rank among Arabian Gulf States regarding competition of foreign products. The value of the exported funds from the Kuwait economy is estimated by US Dollars to be \$6 billion in 2010. Therefore, Kuwait is the only country in the Middle East and North Africa (MENA) that suffers from a negative flow of direct foreign investments (Foreign Direct Investment Report, 2008). Further, its industrial sectors suffer from organizational problems, and non-availability of appropriate industrial land. At the end of this chapter, the researcher considers the industrial sectors in the State of Kuwait and their problems in detail.

According to GOIC (2015) the Kuwait economy is mainly characterised by, first, being a mono source economy depending on oil, a low level of productivity, an imbalance of the productive structure, having limitations of accommodation capacity, and public expenditures that are leading the whole economy and a population structure that is imbalanced where it mainly relies on an expatriate labour force.

According to the OECD (2010), the rapid growth of SMEs can change and be the source of the greatest success of the economy of any country, and clearly the Kuwait Government is not alone in accepting the aforementioned view (See Reynolds, Storey and Westhead,2007). Despite the importance of SMEs, most of these businesses stay small and fail to grow, or at worst, fail altogether (Doern, 2009; Fatoki and Asah, 2011). However, our understanding of business growth and business performance remains sparse (Storey, 1994; Santarelli and Tran, 2013). When attention focuses upon barriers or limits to business development the sparsity of theoretical based empirical studies becomes more acute (Santarelli and Tran, 2013; Robson and Obeng, 2008; Aidis, 2005). This applies to developed and developing nations, alike. Particularly lacking are large scale studies which utilise the entrepreneur as the unit of analysis and advance our knowledge of theory, as well as empirical knowledge by testing hypotheses derived from theory. Furthermore, in the case of Kuwait, a munificent environment, where GDP in 2014 is estimated to be \$71,000 at purchasing power parity (PPP), per person, places Kuwait as approximately the 10<sup>th</sup> wealthiest country in the world (CIA, 2015)<sup>1</sup>, but where no previous large scale study has looked at the barriers to growth; and there has only been one study of the growth of Kuwait SMEs although that was limited to the manufacturing sector (Abdullah, 2000). Studies of GCC states are also limited (Alrabeei, 2012; Alrabeei and Scott, 2014, 2011). This state of research on Kuwait is surprising because SMEs are claimed to be catalysts for the future economy (Blair, 2013).

There have been calls for more research on understanding growth (See Wiklund, Patzelt and Shepherd, 2009: 351). There has also been a recognition that more

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<sup>1</sup> In 2013 and 2012 GDP per capita at PPP per person was \$72,000 and \$74,300, respectively (CIA, 2015).

research needs to be done on developing and emerging nations. Indeed, and, specifically for Kuwait, there have been calls to understand SMEs in order to help diversify the country from oil, gas and petroleum related products and industries (Blair, 2013). It can be argued that a potentially fruitful avenue of enquiry is to look at barriers to growth (Aidis, 2005). This may also act as a catalyst to help the Kuwaiti government to develop better policies to promote and improve the small business sector performance, as well as leading to a smooth transition and growth of the SME sector and a reduction in the relative importance of the large business sector. Kuwait suffered the invasion of Saddam Hussain's Iraq in 1991. The invasion and subsequent repelling of the Iraqi occupants necessitated the rebuilding of Kuwaiti infrastructure. This post 1991 period is a time where Kuwait has taken tentative steps to embrace the free-market and increase the number and importance of SMEs. After a careful study of the important economic factors, McKinsey Consulting Company presented several key recommendations, one of which was to strengthen the economy of Kuwait by investment in SMEs (Khuraibet, 2009). The Kuwaiti government released £1 billion to be managed by the Kuwait Investment Authority. The funds were to be distributed among the willing entrepreneurs via four organizations, three of which were private and one organization was state-owned in order to decrease its reliance on the oil-based economy to become more diversified, self-dependent and varied in national income. More specifically the four organizations are: the Kuwait Small Project Development Company, Industrial Bank, Alraeda Enterprise, and Kamco. Altalea (2009) noted that no more than 1000 entrepreneurs have applied for the subsidy, over the period 1998 to 2012.

To fill this gap, this study performs the first large scale econometric study of entrepreneurs in Kuwait. The study has several implications for a wide range of

Kuwait stakeholders: scholars at universities, entrepreneurs owning SMEs, government policy makers, civil servants, and practitioners, as well as raising issues for other munificent Arab countries such as Saudi Arabia, Qatar, and the United Arab Emirates (UAE), and for developed nations such as the US and the UK.

This chapter is structured as follows. The next section presents the background to the study, followed by the focus and purpose of this study. In section four the contributions of the thesis are presented. This is followed by the thesis structure which provides an overview of the main chapters of the thesis and how each chapter contributes to achieving the objectives of the thesis. Lastly, a conclusion completes the thesis.

## **1.2 Background of the research**

The starting point of my research is my interest in the use of social media and the internet as a business conduit and their possible associations and linkages with entrepreneurship and firm growth and overcoming barriers to growth. In Kuwait social media plays a very important role and Kuwait SMEs have adopted a new business model where they use social media not only as a marketing tool but also as a selling point. For example, Ghaliah is one of the three main digital communication providers that mainly provides social media services. Ghaliah has helped 1000 local and international businesses by posting pictures on Instagram or tweeting on Twitter with a price range of one post of a picture or a tweet from 200 KD to 1,500KD which is equivalent to between £400 and £3,000. Social media sites are becoming increasingly popular in the current business environment. Kaplan and Haenlein (2010) define social media as a group of internet based applications which build on ideological and

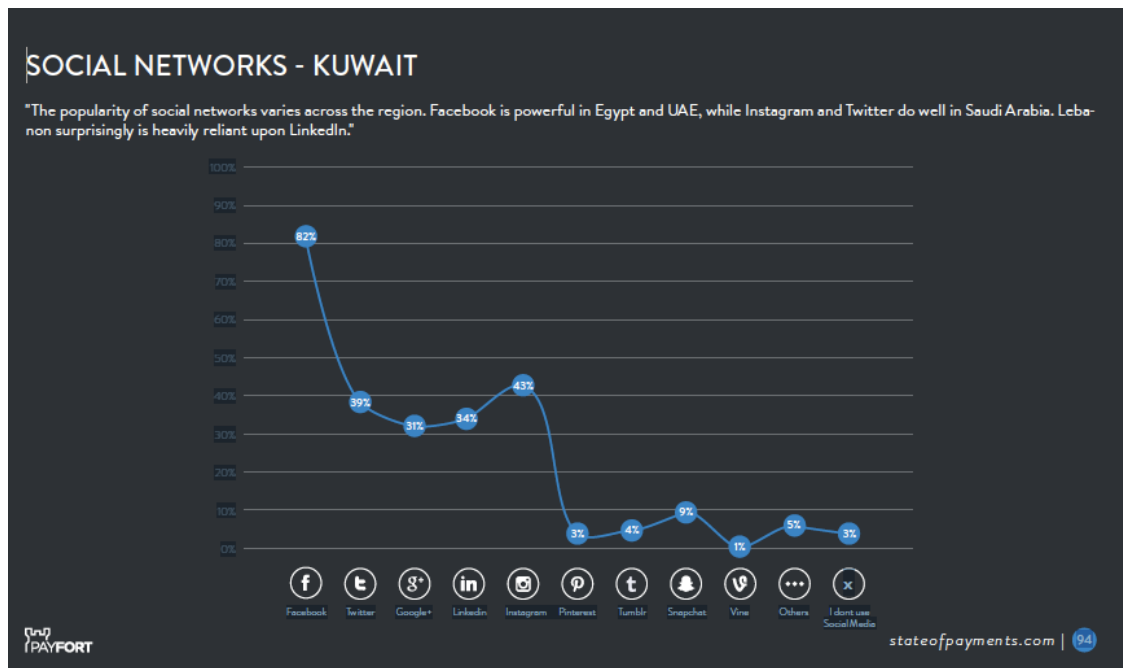
technological foundations of web 2.0 and which allow creation and exchange of user generated content. Companies need to create and implement a social media strategy to connect with customers and achieve success in business. A company's social media strategy can be one of four types, or a mix: (1) predictive practitioner implies implementation to a specific area, such as customer service and is the best fit for businesses which want to avoid uncertainty and want results which are measurable; (2) creative experimenter is adopted by companies which embrace uncertainty while conducting small scale tests to improve services; (3) social-media champion involves large initiatives to get predictable results; and (4) social media transformer approach which involves large scale interactions which provide unexpected sources of improvement for a company (Wilson, Guinan, Parise, and Weinberg, 2011).

Listening is an important online activity (Crawford, 2009). Businesses are quickly realizing the power of social media as a tool that they can use to connect with customers efficiently and cost effectively. Companies such as Dell have adopted a listening strategy as a tool in social media and even created a special department 'Communities and Conversations' for this purpose (Crawford, 2009). The value of listening activity for companies can be summarized in three ways: (1) participate in a community and hear public opinions; (2) utilizing a cost-effective method of customer support; and (3) gaining global awareness of brand usage and consumer satisfaction patterns (Crawford, 2009). The Arab world has witnessed the rise of an independent and yet vibrant social media and a steadily increasing citizen engagement on the web which is expected to attract 100 million Arab users by 2015 (Kim, Lee and Lee, 2013). Various social media networks inform, mobilize, entertain, create communities, increase transparency, and seek to hold government accountability (Kim et al., 2013)). A research study by Nassar (2012) investigates how entrepreneurs' hoteliers view social

media as a branding strategy tool and highlights the motivational factors which determine the adoption of social media as a branding tool. A key finding of this research paper is that higher grade hotels have a higher probability of using social media (Nassar, 2012). Businesses are now increasingly taking advantage of the introduction of social media into their marketing programs. Social media provides many benefits for a business such as viral potential, cost, and the creation of brand reputation(Nassar, 2012).

Kuwait online business is estimated to be approximately £0.56 billion with 2.6 million users which is almost 76% of the Kuwait population. Instagram businesses are booming and Kuwait is the highest user in the GCC of social media web sites. Instagram business does not mean a business using Instagram advertising, rather, people use their Instagram accounts as online store fronts, selling goods and services as for example, "Kuwait's booming Instagram economy" and are a fascinating use of the filtered photo-sharing service that we donot here. For these sellers, Instagram provides a free, beautiful web store with built in social-sharing features. The service has no method for financial transactions. Instead, Kuwait's entrepreneurs post a WhatsApp or Kik number (for low-cost texting) and an e-mail address for business inquiries and do their bidding that way.

**Figure 1.1 Social Networks Kuwait**



Whilst there has been research to quantify the level of usage of social media services by entrepreneurs in Europe and North America, very little is known about the corresponding levels of usage in Kuwait and the association and linkage with growth and also barriers or obstacles to growth. The rise of the various social media sites, such as blogs, wikis, Digg and Flickr among others, underscores the transformation of the Web to a participatory medium in which users are collaboratively creating, evaluating and distributing information (Carniels and Romijn, 2008). Various innovations introduced by social media have led to a new paradigm for interacting with information which is called as 'social information processing' (Lerman, 2007).

From my interest in social media and the internet and economic growth, the next step of the research was to read and assess of the state of progress and knowledge on theories of growth and barriers to growth. The researcher was surprised at how little progress has been made to provide a coherent theory of growth which can be empirically validated, and that particularly over the last forty years the level of progress is disappointing. Whilst the theories of growth are critically analysed in the second



chapter of the thesis it was disappointing to see the continued prevalence of neo-classical theory, and especially the ideal of a perfect market, still being given a great deal of credence in the economics literature. Whilst the stage models of economic growth have been presented in interesting ways, they are riddled with inconsistencies and shortcomings, and the failure to resolve the inconsistencies in the stages theories of growth in the 1970s is surprising. Storey's (1994) model of economic growth offered a much welcomed different way of approaching a theory of economic growth. Its focus upon characteristics of the entrepreneurs, their strategies, and their firms offers a framework which is intuitive and easy to understand, but as a theoretical framework it has failed to develop and is no longer popular in journal papers. And, the lack of a theoretical basis for the three main sets of characteristics is the Achilles heel of the Storey (1994) model. The barriers to growth literature has shifted the focus from 'growth' to the barriers or impediments to growth and that potentially offers a way of advancing our understanding of the economic development of SMEs and their entrepreneurial ventures. However, the researcher was also struck by the lack of theoretical underpinnings of the barriers to growth literature. In the same way that the Storey (1994) model focuses upon three sets of characteristics to explain growth the barriers to growth literature is empirically and policy focused without a clear theoretical framework about what determines the variables which are and are not associated with impediments to growth. This is systematically reviewed in chapters 2, and 3, and a theoretical framework which draws upon other business and social science theories – the resource based view of the firm, human capital theory and social network theory can be used to take forward the theory of barriers to growth.

At the empirical level when I did my literature review I was surprised by the general lack of previous research on Kuwait, and nearby GCC countries on

entrepreneurship and SMEs per se, let alone using entrepreneurs as the unit of analysis. The lack of quantitative research to look at growth and barriers to growth in Kuwait and GCC countries offers an excellent opportunity for the researcher to make a contribution to theory and practice. The researcher is intrigued to know what are the problems which Kuwaiti entrepreneurs encounter, and how the problems which are encountered are systematically associated with Kuwaiti entrepreneurs and their firm characteristics, but using an organised framework which utilises business model theory as an overall framework to bring together the resource based view of the firm, human capital theory and social network theory, and which goes beyond the Storey (1994) and Robson and Obeng (2008) approach.

### **1.3 Focus and purpose of this study**

The aim of the study was to investigate the extent to which business model theory can be used as a framework to bring together and build a multi-theory approach to understand the barriers to growth in Kuwait focusing upon the resource based view of the firm, human capital theory, and social network theory. It is also important to identify empirically which are and are not the barriers to growth in Kuwait in relative and also in absolute terms. Furthermore, identifying which characteristics of the entrepreneurs and their firms are systematically related to the encountering of barriers to growth is another aim of the study. However, this empirical analysis will involve testing hypotheses which are linked to theory. A key informant approach is followed and, in contrast to many other studies where the firm is the focus of analysis, or owner-managers are used, this study uses information obtained from entrepreneurs to investigate the extent to which small and medium sized businesses with 4-249 employees encountered barriers and limits to achieving their business objectives in

Kuwait. With the launch of various development funds, there is a need for the resources to be targeted in order to have maximum impact for Kuwait. Indeed, with the launch of the most recent fund of \$2 Billion for SMEs, the Kuwaiti Government has committed substantial resources for SMEs and entrepreneurs and this thesis provides suggestions on how that fund can be best spent for long term benefits to Kuwait. The Kuwaiti Government is concerned to create employment for its young and well educated population and definitions of SMEs have focused upon Kuwait citizens rather than both Kuwaiti and Non-Kuwaiti nationals, alike (Kuwait Government, 2013d). Indeed, the Kuwaiti Government and Kuwaiti Parliament has been fixated with Kuwaiti nationals in discussions of definitions of SMEs (Kuwait Parliament, 2013).

In developed and developing nations, the definition of SMEs varies from country to country; and, indeed, the definitions can be context specific (OECD, 2006; Storey, 1994). As a consequence of the array of definitions which have been legislated by Governments and Organizations across the world there is thus a lack of a consensus on what is a SME. It is a trade-off between providing a unique definition of SMEs based on the specific purpose and usage of a study, set against the specific national environment, and traded off between providing and utilising a common definition of SMEs to facilitate comparisons of like with like (Harper and Soon, 1979; Levitsky, 1989; Storey, 1994). In this study an SME is a business with 4-249 employees.

Thus, the objectives of the research are as follows:

1. Identify the barriers to SME growth in Kuwait using a large scale data set and econometric regression techniques.
2. Identify the theoretical constructs, focusing upon human capital theory, the resource based view of the firm, and social network theory which can be

brought together with business model theory to explain and understand barriers to growth in Kuwait.

3. Identify the lessons from the barriers to growth headline figures and from the econometric regression models which are learned for practitioners and policy makers in Kuwait.

#### **1.4 Contributions of the Research**

The analysis of data gathered directly from 396 entrepreneurs in Kuwait makes a series of contributions to theory and practice as follows.

A business model generally refers to the configuration of a resource set to achieve the goals of an enterprise (George and Bock, 2011). Although use of the term ‘business model’ is widespread in the practice literature, a definitive set of constructs from which a business model is constituted has yet to be agreed upon by scholars (Zott, Amit, and Massa, 2011). Business model approaches have been developed in mainstream general management but have not been applied to the entrepreneurship and small business literature or barriers to growth which is the centre of this thesis. A recent study, however, (George and Bock, 2011) made an important contribution to the debate by empirically generating three structural components of a business model: resources, transaction structure and value structure. In this study measures are created and extended for these components and to test the constructs on a sample of Kuwait entrepreneurs.

Secondly, many of the existing empirical studies on barriers to growth are only weakly linked to theory, and this has held back the development of a coherent theory associated with barriers to growth. Institutional theory and Storey’s (1994) classification theory have been linked to developing our understanding of barriers to

growth but in this thesis it is argued that a multi-theory approach, drawing upon human capital theory, the resource based view of the firm and network theory within a business model framework provides a fruitful way of developing our theoretical knowledge of barriers to growth.

Thirdly, it will become apparent that whilst collectively the three different theoretical approaches which are brought together in the models of barriers to growth help to provide a coherent theoretical construct their applicability is limited across the six different groups of barriers to growth: finance, market, managerial/technical, production, institutional and infrastructure. Thus, the boundaries of human capital theory, the resource based view of the firm and network theory are established across the aforementioned six groups of barriers which covers forty barriers to growth in Kuwait.

Fourthly, in the data used in this thesis the researcher investigates the performance implications of business models across six groups of barriers to growth, and analyses forty barriers to growth. Previous studies have often lacked a full set of barriers to growth and have been limited to up to a dozen barriers to growth which are often conflated together, or possibly omitted barriers to growth; or have only focussed upon a set of barriers to growth related to only one or two specific areas, such as finance and institutions. In contrast, this study looks together at: barriers related to finance (Bukvic and Bartlett, 2003; Gill and Biger, 2012; Macpherson and Holt, 2007; Mambula, 2002; Pissarides, Singer, and Svenjar, 2003), marketing (Bohata and Mladek, 1999; Bukvic and Bartlett, 2003; Coad and Tamvada, 2012; Gill and Biger, 2012; Hisrich and Fulop, 1994; Orser, Hogarth-Scott and Riding, 2000), managerial and technical (Robson and Obeng, 2008), production (Aftab and Rahim 1989; Coad and Tamvada, 2012; Doern and Goss, 2013; Robson and Obeng, 2008) and institutions

(Aidis, Estrin, and Mickiewicz, 2008; Bohata and Mladek, 1999; Coad and Tamvada, 2012; Gill and Biger, 2012; Krasniqi, 2007; Macpherson and Holt, 2007; Mambula, 2002; Pissarides et al., 2003, Robson and Obeng 2008; Sleuwaegen and Goedhuys, 2002) and infrastructure (Robson and Obeng, 2008). To the barriers to enterprise growth literature, the researcher identifies business model configurations that succeed in overcoming barriers to growth.

Fifthly, the vast majority of the previous studies of barriers to growth have tended to only include a very small number of explanatory variables; and the same limited range of variables tend to be used, or are confined to simply reporting what are the barriers to growth (See Chapter 3). Recent research in the entrepreneurship and small business literature argues that political connections can have beneficial effects in developing entrepreneurship in less developed economies, and especially transition economies due to deficiencies in formal institutions (Zhou, 2013; Siegel, 2007, Faccio, 2006; Dinc, 2005). Other research has shown that political connections continue to influence entrepreneurial activities which are operating developed market institutions and are thus advanced economies (Pfeffer and Salancik, 2003; Faccio, 2006; Dixit, 2004). Kuwait falls between these two sets of literature as a nation which has a level of wealth which is superior to many advanced nations, but at the same time it is a developing economy which lacks many institutions. This study uses variables which capture detailed information on direct and indirect political contacts and apply those for the first time to barriers to growth. Zhou (2013) looked at one dependent variable, perception of investment in China, and included two independent variables, possession of high level political connections and possession of low level. But Zhou's study does not differentiate between which areas of government are the source of the political connections. This study of Kuwait builds upon and extends the work of Zhou (2013) by

differentiating between whether the entrepreneur worked had no connections, high connections or low level connections through having previously worked in the education sector, Kuwaiti ministries of government, and wider sectors in Kuwait; and also whether their immediate family worked in one of the three different sets of locations. Thus, this study allows a much more detailed micro set of detail on the source of direct and indirect political connections to be investigated and linked to theory.

Social media networks such as Twitter and Facebook offer a lot of opportunities that entrepreneurs can exploit to enhance their competitive posture in the market. Entrepreneurs can use the social media sites to reveal their value proposition to the target markets and enhance their brand value by communicating important developments in their corporate approaches using the social media sites. Despite the huge potentials of social media in the current business environment, most entrepreneurs in Kuwait are yet to implement effective social media strategies that can enable them to benefit from various tools offered by social media sites to communicate with their target customers efficiently and cost effectively. The use of social media networks has become a popular avenue of research but again this has not been linked and tested to the barriers to growth literature. This study for the first time includes the use of the main social media networks in the building of models to understand barriers to growth. Whilst the legal status of businesses has been included in studies of barriers to growth (Robson and Obeng, 2008) that only in part captures the transaction structure of firms previous studies have not kept pace with the change in the environment and included internet online sales transactions. This study for the first time includes variables to capture the proportion of sales attributed to online sales revenue and includes that in models to test and develop theories of barriers to growth. The care with which the models are developed also extends to the control variables included in the models.

Previous studies have included the number of full-time employees as a measure to capture firm size but this researcher argues that part-time workers are increasingly important in Kuwait and for the first time a study includes the number of full time and also the number of part-time variables as control variables. Home based businesses have been identified as an important way of helping economies to grow and a way for potentially disadvantaged entrepreneurs with limited resources to establish and run businesses (Mason, Carter and Tagg, 2011) but previous studies have not tested to see whether the use of a home based businesses are associated with particular barriers to growth. Thus, this study extends the work of Robson and Obeng (2008) by including variables to capture direct and indirect political connections, the use of social media, the proportion of sales revenue generated by online sales, including the number of full-time and part-time employees, and whether the firm is a home based business.

The second set of contributions relates not only to the entrepreneurial environment literature but also to offer guidance for practitioners and also policy makers in Kuwait. Much of the extant literature has supported a positive relationship between resource availability and enterprise growth. Typically new and young enterprises face difficulties in accessing resources which therefore, constrains their growth (Khaire, 2010). Kuwait, in common with many Arab nations, is an Islamic country with a small indigenous population and dependence on oil wealth (Harb, 2009). The abundant oil and gas reserves have brought the country vast wealth and rapid economic development. There are approximately 102 billion barrels of oil which equates to circa 6% of world reserves, and petroleum accounts for more than a half of GDP, 94% of export revenues and 89% of government income (CIA, 2015). The Kuwaiti government, unlike other countries such as the UK and the Netherlands has followed a policy of saving at least 10% of government revenue in the Fund for Future



Generations. However, the movement of the economy towards becoming a diversified and mixed economy has been slow, and the recent decline in oil prices in 2014, and the development of electric cars, brings home the need for Kuwait to speed up the development of entrepreneurship and the SME community. As the Kuwait government strives to diversify the economy away from dependence on large, state-owned energy companies (Blair, 2013), resources have been directed towards economic policies influenced by *Sharia* principles (Adas, 2006). This raises intriguing questions about the interplay between resource munificence (Wernerfelt, 1984; Barney, 1991; Kraatz and Zajac, 2001) and enterprise growth.

There have been no previous large scale studies which have identified the barriers to growth, specifically, in Kuwait. Whilst Tony Blair was commissioned to write a report on the state of business in Kuwait his study suffered from methodological flaws and was based entirely on an unspecified number of interviews and focus groups, combined with access to secondary data sources; and, the Blair report (2013) does not identify the barriers to growth in Kuwait in a scientific or quantitative manner. There are two previous PhD theses which have carried out research on SMEs and entrepreneurship using quantitative techniques to analyse Kuwaiti data. Abdullah (2000) used a comparatively small sample of 65 merchants and 77 manufacturers from Kuwait, and the broad inquiry of her thesis concentrated on exploring the link or connection between SME development and long term Economic Development in Kuwait and the region. Al Jassim (2014) used a large scale sample of 464 Kuwaiti firms to look at decision making in SMEs. Alrabeei (2012) in his DBA research used the responses of 200 owner managers and interviews from 19 supporting organizations' representatives to build an effectiveness index of supporting organizations in Bahrain (Alrabeei, 2012; Alrabeei and Scott, 2011, 2014).

This study provides invaluable support for practitioners and policy makers by identifying which are the main barriers to growth for entrepreneurs in Kuwait. This will allow the headline figures on the ranking of the barriers to growth and which barriers are and are not prevalent. Furthermore, this goes further than most other studies because the thesis in theory building is testing a large set of variables and this allows the profiles of entrepreneurs and their firms which are more likely, or less likely, to encounter each of the forty barriers to growth for which data responses were gathered from a large scale survey of 396 entrepreneurs. Thus, the characteristics of the entrepreneurs and their firms relating to resources, transaction structure and value structure and associations with the barriers to growth are identified. Specific support schemes which are running in Kuwait are still in their infancy and the lessons on the barriers to growth at a headline figure level and from characteristics identified from multivariate analysis will be of use for practitioners and policy makers in Kuwait. The Kuwaiti government has vast sums of money to help diversify the economy away from the oil and gas sector and clearly the results from this study will help to inform the debate on Kuwaiti investment and support for entrepreneurs and SMEs.

### **1.5 Thesis Structure**

Chapter two presents the theory and lays the groundwork for the theoretical development of the hypotheses which are to be tested in the second half of the thesis. Business model theory is utilised as the umbrella structure in the thesis. Business model theory can be developed in a variety of directions (George and Bock, 2011; Zott and Amit, 2008); however, in this thesis business model theory is a basis for a multi-

theoretical framework which brings together the resource based view of the firm, human capital theory, and social network theory.

Chapter two presents and critiques the main theoretical constructs which have been presented to understand growth and barriers to growth. The quest to understand growth and barriers to growth has generated a huge literature and a wide selection of theories. The theory chapter focuses upon the neoclassical approach to growth, predictive or chance models, stage models of growth, Storey's (1994) characteristics model, and strategic entrepreneurship. This is complemented by theories of entrepreneurship and attention focuses upon the resource based view of the firm, human capital theory, and social network theory which have been used to try to expand our understanding of the theory of growth. The diffusion of innovation literature is also presented as another theoretical lense which can be used to understand the nature of growth, particularly the use of social media.

Chapter three provides a review of the previous literature focusing upon the barriers and impediments which may influence entrepreneurs' businesses in Kuwait, and Arab nations. The literature relating to developed nations such as the UK and the US, as well as developing nations in Africa and Eastern Europe are also drawn upon. The Robson and Obeng (2008) framework is utilised and modified to apply the factors to the Arab environment. The factors are categorised into finance, managerial and technical, production, economic/regulatory, and infrastructure.

Taken together, chapters two and three serve to identify the gaps in the literature regarding our understanding of growth and barriers to growth and the theories which have been provided. From the gaps the basis of identifying the research problem is made and refined and clarified. Chapter three does include a critique of the previous studies on barriers to growth and it is included here because the quality of a

methodology either gives credence to results or raises concerns about the validity and usefulness of previous research studies.

Chapter four presents a detailed research methodology. The chapter presents the researcher's philosophical position and the research strategy which was followed to operationalise the testing of the hypotheses presented in chapter three. The chapter outlines the sample and data collection strategy. This includes specifying the construction of the data collection instruments, the piloting process which was important, and the way that the survey was administered in practice. The chapter also links to the methods followed by scholars in previous studies. This has been done to ensure, as far as possible, a robust data set for which the results are valid and reliable. The chapter also outlines the operationalisation of the testing of the research questions and the gathering of the data in my fieldwork in the second year, including the difficulties which were encountered.

Chapter five presents the research results. The chapter commences with an overview of the characteristics of the respondents in order for the reader to gain a better feel for the data. This overview of the respondents also links to other large scale studies which have been carried out in developed nations. Diagrams and figures are incorporated into the chapter. The correlation matrices and VIF analysis which is needed to be undertaken to ensure that multi-collinearity is not a problem is also presented in chapter four.

Chapter five presents a detailed analysis of the Kuwaiti data and the results. The analysis commences with the ranking of the forty barriers to growth in Kuwait and compares the results to previous studies in developed and developing countries. The most influential other studies were by Alrabeei (2012) because, whilst his study is from Bahrain, it is the only other study which has included barriers to growth; and Robson

and Obeng (2008) because, although this study is on Ghana, it included an investigation of a large number of barriers to growth and analysed them in an econometric framework. The chapter then moves to the econometric testing of the hypotheses using a series of ordered logit regression models. Multi-collinearity between the use of each of the social media networks is very high, and this necessitated that the models had to be re-run including only one social media network variable at a time. The econometric models cover a wide range of different groups of barriers to growth. The results of the analysis, at the headline level on what are the barriers to growth in Kuwait, and the characteristics which are and are not associated with encountering barriers to growth opens up a diverse range of discussion topics relating to the theories which are being tested, and points which practitioners need to consider.

Chapter six presents the discussion of the key research findings which have been identified from the results presented in chapter five. The results are linked to and compared with previous studies on barriers to growth which were identified in chapter three. The theoretical implications of the results on the barriers to growth for human capital theory, the resource based view of the firm, and social network theory are discussed. This is followed by a discussion on the implications of the results on the barriers to growth for practitioners and policy makers. All studies are a compromise between an ideal or perfect scenario and the problems which are encountered in doing quantitative research and designing a questionnaire, harvesting the data and running the models. The caveats and limitations of the research study are presented and reflected upon. In outlining the limitations of the research study in Kuwait, this does open up opportunities for further studies.

## **Chapter 2**

### **Theories of Growth and Entrepreneurship**

#### **2.1 Introduction**

In this chapter the reader is presented with an overview of the theories of growth, barriers to growth, and entrepreneurship which have been developed by previous scholars, together with a critique of the theories, and the reasons for using the theories which have been utilised to build hypotheses in the next chapter. Growth theory and entrepreneurship theories applied to growth theories aim at the construction of models which describe the behaviour of entrepreneurs' firms and their associated outcome of an increase in the units of production or services which are provided. As such, it involves understanding the entrepreneurs, their firms, consumers and the general public, as well as interaction with government agencies.

A model can be defined as a simplified representation of a real world situation. Models should incorporate the main features of the real world or applied situation which it represents in practice. A model implies some kind of abstraction from reality which is achieved by a set of meaningful and consistent assumptions, which have the objective of providing a simplification of the phenomenon or behavioural pattern that the model is designed to study. The degree of abstraction from reality depends on the purpose for which the model is constructed. The series of assumptions in any particular theory are chosen carefully with the aim to be as consistent as possible, to endeavour to retain as much realism as possible and attain as far as possible a reasonable degree of generality and applicability not just to one particular industry but across industries and likewise not to be country specific but applicable to several countries or types of economies. There has to be a certain degree of abstraction because the real business

world is extremely complex, and attempts to study it in its raw form would lead to an analysis of unwieldy dimensions which are impossible to digest and develop. Thus, the theories and models which are critically described and analysed in this chapter do not describe the true business world because by their very nature the theories and models are constructed as abstractions from veritas. This notwithstanding, abstraction does not imply unrealism, but is a simplification of reality. It is the start of understanding the great complexity of entrepreneurship and the business world and how outputs achieve growth, or in the case of barriers to growth the factors that impede growth.

A wide variety of alternative theoretical lenses have been developed to try to understand firm growth (Freel, 1999; O'Farrell and Hitchens, 1988). In this chapter the reader is introduced to the neoclassical approach to growth, predictive or chance models which are most notably associated with Gibrat (1931), the stage models of growth which are synonymous with Greiner (1972), Storey's (1994) characteristics model and the recent strategic entrepreneurship models of growth. Additionally, the reader is introduced to the resource based view of the firm, human capital theory and social network theory which have been used to try to expand our understanding of the theory of growth.

## **2.2 Neoclassical approach to growth**

Economics research is dominated by the neoclassical theory. The theory has changed very little over the last seventy years and Samuelson's original work 'Economics' which was published in 1948 is the world bestselling introduction to economics textbook which underwent many iterations and subsequently was jointly written (Samuelson and Nordhaus, 2005), the last single authored edition which was published in 1985 and is representative of conveying neoclassical theory (Samuelson,

1985). The theory assumes that there is perfect information, and that the information is processed perfectly by all agents – the firms and the consumers (Nicholson and Snyder, 2015). This knowledge refers not only to the prevailing conditions in the current period but also in future periods as well (Gravelle and Rees, 2004). There is assumed to be perfect mobility of factors of production, and an absence of barriers to entry or exit, and abundant resources – labour and capital, and implicitly that the area of land, although finite, will be enough for the agents in the neoclassical model (Samuelson, 1985). The perfect mobility of factors of production assumes that workers are able to move effortlessly between different jobs, which in turn implies that skills can be learned easily (Dixit, 2014). The neoclassical theory acknowledges that entry or exit may take time but the firms have the freedom to move in and out of the industry (Perloff, 2011).

The neoclassical model assumes a huge number of firms and an equally large number of consumers such that none of the producers and providers of goods and services, or the consumers are able to enjoy a monopoly profit beyond the short run because in the long run firms will be attracted by profits and enter the market (Samuelson, 1985). The products and services are assumed to be homogeneous. In other words, the technical characteristics of the product as well as the services associated with its sale and delivery are identical (Cowell, 2006). Thus, there is no way in which a buyer could differentiate among the products of different firms (Dixit, 2014). And, the firms are price takers rather than price makers.

All firms in the neoclassical model are assumed to be profit maximisers. Alternative goals such as sales revenue maximisation, or satisficing behaviour and the achievement of management rather than shareholder goals are deemed not to be possible. Pursuit of profit maximisation is assumed to be rigidly pursued in the short and also the long term (Samuelson, 1985). Taken together, the above assumptions and



model suggests that entrepreneurs will be driven by the existence of a U-shaped average cost curve to continue to expand their businesses to reach the minimum efficient scale of production (Deakins and Freel, 2012). In other words, the process of optimisation is pursued and intertwined with the notion of growth and expansion. The long run average cost curve (lrac) will continue to decline but at some point the lrac will start to increase as diseconomies of scale kick in to the process (Nicholson and Snyder, 2015).

It is also assumed that there is no government regulation. Thus, the model assumes that there is no intervention in the market in any shape or form. Tariffs, subsidies, rationing of production or demand, are ruled as not believed to happen in the neoclassical theory of the firm. Neoclassical theory assumes that the entrepreneur is the owner of the firm and that he or she only pursues profit maximisation. In other words, it is assumed that there is no separation between ownership and management. All decisions are taken by the owner-entrepreneurs.

The neoclassical perspective thus implies that, given the perfect world assumptions, it is only possible that issues related to expanding the production facilities that will inhibit expansion and growth of firms. In other words, at some point the firm is working at full capacity with its existing machinery and workforce, and its need to build a new factory may become a problem. There could be limited room for further expansion on their site, or perhaps it may be a reluctance of banks and other external sources of finance to lend money to facilitate expansion of the firm (Samuelson, 1985). Shortages of other essential factors of production, most notably skilled and unskilled labour, are assumed to be abundant. It is only with the relaxation of one or more of the very restrictive assumptions in the neoclassical model that will result in the possibility of further short-run problems relating to the recruitment and retention of workers

entering the equation for entrepreneurs (Deakins and Freel, 2012). In the long run, the neoclassical model implies that growth will at some point be constrained by market demand and a reticence of consumers to buy the entrepreneurs' products or services. Indeed, Marshall (1920: P. 460) argued that the long-run size of the firm will only be increased "other things being equal, by the general expansion of the industry".

But, it does need to be repeated that the assumptions of the neoclassical model do restrict its applications and usefulness as a tool for academics, practitioners and policymakers alike. Deakins and Freel (2012, P. 160) argued, "[w]hile there may be some 'optimum' output for each of the firm's product lines, there is unlikely to be an 'optimum' output for the firm as a whole. As such, under neo-classical theory, there can be no limits to the size of firms as long as there exist product markets that may profitably be exploited"

In theory, and as a model, the neoclassical perspective still dominates in economics departments, globally, and has done so for over two hundred years (Nicholson and Snyder, 2015; Samuleson, 1985). However, in practice the neoclassical model falls apart. In the real world products and services are not homogeneous. Instead the products and services are heterogeneous and the use of advertising is used to establish product differentiation, both real and imagined, where the later occurs where advertisers convince the public, or subgroups of consumers, that there are differences between the characteristics and benefits of their clients products or services in comparison with the public, even if in reality the products or services are in essence virtually the same.

The cherished perfect competition which is one of the crucial assumptions of the neoclassical model does not exist in reality, or if it does it is the exception rather than the rule. The fact that there is imperfect competition means that firms are allowed to

stay in business and make profits in both the short run and the long run without ever reaching the minimum efficient scale of production. That is to say, inefficient firms can thrive and prosper. The firms are not of an equal size in any industry. Instead, most industries become dominated by a comparatively small number of large and established firms who are able to enjoy oligopolistic or monopolistic levels of profitability. Thus, the neoclassical model's perspective on growth of firms does not equate with the evidence on the changes in business concentration witnessed in all western economies since the end of the Second World War (Deakins and Freel, 2012).

### **2.3 Chance models and Gibrat's Law of Proportionate Effect**

Chronologically, the chance models of growth, and most notably the work of Gibrat (1931) represents the second main attempt to produce a theory of growth after the neoclassical model. In essence, with the chance models, the outcome of industries dominated by a comparatively small number of larger and most likely older firms is represented by a stochastic process whereby the number of firms is exposed to a series of cumulative random shocks over time. Stated differently, given a sufficient number of observations, a mechanical chance model can be used to make inferences surrounding the size distribution of the population of firms that resembles the actual empirical distribution. Thus, the growth behaviour of firms, as represented by the number of firms in an industry looks like a random walk. This is in essence a contradiction in that it is a scientific model of growth but its implications are the opposite of scientific because the models suggest that chance or luck is the distinguishing factor which explains whether firms are successful and enjoy growth or go bankrupt (Almus, 2000; Barkham, Gudgin, Hart, and Harvey, 1996).

The most famous person associated with the mechanical chance models is Gibrat (1931). The pessimistic theory was advanced in Gibrat's (1931) law of proportionate effect where the principle is that "while there may be a large number of systematic factors affecting growth, collectively they exercise only a limited influence of firm's proportionate growth" (Ganugi, Grossi, and Gozzi, 2005: 107). Ganugi et al. (2005) differentiated between two interpretations of the law of proportionate growth, a strict form and secondly a weak form. With the strict form "the expected growth rate over a specified period of time is constant for all firms independent of their size at the starting point". Whilst with the weak form Ganugi et al. (2005: 107) argued that "Gibrat's law omits the assumption of serial uncorrelation in growth rates". Ward and McKillop (2005: 1854) provided a clear synopsis of the main tenets which underpinned the law of proportionate effect as follows:

1. That the growth rates are independent of firm size;
2. That the variability of growth is independent of firms' size; and
3. That growth does not persist from one period to the next.

Empirical work on testing Gibrat's law was developed in the 1950s. Evidence appeared to validate the law of proportionate effect when it was found that expected growth rates were independent of the firms' size (Simon and Bonini, 1958; Hart and Prais, 1956). However, the evidence from the 1960s suggested that the proportionate growth of large businesses was higher than the smaller businesses (See, Sutton, 1997; Samuels, 1965). In other words, whilst the evidence from the 1950s supported Gibrat's theory the evidence approximately a decade later suggested that Gibrat's theory was not consistent with their data and thus not validated in practice. Samuels' (1965) study suggests that mergers and takeovers

## **2.4 Stage models of growth**

The two previous subsections have presented the neoclassical perspective and Chance models and Gibrat's Law of Proportionate Effect. The former approach continues to have a strong influence in economics departments although in business and management schools it has less dominance. The later approach has not been popular. This section now focuses upon stage models of growth.

### **2.4.1 The emergence of a third approach to understanding growth**

Chronologically, the third main branch of the theories of growth literature consists of stage models of growth which were mainly advanced in the 1970s and 1980s. The stage models of firm growth argue that the nature of a firm changes as the firm grows. Each of the different stages focuses upon a specific issue which can change from one stage to another (Bridge and O'Neill, 2009). The stage models assume that each stage is associated with changes in management practices and style, the firms' structure, the strategy which is followed, the extent to which an internal degree of formality evolves, and it is assumed that progression all occurs in a linear manner. The stage models of growth remains a disunited literature in as much as none of the stage models is viewed as the leading or representative model. In the next sections the three main models of stage-models are presented and these are, Greiner's (1972) 5-stage model, Churchill and Lewis's (1983) 5-stage model, and Scott and Bruce's (1987) 5-stage models.

### **2.4.2 Greiner's (1972) 5-stage model**

Greiner's (1972) model postulates that growth takes place in an entirely linear manner such that periods of time exhibit incremental trouble-free growth punctuated by crisis points. Stated differently, firms experience periods of evolution to which revolution points are thrown into the mix. In Greiner (1972) the five phases shown in Table 2.1 are associated with six different sets of attributes: management focus, organisation structure, top management style, control system, management reward emphasis and lastly crises.

Attention centres upon analysing the four specific crises which Greiner (1972) prescriptively applies to his model. The movement and transition from phase 1 creativity to phase 2 direction is brought about by a crisis of leadership.

### **2.4.3 Churchill and Lewis's (1983) 5-stage model**

Churchill and Lewis's (1987) 5-stage model is shown in Table 2.2 and the focus is upon a firm's transition from one stage to the next but without an explicit trigger. They focus upon three main issues: management style, the extent of formal systems, and the major strategy pursued in each of the stages. Viewing the model as a whole, it suggests that a firm's organisational structure progressively exhibits an increasing horizontal and vertical complexity. In other words, the Churchill and Lewis (1987) model suggests that each of the stages is characterised by a greater degree of managerial sophistication and delegation.

**Table 2.1: Greiner's stage model of business growth**

<b>Attribute</b>	<b>Phase 1 Creativity</b>	<b>Phase 2 Direction</b>	<b>Phase 3 Delegation</b>	<b>Phase 4 Co-ordination</b>	<b>Phase 5 Collaboration</b>
Management focus	Make and sell	Efficiency of operations	Expansion of market	Consolidation of organisation	Problem-solving and innovation
Organisation structure	Informal	Centralised and functional	Decentralised and geographical	Line staff and product groups	Matrix of teams
Top management styles	Individual and entrepreneurial	Directive	Delegative	Watchdog	Participative
Control system	Market results	Standards and cost centres	Reports and profit centres	Plans and investment centres	Mutual goal-setting
Management reward emphasis	Ownership	Salary and merit increases	Individual bonus	Profit sharing and stock options	Team bonus
Crises	Crisis of leadership	Crisis of autonomy	Crisis of control	Crisis of red tape	Crisis of ?

Source: Greiner (1972)

**Table 2.2: Churchill and Lewis's lifestyle growth model**

<b>Attribute</b>	<b>Stage 1 Existence</b>	<b>Stage 2 Survival Disengage</b>	<b>Stage 3-D Success- Growth</b>	<b>Stage 3-G Success</b>	<b>Stage 4 Take-off</b>	<b>Stage 5 Maturity</b>
Management focus	Direct Supervision	Supervised Supervision	Functional	Functional	Divisional	Line and staff
Extent of formal systems	Minimal to non-existent	Minimal	Basic	Developing	Maturing	Extensive
Major strategy	Existence	Survival	Maintaining profitable status quo	Get resources for growth	Growth	Return on investment

Source: Churchill and Lewis (1983)

**Table 2.3: Scott and Bruce's 5-stage model of business growth**

Stage	Top management role	Management style	Organisational structure
1. Inception	Direct supervision	Entrepreneurial, individualistic	Unstructured
2. Survival	Supervised supervision	Entrepreneurial, administrative	Simple
3. Growth	Delegation/co-ordination	Entrepreneurial, co-ordinate	Functional, centralised
4. Expansion	Decentralised	Professional, administrative	Functional, decentralised
5. Maturity	Decentralisation	Watchdog	Decentralised functional/product

Source: Scott and Bruce (1987, Table 1:48)



#### **2.4.4 Scott and Bruce's (1987) 5-Stage model**

Scott and Bruce's (1987) 5-stage model is shown in Table 2.3. The Scott and Bruce (1987) model highlights issues relating to top management role, management style and organisation structure. Their model suggests that firms progress through five stages of inception to survival, and then a growth stage, followed by an expansion stage, and lastly a maturity stage.

#### **2.4.5 Critique of Stage Models**

All three models which have been presented to represent the stages model of growth do not adequately address the issue that the majority of firms will only have a very small degree of growth, or will in fact reach a certain point and no longer grow. Many firms cease to trade within three years (Storey, 1994) and thus, stages 3, 4 and 5 are unlikely to be reached by the majority of firms. A theory of firm growth needs to accommodate some processes which are rare, and to model the tendency of firms' growth to plateau for potentially the bulk of the entrepreneurs' ownership of a firm (O'Farrell and Hitchens, 1988). In their defence, Greiner (1972) does allow firms to remain at a particular stage, and Churchill and Lewis' (1983) model allows numerous 'break-off' paths for disengagement or failure, while all three models do implicitly assume the normal behavioural outcome is that firms will complete all stages of their models. In other words, they are all too wedded to the overview of their models and are not capable of stepping back and reflecting upon real world behaviour. And, to adapt the models for instances where one or more stages are not met would not have been onerous in any of the three stages models examined.

A second major shortcoming of the stages models is that they are linear, and rigidly so. Thus, the models do not allow the possibility of moving back one or more

step. For example, in the Churchill and Lewis (1983) model a firm may be at stage 4 (the take off stage), and the sales of a product or service may experience a disruption due to incumbent firms reacting with aggressive price discounts. In such a scenario, the firm's take off stage suddenly reverts to survival, but the Churchill and Lewis (1983) model does not allow for this possibility. Vohora, Wright and Lockett (2004) were engaged in a research project which looked at the phases of growth of spin-off firms from universities, identified an iterative, non-linear process of development as ventures may need to revisit and adapt routines and processes that were introduced in earlier phases to allow them to address unanticipated challenges of later phases.

Furthermore, the stage models do not allow for the possibility that a firm may miss out one or more stages or phases. Thus, staying with Churchill and Lewis's (1983) model a firm may move from stage 1 (existence) to stage 2 (survival) and then the product or service captures the public's imagination and demand soars such that the take off stage, the fourth stage, is reached without the need to move through stage 3-D (the success-disengage), and stage 3-G (success-growth) stages before reaching stage 4.

The models are static in their inability to allow for the possibility of a firm to exhibit characteristics from one or more stages and become some form of a hybrid. For example, in the Churchill and Lewis (1983) model the management style is supervised supervision (stage 2) and the extent of formal style is minimal (stage 2) but the major strategy is growth because the firm is at the stage 4 (take-off). Alternatively, in Greiner's (1972) model, a firm may retain the management reward emphasis upon salary and merit increases which are associated with phase 2 (direction) despite reaching the phase 4 (co-ordination). Thus, profit-sharing and stock options in phase 4 are eschewed in favour of salary and merit increases. Clearly, across the three stage

models there are a huge number of permutations of possible hybrid models which may emerge but all three models do not allow for them to occur.

The stage models can also be criticised for presenting crises as occurring in a non-random manner. This criticism applies to all three models but especially Greiner's (1972) model where phases 1 to 4 are characterised by a crisis of: leadership (phase 1, creativity), autonomy (phase 2, direction), control (phase 3, delegation), red tape (phase 4 co-ordination). Given that most firms will operate in difficult to predict markets and environments, it is stretching credibility to believe that crises will occur in such an orderly manner, and an entirely arbitrary manner as suggested by Greiner (1972). As with the points in the previous paragraph, it is possible that a type of crisis is exhibited at more than one phase or stage of a firm. Furthermore, there are crises beyond the four specific ones which are central to Greiner's (1972) model. For example, much has been made in recent years in the academic literature and popular press about the financial crisis - the difficulty of securing finance per se, or at a rate of interest and terms and conditions which an average firm can afford or is prepared to accept. Also, markets may experience stagnation and contraction such as the Japanese economy after the bubble time ended. In such a situation, firms suffer crises associated with market stagnation. Alternatively, a firm may experience a chronic difficulty in being able to hire workers with the required level of skills for jobs in their firms. Thus, it also needs to be noted that the stage models do not appreciate that crises can occur externally as well as internally, and that also more than one crises may be experienced simultaneously, and such multiple crises can be a combination of internal and external crises. Deakins and Freel (2012) also raise the point that firms may enjoy a comparatively uneventful period where the growth and progression, whilst not easy, is without any major problems let alone crises.

Whilst entrepreneurial learning is contentious, the stages models assume that all entrepreneurs learn at the same speed. In reality, some entrepreneurs will learn quicker than other entrepreneurs, and some entrepreneurs may not learn much, if anything. Whilst other entrepreneurs may naturally have what it takes from the beginning to be successful and rapidly establish businesses. With advances in technology and the possibility of application packages an entrepreneur can potentially have an instant business hit upon his or her hands.

Following on from the internal nature of crises in the Greiner (1972) model, the other stages models also suffer from limitations by being focused only on internal issues. For example, Churchill and Lewis's (1983) model only addresses internal motivations, process and structures but in reality the real world is complex and includes external issues. For example, a change in government may change policy on regulation which results in firms in one or more industry needing to grapple with complex regulations and the time and money to meet the requirements. Alternatively, the Bank of England may increase the official rate of interest which in turn causes the high street banks to increase the rate of interest in short term and perhaps long term rates of interest. Consumer tastes may also change and the product or service that a firm provides may move out of fashion. A technology may be introduced by competitors which dramatically reduces their costs relative to another firm, and clearly this is detrimental for business. However, in much the same way that the above events result in adverse scenarios it is possible to envisage situations where the changes are in the opposite direction and thus advantageous for a firm.

## **2.5 Storey's (1994) Characteristics Theory of Growth**

In the aftermath of the stages models of growth there have been great endeavours to understand what differentiates declining and stable firms from growing firms which has led to a greater emphasis upon the non-financial characteristics of the entrepreneurs and owner-managers (Davidsson and Honig, 2003). Storey's (1994) work has had the greatest influence from this branch of the literature and that is examined in this section.

Storey (1994) in his research monograph suggested that three broad components are linked to superior firm performance and these are as follows. Firstly, the starting resources of the entrepreneurs, and these included the personality, behaviour, attitude and capabilities of entrepreneurs; secondly, the firm, especially the structure of the firm; and thirdly, strategy, and this included the goals of management and the decisions made to deal with internal and external environment issues. Storey (1994) suggested that the following three sets of factors can be identified at various points in time to explain firm growth. Firstly, the characteristics of the entrepreneur, and these can be identified before the firm start-up stage; secondly, the characteristics of the firm and these are generally identifiable post firm start-up; and thirdly, the characteristics of the corporate strategy and these are identifiable post firm start-up relating to the extent of complexity in the markets served (Westhead, Wright and McElwee, 2012). Storey (1994) presented the three sets of characteristics in a table format which is reproduced in Table 2.5

With regard to the 15 factors which are linked to the entrepreneur, Storey (1994: 137) concluded that "although fifteen elements of the background of the entrepreneur have been identified and examined in a number of studies, the impact which this background has upon the subsequent performance of the firm looks to be relatively limited. Of course, if all fifteen elements were simultaneously included within a single

study, then a more accurate assessment could be made of their relative impact. This, however, has not been undertaken and so we are forced to conclude albeit on the basis of incomplete information, that some variables appear to be more significant than others.

“Of the fifteen elements, the motivation for establishing the business appears to be of some importance, with individuals who are ‘pushed’ possibly through unemployment, into establishing businesses being less likely to found a rapidly growing firm than those attracted by a market opportunity. The evidence also suggests that individuals with higher levels of education are more likely to found rapidly growing firms, as are those with some prior managerial experience. More rapidly growing firms are more likely to be founded by groups, rather than single individuals. Finally, middle-aged owners are most likely to found rapidly growing firms... Prior to start-up, the identikit picture of the entrepreneur whose business is likely to grow is extremely fuzzy”.

With regard to the 6 elements related to ‘the firm’, Storey (1994: 143) concluded: “firm specific characteristics are generally more consistent and definitive than those relating to the background and resources of the entrepreneur. The pattern which emerges is that younger firms grow more rapidly and that there are sectoral differences. Legal form also appears to have an influence on growth, with limited companies having faster growth than sole traders or partnerships. The direction of causation in this relationship is, however, somewhat unclear. The evidence also suggests that there are differences in small firm growth rates according to where the firm is located, with those located in accessible rural areas in the united Kingdom having higher employment growth rates than those located in urban areas or in inaccessible rural areas.

“Probably the most complex results relate to the impact of firm size. Here it is clear that the smallest firms are the least likely to grow. Nevertheless, it also seems to be the case that few firms, since they have achieved MES [minimum efficient size], continue to seek further growth. In the United Kingdom the growth group appears to be those with between two and twenty employees”.

With regard to the 14 factors relating to ‘strategy’, Storey (1994: 154) concluded that, “there are four elements, or groups of elements, which stand out as important. The first, element 3, which indicates that growing firms are much more likely to have owners who share equity with external individuals or organisations. This demonstrates that the willingness to share equity is central to the achievement of growth.

“The second fairly consistent finding is that rapidly growing firms have often made a conscious decision on market position – element 5. They have chosen to occupy particular niches or segments where they can exploit any quality advantage which they have. Very often this quality advantage is reflected in greater technological sophistication and willingness to introduce new products.

“Thirdly, the introduction of new products – element 8 – is important in the balance of cases. Finally, the ability of the small business to grow must be influenced by the willingness of the owners to devolve decisions to non-owning managers – element 9. The selection, motivation and retention of these individuals in the creation of a strong managerial team is likely to be important, but our research-based understanding of this issue remains weak”.

The Storey (1994) model has not been widely accepted in the literature and it is rarely used in post 2010 research. In large part this may be because Storey’s characteristics model is an amalgamation of empirical results and ideas, rather than a theoretical framework where each of the elements or factors is brought together because of a sound

theoretical argument. Moreover, in the case of the 15 factors associated with the entrepreneur, Storey (1994) admitted that all of the characteristics as variables had appeared in an empirical model at that time, and that is a major shortcoming. In postulating a theory based upon a review of the empirical evidence, it is entirely reasonable that all of the elements have been combined together. Subsequently, other scholars have brought together many of the variables which appeared in the three groups of characteristics and have had very disappointing results. In this regard, Westhead and Birley (1995) both in their review of the empirical literature and their own model which included a huge number of variables only found a handful of statistically significant variables which were linked to firm growth. The empirical work is also fraught by statistics, most notably the coefficient of determination, and the adjusted coefficient of determination which controls for the number of variables included in a model, which have produced very low values and often less than fifteen percent (Cooper, Gimeno-Gascon, and Woo, 1991, 1994).



**Table 2.4 Storey's Characteristics Approach**

<b>The entrepreneur</b>	<b>The firm</b>	<b>Strategy</b>
1. Motivation	1. Age	1. Workforce training
2. Unemployment	2. Sector	2. Management training
3. Education	3. Legal form	3. External equity
4. Management experience	4. Location	4. Technological sophistication
5. Number of founders	5. Size	5. Market positioning
6. Prior self-employment	6. Ownership	6. Market adjustments
7. Family history		7. Planning
8. Social marginality		8. New products
9. Functional skills		9. Management recruitment
10. Training		10. State support
11. Age		11.. Customer concentration
12. Prior business failure		12.. Competition
13. Prior sector experience		13.. Information and advice
14. Prior firm size experience		14.. Exporting
15. Gender		

Source: Storey (1994, Table 5.5: 123)

## **2.6 Barriers to growth**

Concurrently with the Storey (1994) characteristics models, a fifth branch of literature has emerged to understand firm growth and the proponents of this fifth theory is towards relieving barriers to growth for small firms, rather than following the Storey (1994) approach and identifying the generic characteristics, or sets of characteristics, which are associated with growth (Hessels, van Gelderen and Thurik, 2008). The thrust of the barriers and obstacles to growth literature is that ‘artificial’ barriers to growth exist and that firms may grow more readily were these barriers to be removed. By adopting a different perspective, or mindset, the barriers to growth literature offers a relatively unexplored way of understanding growth. The theories which underpin the barriers and obstacles to growth literature in large part lack theoretical frameworks. In that regard, many of the studies which are reviewed in the next chapter on barriers and obstacles to growth lack theory per se, and often include variables in econometric models without a theoretical reason. Indeed, many of the studies are simply empirical studies which are entirely exploratory in nature which is disappointing. The lack of theory underpinning barriers to growth is a large research gap. This theory is returned to and developed in the next chapter.

## **2.7 Theories of Diffusion of information communication technologies and innovation**

Research on the diffusion of information communication technologies and innovation started in the 1980s (Carter, Jambulingham, Gupta, and Malone, 2001). With the advent of social media services such as Facebook, Twitter, LinkedIn, Instagram, Myspace, Keek, and Bebo in the first decade of the new millennium research has moved to understanding website utilization, communication and marketing (Madill and Neilson, 2010) and how to build Web 2.0 enterprises (Kim et al., 2013) and the diffusion of social network services. Social network services can be harnessed in a variety of internal and external ways by entrepreneurs. Cash, Earl and Morrison (2008) indicate that social network services can be used as a way to help with recruiting of staff, and may include interacting with prospective candidates in a modern online setting (Henricks, 2009). Furthermore, social network sites can be utilised as a way of attracting new customers, or of retaining existing customers (Parise, Guinan and Weinberg, 2008) with online social network site users feeling that they have a close relationship (Brodie, Winklhofer, Coviello, and Johnston, 2007). Celebrities can be employed to endorse products and services on social network sites.

Ghobakhoo and Tang (2013) indicate that Information Systems adoption by organisations has tended to follow three main theoretical frameworks: the resource-based theory, the technology-organisation-environment framework, and the diffusion of innovation. The innovation literature has provided many insights to understanding information technologies (Swanson, 1994) and provides guidance to help understand the diffusion of social media services (Kaplan and Haenlein, 2010). Fischer and Reuber (2011) studied how the use of social media and specifically the use of Twitter may affect the entrepreneur themselves. Subsequently, Fischer and Reuber (2014) posited

links between specific types of communication streams and audience responses that reflect reduced uncertainty or enhanced differentiation from a qualitative study.

Durkin, McGowan, and McKeown (2013) using eight case studies of SMEs and data gathered over the period 2009-2011 presented a model to explain social media adoption of SMEs. Within the entrepreneurship literature many of the studies on social network services focus upon qualitative methodologies (Fischer and Reuber, 2011, 2014; Durkin et al., 2013) and there are fewer studies which have followed quantitative methods. In this study we argue that the bringing together of the three main theoretical frameworks: the resource-based theory, the technology-organisation-environment framework, and the diffusion of innovation, provides a more robust theoretical structure to understand the use of social media services.

According to the Technology-Organization-Environment (TOE) framework, there are several generic set of factors that predict the likelihood of technology adoption in a given firm. The adoption of technology is influenced by technology development, organizational conditions, business and organizational reconfiguration and industry environment. The technological context is concerned with the pool of technologies in a firm's business environment and the application's perceived relative advantage, compatibility, complexity, trialability and observability. Organizational context, on the other hand, is concerned with a firm's business scope, top management support, organizational culture, the quality of human resource and the size and quality of internal resources. Strong correlation, therefore, exists between an entrepreneur's decision to adopt new technologies and factors such as rate of technical change, market volatility, the size and quality of resources in a given firm, consumer readiness and competitive pressure.

A firm's propensity to innovate is influenced by environmental opportunities and threats. According to the Technology-Organization-Environment (TOE) framework, there are several generic set of factors that predict the likelihood of technology adoption in a given firm. The adoption of technology is influenced by technology development, organizational conditions, business and organizational reconfiguration and industry environment. (Tornatzky and Fleischer, 1990). The technological context is concerned with the pool of technologies in a firm's business environment and the application's perceived relative advantage, compatibility, complexity, trialability and observability. Organizational context, on the other hand, is concerned with a firm's business scope, top management support, organizational culture, the quality of human resource and the size and quality of internal resources. Strong correlation, therefore, exists between an entrepreneur's decision to use social media and factors such as rate of technical change, market volatility, the size and quality of resources in a given firm, consumer readiness and competitive pressure (Tornatzky and Fleischer, 1990).

The Technology-Organization-Environment (TOE) framework offers a valuable analytical framework that can be used to study the adoption and assimilation of social media by entrepreneurs in Kuwait. This is because the framework has a solid theoretical foundation, consistent empirical support and can easily be applied to information system innovation domains. However, the factors identified within the three contexts that influence the adoption of innovation may vary significantly across different studies (Tornatzky and Fleischer, 1990).

## **2.8 Social Network Theory**

The social network theory is used mainly to examine the structure of relationships between individuals, groups or organizations. The theory is used in this thesis to understand how social networks facilitate the flow of information and the opportunities that social network offers that can be exploited by entrepreneurs (Newman and Dale, 2005) and used to overcome barriers or obstacles to growth. According to Bott (1957), individuals' interactions with others are better understood in the context of their social environment as opposed to the physical environment. Social Network Theory emphasises the importance of both the structure of the network and the quality of the interactions between actors in the network (Clark, 2007). The structural properties of a network are concerned with the number and centrality of different actors in the network. The structural properties of a network are also concerned with the proximity or density of various actors in the network (Clark, 2007). The quality of interactions in a given network is concerned with the strength of ties between different actors.

According to Bott (1957), the main variable that affects the structure of given social network is whether the actors tend to know one another or not. In general, the speed and scope of information diffusion in a given network is related to the quantity and quality of the existing ties in the network. Strong ties will generally offer more opportunities for information diffusion compared to weak ties. It is, however, important to point out that due to the fact that strong ties tend to cluster into sub groups they can reduce social cohesion (Newman and Dale, 2005).

Despite the fact that the Social Network Theory focuses on the characteristics of networks, some researchers argue that the purpose and content of a given network is also vital. According to Eve (2002), the perceived presence of a tie in a given network cannot guarantee that the tie can support any material or emotional output. Putnam

(2000a, 2000b) has suggested that social networks, social norms and trust can help in building social capital which can be correlated with numerous positive social outcomes like higher levels of civic participation.

A network is a set of relationships and, in formal terms, a network consists of a set of objects or nodes and a mapping or description of relations between the objects or nodes (Kadushin, 2004). Social network theory (Friedkin and Johnsen, 1999) suggests that talented persons with initial opinion or behavior assessment receive and respond to information propagated in the social network and could choose to modify an original opinion or assessment accordingly. The theory provides a cognitive process when it deals with how actors integrate conflicting influential opinions to formulate a revised opinion on an issue and also provides a social structure when dealing with an influence network, which is defined by the patterns and strengths of the interpersonal influences among the group members (Friedkin and Johnsen, 1999). The theory has been developed for a general case involving individual differences in interpersonal influences and opinions and may include the following situations: (1) a status order in which an individual is located in a stratified influence network; (2) a conformity situation; (3) a minority influence situation; and (4) intergroup conflict situation (Friedkin and Johnsen, 1999).

Social network theory has been criticized by a number of authors. Most critics point out that social network theory tends to overlook how various networks are embedded in a given social, cultural, temporal or spatial context. Eve (2002: 394) also criticized the tendency to reduce ties in a network to a dyadic relationship with limited or no contextual grounding. According to Borgatti and Foster (2003), the biggest problem with studies using social network analysis is the focus either on network structure or agency rather than exhibiting the balance between the two perspectives. He

suggests that studies should focus on the interaction of agency and structure. Tindall and Wellman (2001) pointed out that more studies need to be conducted to ascertain whether the structure of a given network is correlated with, or causes, a particular social phenomenon. Further studies are also needed on the strategies used by network actors to engage and mobilize individuals.

All the above theories cover the process by which people create social influence by interaction with each other. By communicating with other people, people create influence. Personal sharing knowledge impacts not only consumption choices and purchase decisions, but also expectations, pre-usage, attitude and post usage perceptions. People with social ties formed through communication and interaction, enable them to learn and reflect on other choices and opinion (Garton, Haythornthwaite and Wellman, 1997). A social network analysis aims at finding patterns in relationships among people, organizations and so on (Garton et al. 1997). Social network analysis indicates a shift from individualism towards a structural analysis (Garton et al. 1997).

## **2.9 Resource-Based-View**

The Resource-Based View theory has developed over time to become one of the most influential paradigms in the field of strategic management. The central idea in the RBV theory is the resources and capabilities controlled by a given firm that enable the firm to register persistently good performance compared to its competitors (Barney,1991). According to the theory, a firm's resources are its assets and strengths such technological knowhow and patents that enable the firm to plan and implement effective strategies that ensures efficiency and cost effectiveness in the firm's operations and business processes. Resources are thus the ultimate source for



establishing and sustaining a competitive advantage according to the RBV theory (Barney, Wright and Ketchen, 2001).

However, for the resources to enable an organization to gain sustainable competitive advantage, the resources must be valuable, rare, imperfectly imitable and must not have substitutes. A resource is valuable if it can exploit opportunities or neutralize threats from competitors to enable the organizations that controls the resource to gain or maintain competitive advantage. An imperfectly imitable resource is a resource that is resistant to duplication. The RBV theory has two assumptions. First, the theory assumes that there are systematic differences across firms operating in a given industry as far as the resources they control are concerned. The theory, therefore, assumes that the resources controlled by various firms operating in a given industry are heterogeneous. Second, the theory assumes that resources are relatively stable across firms. As such, resource heterogeneity can be enduring.

## **2.10 Human Capital Theory**

Human capital theory is associated with Becker's (1964) pioneering work and it has been widely applied in the entrepreneurship and small business literature where human capital is viewed as inputs of entrepreneurs and their employees, and these are exchanged for outputs, especially the size of a firm – growth (Bates, 1990) - and business performance, widely defined (Bosma, van Praag, Thurik and de Wit, 2004). It is theoretically predicted that entrepreneurs and their employees' work and entrepreneurial experience and education, both formal and informal, can serve to increase the levels of human capital (Becker, 1964). Human capital, which to some extent is an 'invisible asset' (Itami and Roehlaz, 1987) is a bundle of valuable, rare, and

hard to imitate resources that are used within businesses. It is apparent that human capital theory has an overlap with the resource based view of the firm.

The human capital theory literature emphasises the entrepreneurs' own stock of capital with regard to education, prior business experience, connections, reputation – business and social, managerial skills and work and non-work events (Pfeffer, 1994). The theory distinguishes between general and specific human capital (Ucbasaran, Alsos, Westhead, and Wright, 2008). General human capital is measured by gender, age, and level of education. Many previous studies have found that female-owned businesses generally underperform male-owned businesses (Du Rietz and Henrekson, 2000), although reviewing research post 2000 the evidence is much more mixed (Ucbasaran et al., 2008).

Specific human capital, in contrast, relates to the skills and knowledge that are less transferable and instead are characterised by a narrow scope of application (Gimeno, Folta, Cooper and Woo, 1997; Becker, 1993). Prior entrepreneurial experience, and the habitual (portfolio and serial entrepreneur) branch of the literature represents one example of specific human capital. Innovation consists of the knowledge based entrepreneurial opportunities and the passage to actually carry out innovative projects to develop new products and services, and processes for making or providing services (Audretsch, Bönte, and Keilbach, 2008). Innovation is another example of specific human capital.

## **2.11 Conclusion**

The purpose of this chapter was to outline and critique the different approaches which have been presented by scholars to understand firm growth. Specifically, the chapter commenced with the neoclassical approach to growth, and was followed by the

predictive or chance models which are synonymous with Gibrat (1931). Both of these approaches suffered from major drawbacks and limitations, the former adopting an unrealistic set of assumptions, even given the caveats of what a model encapsulates, and the later was simplistic and pessimistic. The stages models of growth associated with Greiner (1972) offered an interesting theoretical approach but one hampered by the failure of the models to revise the assumptions, especially pertaining to the linear nature of the stages models. Storey's (1994) characteristics approach, whilst it is commended for robustly being linked to empirical research, lacks a theoretical logic for the inclusion of the variables. In many ways it is an A to Z of factors or elements presented within a trivium of sets of factors, but fails to say how the factors will explain firm growth. The barriers or obstacles to growth literature offers a different mindset to understanding growth but in too many of the studies it simply swaps a measure of employment growth for different barriers or obstacles to growth and typically inadequately presents a theoretical framework to understand the behaviour of firms. The diffusion of innovation was also presented as a way that growth can be analysed but that approach suffers from the same drawbacks as the chance or predictive models of Gibrat encounter. It does however have a lesser role in helping to understand the barriers to growth. The resource based view of the firm, human capital theory and social network theory are theories of entrepreneurship which have been used across research studies in business and management schools and offer a way to contribute to understanding firm growth.

## **Chapter 3**

### **The Barriers Encountered by SMEs**

#### **3.1 Introduction**

This chapter has the purpose of providing an overview of the previous literature on barriers or obstacles to growth in developed and developing nations. The structure of this chapter is as follows. Firstly, the different methodologies which have been applied in quantitative and qualitative studies on barriers and obstacles to growth will be evaluated. All studies' methodologies have limitations and weaknesses and these need to be taken into account before looking into the main findings of previous studies. The findings of the previous studies are critically analysed to identify the prevalence and magnitude of barriers and obstacles identified in previous research. Thirdly, drawing on the impediments to growth identified by previous studies the possible barriers and obstacles which may be encountered by entrepreneurs in Kuwait are identified and critically analysed. Lastly, a conclusion completes the chapter.

#### **3.2 Methodological approaches followed by previous studies**

The most robust data sets and influential questionnaires which have been carried out independently and not by governments to understand the behaviour of SMEs are from the Cambridge University Centre for Business Research. The first CBR survey was conducted in 1991 at a time when the Cambridge CBR was known as the Small Business Research Centre (SBRC, 1992). The 1991 survey included questions on barriers to growth and elicited 2,028 responses. These firms were then re-surveyed in 1993, 1995 and 1997 (See Cosh and Hughes, 1998). In 1997 they decided to start a new

panel of SMEs, and again used the Dun and Bradstreet (D&B) UK marketing database. 2,520 firms responded to the 1997 survey and these were resurveyed in 1999.

The Cambridge CBR surveys include firms with fewer than 500 workers in Britain (i.e. England, Scotland and Wales). The surveys are not representative of the British SME population, and instead they focus upon manufacturing and business services of advertising, management, technical and professional consultancy and telecoms services. In the 1997 survey they over-sampled larger sized firms in order to gain a usable number of observations for cross-tabulation analysis as follows: manufacturing a 60:30:10 ratio across 1-49, 50-199 and 200-499 employment bands; and, for business services a 75:20:5 split. In 1999 the re-surveying of the 2,180 survivors to the 1997 survey resulted in 1,309 usable questionnaires representing a 60% response rate.

The Cambridge CBR methodology and the care with which the data was harvested are commendable but the list of constraints or barriers is limited to only 11 possible reasons. Whilst they piloted their survey, to only include 11 possible reasons, is a very small number of possibilities compared to other studies such as Robson and Obeng (2008) and Obeng (2007). Moreover, the Cambridge CBR surveys of 1999 and 1997 do not report another option to the constraints and barriers question. A second criticism is the methods applied to analyse the results in the Cosh and Hughes (2000) research which is only cross-sectional and limited to a handful of firm characteristics. Admittedly, the variables that they include in their cross-tabulations are important ones of sector, size, age, growth and innovation, the analysis is not multivariate and analysing the possible relationships whilst including all of the aforementioned variables together.

Alrabeei's (2012) study included a pilot stage of focus groups and then he developed a questionnaire and then in total, 200 owner-managers were interviewed, as well as 19 supporting organizations' representatives. His sample was created from the Ministry of Industry and Commerce (MOIC) and Labour Market Regulatory Authority (LMRA), to gather data on Bahraini SMEs. It was LMRA that provided the sample for owner-managers, data requested for SMEs, as per the definition of MOIC, which is 11-50 employees (and up to 100 for the construction sector) for small-sized enterprises and 51-250 employees (and up to 400 for the construction sector) for medium-sized enterprises. The Alrabeei (2012) study has a solid methodology, and the DBA thesis combined with the papers taken further and disseminated from the DBA (See Alrabeei and Scott, 2011, 2014) represent the greatest contributions in the literature to understanding barriers to growth for firms in the Middle East. This notwithstanding it needs to be noted that of the 200 firms included in his study the focus is upon owner-managers, 79 owners and 121 managers; rather than entrepreneurs. The vast majority, 98% of his respondents are men and thus the voice of women in the interviews and completing of the questionnaires is limited.

Aidis' (2005) survey suffered from the common problem encountered in developing nations that the sample framework has to be assembled using lists of firms which are not necessarily reliable. Indeed, 173 respondents to their questionnaire were not SME business owners and those respondents were excluded from her analysis and resulted in a still highly commendable 332 respondents included in the analysis. Aidis (2005) used the names and addresses from the membership lists of entrepreneurship organizations, and clearly the sources were not completely reliable, and she acknowledged in a footnote (See footnote 8 on page 317) that the sample may be biased towards older businesses and those with higher than average turnovers. Such firms will

be likely to possess greater resources than average firms and thus it is likely that Aidis' (2005) results under-estimate the barriers which are encountered in Lithuania.

Gill, Biger, Mathur, Shah and Bhutani's (2010) study seeks to extend the work of Kozan, Oksoy and Okzoy (2006). Gill et al. (2010) used five-point Likert scale ranging from "strongly disagree" to "strongly agree". Lee (2014) used the combined Small Business Service (SBS) 2010 and ASBS 2007/2008 surveys to investigate the obstacles perceived by two sets of firms: firstly, firms in periods of high growth, and secondly, potential high-growth firms, which are observationally similar but are not achieving high growth. He used the combined Small Business Service (SBS) 2010 and ASBS 2007/2008 surveys of SMEs with less than 250 employees which is conducted by the UK Department for Business, Innovation and Skills (BIS) (BIS, 2011). These are large scale surveys which are stratified by size – with weights being used to account for this. This notwithstanding it is a random sample from the Dun and Bradstreet database, and thus has this source in common with Cosh and Hughes (2000). The two surveys were conducted using computer-assisted telephone interviews (CATI). With both surveys being financed by the UK government the survey sample sizes are huge compared to many other studies examined in the chapter. Specifically, the SBS has a sample of 4,559 SMEs and the ASBS 9303. In order to align his study with other researchers who have researched high-growth firms, only firms with more than ten employees at the start period are included in his study. Thus, his final sample is 4858 firms.

The UK Government funded surveys of SMEs uses a robust methodology to survey the state of SMEs and is carried out bi-annually. The 2014 survey results are weighted using the BIS' Business Population Estimate (BPE, 2014) which indicates that 82 per cent of SME employers were micro businesses (1-9 employees), 15 per cent are small businesses (10-49 employees) and two per cent were medium sized

businesses (50-249 employees) (BIS, 2015). The 2014 Small Business Survey (SBS) is a large scale telephone survey using 5,115 owners and managers. The 2014 SBS is the most recent of what was were initially Annual Small Business Surveys which commenced in 2003, and which later switched to surveying on a bi-annual basis. Whilst the 2014 SBS is paid for by the government it was carried out by BMG Research Ltd over the period July to October 2014.

The 2014 SBS is a stratified sample and it targets enterprises using size and sector (SIC 2007). There is a great deal in common with the earlier SBS and ACBS surveys and the objectives. Specifically, the aim was for one sixth of the respondents to come from enterprises with zero employees; one third should be micro businesses with between 1 and 9 employees; one third should be small businesses with 10 to 49 employees; and one sixth should be from medium-sized businesses with 50 to 249 employees. However, it needs to be noted that the 2014 SBS sample framework does differ with to the earlier SBS surveys because for the first time in the 2014 survey, the Inter Departmental Business Register (IDBR) was used as the sample source for employers, whilst the Dun & Bradstreet databases was used as the sample source for businesses with zero employees. In all of the earlier SBS surveys the sample framework used data entirely from Dun & Bradstreet. The justification for the structural change in the methodological framework was that the Office for National Statistics (ONS) felt that the IDBR was a better and more appropriate data source and the one with the most up-to-date list of UK businesses<sup>2</sup>. However, whilst the IDBR is more up-to-date than

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<sup>2</sup>The IDBR is a record of all UK enterprises that pay VAT or PAYE. As such it has around two million entries, compared with the estimate from BIS' Business Population Estimates (BPE), that there are around 5.2 million enterprises in the UK. The difference in the figures is explained by the number of unregistered enterprises that do not pay VAT or PAYE, estimates of which come from the Labour Force Survey (LFS). This is the reason why Dun & Bradstreet was retained as the source for businesses with no employees, as it contains records for both registered and unregistered businesses.



the D&B databases the IDBR does have several major shortcomings which need to be noted, it has a poor set of contact details and only a small proportion of the listed businesses's telephone numbers are available. Given that the SBS surveys are carried out over the telephone this is a major shortcoming and in order to provide all contact telephone numbers internet searches were undertaken. This resulted in some respondent bias being incurred because small micro businesses with 1 to 4 employees compared to businesses with 5 or more employees were less likely to have a telephone number or one that could be found on the internet. Whilst the required number of telephone numbers of all sized businesses was achieved the telephone numbers of businesses with 1-4 employees were more likely to be companies rather than sole traders, and ones that advertise themselves on the internet<sup>3</sup>.

The questionnaires used in the SBS surveys have evolved over time, and the 2014 is no exception. In the preparation for the 2014 survey, the 2012 questionnaire was reviewed by consulting stakeholders from government and BIS.<sup>4</sup>

Mambula's (2002) study of SME Growth constraints in Ghana has the main strength that he used a mixed methods approach, and he conducted semi-structured interviews using open-ended, flexible questionnaires and structured interviews with key informants in the Nigerian small business. Specifically, by interviewing key figures from the following six groups strengthened the validity of his findings: (1) government officials whose areas of activity were to formulate and implement policies on SME

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<sup>3</sup>The survey findings have been weighted to the 2014 Business Population Estimates, published by BIS and based upon the IDBR with supplementary estimates from the LFS. For employers a matrix of sector within size band within country was devised, and data weighted to this. For no employee businesses, a matrix of sector within legal status (companies vs. other) was devised.

<sup>4</sup>However, changes necessarily reflected the need to balance a desire to meet stakeholders' emergent needs, and the requirement for consistency with previous SBS surveys. This was followed up by an extensive round of 30 cognitive tests, and a 'live' pilot of 100 interviews of the adjusted 2014 questionnaire.

promotion and industrial development in Nigeria, (2) officials who had responsibility for raw material supply to small companies in Nigeria, (3) managers who were based in other large scale businesses operating in the same sector and economy as the SMEs, (4) senior figures who work in development banks and Mambula implies that they have experience of dealing with requests of small businesses for loans; (5) industrial experts and consultants with expertise of the state of the Nigerian economy; and (6) supply chain representatives, specifically customers who are retailers to the public or to other small businesses or large retailers. However, Mambula's (2002) paper although it appeared in a very good journal, *Journal of Small Business Management*, does not provide any information about the sample framework of how the small firms was assembled; there is no summary information about the respondents; no indication about whether response bias testing was performed; no information is given on the response rate; and no indication of a pilot study having being performed prior to the main survey. In other words, the Mambula (2002) methodology does not provide support that it is a robust sized data set.

Tagoe, Nyarko and Anuwa-Amarh (2005) aimed to identify and explain the impact of financial sector liberalization (FSL) on the financing of Ghanaian SMEs. Specifically Tagoe et al. (2002: P332) aimed to answer the following three questions: “(1) what financial constraints and opportunities did FSL create for SMEs? (2) How did they manage these challenges? And (3) What factors explain the empirical observations?” They used grounded theory on six case studies utilising documents and interview material from 3 SMEs, a bank, a non-bank financial institution (NBFI), and the National Board for Small Scale Industries (NBSSI).

Bornhäll, Daunfeldt, and Rudholm (2014) is different to the other papers analysed in this chapter because they tested the last-in-first-out principle in the Swedish

employment protection legislation acts as a growth barrier, and prevents firms from increasing their number of employees. The last-in-first-out principle stipulates that employers are required to dismiss the latest hired employee in terms of redundancies, which thus means that termination of employment contracts are associated with a higher risk because it becomes more costly to revoke a bad recruitment decision. They used a natural experiment methodology, and specifically a change in the Swedish Employment Protection Act in 2001 to thus be able to estimate the causal effect of the last-in-first-out principle on firm growth. Their data set comprises all Swedish limited liability companies active at some point during 1996-2010, 503,958 in total. The data includes all variables found in the annual reports such as measures for profits, the number of employees, details on salaries, fixed costs and liquidity. They used data from three years before and after the 2001 reform of the Swedish legislation were used. Thus, their study covered the period 1998-2003 and is a rare longitudinal study. They filtered out the firms characterised with less than 5 employees or in excess of 16 employees on the rationale that it will avoid having too large differences between the treatment group and control group. Accordingly, their final sample consists of 56,202 firms and 316,562 firm year observations.

Gill and Biger (2012) used a survey of 219 Canadian small business owners with less than 150 employees in the Lower Mainland of British Columbia (North Vancouver, Burnaby, New Westminster, Surrey, Delta, and Richmond). Hassanein and Adly (2008) analysed fifteen (15) owners from small Egyptian construction firms, although in their analysis of the magnitude of the financing barriers, only companies which were up to 15 years old (8 companies) and had 50 employees (13 companies) were considered. Robson and Obeng (2008) looked at 496 usable responses from entrepreneurs in six regions of Ghana whose businesses employed between 4-50 employees – the focus of

Ghanaian government SME policy. Aidis (2005) used the membership lists of entrepreneurial organizations in Lithuania. Aidis (2005: 317) candidly admits that this “may have resulted in a bias for businesses that are older and have higher turnovers than the average SME in Lithuania”. Furthermore, he felt that because a mail survey was used further bias could have been added because a higher proportion of the respondents were highly educated, compared to figures provided by Jancauskas (2000). However, whilst mail surveys may be susceptible to the aforementioned difficulty (Miller, 1991) mail surveys are one of the most widely used methods. Aidis’ (2005) Lithuanian study received 505 completed questionnaires but only 332 of the responses were from SME business owners. Trang Do (2009) utilises the Vietnam Household Living Standard Survey from 2004 which was conducted by the Vietnam General Statistics Office (GSO). From the approximate 9000 households more than 4,000 non-farm businesses were included in the data. Coad and Tamvada (2012) used the 2002-2003 third census of registered small-scale firms conducted by the Ministry of Small Scale Industries in India. Coad and Tamvada’s (2012) data defined small scale industries as those that had an initial investment of less than 10 million Indian rupees. The focus upon the initial investment as the basis for defining SMEs is problematic. Santarelli and Tran (2013) use longitudinal data of Vietnamese SMEs extracted from the Danish International Development Agency (DANIDA) survey which was harvested by the Ministry of Labor, Invalids and Social Affairs in Vietnam (MOLISA) and the Department of Economics of the University of Copenhagen. Santarelli and Tran (2013) use the surveys from 2005 and 2007 which includes SME’s information over the period 1995 to 2005. Shah Alam et al. (2011) mailed 500 Malaysian SME food processing companies in the Klang Valley, which is in central Malaysia, over the period April to June 2010. Shah Alam et al. (2011) followed the National SME Development Council

(NSDC) (2005: 5) definition of SMEs “an enterprise with annual sales turnover not exceeding RM25 million or full time employees not exceeding 150 employees”.

### **3.3 Previous Research Results**

Cosh and Hughes (2000) asked firms about the factors which may have limited their ability to meet their business objectives using a 5 point scale of 1 = insignificant, 2 = slightly significant, 3 = moderately significant, 4 = very significant and 5 = crucial, and reported the results in Table form for the 1999 results from firms who responded in 1997 and also in 1999. In both the 1999 and 1997 surveys increasing competition was ranked as the most important constraint with mean scores of 2.70 and 2.64, respectively. Overall growth of market demand in principal product markets was ranked second in 1999 and fourth in 1997 with mean scores of 2.47 and 2.36, respectively. Marketing and sales skills was ranked third in both 1999 and 1997 with mean scores of 2.40 and 2.51, respectively. Skilled labour was the fourth most serious constraint in rank order in 1999 with a mean of 2.38 which was an increase from seventh and a mean of 2.24 in 1997. Management skills was fifth in 1999 and sixth in 1997 with means of 2.19 and 2.30, respectively. Availability and cost of finance for expansion was sixth in 1999 with a mean of 2.12 which was a drop down the rankings from second place with 2.55 in 1997. Availability and cost of overdraft finance had a mean of 1.95 and was seventh in 1999, and that is a great reduction in that barrier compared to the 2.31 mean and sixth ranked position in 1997. Interestingly, the acquisition of technology, difficulties in implementing new technology, availability of appropriate premises or site, and access to overseas market were ranked in eighth to eleventh order in both 1999 and 1997 with means from 1.59 to 1.93. Cosh and Hughes (2000) found in 1999 that manufacturing firms experienced greater constraints compared to service sector firms and that these were statistically significant at the 0.05

level or better for increased competition, overall growth of market demand in principal product markets, and access to overseas markets. Analysis of the constraints against the size of the firm as represented by micro, small and medium categories showed that medium sized firms tended to have greater problems compared to small firms who in turn had more difficulties compared to micro firms. This pattern is found for increasing competition, overall growth of market demand in principal product markets, marketing and sales, management skills, skilled labour, difficulties in implementing new technology, and access to overseas markets. Cosh and Hughes' (2000) table of age against constraints found a mixed pattern of the effects of age. Older firms had greater constraints than newer firms for: increasing competition, and overall growth of market demand in principal product markets. However younger firms had greater difficulties than older firms for: the availability and cost of finance for expansion, and availability of appropriate premises or site.

**Table 3.1: Constraints on ability to meet business objectives**

Constraints	All 1999	Rank Order	All 1997	Rank Order
Increasing competition	2.70	1	2.64	1
Overall growth of market demand in principal product markets	2.47	2	2.36	4
Marketing and sales skills	2.40	3	2.51	3
Availability and cost of finance for expansion	2.12	6	2.55	2
Availability and cost of overdraft finance	1.95	7	2.31	5
Management skills	2.19	5	2.30	6
Skilled labour	2.38	4	2.24	7
Acquisition of technology	1.83	8	1.93	8
Difficulties in implementing new technology	1.78	9	1.85	9
Availability of appropriate premises or site	1.65	10	1.74	10
Access to overseas markets	1.63	11	1.59	11
Total responses (no.)	1255		1255	

Source: re-presenting figure 4.6 from Cosh and Hughes (2000: 41) as a table.

**Table 3.2: Constraints on ability to meet business objectives by sector and size**

Constraints	All	Manufacturing	Services	Micro	Small	Medium
Increasing competition	2.70	2.83**	2.52	2.49**	2.85	3.09
Overall growth of market demand in principal product markets	2.47	2.69**	2.14	2.39**	2.52	2.73
Marketing and sales skills	2.40	2.42	2.38	2.28**	2.46	2.75
Availability and cost of finance for expansion	2.12	2.12	2.13	2.04*	2.22	2.09
Availability and cost of overdraft finance	1.95	1.96	1.93	1.89*	2.03	1.81
Management skills	2.19	2.24*	2.12	1.89*	2.37	2.76
Skilled labour	2.38	2.42	2.33	2.15**	2.59	2.65
Acquisition of technology	1.83	1.85	1.81	1.80	1.83	1.95
Difficulties in implementing new technology	1.78	1.81	1.73	1.70**	1.76	2.18
Availability of appropriate premises or site	1.65	1.69	1.60	1.63	1.68	1.69
Access to overseas markets	1.63	1.77**	1.42	1.47**	1.71	2.06
Total responses (no.)	1255	752	503	550	561	127

Source: Cosh and Hughes (2000: 42, table 4.9) Means are calculated from scores on a 1-5 scale with 1 = insignificant, 2 = slightly significant, 3 = moderately significant, 4 = very significant and 5 = crucial. Asterisks in the first column of a group indicate statistically significant differences between the types of businesses grouped by size, age, industry, growth or innovation experiences (\* significant at the 10% level, \*\* significant at the 5% level or better).

**Table 3.3: Constraints on ability to meet business objectives by age, growth and innovativeness**

Constraints	Older	Newer	Stable/ Declining	Medium growth	Fast growth	Non- innovators	Innovators
Increasing competition	2.83**	2.49	2.75*	2.78	2.55	2.52**	2.81
Overall growth of market demand in principal product markets	2.59**	2.26	2.62**	2.57	2.22	2.28**	2.59
Marketing and sales skills	2.43	2.35	2.42	2.56	2.37	2.15**	2.56
Availability and cost of finance for expansion	2.05**	2.24	2.05**	2.04	2.31	2.06	2.15
Availability and cost of overdraft finance	1.89*	2.03	1.97*	1.79	2.01	1.90	1.97
Management skills	2.24	2.14	2.07**	2.39	2.27	1.94**	2.34
Skilled labour	2.39	2.37	2.27**	2.52	2.51	2.32	2.41
Acquisition of technology	1.83	1.83	1.86	1.83	1.80	1.73**	1.89
Difficulties in implementing new technology	1.81	1.73	1.73	1.88	1.84	1.62**	1.87
Availability of appropriate premises or site	1.60**	1.74	1.56**	1.72	1.86	1.58*	1.69
Access to overseas markets	1.68*	1.57	1.66*	1.70	1.49	1.42**	1.76
Total responses (no.)	752	503	550	561	127	465	761
Total responses (no.)	1255	752	503	503	550	561	127

Source: Cosh and Hughes (2000: 43, table 4.10) Means are calculated from scores on a 1-5 scale with 1 = insignificant, 2 = slightly significant, 3 = moderately significant, 4 = very significant and 5 = crucial. Asterisks in the first column of a group indicate statistically significant differences between the types of businesses grouped by size, age, industry, growth or innovation experiences (\* significant at the 10% level, \*\* significant at the 5% level or better)



**Table 3.4 Obstacles to the success of the business between 2007/8 and 2014**

	SBS (2014)	Rank 2014	SBS (2012)	Rank 2012	SBS (2010)	Rank 2010	ASBS (2007/8)	Rank 2007/8
The Economy	<b>59</b>	1	78	1	81	1	64	1
Competition	56	2	56	3	58	2	55	4
Red tape	54	3	n/a	n/a	n/a	n/a	n/a	n/a
Not able to raise prices	52	4	n/a	n/a	n/a	n/a	n/a	n/a
Regulation	<b>49</b>	5	53	4	47	5	59	3
Taxes etc	<b>48</b>	6	57	2	50	3	62	2
Cash flow	<b>42</b>	7	50	5	49	4	47	5
Late Payment	40	8	n/a	n/a	n/a	n/a	n/a	n/a
Recruiting staff	<b>33</b>	9	25	8	26		35	6
Shortage of skilled generally	<b>31</b>	10	28	7	24	7	32	7
Obtaining finance	<b>28</b>	11	38	6	39	6	22	9
Pensions	<b>22</b>	12	17	10	12	9	11	10
Availability/ cost of suitable premises	21	13	22	9	21	8	27	8
No obstacles	5		4		3		2	
n	4355		4768		3817		7783	

Source: BIS (2015) Modified form of Table 8 P82. Rank columns added.

Notes: Base = all SME employers. Figures in bold are statistically significant at the 95% confidence level for SBS 2014 against SBS 2012. G1. Base = all SME employers. Multiple answers allowed at this question.

The firms who took part in the SBS 2014 survey were read a list of issues and asked which, if any, represented obstacles to the success of their business. The economy was an obstacle to the success of their business for 59% of respondents and this was the most mentioned obstacle. This was followed by competition which was mentioned by 56% of the firms. Red tape (54%), and not being able to increase prices/fees (52%) were ranked third and fourth, respectively. This was followed by regulations (49%), taxation (including VAT, PAYE, NI and rates), (48%), cash flow (42%) and late payment (40%) in fifth to eighth position.

Looking at Table 3.4, comparisons can be done with earlier surveys starting with the SBS 2012 survey. The most striking finding was the reduction in the obstacles reported by the firms, and often of a large magnitude. For example, in 2014 the economy was mentioned by 19 percent fewer firms compared to 2012; regulations are

four percentage points lower in 2014; taxation is nine percent lower, which is similar to the eight percent reduction for cash flow, and the ten percent reduction in obtaining finance. In contrast, comparing the 2014 results with 2012 we see that for four obstacles the number of firms reporting obstacles is higher and these are recruitment of staff (an increase of 8%), a general shortage of skills (an increase of 3%), pensions (an increase of 5%) and a shortage of managerial skills (an increase of 3%).

In the SBS 2014 survey the firms were also asked “which one of those mentioned was the *main* obstacle to the success of the business” (BIS, 2015: P83). The results are reported in Table 3.5.

**Table 3.5: Main obstacle to the success of the business – trends.**

	SBS (2014)	SBS (2012)	SBS (2010)	ASBS (2007/8)
The Economy	<b>13</b>	38	33	16
Competition	<b>12</b>	10	10	14
Taxes etc	11	12	8	12
Red tape	<b>7</b>	n/a	n/a	n/a
Cash flow	7	10	11	9
Not able to raise prices	6	n/a	n/a	n/a
Regulation	<b>6</b>	8	7	12
Obtaining finance	<b>5</b>	7	8	3
n	4355	4768	3817	7783

Source: BIS (2015: 83) Table 8.2

Notes: Base = all SME employers

Figures in bold are statistically significant at the 95% confidence level for SBS 2014 against SBS 2012. G2. Single answer only allowed at this question.

Three factors are mentioned by approximately one in eight of the firms and they are the economy (13%), competition (12%), and taxes etc (11%). In contrast red tape (7%), cash flow (7%), not able to raise prices (6%), regulation (6%) and obtaining finance (5%) are mentioned as the main obstacle by far fewer firms. Whilst the SBS (2014) survey is commendable it does suffer from the weakness that because the range of options has changed it does make it difficult to compare the results for the main obstacle over time. It means that the categories which appear in previous surveys in

2012, 2010 and 2007/8 may have been less likely to be selected as the main obstacle. The SBS (2014) team acknowledge this and the fact that red tape, not being able to increase price/fees, and late payments were introduced for the first time in 2014.

The firms who gave the response the economy as their main obstacle were given a prompt and asked whether a number of specific issues relating to the economy affected them. The results are reported in Table 3.6

**Table 3.6: Specific issues that affect businesses that relate to the economy – trends**

	<b>SBS 2014</b>	<b>SBS 2012</b>
Local economic conditions	65	n/a
Reduction in demand for products and services	<b>64</b>	81
Increased costs	60	n/a
Pressure to reduce prices	<b>52</b>	72
n	592	1730

Source: BIS (2015: 84) Table 8.3

Notes: Please note that in previous SBS/ASBS reports this question was based on all mentioning the economy as an obstacle. Figures shown are now based on those mentioning the economy as their main obstacle in 2012 and 2014.

Base = all SME employers considering the economy their main obstacle to success

\* = a figure greater than zero, but less than 0.5%. Figures in bold are statistically significant at the 95% confidence level for SBS 2014 against SBS 2012. G3. Multiple answer allowed at this question.

Alrabeei (2012) in his study the owner-managers were asked to rate terms of whether they were obstacles to the growth of the company using a five point scale where 1 is not an obstacle, and 5 is a major obstacle. He found that the greatest obstacles were as follows: ability to hire qualified workers (4.3), Local regulations (3.8), Ability to obtain capital (3.6), Generating new sales (3.2), Existing debt load (2.9), Lack of confidence in global economic future (2.8), Ability to create new products or services (2.7), Lack of confidence in national economic future (2.7). He also employed a second route to identify and quantify the importance of barriers to growth in Bahrain. This involved him asking the owner-managers directly to “Prioritize barriers according to their importance to you” using a four point scales where 1 is high

importance and 4 is less importance. He found that the top four barriers were: (1) Unqualified human resources (87 responses), (2). Capital/finance (73 responses), (3) Competition (64 responses) and (4). Instability (56 responses). Furthermore, he found that Fees were ranked fifth (52 responses), Bahrainisation percentage, and Procedures were jointly ranked sixth (39 responses each). Credit (34 responses), logistics (32 responses), regulations (28 responses completed the ten most important barriers in Bahrain. Raw materials prices (18 responses), retention (14 responses), transparency (14 responses), bureaucracy (13 responses), and fake CR/fake Visa (12 responses) were also mentioned as lesser barriers by owner-managers.

Moy and Luk (2003) performed principal component factor analysis on the 34 obstacles, and required each item to possess a factor-loading of at least 0.40 in order for each obstacle to be retained in the principal component factor analysis. The aforementioned criteria reduced the number of obstacles from 34 to 20, and the principle component analysis produced five factors: Product and Marketing Management (6 items of Poor control of quality of products/services, inappropriate marketing strategy, lack of long-term planning and view, low sales volume, lack of technical knowledge, and a lack of managerial experience), Capital (5 items of: insufficient bank financing, high interest rate, lack of working capital and/or cash flow problem, excessive fixed assets, lack of government support), Owner (3 items of: stress from excessive workload, difficulty in time management, lack of managerial experience), People (4 items of high labour cost, tight labour market, difficulty in attracting good personnel) and Competition (1 item of strong competition), and where the alpha coefficients for internal reliability ranged from 0.62 to 0.80. Moy and Luk (2003) used Kazanjian's (1988) four stages of business growth: Conception and Development, Commercialization, Growth, and Stability. Discriminant analyses was

also used by Moy and Luk (2003) to identify the dominant obstacles in each stage of development.

Moy and Luk's (2003) research found that competition was the major obstacle which the SME owner-managers encountered and this applied throughout the four stages of development. Secondly, they found that capital was the major problem which they had to overcome at the conception stage, and as the firms grew from Commercialization to Growth.

Aidis (2005) used Ward's grouping method for hierarchical clustering, logit and multinomial logit models. Following the aforementioned statistical procedure Aidis (2005) four new variables were formed and he distinguished between SME owners affected by formal, informal, environmental and skills barriers groups. He subsequently used logit models to test the probability of an SME owner perceiving that they were affected by informal and environmental barriers. Aidis (2005) found that SME owners affected by formal barriers were found to also perceive themselves to be significantly affected by informal barriers including government corruption at the national level, and also the implementation of business regulations.

Aidis (2005)'s results suggest that the most important formal barriers in Lithuania are related to (i) frequent changes to taxes, (ii) the tax level, ambiguity of tax policies and environmental barriers related to low purchasing power and a lack of funds for business investment. She found strong support for her three hypotheses as follows. Firstly, SME owners who perceived that they were affected by formal barriers were found to also perceive themselves to be significantly affected by informal barriers such as governmental corruption at the national level and the implementation of business regulations. Secondly, she found that the inverse was also significant and that SME business owners who perceived that they were affected by informal barriers were also

more likely to perceive to be significantly affected by the high level of taxes, a formal business barrier. Thirdly, Aidis (2005) found that owners who perceived that they were affected by environmental barriers were found to be more likely to perceive to be affected by skill barriers.

Gill et al. (2010) found that a lack of experience and lack of affordable and trustworthy childcare affect the propensity of small business owners in western Canada. Secondly, they found that individual knowledge affects individual propensity to grow through investments; and, that management skills are necessary for the small business owners.

Gill and Biger (2012) used factor analysis and found a lack of financing, market challenges, and regulatory issues were perceived as barriers to small business growth in western Canada. Given the small number of their respondents Hassanein and Adly (2008) looked at simple frequencies, and their investigation of financial barriers in Egypt lead them to indicate that 70% of small Egyptian construction firms (SCFs) stated that they could not access formal sources of finance. Also, Hassanein and Adly (2008) found that 85% of SCFs confirmed that the lack of suitable financial resources had hindered their ability to compete for larger projects. Robson and Obeng (2008) used ordered logit regression models to look at 37 separate possible barriers to growth. Their econometric results showed that the level of education, but not the gender or age of the entrepreneurs were systematically related to barriers. Robson and Obeng (2008) also found that family businesses, growing businesses, those businesses providing training, as well as those businesses which did not spend money on research and development (R&D) were more likely to encounter barriers.

Yamoah, Arthur and Issaka's (2014) research seeks to investigate and explore practical ways of making an institutional framework to help produce a business

environment for SMEs in Ghana. They found that high interest rate (96.2%), high tax and import duties (88.9%), high utility charges (88.5%), low quality of electricity supply (77.9%), and high depreciation of the cedi (77.7%) were the five most mentioned institutional constraints which inhibited enterprise development in Ghana, where the figures in parenthesis show the percentage of respondents reporting factors that were an important limitation or a crucial limitation on enterprise development (See Table 5). Yamoah et al's (2014) headline findings slightly differ from Robson and Obeng (2008) who found that a high rate of inflation, high interest rate and high depreciation of the cedi are the top five barriers to enterprise growth in Ghana. The difference may in part be explained by the decline in the inflation rate in Ghana from 18.10% as at December, 2008 (ISSER, 2010) to 9.02% as at April, 2011 as reported by the Ghana Statistical Service (GSS, 2011).

**Table3.7: Institutional constraints perceived by small business owners (% reporting important limitations or crucial limitations)**

	Percent	Rank
<b>Incentive Support Institutions</b>		
Inadequate financial allocation to incentive support institutions	63.7	11
Political interference in loan disbursement	53.3	14
Inadequate skilled personnel to provide expert advice	39.5	15
<b>Structural support institutions</b>		
High cost of utility charges	88.5	3
Low quality of water supply	57.9	13
Low quality of electricity supply	77.9	4
Poor telecommunication networks	8.9	19
Lack of industrial site	17.9	17
Poor quality of road network	20.4	10
<b>Social support institutions</b>		
High crime rate	14.6	18
Difficult access to new technology	69.7	8
Inadequate technical skills	65.1	10
<b>Government Policies (political, legal, economic)</b>		
High interest rate	96.2	1
High rate of inflation	70.3	7
High depreciation of the cedi	77.7	5
High tax and import duties	88.9	2
<b>Regulatory Institutions</b>		
High cost of registration/licensing	75.9	6
Delays in registration/ licensing processes	58.2	12
Too many procedures in registration/ licensing processes	69.4	9

Source: Yamoah et al. (2014: Table 5, P38-9)

Bornhäll et al.'s (2014) study found that firms with 5-9 employees increased their number of employees with 0.135 percent due to the reform. Whilst as a percentage value this is perhaps modest it does equate with in excess of 5000 new jobs created each year by the reform during 2001-2003. This is evidence that the last-in-first-out principle is a growth barrier that prevents firms from expanding their businesses. Their second major finding is that the reform introduced a size threshold since firms with ten employees no longer would be able to exclude two workers from the last-in-first-out principle if they increased their number of employees. Specifically Bornhäll et al.'s



(2014) study found that firms with ten employees were found to be 3.4 percent less likely to increase their workforce compared to firms with nine employees after the reform. The finding suggests that this size threshold has prevented those firms from hiring more personnel.

Lee (2014) found that the most important obstacle faced by firms is the economy. 69% of high-growth firms saw the economy as an obstacle compared to 70% of all firms. Interestingly, potential high-growth firms were also more likely to see this as an obstacle, with 77% perceiving the economy to be a significant problem. He found that competition is a problem for 66% of potential high-growth firms, but only 59% of both high-growth and other firms. Recruitment problems and skills shortages are the two obstacles used for recruitment issues. 58.1% of high-growth firms saw it as a particular problem which is much more than the 46% corresponding value for all firms. In contrast, 39.1% of potential high-growth firms see it as a problem. Similarly, 50.8% of high-growth firms and 38.0% of potential high-growth firms saw shortage of skills generally as a particular problem.

Lee (2014) includes regulation and taxation obstacles as a way of capturing government barriers. He found that regulations are found to be a problem for 59.9% of high-growth firms, and 51.8% of potential high-growth firms. A majority of high-growth firms view taxation as a significant obstacle, it is less of a problem for potential high-growth firms (49.7%) than high-growth (62.2%) and other firms (61.0%).

Lee (2014) used two obstacles to test for financial issues and these are cash flow and obtaining finance. 50.3% of high-growth firms view cash flow is a significant obstacle, and the corresponding value for potential high-growth firms is 45.4%, and for other firms it is 45.4%. This finding suggests there is a short term financing problem for firms. Very different percentages are found for obtaining finance: 31.1% of high-

growth firms, 39.9% of potential firms and 25.7% of other firms see obtaining finance as a particular problem.

**Table 3.8 Percentage of firms reporting each obstacle as significant**

	High-growth-firms	Potential-high-growth	Other firms	All firms
<i>Market factors</i>				
The economy	69.4	77.4	69.1	70.1
Competition	58.5	66.2	58.8	59.7
<i>Recruitment</i>				
Recruiting staff	58.1	39.1	46.1	45.8
Shortage of skills generally	50.8	38.0	46.1	45.8
<i>Government</i>				
Regulations	59.9	51.8	66.9	64.7
Taxation, VAT, PAYE, NI, business rates	62.2	49.7	61.0	59.7
<i>Finance</i>				
Obtaining finance	31.1	39.9	25.7	27.7
Cash flow	50.3	55.4	45.4	46.9
<i>Management</i>				
Shortage of managerial skills/ expertise	40.5	29.5	25.8	26.9
<i>Premises</i>				
Availability/ cost of premises	36.7	23.4	22.7	23.4

Source: Lee (2014: P189) Table 3

Management is represented by a shortage of managerial skills/expertise. A similar pattern of results is found, with this a greater problem for high-growth firms, 40.5% see it as a significant problem. However, 29.5% of potential high-growth firms, and 25.8% of other firms see it as a problem. Taken together the three values suggest that a relationship where firm growth strains management ability. Lastly, premises are represented by the availability and cost of premises. This is a greater problem for the high-growth firms (36.7%) compared to potential high-growth (23.4%) and other firms (22.7%). Clearly the results suggest that premises may be a problem which is born by expanding firms.

Mambula's (2002) study of 32 Nigerian SMEs found that in rank order the four main constraints are: a lack of financing (72%), poor infrastructure (44%), a difficulty

[in] getting machines and spare parts (41%), and difficulty getting raw materials (34%). Mambula (2002: P59) qualified the nature of the lack of financing as “[t]he financing said to have been earmarked for business and entrepreneurial development is never received. According to some of the small business respondents, it is simply a ruse – funds are given not on merit but rather on nepotism and favoritism”.

Large firms were perceived as a major obstacle for the small firms in his study, and this was exemplified in large firms receiving a perceived disproportionate number and amount of loans, as well as resources – especially machines and spare parts. The greater resources of the larger established firms is also a problem because “[t]hey attract employees by offering better wages and benefits, and secure most of the government procurement and contracts” Mambula (2002: P59).

In response to the above quantitative and qualitative findings from the small firms the Government officials paint a picture of small firms being in large measure responsible for their predicament. The government officials complained about owner-managers being inadequately organized, qualified, and trained. Also, “[r]eligion, language, and cultural differences among Nigerian entrepreneurs are considerable, and make the job of government officials even more complex” (Mambula, 2002: P61). The government officials admitted that the level of government resources was inadequate and specifically there were not enough qualified government employees to process applications. Political problems compounded the situation with the federal and state decision-makers and institutions competing for power to have control over resource distribution.

Mambula (2002) interviewed representatives of the seven largest companies in Nigeria and found that the lack of adequate manpower with the necessary skills and expertise was one of their major problems. This was consistent with the early research

of Ndlovu, 1996, Harris, 1968; Kilby, 1969; and, Hagen, 1975). The consequence of the large firms encountering the aforementioned barrier hampered their ability to produce products of the requisite level of quality to be able to export them. Also, Mambula (2002) found that an inadequate infrastructure affected large firms severely, and nearly on par with small firms. Specifically, the substantial costs for the installation and maintenance of infrastructure facilities was borne by large firms instead of the government bearing the costs.

Tagoe et al. (2005) found that for the electro-mechanical firm the financial challenges were a lack of long-term funds, and whilst the firm had a limited success in overcoming this challenge it was ongoing, and high interest rates for short-term funds – but the firm had overcome the challenge. The printing press family owned business gave the same two financial challenges, but felt that a lack of long-term funds had constrained growth, whilst in the case of the high interest rates for short-term funds they had only had a limited success in overcoming the financial constraint.

The aluminium products manufacturer also gave the same two financial constraints but also indicated that inadequate short-term funds was also a financial challenge. The financial challenge of a lack of long term funds was overcome by the firm maintaining accounts with different banks. The two financial challenges of inadequate short-term funds and high interest rates for short-term funds was solved by the firm securing short-term funds from different banks.

Gill and Biger's (2012) study set out to extend the findings of Okpara and Wynn (2007) and Robson and Obeng (2008) to western Canada. Table 3.9 shows the ranking of Gill and Biger's (2012) findings in relation to the sixteen statements they investigated. Regulatory issues dominated and were the first and fourth most important barrier, and market challenges were also important and were the second, third and fifth

most important barrier to growth. They hypothesised that the lack of financing, the lack of management skills of small business owners, the market situation, and the regulatory issues are negatively related to the small business growth in Canada. They found that market challenges, lack of financing, and regulatory issues are important barriers to small business growth in Canada. Their analysis was based upon using factor analysis to group together the barriers and include those reduced factors as independent variables in models where sales growth was the dependent variable.

**Table 3.9 Barriers to Growth**

	Mean	Category	Rank
High taxes (e.g. sales tax, income tax etc)	4.20	Regulatory issues	1
Tough market competition	4.14	Market challenges	2
High advertising costs	4.13	Market challenges	3
High licensing/registration fees	4.02	Regulatory issues	4
Inadequate demand for the company product or service	3.71	Market challenges	5
Lack of financial support from the government	3.02	Lack of financing	6
Increase in sales over the last three years	3.00	Small business growth plan	7
Difficulties in getting business loans from banks	2.95	Lack of financing	8
Improvement in overall performance over the last three years	2.94	Small business growth plan	9
Increase in market share over the last three years	2.80	Small business growth plan	10
Lack of sufficient collaterals to secure bank loans	2.79	Lack of financing	11
Lack of enough money to operate business	2.74	Lack of financing	12
Lack of formal training in bookkeeping/accounting	2.73	Lack of Management Skills	13
Lack of formal training in small business planning	2.68	Lack of Management Skills	14
Lack of formal training in small business management	2.65	Lack of Management Skills	15
Lack of experience in small business management	2.60	Lack of Management Skills	16

Source: Gill and Biger (2012) Modified Table I Page 662

Trang Do (2009) utilised principal component analysis (PCA) on 17 constraints and retained 4 factors. OLS regression was performed on the factors and Trang Do (2009) found that firm size, firm age, legal status, industrial sector and location were

generally related to business constraints; but the nature of the relationships and levels of statistical significance did vary between the four factors.

Coad and Tamvada (2012) found that size and age was negatively related to firm growth in the majority of their reported models. They also found that women managed businesses had lower growth compared to male led businesses. Furthermore, exporting also had a positive effect on firm growth; although, exporting could reasonably be argued could be a dependent variable rather than an independent variable.

Coad and Tamvada (2012) in their analysis of barriers to growth looked at a sample of declining firms and the specific obstacles to growth which the firms faced. Declining growth firms were given a list of eight reasons for their poor performance. It is unfortunate that the obstacles to growth questions were thus only asked to approximately one in seven of the firms in their study. If the obstacles questions had been asked to all of the firms this would have added substantially to the findings and their interpretations. Coad and Tamvada (2012) used probit models on the 8 models with each dependent variable takes a value of 1 if the suggested factor is perceived as a barrier, and 0 otherwise. Size and age were highly statistically significant in virtually all of their models, although there were differences in the direction of the relationships across their 8 reported models.

Coad and Tamvada's (2012) study is interesting in that it is one of very few studies which has looked at determinants of growth as well as obstacles to growth in the same set of analysis. Obeng's (2007) unpublished doctoral dissertation being the exception. Santarelli and Tran (2013) used the log of profitability as their dependent variable measure of business performance which was estimated using OLS estimation techniques and found that human capital as represented by education, experience and learning is positively related to successful businesses. Interestingly, Santarelli and Tran

(2013) also found that weak-tie networks outweighed those from strong-tie networks. Shah Alam et al. (2011). Shah Alam et al. (2011) used factor analysis and found that financial barriers were the most important barrier to growth of food processed based SMEs in Malaysia. Interestingly, social barriers and external barriers consisted of five and four items, respectively, and they were relatively small barriers to growth.

### **3.4 Critique of Previous Studies**

The vast majority of the research which has been reviewed in this chapter is cross-sectional. Bornhäll et al. (2014: P.3) raised the issue that such “studies may suffer from an omitted variable problem since unmeasured factors that are correlated with the independent variables might be the true casual factors driving the results”. Howell, Baker, Glyn and Schmitt (2007) raised the point that the studies which are similar to those examined in this chapter that it is difficult to create comparable indices of cross-country differences in the institutional framework. Thirdly, it does need to be noted that the vast majority of the barriers to growth literature uses evidence on stated preferences such as the perceived obstacles to achieving business objectives, and the studies do not have revealed preferences which are the actual growth barriers. List and Gallet (2001) argues that studies which use stated preferences are subject to hypothetical biases problems. In other words, the respondents overstate their perceived values. Lee (2014: P187) for example, argued that “[f]irms may blame failure on external issues (such as the economy) more than internal factors (for example, management skills”. Fourthly, it is possible that media coverage, such as the ongoing argument about bank lending to SMEs (Lee, 2014), and the government may also produce bias in the results. Fourthly, Coad and Tamvada (2012) have criticised the survey research for not being representative, and often only having small samples. Fifthly, Nightingale and Coad

(2014) and Shane (2009) represent two studies where the authors have strongly questioned the idea that politicians support small firms because they argue they are characterised as being less productive, less entrepreneurial, and have a high risk of business failure.

Notwithstanding the above list of criticisms and caveats which need to be made in interpreting results it should be noted that surveys have a long established tradition as a way of obtaining information on SMEs and entrepreneurs (Storey, 1994). Secondly, in order to be able statistical inferences about the results it is necessary to utilise survey questions. Thirdly, perceptions of barriers may also skew the activities of firms, regardless of whether they are well founded, and thus are important issues in their own right (D'Este et al. 2012). Fourthly, the established precedence of using subjective measures as a dependent variable using barriers to growth (Obeng and Robson 2008), and other measures of growth (Poon, Ainuddin, and Junit, 2006; Escribá-Esteve, Sánchez-Peinado and Sánchez-Peinado., 2008; and, Jennings, Ratjarantnam, and Lawrence., 2003). Fifthly, given the reluctance of small firms to disclose detailed financial information the use of subjective perceptions of barriers to growth is justified (Halabí and Lussier, (2002). Sixthly, Escribá-Esteve et al., (2008) found a high correlation between the objective and the subjective magnitudes.



### **3.5 Problems facing SMEs in Kuwait (and Arab countries)**

The previous section of this chapter has presented an indication of the main quantitative studies which have investigated the barriers and obstacles to growth. As such, the percentage of firms encountering each of the barriers has been presented. According to Robson and Obeng (2008) and Obeng (2007), there are arguably seven sets of limitations, which are encountered by SMEs in realizing their business objectives. These limitations include finance, market, managerial or technical know-how, inputs, economic or regulatory, infrastructure, and socio-cultural factors. The Robson and Obeng (2008) framework is followed and expanded upon in performing the literature review.

The Robson and Obeng (2008) framework is utilised for three reasons. Firstly, the vast majority of the previous studies only focused upon a comparatively small number of barriers to growth, and the Robson and Obeng (2008) framework is the most comprehensive framework. Secondly, the Robson and Obeng (2008) study has successfully been applied to a developing nation, Ghana, and thus the questions have been empirically validated. Thirdly, it is important to match the questions and framework adopted to the specific context of a transition/emerging economy (Welter, 2011; Zahra, 2007; Zahra, Wright, & Abdelgawad, 2014) and the Robson and Obeng (2008) framework follows that approach. It was the best starting point for the framing of the questions on barriers which are developed and applied to Kuwait in this thesis.

Whilst other studies have looked at obstacles and barriers to business growth and performance (Aidis, 2005; Coad and Tamvada, 2012; Santarelli and Tran, 2013; and Obeng, 2007) they have not provided the micro level of detail provided in Robson and Obeng (2008). The Robson and Obeng (2008) study found that the characteristics of the businesses and the entrepreneurs differed substantially in terms of what was, and was not statistically related to business barriers. Moreover, the magnitude and also the

nature of the relationships did vary substantially, and hence the adoption of that framework to look at the problems facing SMEs in Kuwait and other Arab countries. The following section follows the Robson and Obeng (2008) framework with modifications to reflect the Kuwait context. This is followed in section 3.6 with a critique of the main recent and classic studies on obstacles to growth, and business performance.

### **3.5.1 Finance**

This section of the chapter examines in detail the following groups of factors which hinder the growth and development of SMEs in Kuwait and other Arab countries: finance. The financial factors covered are: (1) Inadequate access to debt finance, (2) a lack of collateral, (3) Inadequate Access to Equity Finance, (4) Interest Rates are Too High to Secure Banks Loans, (5) Difficulty to meet loan criteria, and (6) Inadequate Family Finance.

The importance of finance for starting businesses and facilitating their growth has received a huge amount of previous research (See Robson et al. 2012; Akuetteh, 2009; Parker, 2004). Cressy's (2006a, b) classic work has emphasised the importance of start-up capital on business performance and survival. Business growth can be immensely hindered, if firms are subjected to considerable financial restrictions (Reid, 2003). The growth of SMEs is thwarted by drawbacks that they face in the process of accessing funds as a result of shortages of resources of a different nature (Cooley and Quadrini, 2001). SMEs may face great challenges in accessing external funds, and as a result, the growth of SMEs is reliant on the availability of external sources of finance (Hutchinson and Xavier, 2006). Internal sources of finance, to the SMEs, maintain a positive relation with the growth of the firm (Saeed, 2009).

Previous research studies have show that various finance related factors hinder the growth of SMEs, including a lack of funds or capital (Wang, Robson and Freel, 2015; Robson and Freel, 2004; Robson et al. 2012). Conversely, the extent to which inadequate funds alone are a main impediment to the development of SMEs are still controversial. For instance, findings depict that extra sources of capital is frequently not necessary to carry out a flourishing business activity, and that a lack of capital may be compensated through creativity and initiative (Okpara and Kabongo, 2009). Among other financial factors that act as barriers to SME's growth include: inadequate access to debts finance, inadequate access to equity finance, interest rates are too high to secure banks loans, difficulty to meet loan criteria, and inadequate family finance (Robson and Obeng, 2008) and these are examined in turn.

#### **3.5.1.1 Inadequate access to debt finance**

The amount of start-up finance varies both within and across industries (Cressy, 2006a, b), but the intensity of investment commonly involves enormous sums of money and, thus businesses need to be able to access to substantial sums of funds that can be either from external or internal sources of finance (Akuetteh, 2007).SMEs might be in a problematic situation, especiallyin regards to short term management of funds in SMEs (Muller and Zimmermann, 2009; Tanabe and Watanabe, 2005; Hutchinson and Xavier, 2006). SME's access to finance is usually strained (Beck, Demirguc-Kunt, and Peria, 2011).

#### **3.5.1.2 A lack of collateral**

Collateral offers a means whereby the bank may recover its losses in the event of business failure (Han, Fraser, and Storey, 2009). This is a critical aspect and

consideration in view of the low profitability of bank lending to SMEs in a number of countries (Akuetteh, 2007). Even though, the reliance on collateral-based lending banks might be extremely important, and especially from the bank's point of view, its effect is that it limits access to the capital required by SME's to grow. This is because some investors may be discouraged to offer their homes, or other personal assets as collaterals (Lumme, Mason, and Suomi, 1998; Ramskogler, 2011). When loan managers in financial institutions, like banks, are deciding on whether to reject or accept an SME's loan application, repayment of the previous loan, the intended purpose, the size of the loan in relation to the size of the business, the type of the business activity, repayment schedule, and the availability of the collateral are among the things highly ranked on their list of criteria for consideration (Agyapong, Agyapong, and Darfor, 2011). This situation makes access to finance tricky for SMEs.

### **3.5.1.3 Inadequate Access to Equity Finance**

Underdeveloped stock markets in a number of countries, especially secondary markets for small firms may prevent SMEs to access stock markets as a source of finance (OECD, 2006). More commonly, regulations, as well as, listing in stock markets are too costly to SMEs; by this means, they do not consider stock market as a viable option of their capital. Besides, the rules and standards for stock market listing might specify a minimum age or firm size, a given level of profit or enterprises characteristics, which in most cases are impossible for SMEs to comply (Murphy, 2000). In a case where the capital market is perfect, subsequently all firms might have access to different sources of capital, and in this way, external and internal sources of funds would be regarded as perfect substitutes. As a result, the decision on the company's finance would be indispensable for carrying out their strategies of investment and growth (Stiglitz and

Weiss, 1981; Beck et al., 2011). In some countries, the process and procedure for securing listing on the stock market are costly and demanding, thereby making official listing prohibitive and expensive to SMEs, therefore, access to equity finance is restricted (Murphy, 2000; Hutchinson & Xavier, 2006). According to Migiro (2006), in Kenya, the enterprise profile of SMEs affects their access to external finance.

#### **3.5.1.4 Interest Rates are Too High to Secure Banks Loans**

Most financial institutions which offer loans, more often than not, demand high rates of interest and that may dampen demand and/or may discourage SMEs from applying for and accessing finance (Parker, 2004; Freel, Carter, Tagg and Mason, 2012). Additionally, banks may raise the rate of interest to high levels, and/or shortening financial horizons, such that for some businesses the rate of interest is prohibitively high (Stiglitz and Weiss, 1981). With this high interest rate and short payment periods, productive investment by SMEs are much more difficult for SMEs to manage. Besides, in comparison to larger enterprises and considering the high interest rates, it is quite obvious that these high interest rates have more devastating effects to SMEs than to the larger enterprises (OECD, 2006). In Ghana, the amount that SMEs can access are below the needs of some business, short term characterized by a short period of repayment and high interest rate (Tagoe et al. 2005, p. 333; Fatoki and Asah, 2011, p. 173). Within the context of imperfections of the capital market, the results, which were obtained by Fazzari, Hubbard, and Petersen (1988), are especially vital. These authors conclude that SMEs are faced with more drawbacks and restrictions in regard to accessing external funds. Therefore, they depend more on their internal sources of funds as the only source of funds (Fazzari et al., 1988). This is noted by Orser et al., (2000) who did a survey that saw the participation of 1004 SMEs based in

Canada in an attempt to research on the problems, which confronted the management, as well as, the owners of these firms in distinct stages of business development. This is in an effort to better be aware of the growth process. The results showed that the intensity of their difficulties were varied by the attributes of the company, besides the size of the company (Orser et al, 2000).

#### **3.5.1.5 Difficulty to meet loan criteria**

Bozovic (2006) notes that access to financial services, is a crucial barrier to doing business. A lack of funds makes it difficult for those who run such businesses to expand them. Besides, lack of collaterals makes it quite challenging for SMEs to access bank loans (Bozovic, 2006). Moreover, other difficulties that SMEs face include excessiveness of the scope, as well as, the frequency of SME's inspections (Akuetteh, 2007). These inspections are at times carried out by corrupt officers willing to solicit for illegal funds from these firms (Smallbone and Welter, 2012). Furthermore, other difficulties include the complexity of the imposed requirements, that is, there are certain countries, particularly in transition countries which require SMEs to acquire verification, licenses, among other restrictions from different authorities, which may be time consuming, and involve a lot of paper work (Makhmudov, 2004; Beck et al., 2011). Lack of collaterals, unfavourable regulation, and high risks are among the many reasons that hinder SMEs from meeting the minimum threshold in accessing bank loans (Bădulescu, 2010). Financial institutions, like banks, also put a number of criteria to be met by SMEs so as to qualify to secure a loan with them (Han et al. 2009). Such criteria are set in order to minimize chances of the SMEs from failing to pay their loans (Makhmudov, 2004).

### **3.5.1.6 Inadequate Family Finance**

Usually, SMEs are characterized by limited formality and are commonly family owned, and they are commonly small in size (Storey, 1994). Besides, the financing of SMEs are usually done by the business owner or partners, in case it is a partnership (Parker, 2004). The source of such finance may not be enough for the purposes of expanding the business (Nenova, Niang, Ahmad, and Mondiale, 2009). The information on the ability of the borrower to repay the loan, risk sharing, and alignment of risk preferences are all factors that influence the willingness for financial institutions to provide credit (Bruns and Fletcher, 2008; Ramskogler, 2011).

### **3.5.2 Market**

There are several market factors that hamper the growth of SME's, and these include, inadequate demand, competing from imported goods, too many competing firms, high advertising cost, and inadequate market research (Robson and Obeng, 2008). The nature of the business environment, and whether or not there is industry growth and the competitive nature, can also influence businesses' growth and development (Jannsen, 2002; Hutchinson and Xavier, 2006). Each of the aforementioned factors are examined.

#### **3.5.2.1 Inadequate Demand**

In a growing industry, for instance, the existing firms are not very much affected by new entrants who take their share of the market in that sector, since this impact is paid off by the growth of the industry or the sector itself (Freel and Robson, 2004). On the other hand, the complexity and dynamism of the business environment are correlated to the degree of instability and uncertainty in the market (Jannsen, 2002). In

this scenario, some factors that are unpredictable for instance, changes in the demand of the rapid change in technology are challenging to predict by the owners of the SME's (Janssen, 2002).



### **3.5.2.2 Too Many Competing Firms**

An environment in which a business operates can be a factor that contributes to its growth or failure to grow (Coad and Tamvada, 2012). An establishment of a stable microeconomic condition or environment in which a business can be conducted is regarded as a paramount for investors in SMEs to take risks (Obeng, 2007). All countries that go through an economic transition may suffer from inappropriate economic structures, which are inherent from the previous systems. Therefore, in such a business environment, it is crucial to recognize that freedom to market entry is the first step towards the liberalization of the market, which together with privatization can improve the general climate for the SMEs industry growth, as well as, encouraging the potential market entrants (Atherton and Smallbone, 2013). Privatization plays a crucial role in the creation of SMEs, especially, if one understands that a relatively small proportion of the total state capital assets, is privatized through the large privatization (Futo and Li., 1997; Agyapong et al., 2011).

In spite of the positive elements of the economic environment in Kuwait such as no taxes on business profit and favourable data in the past few years (IMF, 2012), business activities in SME's industries are still potentially accompanied by problems. Accessing well-established markets, for instance, the markets within the European Union may offer ample opportunities for SMEs; however, this will only remain as a dream for a few SMEs. This is because of the stiff completion of such market environments. SMEs are disadvantaged by strong competition on the market, as well as, extreme high input and output requirements, besides the existing nontrivial barriers, for instance compulsory certification of the SMEs (Vasilev, 2011).

### **3.5.2.3 Competition from imported goods**

The low global competitiveness of Kuwait businesses may be a serious hindrance for the enterprises seeking access not only to international market but also to the domestic market as well, because their products may not compete on the global scene with internationally manufacture goods, or at the local arena with the imported goods (IMF 2012). There are a number of reasons that might hinder their competitiveness, which include low quality goods in comparison with the imported goods, since their level of technology is usually low (IMF, 2003, 2012). Besides, some legislative frameworks may favour the importation of goods, thereby hindering the development of SMEs (Tambunan, 2009). According to Mutaleniwa (2009), there is a wide gap that exists between policy reforms and measures that are geared towards facilitating and creating a level playing ground for SMEs and the international companies, thereby see them less competitive.

Moreover, it is apparent that the environment might be infested by adversity to the firm growth, and this potential hostility could dampen the prospects for growth. The hostile business environment may be as a result of the radical and unfavorable change in the SME's industry or even the intensity of competitive rivalry in the market (Coad and Teruel, 2012). Strong competition that is witnessed in the market is making it challenging for the SMEs to be more competitive, more so in their early years of formation (Clement, Wang, and Ang, 2004; Saeed, 2009).

### **3.5.2.4 High Advertising Costs**

There are high costs associated with advertisements. For example, advertising in a national newspaper may be prohibitive to most SMEs. In Kuwait the typical cost of an advert in a national newspaper is expensive; and, besides, there is no guarantee that

these adverts will reach the targeted customer (Analoui and Karami, 2003). Electronic advertising including online marketing is relatively cheap. However, the cost of setting-up an electronic market, especially the initial cost may be prohibitive for most SMEs (Syed and Raisinghani, 2000). According to Kirmani (1990), extremely high advertising costs may lead to a negative perception that is from potential investors in SMEs (Bruns and Fletcher, 2008) and that may be a barrier for development.

### **3.5.2.5 Inadequate Market Research**

Sutton (1998) and Montgomery (1994) assert that research and development intensity acts as a hindrance to entry into the market, and thereby making new competitors face considerable inflated costs. Thus, the entry and growth of established businesses with high research and development intensity becomes easier, given the fact that observations of a lower rates of entry in industries with high research and development intensity. For businesses to make efficient use of research and development investment they at times require some ample time for them to learn and a short period of research and development business activities might imply diminished growth of SME'Ss (Muller and Zimmermann, 2009). Lastly, research and development intensity might cause a decline in the growth of SMEs. That is its intensity might represent an increased risk that, together with high risk that is inherent in activities that the SMEs engage in may lead to challenges of financing and activities, since the funds owned or generated by the SMEs may not be sufficient. Therefore, this can be contributing to a slow growth rate in SMEs that implement research and development activities (Yasuda, 2005).

### **3.5.3 Managerial/Technical Know-How**

Researchers have revealed that problems that are related to the management include: personnel, financial, accounting, and other management issues hinder the growth of SMEs (Robson and Obeng, 2008). These issues have been cited as the major ground for a business collapse, more so for SMEs (Obeng, Robson and Haugh, 20143). The findings of a research study carried out by Tushabomwe-Kazooba (2006) showed that a lack of fundamental business management challenge skills and poor record keeping are among the main contributors to the failure of SMEs in Africa. Lumpkin and Dess (1996) assert that the environment affects the performance of an enterprise, in terms of its growth and performance. This is regardless of the company's strategic orientation or even its resources. Nonetheless, business environment is a multidimensional idea that includes the technological opportunities, the growth of the SME's industry, business dynamism, as well as, the demand for new products (Lumpkin and Dess, 1996). This assertion is also supported by Zahra and Ellor (1993) and other authors refer to the business environment as either a hostile environment or a munificent environment that is depending on whether it has a negative or a positive effect on the SME's (Iakovleva, 2005).

Another researcher who holds the same notion as the one above is Glancey (1998), who support the notion that is held by the above researchers. That is external constraints come up as a result of the nature of the competitive conditions. On the other hand, that might result from distinct sources, which include the declining demand of the radically changing technology. This phenomenon pushes SMEs to change their technology or to seek alternative markets opportunities (Glancey, 1998).

Managerial/technical know-how factors include: shortages of skilled labour, high wages for skilled labour, access to new technology, inadequate financial skills,

inadequate management skills, inadequate marketing skills, and inadequate technical skills (Robson and Obeng, 2008). The aforementioned factors are each discussed.

### **3.5.3.1 Shortages of Skilled Labour**

SMEs may be owned, as well as, managed by their owners. It has been observed that the culture of the owner-manager affects how the SME's business is run. In most instances, the owner-manager is directly involved in all crucial decisions as well as many of the minor problems and decisions, on-the-day to day issues (Storey, 1994). These include, for instance, customer enquiries, production, employment recruitment, and financial control among others. Clearly, there are bound to be difficulties and complications, which are associated with this kind of setup. This is because the owner does everything; naturally, some of the prerequisite skills required to deal with the complex issues in the business might not exist issues (Ucbasaran, Westhead and Wright, 2006). Generally, studies on the management of SMEs show that their lack of management skills impedes their performance and hence their growth (Nwankwo and Gbadamosi, 2011). Even though the survival and productivity of SMEs may be enhanced in cases where they adopt human resource management practices, there is a huge degree of informality in employment practices in SME's as compared to well established business organizations (Bacon and Hoque, 2005; Hutchinson and Xavier, 2006).

### **3.5.3.2 High wages for skilled labour**

High wages for human resources, a lack of qualified personnel, as well as, a lack of management skills, knowledge, competitiveness, and competence, are among the other related factors that SMEs face and thereby make the businesses poorly managed

and, therefore, makes it difficult for SMEs to grow (OECD, 2010; Bacon and Hoque, 2005). The growth of human resource management capabilities permits SMEs not only to develop their productivity but also to considerably amplify the effect of R&D abilities on this same productivity (Fabi, Lacoursière, Raymond, and St-Pierre, 2010; Kirmani, 1990).

Technological changes need financial resources and additional investments. Considering the financial constraints that are facing the SMEs, this might act as a growth impediment. According to Hay and Kamshad (1994), who studied SMEs in the United Kingdom, their results show that the management, as well as, the owners of SMEs identify several factors, which are considered as barriers to the growth of SMEs. Among these factors identified, include the intensity of the competition, delays in accessing new capital, inadequate availability of venture capital, and lack of qualified manpower and lack of funds. In their study, the respondents identified competition as the strongest drawback in their effort to grow (Hay and Kamshad, 1994).

### **3.5.3.3 Access to New Technology**

Research and Development intensity might cause a reduction in the growth of SMEs. This is because, in comparison with other larger companies the SMEs face immense challenge in the management of their scarce resources that might be allocated to innovative activities, for instance, information technology and management of manpower or human resources (Freel, 2003; Tanabe and Watanabe, 2005; Raymond and St-Pierre, 2010; Armstrong, 2010).

#### **3.5.3.4 Inadequate financial skills**

The owners, who act also as the managers of their firms lack the technical skills required in the business management. Therefore, they may have inadequate financial skills to enable them to effectively manage their businesses (Washington, 1995). Since most SMEs are managed by owners, who may not have undergone proper financial training clearly this raises the prospect that this is an impediment to business growth (Fabi et al., 2010; Kirmani, 1990).

#### **3.5.3.5 Inadequate Management Skills**

Okpara and Kabongo (2009) undertook a survey of three hundred and eleven SMEs in Nigeria. They used statistical techniques in order to identify factors that constrain the growth of SME's in Nigeria. The result of their study showed that most common factors that thwart the growth of SMEs in Nigeria included poor management, poor status of the infrastructure, corruption, lack of financial support, demand of services and products among many others (Okpara and Kabongo, 2009; Fabi et al., 2010; Kirmani, 1990).

#### **3.5.3.6 Inadequate Marketing Skills**

According to Stevenson (2010) inadequate marketing skills is among the most important challenges that SMEs encounter, in addition to, inadequate funds for the purposes of advertisement. Besides, technological advancement in the advertisement, for instance, internet advertisement, may also pose a challenge to SME's owners, since they may not have the prerequisite skills in the management of such marketing ventures (Stevenson, 2010). According to Omar, Ramayah, Mohamad, and Marimuthu (2011), applications of internet marketing initiatives in the business arena have weighty profit implications. Large corporations around the world have invested much of their

resources to integrate internet applications as a significant tool for the purposes of marketing, in order to reach their customers, capability increase, cost reduction, improvement of communication, and customer service improvement are among the paybacks viewed by these organizations. This notwithstanding, the practice of internet marketing among SMEs in Kuwait is still in its infancy.

### **3.5.3.7 Inadequate Technical Skills**

SMEs, unlike the larger enterprises, lack the time required and financial resources required in order to train employees, who commonly have little, or no formal education (Obeng, 2007). Besides, since SMEs face challenges in accessing finances, they may not have enough financial resources to enable them to get appropriate technology, nor sufficient access to information (Robson et al. 2013). The combination of poor skills and rudimentary technology is a recipe for low-quality products (Washington, 1995; Bacon and Hoque, 2005). SMEs are entrepreneur specific and, therefore, the skills possessed by investors are very vital for performance of SMEs (Nehete, Narkhede, and Mahajan, 2011; Migiro, 2006).

### **3.5.4 Inputs**

Input factors include poor quality of imported raw materials, high cost of local raw materials, high cost of imported raw materials, high cost of replacing old equipment, outmoded equipments, difficulty in finding appropriate equipment, inadequate supply of raw materials and poor quality of raw local materials (Robson and Obeng, 2008). Each of the aforementioned inputs is now examined one by one.



#### **3.5.4.1 High cost of local raw materials**

According to ESCAP (2007), the growth of a number of SME's ventures is not stable. Therefore, the growth prospects of SMEs are questionable. In regard to the inputs, the industry is suffering from the increasing scarcity and high cost of local raw materials (ESCAP, 2007). In addition, other factors adding to the SME's difficulties include the sharp rise in salary costs, restrictive domestic monetary policy and the prices of raw material are quite high. Besides, SMEs also face troubles with management and competitiveness because the country's industrial restructuring and optimization have been too slow to assist SMEs in their growth (Wu, 2011; Armstrong, 2010).

#### **3.5.4.2 High cost of imported raw materials**

The high cost of imported raw materials as a result of poor policy environment, high cost of doing business internationally due to logistical hurdles, inadequate physical infrastructure, unfriendly judicial and legal systems, burdensome regulatory and administrative requirement are some of the factor that make the cost of imported raw materials to be more expensive (Vries, Sally, and Inocencio, 2005; Wu, 2011; Morya and Dwivedi, 2009).

#### **3.5.4.3 Inadequate supply of raw materials**

As a result of globalization, there has been a recent increase in competition, in the market place. Competitors are not only competing, in order to outperform their rivals in the business environment but also for them to be able to survive. Businesses compete for virtually all resources they require, for instance, human resources, raw materials, and machines. As SMEs engage in business in order to satisfy their customers, they also engage in the acquisition of raw materials from suppliers. As a consequence, of jostling

for these raw materials from the same supply may bring about competition, for instance, in a situation where SMEs are competing for raw materials from the same suppliers with large enterprises. Such competition may see SMEs get inadequate supply of the highly needed for the acquisition of raw materials (Nwankwo and Gbadamosi, 2011; Vries et al., 2005; Morya and Dwivedi, 2009).

#### **3.5.4.4 Outmoded equipment**

It is generally accepted that businesses need to make appropriate use of the contemporary, so as to remain competitive; the nature of the same technology is changing extremely fast (De Jong and Freel, 2010). In numerous industry sectors, the source of competitive advantage is shifting away from the conventional capital equipment to the effective utilization of human resource, process, and information (Coad and Teruel, 2012). However, due to constraints in accessing financing, SMEs may opt to use outdated equipment, which might compromise their ultimate productivity (Wignaraja and O'Neil, 1999). Due to the high cost of replacing and acquiring new equipments, most SME's end up using old equipment (Iankova, 2009).

#### **3.5.4.5 High cost of replacing old equipment**

Following on from the previous sub-section, technology is changing exceptionally fast, and the contemporary equipment is usually associated with efficiency and high effectiveness; however, these attributes usually come with a certain cost (Akuetteh, 2009). The cost of replacing these equipments, at times, may be prohibitive for most SMEs, due to lack of enough funds (Akuetteh, 2009). Further, matters are made worse by the fact that such new equipment requires further training of staff for their effective

utilization (Iankova, 2009; Wignaraja and O'Neil, 1999). In a study, undertaken in order to investigate reasons behind the non-utilization of information and communication technology by SMEs in Nigeria, the results of the study indicate that a majority of Nigeria SMEs utilize essential ICT such as printers, word processing, fax machines, and fixed landlines. However, they rarely use the computer for advanced functions such as business analysis, decision-making, and planning. Nevertheless, there are key factors that hinder these SME's from effectively utilizing ICT in their range of business initiatives. The study postulates that infrastructural inadequacies and electricity are the most prevalent factors for the failure to use ICT by SMEs in Nigeria (Apulu and Ige, 2011; Omar et al., 2011).

#### **3.5.4.6 Difficulty in Finding Appropriate Equipment**

Most of the SMEs find it a challenge to get appropriate equipment to be used in their business processes, since there are quite a number in the market, and most of the equipment are designed for larger enterprises and, therefore, make it challenging for SMEs to find appropriate equipment (Tambunan, 2009; Apulu and Ige, 2011; Iankova, 2009). The difficulty is also made more challenging due to inadequate financial capabilities of the SME's (Jasra, Khan, Hunjra, Rehman, and Azam, 2011).

#### **3.5.4.7 Poor quality of raw local materials**

Since SMEs are faced with competition from larger firms in regard to the acquisition of imported raw materials, the only option is to rely on the poor quality local raw materials, which ultimately result in goods of low quality, thereby compromising the competitiveness of these products in either the local or the international market. Furthermore, the low quality of the local raw materials is associated with the high cost

of production (OECD, 2010). In addition, most SMEs may find it difficult in accessing local raw materials since, apart from being of poor quality, they may be more expensive than imported raw materials, thus raising the cost of production (Kim, Mabele, and Schultheis, 1979; Vries et al., 2005; Wu, 2011; Morya and Dwivedi, 2009).

#### **3.5.4.8 Poor quality of imported raw materials**

Some raw materials may not be locally available at a competitive price. This forces some SMEs to import poor raw materials from the international market. Clearly, if the quality of raw materials used is poor, the obvious implication is that the final product will also be of low quality and, therefore, less competitive (Jain, Trehan, and Trehan, 2009; (Apulu and Ige, 2011; Omar et al., 2011).

#### **3.5.5 Economic/Regulatory**

A Small Business Research Trust, which is a quarterly report authored by the University of Liverpool Management School, notes that the main barriers to SME growth include issues of taxation, employment regulations, and national insurance policies are the main factors that act as barriers to the growth in the sector of small businesses. Both corporate and personal taxes in various countries, for instance in the UnitedState, have some states with business friendly taxes. For example the Tax Foundation, a US based organisation regularly reports the highest and lowest 10 US states for taxation (See Tax Foundation, 2013, 2013b). New York regularly appears near the top of the league of the most taxed states. In 2012 New York residents paid \$136.24 billion total state and local taxes collected, and also had the highest cigarette taxes in the country at \$4.35. In contrast, Alaska was one of only seven states without

an individual income tax and was one of only five states without a state sales tax (Tax Foundation, 2013, 2013b).

Those taxes policies and structures, which are said to be business friendly offer a favourable and conducive environment for SMEs to operate. Such a situation offers a conducive environment for innovation and growth in the SMEs sector. Such structures stabilize expectations, making taxes affordable, allows strategic planning, and more so, they are based on income (Taplin, 2007; Armstrong, 2010; Hutchinson and Xavier, 2006).

Economic or regulatory factors include high tax and import duties, high rates of inflation, high depreciation rates of country's currency, corruption, and regulation or licensing or red tapes. Each of these factors are examined.

#### **3.5.5.1 High Rates of Inflation**

High rates of inflation may have far-reaching effects in regard to the growth of SMEs. For instance, the high rates of inflation may weaken the currency of a country in the international, foreign exchange market (Obeng, 2007). The uncertainty of high rates of inflation may discourage investment and economic investment in SMEs (Sexton, 2011). According to Ogechukwu and Taiwo (2012) instead of the competitive free-market rates to attract funds for investment, it became a barrier, which partly hinders the survival of SMEs. High rates of inflation also make a country's currency weak in the foreign exchange market (Sexton, 2011; Ogechukwu and Taiwo 2012).

### **3.5.5.2 High Depreciation Rates of Country's Currency**

High rates of inflation may mean a high depreciation of the rates of the country's currency. SMEs, therefore, may find it expensive to import raw materials and to operate in the global market (Sexton, 2011; Ogechukwu and Taiwo, 2012). The depreciation of a country's currency may also make it challenging for the country to import raw materials or modern equipment (Apulu and Ige, 2011; Omar et al., 2011).

### **3.5.5.3 High Tax and Import Duties**

Where distinct types of income are taxed at substantially different rates, owners of the SME businesses might alter their decisions relating to the form of their businesses, earning distribution, capital structure and earning distribution. Besides, high import duties may have far-reaching implications to SMEs who rely on imported raw materials. This will surely impede their operations (OECD, 2010). Tax related barriers and financial barriers are the most serious impediments or obstacles to growth. Institutional barriers include social barriers together with, for instance, the need to bribe officials and lack of trust were also significant, as well as, administrative barriers (Bartlett, 2008). The growth of the SMEs is reduced by the presence of business environmental barriers, for example, unfair competition, inadequate financing, and tax burdens. Krasniqi and Besnik's (2007) econometric results raised fundamental policy issues for the development of the sector of SME's in Kosovo.

### **3.5.5.4 Regulation or Licensing or Red Tapes**

Just like other organizations, SMEs are also subject to government regulations. However, such regulations may be offering a variable environment for their operations, or make it difficult for SMEs to operate. Nonetheless, there are a number of factors and

characteristics of SMEs, which might hinder the growth of SMEs (Delsen, 2009). According to Chiriac and Moldovan (2009), the presence of a huge number of taxes, presence of beauracracy and corruption all act as hindrances to the growth of SMEs. Moreover, the presence of stringent regulations in a given country may also affect not only the growth, but also the rate of investment in SMEs (Dupré and Lallement, 2007).

#### **3.5.5.5 Corruption**

Generally, in the present business environment, especially, in the transitional economies they are characterized by informal economies, unfair competition, and corruption, and these together prevent the SME's from realizing their full potential and even growth (Smallbone and Welter, 2012). These phenomena can be more pronounced, especially, when there are excessive regulations. Such regulations act as an impetus for investors to find the means of evading regulations because of, for instance, the increase in the cost of the transaction, which result in the growth of grey economies (Hashi and Mladek, 2000). Corruption in the provision of credit to SMEs, which might be offered on a tribal basis, or personal relationships by corrupt officials, as opposed to other stipulated requirements set by the financial institution or the government, for instance, credit worthiness (Makhmudov, 2004).

However, in comparison the World Bank in a recent study in 2010 reported, in which ten thousand companies were studied in eighty countries, noted that a poor national taxation structure is the greatest barrier to the growth of SMEs all over the world. Another independent and recent study by Taplin (2007) concluded that the independent states of the former Soviet Union, by altering the system of SME's taxation structures and policies would be the fastest way to create a set of strong national SMEs market segments. The tax structure has a positive, direct effect, as well as, corruption.

The former communist countries, which have implemented such taxes, have rapidly created a large small-scale business sector (Taplin, 2007).

Johnson, Kaufmann, McMillan, and Woodruff (1999) offer the same explanation. They assert that high taxation rates, the inadequacy of the institutional environment, large official regulations, as well as, the predatory behavior that government officials engage in by seeking for bribes for investors operating officially are the principal causes of economies, which are not official.

### **3.5.6. Infrastructure**

The factors under the umbrella of infrastructure include high cost of utility charges, poor telecommunication networks, high transport cost, lack of industrial sites and low quality of electricity and water supply (Robson and Obeng, 2008). Following the invasion of Kuwait by Iraq, and the subsequent repelling of Saddam Hussein's forces there has been extensive rebuilding of infrastructure in Kuwait.

#### **3.5.6.1 High cost of utility charges**

Public utilities are services and goods which are provided by the government in an organized infrastructure. Public utilities are subject to a form to public power, promotes investment of the expansions of a system, facilitate competition, or market stabilization. In situations where a high cost is attached with public utilities, it is very unlikely that it will promote investment , more so to the SMEs which face difficulties in accessing finances (Calabrò, 2011). The owners or managers of SMEs do not seem to fully make use of the public services available and this is because the SME owners may not be able to afford them or simply because they may not see their significance to the firm (St-Jean and Audet, 2007).



### **3.5.6.2 Lack of industrial sites**

Industrial sites are areas which are planned and zoned for the purposes of industrial developments (Zhan, 2013). These areas, usually, are planned with good transportation systems, like roads and trains, or are located next to an airport, and also require the presence of good public utilities like a sewer system, electricity, water, and reliable waste management services (Zhan, 2013). A lack of industrial sites, or if the cost of buying or hiring such sites are too expensive, then this may act as a barrier to not only the growth of SMEs but also investment in SMEs (Sethi, Bogataj, and Ros-Mcdonnell, 2012). The standard criteria for selecting an industrial site or the operation procedure for SMEs may not easily be achieved. Certain issues, for instance, the site's accessibility, and proximity to markets may also make a suitable site difficult to come by, coupled with corrupt industrial real estate brokers and government official (Tosh, Festervand, and Lumpkin, 1988; Morya and Dwivedi, 2009).

### **3.5.6.3 High transport costs**

The high cost of transport is another infrastructural factor that may mitigate against the growth of SMEs. A poor transport network, like the absence of proper road networks, will certainly affect the nature of investment in any given area. For example, most SMEs located in landlocked countries are experiencing high transportation cost that translates in low profit for such SMEs, thereby thwarting the growth of SMEs. (Obeng, 2007). The high cost of transportation may eat into the profit and make investment in SME's nonviable (Jha, Jhan, and Muhjal, 2011). The high cost of transport may be as a consequence of the rising cost of fuel, which goes on to ultimately affect the growth of SME's (Rutihinda, 2008; Mutaleniwa, 2009).

#### **3.5.6.4 Low quality of electricity and water supply**

Most businesses rely on the use of electric power in order to manufacture goods, or it can be merely required for good lighting system. A low quality of electricity or unreliable supply of electricity may be a barrier to the growth of SMEs in that their business processes may come to a standstill in the absence of electricity (Grogan, 2010). According to Quader (2007) a lack of reliable electricity and other social amenities, like water can compromise the quality of human resources, which are available for the operations of SMEs, as well as, their ability to have human resources.

#### **3.5.6.5 Poor telecommunication networks**

Poor quality or an absence of telecommunication networks can severely hinder the growth of not only SMEs, but also all forms of business. The presence of a good telecommunication networks offers a socio-economic condition for the establishment of SMEs. Poor telecommunication networks deny SMEs the opportunity to engage in e-commerce or online advertisement (Curwen, Haucap, and Preissl, 2008). Poor communication networks in areas where industrial sites may be cheap, for instance, in local areas, may hinder the successful establishment of SMEs and their growth in the globalized market (Apulu and Ige, 2011). The past few years have witnessed a growing interest in the use of information and communication technologies in doing business, for instance, in online marketing, and banking. SMEs may not be able to enjoy electronic business, because of poor telecommunication networks (Ho, Smyth, Kam, and Dearden, 2009; Bacon and Hoque, 2005).

### **3.5.7. Socio-Cultural**

The socio-cultural factors include use of business resources to supply family and other factors. These are now outlined.

#### **3.5.7.1 Use of business resources to supportfamily**

Since most SMEs are owned, as well as, managed by family members, it is essential that the owners of such business be aware of factors that may affect their growth (Storey, 1994). In certain cultures, for instance in Japanese culture, where a form of communism, or social activities and behaviour is stressed socio-cultural factors may act as a force behind the success of SME's. In contrast, in the Western culture, where individualism is stressed socio-cultural factors may act as barriers to the growth of SMEs, for instance family squabbles may hinder the growth of SMEs (Zhang, 2005; Beck et al., 2011).

#### **3.5.7.2 Other Factors**

Alowaihan (2004) notes that the performance of Kuwaiti SMEs was examined, and definite consideration was paid to gender as a differentiating factor. Disparities and similarities between males and females were discussed with regard to human capital variables, business characteristics, family situation factors, financial performance indicators. The result of this research showed that women had not as much experiences in business, higher levels of education and that they were older than their male counterparts were. Moreover, the results also showed that businesses, which were owned by women, suffered from the liability of newness. Besides, their financial performance were significantly lower that the enterprises, which were owned by men (Alowaihan, 2004). In their research Al-Wugayan and Alshimmiri (2010), investigated

how Kuwaiti young university graduates reckon business incubation as an encouragement mean in promoting the creation of SMEs by the time the students graduate. Majorly, this research endeavors to measure perception of the university graduates on venturing in SME's. Since this may be critical as the greatest economic challenge in Kuwait, presently relates to the forcing need for economic diversification. The result of this research depicts that high willingness for male, as well as, females to participate in the creation of SMEs (Al-Wugayan and Alshimmiri, 2010).

### **3.6. Critique of Previous Research**

The previous sections have presented as far as possible a comprehensive set of factors which could be obstacles or barriers to businesses achieving growth and development. Following the harvesting of the data these factors may need to be revised. However, following the careful piloting of the survey it is not expected that substantial changes will be needed to this chapter. The remainder of the chapter critiques recent research on barriers to development and growth.

The sample response rates of previous studies varies hugely. In general, the larger the response rate the better, but it also has to be assessed also in light of the total number of responses. Gill and Biger (2012) achieved a response rate of 24% and used a combination of telephone surveys, personal visits to the owner-managers' premises, and surveys returned in the mail. Hassanein and Adly (2008) sent out 160 surveys but only achieved a 9.37% response rate. Robson and Obeng (2008) achieved a high response rate of 83.2%. Aidis (2005) sent out 1011 valid questionnaires in the mail and received 505 completed questionnaires but removing responses from non SME owners reduced the valid number to 332. Trang Do (2009) utilised 1940 observations in his econometric analysis, but the response rate is not reported. Coad and Tamvada (2012)

do not provide a response rate, but given the pedigree of the data gathering agency, and the huge number of responses that is a good foundation for their research. Santarelli and Tran (2013) also do not report the response rate, but given that they have 1,398 start-ups that is a large data set. Shah Alam et al. (2011) with their 170 completed questionnaires had a 34% response rate. In their analysis they used 166 completed questionnaires.

Gill and Biger's (2012) study was empirical and did not utilise a theoretical framework. Hassanein and Adly's (2008) study was based in the access to finance and barriers empirical literature but did not utilise any theoretical framework. Robson and Obeng (2008) derived 12 (twelve) hypotheses which related to characteristics of the entrepreneurs and their businesses. Robson and Obeng's (2008) models are firmly applied econometric ones which are implicitly utilising part of the Storey (1994) model. Aidis' (2005) study was firmly rooted in institutional theory and there is a strong precedent and substantial literature which has used institutional theory in developing or transition countries (See North, 1997; Yeager, 1999). Aidis (2005) extended North's institutional theory to include environmental and skill factors which are pertinent to a transitional country. Trang Do (2009) implicitly utilises Storey's (1994) model and focuses upon three groups of factors: the characteristics of the firms, the entrepreneurs, and the environment. Trang Do (2009) also briefly touches upon bounded rationality, the agency problem theory and strategic behaviour but does not fully develop this theoretical construct. Instead, contextualising the study in relation to previous research is the *modus operandi*. Unfortunately, Trang Do (2009) does not provide any hypotheses. Coad and Tamvada's (2012) study follows in the footsteps of Robson and Obeng (2008) and contextualises their paper primarily in relation to previous research, and identifying possible variables which are related to growth as well as barriers to

growth. Santarelli and Tran (2013) utilise a theoretical construct which takes forward our understanding of human capital and social capital theories. In particular they take forward theory by throwing light on the interaction of social capital and human capital and entrepreneurial performance. Shah Alam et al. (2011) did not utilise a theoretical construct, or develop any hypotheses, but they did link their research to earlier research.

Sadly, the other studies reviewed in this chapter do not utilise theoretical frameworks in their investigations of the barriers and obstacles to growth. Thus, whilst the Cambridge studies (SBRC, 1992; Cosh and Hughes, 1998, 2000) and BIS's (2015) bi-annual surveys utilise very large data sets they are not utilising any theoretical framework.

### **3.7 Theoretical Background and Hypothesis Development**

The purpose of this section of the chapter is to present the derivation of the hypotheses. The hypotheses draw upon business model theory as well as several theories presented in the previous chapter, and earlier sections of this chapter.

#### **3.7.1 Business Models**

The centrality of the business model to venture sustainability (Teece, 2010) is reflected in the increase in scholarly attention devoted to BMT (see George and Bock, 2011). Since 1995 more than 1,000 articles have been published in peer-reviewed journals in which business models are explored in some shape or form (Ghaziani and Ventrasca, 2005; Zott et al., 2011) and the publication count for non-academic outlets is considerably higher. The rise in interest has been attributed to the emergence of new business models designed to respond to three developments: advances in information technology that have fundamentally changed the ways that enterprises do business (e.g.,

Amit and Zott, 2001; Chesbrough and Rosenbloom, 2002; Ghaziani and Ventresca, 2005; Teece, 2010; Zott and Amit 2007, 2008); the challenges to traditional ways of doing business faced by ventures in resource constrained environments (Mair, Battilana, and Cardenas, 2012; Thompson and MacMillan, 2010); and industrial and social change (Chung, Yam, and Chan, 2004; Morris, Schindhutte, and Allen, 2005; Teece, 2010).

Although this expanding body of research is characterised by different, and somewhat idiosyncratic, definitions of the business model (Morris et al., 2005), the emerging consensus is that a business model is a new and important unit of organizational analysis that captures the multiple and inter-related dimensions of an organization's activities directed towards creating and capturing value (Teece, 2010). Definitions of a business model embrace both structural features e.g., “a coherent framework that takes technological characteristics and potentials as inputs and converts them through customers and markets into economic outputs” (Chesbrough & Rosenbloom, 2002 p. 352) as well as organizational narratives “[business models] are, at heart, stories – stories that explain how enterprises work” (Magretta, 2002 p. 87). To address the negative impact on cumulative research progress caused by the lack of definitional agreement (George & Bock, 2011; Morris et al., 2005; Zott et al., 2011), an inductive study by George and Bock (2011) empirically generated three structural dimensions of business model from a survey of senior managers: resources, transaction structure and value structure. *Resources* are central to organizational emergence and growth (Barney, 1991; Penrose, 1959; Wernerfelt, 1984) and include financial, human and social capital (Becker, 1964; Davidsson and Honig 2003; Hite and Hesterly, 2001; Johannisson, 1998, 2000). *Transaction structure* concerns how value is created and exchanged e.g., the adoption of a legitimate organizational form (Zimmerman and Zeitz, 2002) and the use of technology to mediate sales (Amit and Zott, 2001; Chesbrough and

Rosenbloom, 2002; Rajgopal, Vankatachalam, and Kotha, 2003). Finally, *value structure* refers to how value is captured from selling goods and services and converted into profit (Teece 2010) e.g., industry, product choice and exporting.

Business model research has investigated the relationship between resource configurations and performance in entrepreneurial firms (Patzelt, Knyphausen-Aufness, and Nicol, 2008; Rajgopal et al. 2003; Zott and Amit 2007) to identify business model typologies (Patzelt et al., 2008), network effects (Rajgopal et al., 2003), value capture (Zott and Amit, 2007) and the interaction effects between product market strategy and organizational performance (Zott and Amit, 2008). Central to current conclusions are that the business model is multidimensional and extends beyond product and market conditions. In this way ventures competing in the same market with similar resources might achieve competitive advantage through superior business models (Chesbrough and Rosenbloom, 2002, Magretta 2002). In this thesis the researcher created measures for resources, transaction and value structure to gather data about entrepreneurial business model configurations.

### **3.7.2 Barriers to Enterprise Growth**

Entrepreneurs typically face many internal and external barriers that constrain both actual and growth potential (Coad and Tamvada, 2012; Kouriloff, 2000; Storey, 1994). Lack of resources (Khaire, 2010; Terziovski, 2010), insufficient business expertise (Orser et al., 2000) and legitimacy deficits (Zimmerman and Zeitz 2002) are typical of the barriers faced by nascent and new ventures. Overcoming these barriers is essential to achieving enterprise, and ultimately economic, growth.

Previous studies have identified a wide range of organizational and institutional barriers to enterprise growth (Aidis, 2005). Access to finance is important for



facilitating enterprise growth (Mambula, 2002); however, entrepreneurs face barriers related to collateral requirements (Bukvic and Bartlett 2003; Gill and Biger 2012; Macpherson and Holt 2007; Pissarides et al. 2003). In addition, inability to raise equity from private investors, family and friends curtails the flow of investment funds to new and young firms (Kozan et al.,2006; Moy and Luk, 2003). Marketing barriers faced by entrepreneurs include low demand (Gill and Biger 2012; Orser et al., 2000), marketing problems (Coad and Tamvada, 2012), skills (Coad and Tamvada, 2012; Hisrich and Fulop, 1994) and labor shortages and problems (Bohata and Mladek, 1999; Coad & Tamvada, 2012). Lack of market information (Bukvic and Bartlett, 2003; Orser et al., 2000) also impedes growth. Production barriers include poor and costly access to raw materials (Coad and Tamvada, 2012), services (Doern and Goss, 2013; Robson and Obeng, 2008) and new technologies (Aftab and Rahim, 1989) as well as problems related to finding and securing replacement equipment (Coad and Tamvada, 2012). The institutional environment in terms of the presence of functioning markets e.g., for finance and trade, influences the motivation and ability of entrepreneurs to invest in new venture creation (Pissarides et al., 2003). Unfavourable tax and fiscal regimes (Bohata and Mladek, 1999; Krasniqi, 2007; Sleuwaegen and Goedhuys, 2002), compliance with regulations (Mambula, 2002) and administrative requirements for securing grants or loans from Government (Gill and Biger, 2012; Macpherson and Holt, 2007) when compounded by corruption (Bohata and Mladek, 1999; Aidis et al., 2008; Robson and Obeng, 2008) serve to constrain entrepreneurial activity and enterprise growth. Finally, infrastructure barriers related to utilities (Coad and Tamvada 2012) such as the high costs and low reliability of power and water supplies have been found to impede growth. In the next section the researcher outlines the distinctiveness of the Kuwait

business environment and develop the hypotheses to link business model configuration and barriers to growth.

**Resources.** On the resource based view (RBV), organizations are bundles of heterogeneous resources and capabilities that are combined together to create value and lead to competitive advantage (Barney, 1991; Seelos and Mair, 2007; Teece, Pisano, and Shuen, 1997; Wernerfelt, 1984). Superior business performance may be attained from controlling more resources (Barney, 1991; Penrose, 1959) and different types of resources (Amit and Zott, 2001). The resources component of a business model can be broken down into access to financial, human and social capital.

Access to finance is a strong influence on enterprise growth and sustainability (Parker, 2004; Cressy, 2006a). Despite a carefully constructed business model, it may be the case that launching new products or services takes longer than anticipated and customers are slow in settling their bills, yet employees and suppliers still need to be paid. Thus access to start-up finance helps to overcome nascent and early stage financial barriers to growth. As the enterprise grows and increases in size it becomes more able to absorb variations in income and expenditure.

The characteristics of the entrepreneur such as educational qualifications, gender and age are also important influences on enterprise growth (Becker, 1964; Honig, 1998; Rosen, 1987; Shrader and Siegel, 2007). Educational attainment and training are believed to affect entrepreneurial intentions for venture growth (Smallbone and Wyr, 2012) however, natural resource abundance has been noted to weaken incentives to accumulate human capital (Gylfason, 2001). Conservative attitudes to women in industry also constrain female entrepreneurship in developing and transition economies

(El-Namaki, 1988; Hisrich and Ozturk, 1999). The experience of overcoming barriers that has been accumulated gained by older entrepreneurs is likely to benefit the ventures they found and lead. Innovative firms are likely to be at the cutting edge of product and service developments. Banks and other organisations are perceived to assign a high risk status to SMEs and there is evidence that entrepreneurs who want to perform innovative projects are expected to find it harder to gain access to finance (Westhead and Cowling, 1995). Innovative firms are thus likely to encounter more financial difficulties compared to non-innovative firms. However, in addition to capital requirements difficulties, innovative firms are more prone to liquidity constraints (Acs and Audretsch, 1990). These constraints are likely to mean that innovative firms lack resources and that results in more problems and difficulties across all aspects of their business endeavours.

Entrepreneurial networks are an important resource for acquiring and exchanging resources and information (Ahlstrom and Bruton, 2006; Ahuja, Soda, and Zaheer, 2012; Birley, 1985; Davidsson and Honig, 2003; Hite and Hesterly, 2001; Jack, 2010; Jack and Anderson, 2002; Johannisson, 1988, 1998, 2000) and providing emotional support (Brüderl and Preisendörfer, 1998). Relational ties also contribute to developing competitive abilities (McEvily and Zaheer, 1999) and superior new venture performance (Stam and Elfring, 2008). The value of an entrepreneur's network thus lies in the usefulness of members for providing access to resources, information and support. More specifically, in transition economies good connections and friendly ties with government officials and bureaucrats are fundamental to smoothing the way forward for business - without good connections and networks, new ventures are destined to fail (Aidis, 2005; Aidis and Adachi, 2007).

Research into the networks of entrepreneurs in developing and transition countries reveals the impact of specific types of members (Ahlstrom and Bruton 2006; Rooks,

Klyver, and Sserwanga, 2014). Although political contacts may be useful (Faccio, 2006; Fisman, 2001), the effects vary (Chen, Sun, and Newman, 2011; Choi and Zhou, 2001; Zhou, 2013; Ahlstrom and Bruton, 2006; So and Walker, 2006). In China, for example, politically active entrepreneurs were able to influence policy development (Tan, Yang, and Veliyath, 2009), benefit from access to external finance and achieve superior business performance (Chen and Touve, 2011; Chen et al., 2011; Li, Meng, Wang, and Zhou, 2008; Zhou 2009). Political contacts also assisted entrepreneur access to finance in Pakistan (Khwaja and Mian, 2005) and Malaysia (Johnson & Mitton, 2003). However, a survey of 150 small ventures in China found mixed evidence concerning State preferential treatment and the chief executive's political memberships (Chen et al., 2011). Analysis of the National Survey of Chinese Private Enterprises (1997) (see Zhang and Ming 2000) found that political connections substitute for, rather than complement, formal market and legal institutions (Zhou, 2013). Political contacts might be secured through direct relationships between the entrepreneur and the government official or mediated through family and friends. The cultural importance of the extended family in Arab society (PWC, 2012) is manifest in the intricate web of ties harnessed to help eradicate, or minimize, barriers (Achoui, 2009). Social media represents a new way for networks to be developed. Social media networks such as Facebook and Twitter allow communication to take place twenty-four hours a day, and over all days in a week. Communication between members in other networks can be used to overcome problems and difficulties which the businesses face. Thus, social media networks are expected to be beneficial for businesses.

The RBV theory has, however, been subjected to a number of criticisms particularly in regard to the methodologies used by various researchers who contributed to the development of the theory. RBV researches are focused on macro phenomena that

are averaged across various industries (Aharoni, 1993). However, the approaches used by RBV researchers that rely on averaging methods are inconsistent with the main tenets of the RBV such as resource heterogeneity (Lynch, 2000).

Social influences also need to be taken into account. An entrepreneur's networks are an important resource for acquiring and exchanging information (Johannisson, 1988) and providing emotional support (Brüderl and Preisendörfer, 1998). Relational ties also contribute to developing competitive abilities (McEvily and Zaheer, 1999) and superior new venture performance (Stam and Elfring, 2008). The value of an entrepreneur's network thus lies in the usefulness of its members for providing access to information and support.

Social network theory provides a valuable framework that can be used to examine the structure of relationships between individuals, groups or organizations in order to understand how social networks facilitate the flow of information. The social network theory has however been criticized by a number of authors. Most critics point out that the Social Network Theory tends to overlook how various networks are embedded in a given social, cultural, temporal or spatial context. Eve (2002: 394) also criticized the tendency to reduce ties in a network to a dyadic relationship with limited or no contextual grounding. According to Borgatti and Foster (2003) the biggest problem with studies using social network analysis is the focus either on network structure or agency rather than exhibiting the balance between the two perspectives.

According to the diffusion of innovation theory, innovations are usually communicated through specific channels over time and within a particular social system (Rogers 2003). As such, in a given firm, innovativeness is related to number independent variables such as individual characteristics, internal organizational structural and external characteristics of the firm in question. The diffusion of

innovation theory offers a valuable analytical framework that can be used to study the barriers to growth by entrepreneurs in Kuwait. This is because the framework has a solid theoretical foundation, consistent empirical support and can easily be applied to information system innovation domains. However, the framework does not include the environment context (Rogers, 2003).

On balance the researcher proposes that:

**Hypothesis 1a.** Owner-managers with higher start-up finance will face fewer barriers when compared to owner-managers with lower start-up finance.

**Hypothesis 1b.** Women entrepreneurs will face more barriers when compared to male entrepreneurs

**Hypothesis H1c.** Owner-managers with a greater level of education will face fewer barriers compared to owner-managers with a lower level of education

**Hypothesis H1d.** Older owner-managers will face fewer barriers compared to younger owner-managers.

**Hypothesis H1e.** Innovative firms will face more barriers compared to non-innovative firms

**Hypothesis H1f.** Owner-managers whose social network includes political contacts will face fewer barriers than an owner-manager without political contacts.

**Hypothesis H1g.** Owner-managers who utilise social media networks will face fewer barriers than owner-managers who do not utilise social media networks.

The method of value capture was assessed by ownership of a website. Amit and Zott (2001) outline the way the value creation occurs in 59 American and European e-businesses. Having a website would be expected to increase global visibility, and

combined with facilities to order and pay for goods and services would be expected to generate business. Businesses which have successful e-commerce strategies and generate high proportions of their business activities from e-commerce would be expected to have fewer barriers compared to those businesses without websites.

***Transaction structure.*** The adoption of a legally constituted organizational form is an important characteristic of a new venture and indicates that a new venture has been created (Gartner, 1985). In a Limited company, the company is a separate legal entity and the owner's liability is limited. In non-limited companies, the owner and company are the same legal entity, which means owners are liable for all debts and profits. A non-limited company does not have to file tax returns unlike limited companies. A limited company can be of two types: (1) a private limited company and (2) a public limited company. The limited company is considered as a separate person by the law. Limited companies are more likely to use a social media site than other legal structures (non-limited companies) as they are more transparent and accountable in their operations and are answerable to their shareholders. The shareholder values constitute useful resources for the firms in addition to tangible and intangible assets including managerial skills, organizational workflows and information systems. Limited liability companies signify to stakeholders that the new venture is a feasible, credible and legitimate business (Freedman & Godwin, 1992; Zimmerman & Zeitz, 2002) and this is expected to translate into fewer business barriers. The counter argument is that by definition limited companies are separate legal entities from the entrepreneur and the employees, and this is no guarantee that the products/service and behaviour will be any better than other forms of legal entities. On balance, it is expected that limited company businesses encounter fewer barriers than other legal formats.

The crux of a business model lies in defining the manner by which the enterprise delivers value to its customers, attracts customers to pay for value and converts those payments into profits (Teece, 2010). A business model is an articulation of logic and data to demonstrate how the business creates and delivers value to its customers (Teece, 2010). A business model also outlines the architecture of revenues, costs and profits which are associated with the enterprise delivering value (George and Bock, 2011).

The global revolution in information and communication technologies has led to radical changes in entrepreneurial business models (Amit and Zott, 2001; Zott et al.,2011). With the arrival of the internet and the growth of the e-Commerce, a new fundamental and transparent way to ask questions about how business adds value to customers has been devised. Customers are more empowered in terms of information and comparison shopping is much easier. No matter what the business sector is, a good business model needs to be in place. A good business model is one which provides value propositions that are attractive to customers, has advantageous cost and risk structures and enables significant value capture by the business which delivers products and services (Teece, 2010). At the forefront have been advances in using the Internet to communicate with stakeholders via social media networks and provide a route for entrepreneurs to assemble resources, and a mechanism for generating sales revenue. The Internet and e-commerce allow resources to be used efficiently. Resources can be bundled together and can contribute towards developing and then maintaining a competitive advantage by a judicious use of the Internet and e-commerce. The researcher expects that a website will increase enterprise visibility, and when combined with order and pay facilities, will capture revenue. Ventures that have e-commerce strategies and generate high proportions of their business activities from e-commerce



would be expected to encounter fewer barriers compared to those businesses that do not promote the venture or mediate sales via a website.

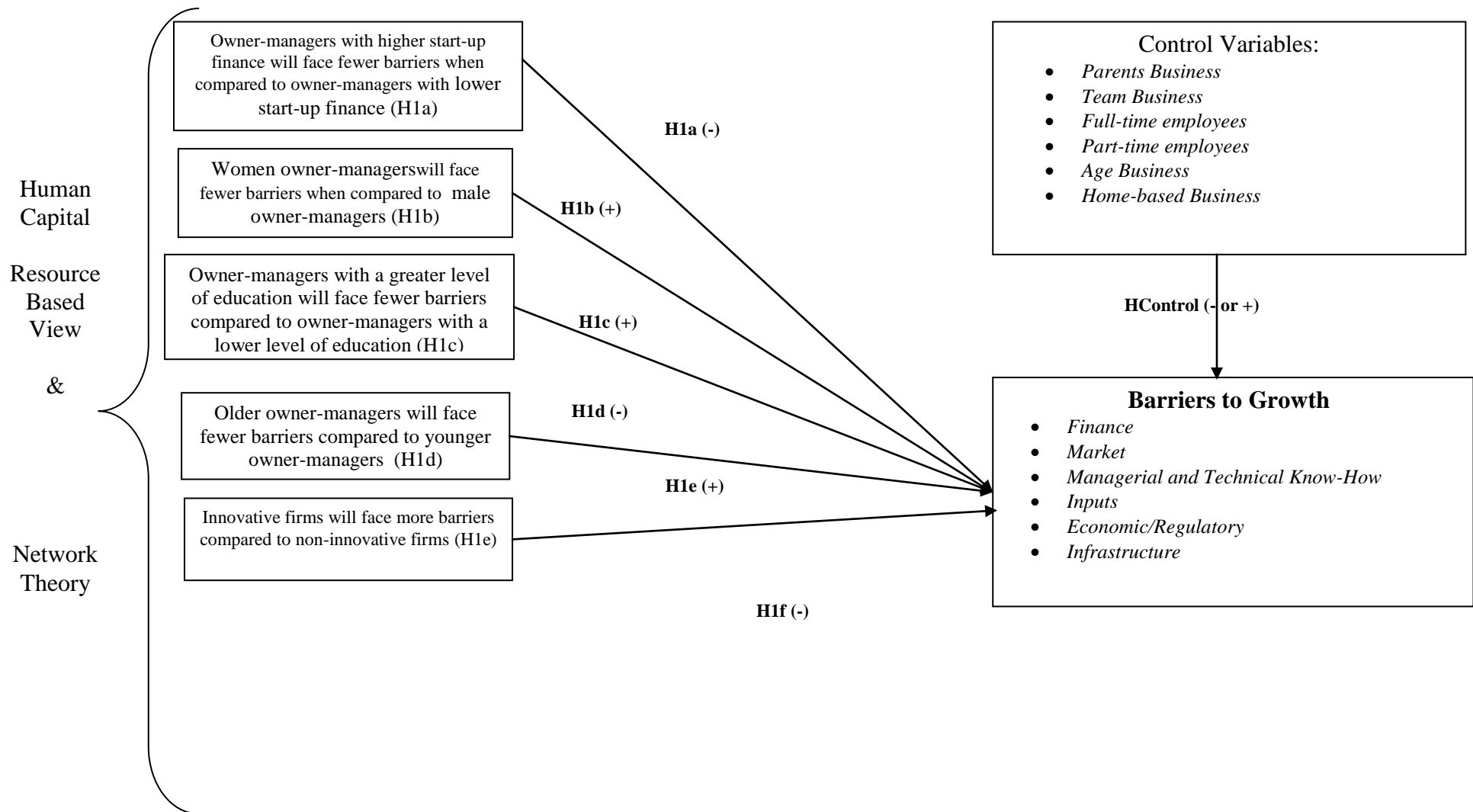
**Hypothesis H2a.** A business in which the venture is registered as a limited liability company will face fewer barriers than those that adopt other legal statuses.

**Hypothesis H2b.** A business model in which revenue is captured through e-commerce will encounter fewer barriers than when revenue is captured through other transaction structures.

**Value structure.** A business model is configured around the sale of products and/or services to customers. To generate sales the entrepreneur's offer must be superior to competing products and be valued by customers. Previous research has noted that at industry level specific environmental conditions and barriers influence enterprise growth (Porter, 1980, 1985; Wiklund et al., 2009; Storey, 1994). We expect that industries that require substantial capital investment such as manufacturing and wholesaling will encounter more barriers when compared to industries that require less capital investment e.g., information, communication and professional services. Finally, exporting has consistently been found to impact positively on performance by providing access to markets as well as new information and knowledge (Clerides, Lauch, & Tybout, 1998). However, the establishment of export markets is likely to incur higher costs than selling to domestic markets. In Kuwait the government is actively seeking to support an entrepreneurial sector and we would thus expect institutional barriers to exports to be low.

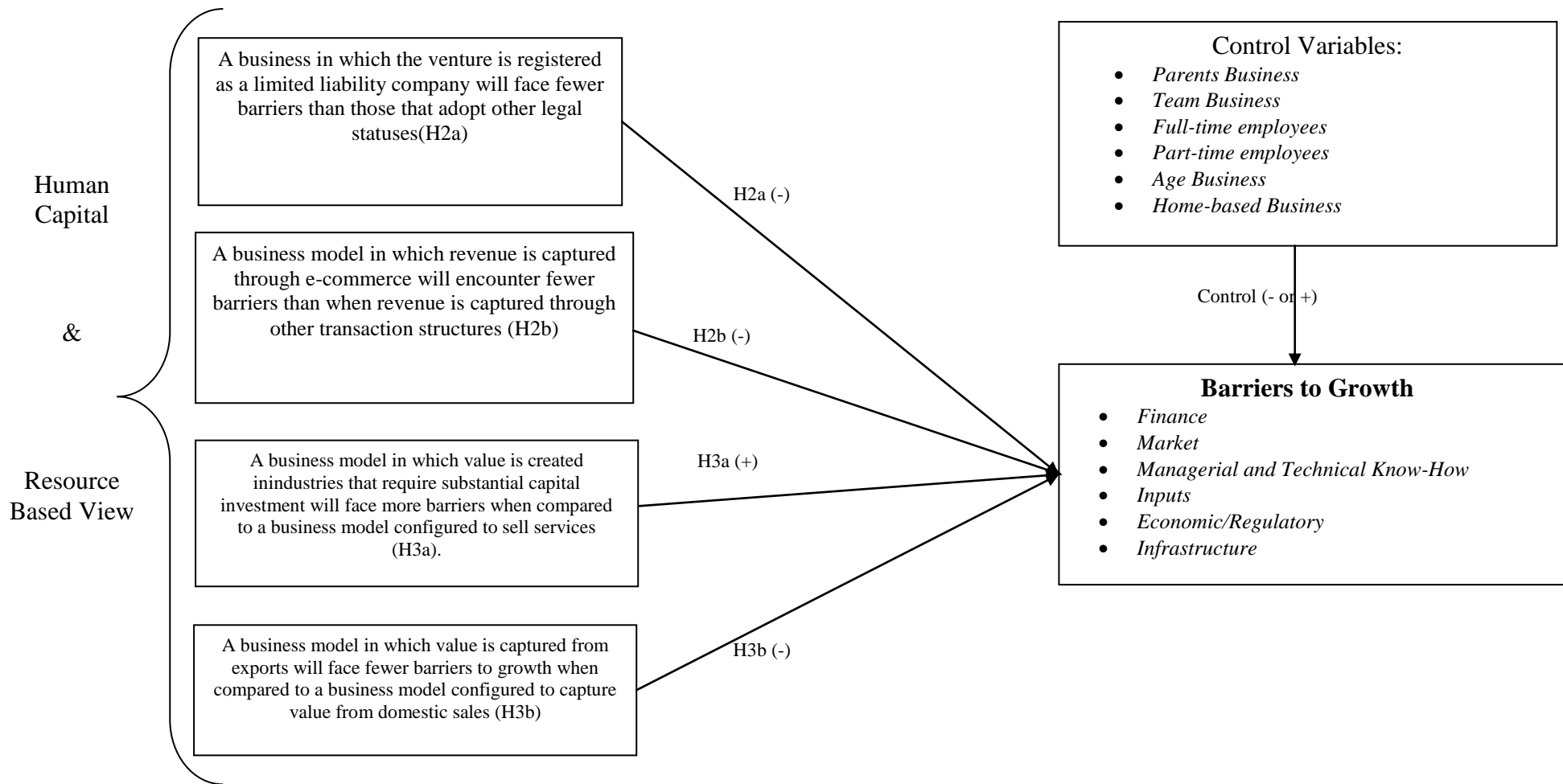
**Hypothesis H3a.**A business model in which value is created in industries that require substantial capital investment will face more barriers when compared to a business model configured to sell services.

**Hypothesis H3b.**A business model in which value is captured from exports will face fewer barriers to growth when compared to a business model configured to capture value from domestic sales.



**Figure 3.1: Resourceshypotheses and the expected associations with barriers to growth in Kuwait**

**Figure 3.2: Transaction Structures and Value Structure hypotheses expected associations with barriers to growth in Kuwait**





### **3.8 Conclusion**

In conclusion, this literature review has outlined the factors associated with barriers to growth in the entrepreneurship and small business literatures. The striking nature of previous research is a general lack of the writings being firmly positioned to use one or more theories. Too many papers are without a theoretical structure. Furthermore, the number of observations utilised ranged hugely, but in too many studies there were worryingly small numbers of respondents. Too many studies used SMEs as the focus of analysis, and did not use the entrepreneur. The following chapter presents the theoretical contextualisation of the thesis and the derivation of the hypotheses which are tested in subsequent chapters.

## **Chapter 4**

### **Research Methods**

#### **4.1 Introduction**

The previous chapter presented a critical review of the previous research on barriers and obstacles to growth, and that included the identification of the gaps in our knowledge and understanding. From the research gaps the hypotheses were presented which linked to the theories presented in the second chapter. This chapter presents the research methods which have been followed in this thesis and as such the chapter serves as the gateway between the front end chapters and the second half chapters of the thesis. In other words, this chapter services to present the reader with the methods which have been followed in order to operationalise testing the hypotheses presented in the previous chapter. This journey involves making the reader aware of the rules which have been followed in assembling a large scale data set.

In embarking on the research journey, it is important that the reader is made aware of the researcher's understanding of the theoretical and philosophical issues which underpins his research methods and approach (Guba and Lincoln, 1994). Accordingly, the research methods chapter commences with a discussion of the philosophical position which has been followed, and then outlines the research strategy. This is followed by linkages to previous research on barriers and obstacles to growth in developed and developing countries. The readers will then have their memories refreshed with the logic and rationale for this thesis, followed by the operationalisation of the quantitative approach in a large scale survey in Kuwait. Within the aforementioned, it is important to present the rationale for the choice of a quantitative positivist deductive approach which uses econometric techniques, as well as the justification for choosing Kuwait as the centre of this study. Statistical considerations need to be highlighted to the readers and

especially the sample framework and considerations of the justifications and appropriateness of the research design and the design of a quantitative questionnaire. Difficulties which were encountered and overcome need to be presented to the readers.

#### **4.2 Research Philosophy**

Research performed by researchers in Management and Business Schools and Social Sciences more generally is built upon and greatly influenced by the philosophical stance which a researcher follows. This particularly applies to the researcher's stance with regard to the social construction of reality, known as ontology, and also the stance relating to the nature of social knowledge, known as epistemology (Saunders et al 2009).

Specifically, ontology relates to a researcher's beliefs about the nature of reality and thus this determines what can be known (Guba and Lincoln, 1994). There is a vast literature on ontology but in essence there are two main assumptions of reality in the ontological literature and these are realism and relativism (Saunders et al. 2009). With the former it holds that reality exists in the world independent of the observer, whilst the later is rooted upon the idea that reality is a creation of our perspectives. The ontology literature has gone into minute details to discuss the scenarios that fall between the two mentioned approaches but in relation to a quantitative positivist doctoral thesis it is not necessary to discuss these further approaches.

Epistemology is concerned with the relationship between knowledge and the researcher. Again there is a vast literature which has discussed and critiqued epistemology but in brevity epistemology refers to how a person has come to know what he or she knows. Saunders et al. (2009) presents two main epistemological positions being followed in the Social Sciences and these are positivism and



interpretivism, and where the later is often referred to as social constructionism. As with ontology, there are many other stances which can be followed with regard to epistemology but again there is no need to discuss those here (See Easterby-Smith et al., 2012). In essence, the two views of epistemology, positivism and interpretivism present very different perspectives of how social reality and knowledge may be investigated. With a positivist approach this applies natural science perspectives and way of thinking to social sciences, and this involves adopting the view of social reality as an objective reality. In order for a positivist approach to be appropriate, and justified, there is a need that a researcher follows an approach of being objective, having derived hypotheses which are linked to theory, and that a deductive reasoning way of thinking has been followed (Bryman and Bell, 2011). In this thesis the researcher has followed a stance and way of thinking which is to be an objective analyst, and do his best to not affect nor be affected by the subject of the research.

Interpretivism, in contrast, rejects the idea of a single objective reality and adopts the view that individuals interpret their social world (Saunders et al. 2009). Proponents of interpretivism place great importance on differentiating between people and the objects in natural science. Accordingly, they take the view that the focus of investigations should be on feelings and attitudes of people. With the interpretivist perspective they reject the idea that researchers should search for external causes of behaviours, and instead they argue that the focus should be on understanding the diverse experiences and perspectives of people

The discussion and critical review has outlined a route map of the main philosophical assumptions which need to be reflected upon in performing research. It is important to clarify the philosophical position of the researcher. The researcher came to looking at barriers to growth with an open mind as far as the methodology to follow;

but, the philosophical stance followed has undoubtedly been greatly influenced by the research problem being investigated, together with the researchers own feelings towards the research process. In particular, the researcher's personal view of reality supports the realism (ontological) perspective, and that serves as the basis of the final epistemological assumption which underpins the research, and that in turn has a knock on effect on methodology (Holden and Lynchm 2004). The epistemological perspective which is followed in the research is positivist, and the methodological decisions in the rest of this chapter, and thesis, will be presented in accordance with the aforementioned philosophical position.

### **4.3 Research Strategy**

The reader is reminded that the aim of the study was to investigate the extent to which business model theory can be used as an umbrella to bring together and build a multi-theory approach to understand the barriers to growth in Kuwait focusing upon the resource based view of the firm, human capital theory, and social network theory. It is also important to identify empirically which are and are not the barriers to growth in Kuwait in relative and also in absolute terms. Furthermore, hypotheses were identified to test which characteristics of the entrepreneurs and their firms are systematically related to the encountering of barriers to growth is another aim of the study. A key informant approach is followed and in contrast to many other studies where the firm is the focus of analysis, or owner-managers are used, this study uses information obtained from entrepreneurs to investigate the extent to which small and medium sized businesses with 4-249 employees encountered barriers and limits to achieving their business objectives in Kuwait.

### **4.3.1 Choice of research strategy**

Research in Business and Management Schools and the Social Sciences more generally can take either a quantitative approach, a qualitative approach, or a mixed methods approach which utilises quantitative and qualitative research techniques (Bryman and Bell, 2011). In this study a quantitative approach is followed which utilises positivism. There has developed a methodological divide between quantitative and qualitative research but it does need to be acknowledged that both approaches offer distinct strengths and weaknesses. A qualitative research approach is one of the favourite approaches to get in-depth analysis of the research problem by designing unstructured or semi-structured interviews, perhaps combined with some form of observation but in the American led research there is a stronger tradition of using quantitative research and studies of large scale surveys which are analysed using statistical and econometric techniques. But, whether quantitative or qualitative research is followed often has strong implications for the role of theory – whether a deductive or inductive approach is followed, as well as the ontological and epistemological stances which are adopted.

The arguments in favour and against quantitative research, and the corresponding views relating to qualitative research have been the subject of an old and ongoing debate which has much in common with a law society moot event. Quantitative research begins with a research question, an assessment of the previous literature and develops hypotheses which are linked to a theory, or increasingly adopting a multi-theory framework. A questionnaire is designed, piloted, harvested, coded up and analysed using statistical and econometric techniques to test the hypotheses. This approach draws heavily upon a deductive approach (Saunders et al. 2009). In contrast qualitative research is more likely to be linked to an interpretivist assumption (Hussey and Hussey,

1997). The first set of strengths of the aforementioned quantitative approach is that when the data set is large, and typically more than 250 usable respondents that the researcher in testing their hypotheses is then able to make generalisations to the population examined, with careful caveats, which are statistically robust. Whilst there is always the potential criticism of data mining, that aside, the researcher should be able to present econometric models which are linked to theory and adopt an independent stance, and that approach garners a substantial degree of credibility to the researcher and their study, and clearly those are further advantages associated with quantitative research. These advantages and strengths are tempered by disadvantages and weaknesses which includes the criticism that quantitative research is too abstract and remote from the question being investigated, that a statistical approach lacks minute brush strokes, it is often left to speculation to explain why results are not consistent with the hypotheses and theory(ies) which are being tested. Others have argued that quantitative research is marred by a confirmation bias (Johnson and Onwuegbuzie, 2004). Furthermore, the adoption of the social sciences of theories, such as population ecology, which have been developed in the natural sciences has been viewed as inappropriate and contributing to the stunting of theoretical development in the social sciences.

In this thesis the data which has been collected is fully based over the development of the respondents' views and entrepreneurial theories. Whilst a positivist approach is not universally popular, researchers should be free to use it and the ensuing debate, and possible or actual friction will stimulate advancements in theories, and contribute to answering the research question being investigated.

Whilst qualitative research has been rejected as the vehicle to follow in this thesis, it is important for the reader to understand what is meant by qualitative research and

that it encapsulates a variety of different approaches, and also to understand what are the strengths and weaknesses of qualitative research and the implications for research. Whilst quantitative research combines the use of numbers and statistical and econometric techniques, qualitative research uses words and the harvesting of quotations. Qualitative research is much richer than quantitative research, and provides minute details and fine brushstrokes of entrepreneurs and firms which are being investigated. In collecting and analysing the words and views of entrepreneurs and owner managers and other business stakeholders qualitative researchers often adopt an inductive approach which can be used to build entirely new theories and ways of understanding entrepreneurial and business problems. However, the criticism which quantitative researchers would throw at qualitative research is that qualitative research is often too subjective, that it lacks objectivity, and may be drawing conclusions and building theory from utilising only a very small number of stakeholders who have been interviewed. In other words, qualitative research is not statistically based, the generalisations to the population are heroic and the building of new theories may in fact be based upon a flawed small number of people who have been interviewed. Indeed, given the nature of the subjectivity and small scale of the qualitative studies it may be very difficult, if not impossible, to replicate the findings a qualitative study.

At the risk of simplification of the research which is following a quantitative approach is more likely to apply a deductive approach to testing hypotheses which are linked to theory whilst qualitative research is more likely to utilise an inductive approach which may involve the creation of entirely new theories. Furthermore, in summary, it also needs to be noted that deductive approaches are more likely to be used in conjunction with positivism whilst an inductive approach is more likely to be used with an interpretivism approach (Holden and Lynch, 2004).

Undoubtedly, the methodology which a researcher selects will be influenced by the philosophical assumptions of the researcher, and that is openly acknowledged in this thesis. The choice of the methodology, in this case a quantitative approach, will also be based and influenced by the research topic which is being investigated and the specific questions which the researcher seeks to throw light upon (Saunders et al. 2009). Given that the researcher's thesis is concerned with investigating the barriers to entrepreneurs' businesses in Kuwait, the characteristics which are (and are not) systematically associated with barriers to growth, it was felt that using a quantitative approach and a deductive approach is most appropriate. That is not to denigrate qualitative studies and those who have followed an inductive approach in studies on barriers to growth such as Doern's (2009) work as well as her joint work with Goss (See Doern and Goss, 2013). In the second chapter of the thesis the reader was introduced to the major theories which are associated with barriers and obstacles to growth and their strengths and weaknesses. In the third chapter the reader was introduced to a critical debate on the state of the previous literature on barriers and obstacles to growth. In following a deductive approach the researcher drew upon the existing state of knowledge on theory and the previous research to identify research gaps, and build hypotheses which are linked to theories. This deductive approach will allow the hypotheses to be tested and theories of barriers to growth will be advanced, and empirically the practitioners and policy makers will also be able to be presented with a better picture of the nature of the barriers and obstacles to growth in Kuwait.

#### **4.3.2 The rational for the choice of research area**

Kuwait is the country which has been selected for developing the study on the barriers to growth. Kuwait is a country which has an expanding business community

which has been boosted by a wealthy government paying generous public sector salaries. According to studies conducted by the Ministry of Finance in Kuwait, the average monthly salary and benefits for Kuwaiti employees in the oil sector and oil companies is approximately 4804KD<sup>5</sup>, while the average monthly salary of Kuwaiti employees in the public sector is approximately 1600KD. After the Petroleum Corporation, then the Audit Bureau average is approximately 3650KD, then the Public Authority for Investment 3631KD, then Kuwait Airways at 3466KD, then Kuwait Institute for Research an average of 2939KD, then the central bank an average of 2220 dinars, in addition of teachers' salaries in Kuwait University, where teachers' salaries are up to 4953 dinars a month. (<http://altaleea.com/?p=7988>).

The Kuwaiti government also has a desire to see oil revenues, and profits, be used to build a SME based society of manufacturing and service sector firms. With the exception of Iraq's invasion of Kuwait, Kuwait enjoys a safe business environment and a liberal society in comparison to its more conservative and larger sized neighbours of Kuwait, Iran and Iraq. Kuwait is a wealthy country and has some advanced economy characteristics but the knowledge and understanding of entrepreneurship and SMEs is in its infancy compared to Europe and North America. For the aforementioned reasons it was important to select Kuwait as the research location of the researcher but especially because it is a wealthy developing country which is also seeking to develop and exploit technology and the internet.

Furthermore, Kuwait has a stable political environment and a more open debating culture, and a more open Parliament in comparison to other GCC countries. This openness in politics is also reflected in the comparatively open market structure. The average tariff rate is 4.4% which attracts domestic firms to make more investments.

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<sup>5</sup> One Kuwaiti Dinar is worth approximately £2.10

There is a well developed financial system which offers a wide range of services in Kuwait. This is tempered against restrictions in ownership and control of foreign banks to compete in the provision of financial services products. Indeed, foreign banks are limited to providing investment banking services. The market freedom score is 62.5 which positions Kuwait as the 74<sup>th</sup> freest country in the 2015 index. High oil revenues is tightening the policy makers to give attention to possible liberalizations of its markets including privatizing some state-owned enterprises. Here entrepreneurs are mainly giving its attention over the development of their own business and increasing free market trade to give dynamic change to the economy.

The nature of the institutional environment is an important factor to consider when investigating enterprise growth. Recent studies of entrepreneurship in transition economies e.g., China, Russia, Poland, Slovakia, Romania, Ukraine, and Vietnam (Aidis and Adachi, 2007; Aidis et al., 2008; Johnson, MacMillan, and Woodruff, 2000; McMillan and Woodruff, 2002) have endorsed the view that the relative strength of country level institutions may hinder enterprise development and growth (Aidis and Adachi, 2007). Few studies to date have been conducted in the Gulf region (Grassa and Gazdar, 2014) in which Islam shapes the institutional and entrepreneurial environment (Khan and Bhatti, 2008; Gümüşay, 2014).

Kuwait owns the world's fifth largest oil reserves and is thus a high income country. Although the economy is dominated by oil, other industries include shipping, infrastructure and financial services. The population of approximately 3.7 million residents consists of 2.5 million foreign workers (EIU, 2014). The country is ruled by an hereditary constitutional monarchy and governed by a parliamentary system. Kuwait gained independence from the UK in 1961 and rapidly developed its oil and gas reserves into a profitable, state-owned, industry. The Iraq invasion of Kuwait in 1990,



and subsequent occupation and Gulf War, saw the destruction of industry and infrastructure which has been almost entirely rebuilt since the war ended. Typical transition economies are characterised by efforts to stimulate entrepreneurship in order to move away from the dominance of state-owned industries and large companies (McMillan and Woodruff, 2002). This is also the case in Kuwait: the government invests in providing finance to entrepreneurs to facilitate the creation of an innovative private sector entrepreneurial community. However, in contrast to the hostile business climate of some transition countries e.g., Russia (Aidis and Adachi, 2007), the government actively supports the development of a Kuwaiti-led private sector by favourable taxation policies - taxes for small enterprises are zero compared to 15% in Russia (Aidis and Adachi, 2007).

The above notwithstanding, Kuwait remains a transition economy. In common with other oil rich Arab nations such as Saudi Arabia, the United Arab Emirates, Oman, and transition countries (Carlisle and Flynn, 2005), the ruling families have substantial power, the government holds equity stakes in financial institutions and maintains tight institutional control over markets and the business environment (Blair, 2013). More than 99% of Kuwaitis are Muslim and attitudes towards female emancipation and dress standards, although liberal compared to the neighbouring orthodox and conservative Saudi Arabia, still fall short of the greater accepted roles of women in countries such as the US and the UK (Al-Owaihan and Rao, 2010). Kuwaitis are a minority in their own country and State wealth from energy revenues mean that most Kuwaitis do not need to work. The cultural expectations are, however, that relational ties are an important component of Kuwaiti family, and work, life. The influence of religion on entrepreneurial behaviour has largely been neglected in entrepreneurship (for exception see Dana, 2010, and Gümüşay, 2014). Although many societies are post-secular

(Habermas, 2010), this is not the case for Kuwait in which culture and society, along with the other Gulf countries, are influenced by Islamic principles. In Kuwait the Islamic financial system facilitates lending, borrowing and investment on a risk-sharing basis between banks and entrepreneurs (Khan and Batti, 2008) and operates alongside other financial systems. In essence, the Islamic financial system functions as a value-based system to facilitate moral and material wellbeing for individual and society alike (Ahmed, 1994).

Prior to 2013 no formal definition of a small firm existed in Kuwait. Policy initiatives introduced to support entrepreneurs stipulate that a small enterprise is defined as any business with up to 4 Kuwaitis and an initial capital of 250,000 Kuwaiti Dinars (US\$887,000 and £531,000), and a medium enterprise requires 5-50 Kuwaitis and an initial capital of 500,000 Kuwaiti Dinars (US\$1,774,000 and £1,063,170 conversion rate) (Kuwait Government, 2013). The regulatory requirement stipulating minimum Kuwaiti involvement was introduced to ensure that government funds for enterprise development benefit Kuwaiti nationals and are retained by Kuwait (Kuwait Government, 2013). As these definitions are new and yet to diffuse into practice and we adopted the standard definition of as an organization with fewer than 250 employees and turnover less than €5 million (EU, 2005).

#### **4.4 Previous Studies on Barriers to Growth**

Table 4.1 presents information on the approaches followed in previous studies on barriers to growth. The companion table 4.2 provides information on the descriptive information on the respondents who completed the studies. It is striking to see the paucity of information which is provided in the methodologies of previously published research studies, quantitative and qualitative studies alike. Whilst the number of words

available to write journal papers is limited and there is not the luxury of a research monograph or doctoral research where there are substantially more words available to provide fine brush strokes on research methods it does still appear surprising to see researchers divulging so little information.

**Table 4.1** Review of relevant quantitative studies

Author/s (year)	Country/region	Sampling technique	Sample source	Sample specification	Industry	Barriers definition	Data source/ collection method	Final Sample size	Survey Period & Response rate	Test non-response bias	Pilot	Analysis method
Gill and Biger (2012)	Canada	A convenience (non-random) sampling technique with non-anadain small businesses excluded	Not provided	Firms with less than 150 employees in the Lower Mainland of British Columbia , Canada (North Vancouver, Vancouver, Burnaby, New Westminster, Surrey, Delta and Richmond)	Service Manufacturing (5 firms) Other	A five point Likert scale ranging from strongly disagree to strongly agree.	A combination of mail survey and telephone interviewing	215	24%	Not provided	30 small business owners pre-tested the questionnaire	Factor analysis
Mambula (2002)	Nigeria	Not provided	Not provided	Not provided	Not provided	Main growth and performance constraints	Interview	32	Not provided	Not provided	Not provided	Tabulation and quotations
BIS (2015)	UK	The 2014 survey results are weighted using the BIS' Business Population Estimate (BPE, 2014) which indicates that 82 per cent of SME employers were micro businesses	the Inter Departmental Business Register (IDBR) and Dun & Bradstreet	The target was that one sixth of interviews in each nation should be conducted with enterprises with no employees; one third with micro businesses (one to nine employees); one third with small	ABDE Primary sector (150) C Manufacturing (570) F Construction (369) GHI Retail, transport and food service (1364) J Information & communications (170) KLM Business services (637)  N Administrative services (331) PQRS Other services (764) 4355 Total	“I am going to read you a list of issues and for each I would like you to tell me which, if any, represent obstacles to the success of your business? READ OUT. RANDOMISE CODES 1-11. MULTICODE OK 1-12	Telephone interviewing	5115	Not provided	Yes	Yes	Tabulation

		(1-9 employees), 15 per cent are small businesses (10-49 employees) and two per cent were medium sized businesses (50-249 employees).		businesses (10-49 employees); and one sixth with medium-sized businesses (50-249 employees).		<p>ASK IF MORE THAN 1 OBSTACLE MENTIONED AT G1, OTHERS GO TO FILTER BEFORE G3 G2) <b>So currently which represents the biggest obstacle to the success of your business?</b></p> <p>READ OUT THOSE MENTIONED AT G1. SINGLE-CODE.</p>							
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Lee (2014)	UK	See BIS (2015)	Dun & Bradstreet	Not clear	Not clear	I'd like to ask you now some questions about any obstacles or difficulties that your business might face in achieving your business objectives. What would you say are the main obstacles to the success of your business in general	Telephone Interviewing	4858	Not clear	Not clear	Yes	Regression
Yamoah et al. (2014)	Ghana	A convenience sampling technique was used to select 200 firms from 5,776	The Ghana Statistical Service's 2003 industrial census	(1) A small enterprise (5-29 workers with annual sales of up to \$100,000) or medium enterprise (30-99 workers and sales of upto \$1 million). (2) the firms are registered with the Registrar General's Dept. (3) The firm must be located in Accra or Tema.	Services 47.8% Manufacturing & construction 42.0% Agriculture 10.2%	Respondents were asked which constraints they perceived as having a negative impact on their enterprise development. The Robson & Obeng (2008) approach followed.	Personal visits	157	78.5%	Not indicated	20 firms participated	Regression
Gill et al. (2010)	Canada	Not clear	Canadian small business owners in the Lower Mainland area of British Columbia	900 Canadian small business owners	Services Other Manufacturing 5 firms who are combined with Services	Kozan et al's (2006) measure was utilised.	Telephone (45%), personal visits & mail (combined 55%)	218	24%	Not indicated	30 firms were involved in pre-testing the scale items	Factor analysis & regression analysis.
Aidis (2005)	Lithuania	Not clear	The membership lists of entrepreneurial organizations.	1011 questionnaires distributed	Manufacturing 22% Trade 42% Remainder of sectors not specified	Respondents were asked to identify the main 'perceived barriers that they	Mail Distribution Questionnaire	505 returned but only 332 were	332/1011	Not indicated	Not indicated	Logit, Multinomial logit and hierarchical cluster

						encounter from a list of 19 variables. 6 options on a Likert scale		SME business owners				analysis
Moy and Luk (2003)	Hong Kong	Not clear	Dun & Bradstreet (2001) & Hong Kong Small and Medium Enterprise Association (2001)	47% of 2074 SMEs agreed to participate. 1,000 questionnaires distributed.	Business & Personal services 35.5% Manufacturing 27.0% Import/Export 11.0% Wholesale/Retail 9.5% Finance/Insurance/Real Estate 7.5% Transport/Communication 6.5% Hotel/Catering 3.0%	Theng & Boon's (1996) list of 34 obstacles	<i>Mail Distribution Questionnaire &amp; Letter &amp; follow-up calls</i>	200	2001	Not stated	33 SME owners	Principal factor analysis and Mean scores and standardised canonical discriminant function coefficients
Cambridge CBR (2000) Cosh & Hughes (2000)	Great Britain	<i>Over-represent larger sized SMES to obtain a usable number of responses</i>	Dunn & Bradstreet	Not clear	Manufacturing and Business Services	'the factors which had limited their ability to meet their business objectives on a scale from 1 insignificant to a 5 for a crucial limitation	<i>Mail Distribution Questionnaire &amp; Letter</i>	1309 1255 in Cosh & Hughes (2000)	June-August 1999 60%	Yes for: Business Activity, Employment Employment Growth, Turnover, Profit Margin, Exporting, Innovation, Legal form, Year of formation, Growth objectives, Training, Sought Business Advice, Regional location, Sought external finance	1309 1255 in Cosh & Hughes (2000)	Cross tabulation

**Table 4.2** Review of sample descriptions

Author/s (year)	Country		Gender	Respondent age	Respondent education	Business age	Number of employees	Exporting	Industries	Legal form of business	Finance	Growth
<b>Gill and Biger (2012)</b>	Canada		<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Two broad industry dummy variables included</i>	<i>Not included</i>	<i>Not included</i>	<i>Sales growth included but as categories: \$0-\$250,000; \$251,000-\$499,000 and \$500,000</i>
<b>Lee (2014)</b>	UK		<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Yes</i>
<b>BIS (2015)</b>	UK		Eighteen per cent were 'women-led', defined as controlled by a single woman or having a management team, a majority of whom are women. A further 27 per cent were led equally by men and	<i>Not included</i>	<i>Not included</i>	<= 5 years 22% 6-10 years 18% 11-20 years 21% >20 years 39%	<i>Not included</i>	19%	<i>Not included</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>



			women									
<b>Erastus et al. (2014)</b>	Ghana		<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<5 years 40.1% 6-10 years 42.0% 11-15 years 10.8% 16-20 years 5.1% >20 years 1.9%	5-29 employees 91.1% 30-99 employees 8.9% <\$100,000 87.9% \$100,000-\$1,000,000 12.1%	28.0%	Services 47.8% Manufacturing & construction 42.0% Agriculture 10.2%	<i>Sole proprietorship</i> 90.45% <i>Partnership</i> 1.91% <i>Limited liability</i> 7.64%	<i>Not included</i>	<i>Not included</i>
<b>Gill et al. (2010)</b>	Canada		<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>	Services Other Manufacturing 5 firms who are combined with Services	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>
<b>Aidis (2005)</b>	Lithuania		73% male & 27% female	Mean 43 years	University educated 69%	<i>Business started before or in 1994</i> 83%	Not included. Business turnover was used. A mean of 2.73 for the following categories: (1) up to 100,000Lt; (2) 100,001-500,000Lt; (3) 500,001-1,000,000Lt; (4) 1,000001-5,000,000Lt; (5) > 5,000,000Lt	<i>Not included</i>	Manufacturing 22% Trade 42% Remainder of sectors not specified	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>
Moy and Luk	Hong Kong		86% male & 14% female	<25 years 0.5% 26-35 19.0% 36-45 49.5% 46-55 25.5% >56 5.5%	< Secondary 6.5% Secondary School 32.5% Post-secondary school 19.5% Bachelor degree 24.0% Master's degree or above 17.5%	<2 years 5.5% 3-5 34.years 0% 6-10 years 35.0% >11 years 25.5%	80% <50 employees	<i>Not included</i>	Business & Personal services 35.5% Manufacturing 27.0% Import/Export 11.0% Wholesale/Retail 9.5% Finance/Insurance/Real Estate 7.5% Transport/Communication 6.5% Hotel/Catering 3.0%	<i>Not included</i>	<i>Not included</i>	<i>Not included</i>
Cambridge CBR (2000) Cosh & Hughes (2000)	Great Britain		Not included	Not included	Not included	771 Older (13+ years) 495 Newer (12 years or younger)	577 Micro (<10) 573 Small (10-99) 128 Medium (100-499)	<i>Not included</i>	All Manufacturing, 772 Business Services 524 (Advertising, Management,	Yes	Yes	456 Stable/ Declining 285 Medium growth

										Technical & Professional Consultancy & Telecoms Services)			<i>255 Fast Growth</i>
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## **4.5 Research Design**

### **4.5.1 Rationale for methods chosen**

In common with other transition economies, composite information about entrepreneurial activity is not readily available in Kuwait. Data on Kuwaiti entrepreneurs and their businesses are not available from secondary sources, including government ministries. Thus, it was necessary to gather data directly from entrepreneurs using a large scale survey. The collection of information from entrepreneurs using a questionnaire is common in business and management schools but less so in the wider social sciences where qualitative research has a stronger hold (Saunders et al. 2009) and this is especially the case in studies of entrepreneurs and SMEs in the USA (See Babson website) but not in European studies (See ISBE website).

Self-administered questionnaires were used in this study in order to minimise any possible interviewer variance, and possible social desirability bias, although it is acknowledged that these can not be eliminated. In order to give the entrepreneurs greater choice in how they completed the survey, it was available both online and also in a paper format which was delivered and collected. Entrepreneurs face great demands upon their time and the use of a dual approach of online and paper questionnaire is increasingly a popular approach to maximise the rate of completion (Zahra, 2012) whilst in the 1980s and 1990s research postal questionnaires were de rigour (Storey, 1994).

Additionally it needs to be noted that online questionnaires, when used in conjunction with the commercial software allows a rapid collection of data, the ability to download the data in an excel and SPSS formats and the saving of a substantial amount of money because postage and stationary and printing costs are reduced. These cost reductions were less than could have been obtained with an all online questionnaire

approach but the delivery and collection route did allow respondents to control the time and speed of filling in the answers to the questionnaire.

#### **4.5.2 Reasons for eschewing other approaches**

Questionnaires can be harvested in a variety of different ways and these are: by mail, a form of delivery and collection, face to face completion by a researcher asking the questions, staying in the presence of the respondent and answering specific clarification questions asked by the respondents, an online questionnaire linked to a stand alone questionnaire, or an online questionnaire where commercial software is used, and a telephone approach can be followed. Research methods books cover the advantages and disadvantages of the aforementioned approaches (Saunders et al. 2009). Postal survey no longer enjoy the popularity they had in the past in the social science community. Whilst postal surveys are relatively low cost – printing, stationary and postage, and can be sent out in waves, or a mass survey all at once, these are weighed up against the laborious process of stuffing envelopes with a cover letter, questionnaire and a reply envelope. This process has to be repeated when reminders are sent to the people selected in the sample. Postal surveys are associated with a low response rate and several waves are often required to move the response rate above ten percent (Bryman and Bell, 2011). Telephone questionnaires have become more popular and are used by many government funded research projects employing telemarketing companies. This popularity is popular because it is possible to collect the data much quicker than a postal survey. Telephone surveys are believed to have a higher response rate than postal surveys (Saunders at al. 2009) but that is debatable given the dogmatic nature of telemarketing companies which would be as likely to galvanise a negative opinion against participating compared to willing or enthusiastic participation. This

notwithstanding, there are further issues to be reflected upon and these include the possibility of an interviewer effect, and in large scale surveys several interviewers may be used and even when they are given training an interviewer effect may still remain. Also social desirability bias may become an issue, especially on the more sensitive issues, and thus the responses are then not true and valid responses for several, or more, of the questions. The duration of telephone surveys can be onerous with excessively long questionnaires and then one wonders whether the respondents are giving genuine answers or are just keen to give quick answers, perhaps not telling the truth, so that they can get back to work. There also is the possibility that the respondent reaches their time limit and then abandons the telephone survey. Taken together the negative aspects of telephone surveys are substantial and it has been suggested in the social sciences that it is not an appropriate methodology to use (Eboli and Mazzulla, 2012).

Online questionnaires have gained ground over telephone surveys because they are cheaper to run, require less time and resources, and allow privacy and convenience of filling in the questionnaire at any time of the day or night, and possibly completing the questionnaire in two or more sessions which is most convenient. However, the main argument against online surveys is that those people who do not have access to the internet are not able to participate in the surveys. This may result in a biased set of respondents with all that implies for the results. In African studies both delivery and collection and face-to-face completion of questionnaires have been popular (Obeng, 2007) because of the unreliability of postal questionnaires and cultural issues. However, delivery and collection and face-to-face surveys are labour intensive and require a great deal of time, and realistically in large scale surveys requires the assembling of a team of researchers to administer the survey or to drop and collect the questionnaires. With face-

to-face surveys there is also the possibility of interviewer bias. Taken together, delivery and collection and face-to-face surveys are expensive.

Looking at the approaches outlined above it is clear that they fall into one of two groups: a self-administered approach – postal, online, and delivery and collection; and, interviewer-administered – telephone surveys and face-to-face questionnaire completion. A researcher's attitudes to these two groups can influence their choice of methodology. Also cultural issues can have an influence. Whilst Kuwait is a more liberal society than neighbouring GCC countries, and the role of women is more emancipated in Kuwait interactions between Kuwaiti women and researchers needed to be borne in mind by the researcher and that did favour the decision to allow entrepreneurs the opportunity to complete an online questionnaire.

#### **4.5.3 Sample framework**

Having an accurate sample is of paramount importance for researchers because if the sample is flawed this can produce a set of results which are biased, and misrepresenting a true picture of the responses to the questions. To create a population database the researcher secured access to the information from Chambers of Commerce in the six Kuwaiti governorates (Al Jahra, Al Asimah, Al Farwaniyah, Hawalli, Mubarak Al-Kabeer, and Al Ahmadi). The information provided listed business name and address, principal activity, legal status, date of establishment, and the name of the senior executive who had either founded, bought, or inherited the enterprise. Three selection criteria for inclusion in our population database were size (between 1-249 employees), ownership (the entrepreneur who had either established, inherited or purchased the business owned a major equity stake in the venture) and transacting (a record of trading). A national random sample of 1 200 independent new ventures was

drawn from the population. The sample was stratified by industry in line with Kuwait industry data (KCCI, 2014).

Choosing a suitable sample in entrepreneurship research is not easy even if it is in a developing country due to a lack of detailed industrial listings from the private and public sector (Buame 1996). For example, in the UK even though there are databases for SMEs, they provide little information about the business and there is no single database of registers which encompasses all SMEs (Jay and Schapter, 2013). In Kuwait the story is not different as there are different classifications and authorities provide similar data which has the same strengths and weaknesses.

In an attempt to determine a suitable sample frame for this study, different providers of sources of business listings were communicated for their suitability and availability for this study source which was contacted was the Kuwait chamber of commerce and industry (KCCI). They are also the publishers of the Album the Directory of Commercial and industrial Establishment in Kuwait. All Kuwaiti business are by law forced to register with the KCCI, but in practice many businesses do not register. The directory provides information about the name of the establishment, the location, postal address, and business activity, type of ownership, and the number of employees. This directory represents the most comprehensive and reliable source of business information in Kuwait for research purposes

#### **4.6 Measurement**

The questionnaire was developed from the review of previous research papers and translated from English to Arabic by a bilingual scholar. To control for translation errors, the questionnaire was then back translated by an academic and an entrepreneur, both native speakers of Arabic. After reconciling translation anomalies, the

questionnaire was piloted in face-to-face meetings with a mixed sample of 5 entrepreneurs in Kuwait. Feedback from the pilot interviews that the questions were overlong led the researcher to reduce and simplify several questions. The revised questionnaire was then piloted with a new mixed sample of 5 entrepreneurs in Kuwait and no further problems were encountered. This procedure was adopted to reduce as far as possible question ambiguity. The results from the two pilot tests are not included in the final sample analysed.

A research protocol was created to minimize common methods bias. Respondents were informed that the information they provided was confidential to the researchers and would be aggregated in any results such that a respondents name and business name could not be linked directly to performance data about their enterprise. The assurance of confidentiality was of paramount importance to our respondents to protect them from potential risks associated with publicity and exposure of their business dealings to the public. The layout of the questionnaire was designed to ensure that dependent variables were not located next to the independent variables. Finally, all the variables employed in each permutation of the regression models were included in a principal component analysis. We tested the results with the Harman one-factor test (Podsakoff, MacKenzie, Lee, and Podsakoff, 2003) and found no evidence of common methods bias.

A team of 9 bilingual English-Arabic fieldworkers from the Faculty of a Kuwaiti university (the Public Authority for Applied Education and Training (PAAET)) was trained to collect the data directly from respondents. Training involved attending a presentation about entrepreneurship and the aims of the survey, and a practice session to trial the questionnaire with a team member and an entrepreneur. The team, including one of the authors, were then allocated a quota of 120 enterprises to visit, explain the aims of the research, and present the entrepreneurs with a printed questionnaire in



English and Arabic. Respondents were given the choice of completing either a printed questionnaire (to be collected by the field worker after 7 days) or an on-line survey available via Survey Monkey. Data was gathered between May and August 2013.

A total of 407 questionnaires were completed of which 328 were submitted on-line and 79 collected from respondents. The sample was then scrutinised and reduced to 396 (5 respondents were ineligible as they employed more than 250 employees and 6 questionnaires were incomplete). The total usable response rate is 35 per cent and this compares favourably with other entrepreneurship and management surveys (Hmielski and Ensley,2007; Waldman, Ramirez, House, and Puranam, 2001). Demographic questions in the administered questionnaire confirmed that the respondent was the key decision maker in the business.

*Dependent variables.* To test the hypotheses, the entrepreneurs were asked to identify the barriers to growth that they had encountered. Barriers were grouped into categories of finance (7), marketing (8), production (7), institutional (6) and infrastructure (6). Finance barriers included access to debt finance from local sources, equity finance from private investors, debt finance from the Government, lack of collateral, loan criteria and raising capital from family and friends. Market barriers included inadequate demand, competition from imported goods, high advertising costs, lack of market information, poor access to new technology and lack of managerial/technical, financial and marketing skills. Production barriers included the high cost of skilled labor, sourcing and importing raw materials, finding and replacing equipment, high rents and poor access to government contracts. Institutional barriers related to high rate of inflation and Sharia compliant borrowing costs, regulations concerning business registration and employment, government bureaucracy and

corruption. Finally, infrastructure barriers consisted of high cost of utilities, transport and storage, lack of available industrial sites and premises, and poor electricity and water supply and telecommunications networks.

***Independent variables.*** Resource bundles were measured for finance, human and social capital. Entrepreneurs were asked to report the amount of start-up capital and responses of > 500,000 Kuwaiti Dinar (US\$1,774,000 and £1,063,170 conversion rate) were coded as '1', and otherwise were coded as '0' (High Finance). This figure was chosen because at the time of the survey it matched the Kuwait definition of a medium enterprise (Kuwait Government, 2013) and the threshold for receiving assistance from Kuwait government schemes. Human capital was measured by educational attainment, gender and age of the respondent. Entrepreneurs with non-university degrees were coded as '1' and '0' otherwise (School), an undergraduate degree as their highest level of educational achievement were allocated a value of '1' and '0' otherwise (Degree), and a postgraduate or doctoral degree as their highest level of educational attainment were allocated a value of '1' and '0' otherwise (MSc/PhD). Female entrepreneurs were allocated a value of '0', and male entrepreneurs '1' (Gender). Age was measured in years as a continuous variable in years (Age).

To investigate the influence of social capital, respondents were asked to report any prior government employment experience through which network contacts might have been created. Entrepreneurs who had not previously worked for the government were allocated a value of '0', while the entrepreneurs who had previously worked for the government were allocated a value of '1' (Direct). Of the respondents with former government employment experience the responses were then divided into six binary variables: education employment at deputy school head or associate professor or higher

in education institutions (Education High) or lower appointment (Education Low); ministries denotes employment at upper middle rank in the civil service or a member of Parliament (Ministries High) or lower appointment (Ministries Low); and finally the wider category of employment in a senior position in the diplomatic service, army, oil companies, television, healthcare and airways (all State owned or controlled) Wider High) or lower appointment (Wider Low). Indirect political connections were measured via the current or prior employment of family and friends in government roles. Respondents without current or prior family members or friends in government roles were coded as '0' and those with a parent, close relative, good friends, spouse and adult children who were currently, or before retirement, a government official were coded as '1' (Indirect). The same binary classification adopted for direct political connections was employed for indirect political connections (Education High2), (Education Low2), (Ministries High2), (Ministries Low2), (Wider High2), and (Wider Low2).

Transaction structure was measured by two independent variables. Adoption of a legitimate organizational form was assessed by registration as a private limited company, coded as '1', or not a private limited company, coded as '0' (Ltd Co). The method of value capture was assessed by ownership of a website, without a website coded '1' and with a website coded '0' (No website), and the proportion of on-line mediated sales. Nil turnover from on-line sales was coded as '1' and '0' otherwise (Zero Online), 1 to 32% of turnover from on-line sales were coded as '1' and '0' otherwise (Low Online) and  $\geq 33\%$  of turnover from on-line sales were coded as '1' and otherwise '0' (High Online).

Value capture was measured in a series of dummy variables for industry. The main product or service provided reported by respondents was used to create 9 industry control variables using the UK Standard Industrial Classification (SIC) (ONS 2009):

manufacturing (SIC10-33 no=0, yes=1); wholesale and retail trade (SIC46-47 no=0, yes=1); accommodation and food service activities (SIC55-56no=0, yes=1); information and communication (SIC58-63no=0, yes=1); professional, scientific and technical activities (SIC69-74); and administrative and support service activities (SIC77-82 no=0, yes=1). The excluded reference category in the models was wholesale and retail trade. SMEs that exported goods and services were coded '1' and non-exporters coded '0' (Exporter).

The use of social media sites was captured using a series of dummy variables as follows. Entrepreneurs who had used Facebook were coded as '1' and non-Facebook users were coded as '0' (Facebook). Respondents who had used Twitter were coded as '1' and otherwise '0' (Twitter). Entrepreneurs who had used LinkedIn were coded as '1' and otherwise '0' (LinkedIn). Respondents who had used Instagram were coded as '1' and non-users of Instagram were coded as '0' (Instagram). Entrepreneurs who had used Bebo were coded as '1' and non-Bebo users were coded as '0' (Bebo). Respondents had used MySpace were coded as '1' and otherwise '0' (MySpace). Lastly, entrepreneurs who had used Keek were coded as '1' and non-Keek users were coded as '0' (Keek).

***Control variables.*** In addition to the independent variables to measure resources, transaction structure and value structure we also gathered data for control variables. Respondents whose parents had owned their own business were coded as '1' and '0' otherwise (Parents Business). Entrepreneurs who started the business with equity partners were coded as '1' and those entrepreneurs starting the businesses in a solo capacity were coded as '0' (Team). Size was measured by the total number of full time employees (Size) and either Kuwait (Kuwait Size) or non-Kuwait citizenship (Non-

Kuwait Size). Respondents were asked to indicate the year in which the surveyed business received its first order. A natural logarithm was taken of age (Age Business).

#### **4.7 Non-response Bias**

A total of 407 questionnaires were completed of which 328 were submitted on-line and 79 collected from respondents. The sample was then scrutinised and reduced to 396 (5 respondents were ineligible as they employed more than 250 employees and 6 questionnaires were incomplete). The total usable response rate is 35 per cent and this compares favourably with other entrepreneurship and management surveys (Hmieleski & Ensley, 2007; Waldman, Ramirez, House, & Puranam, 2001). Rogelberg and Stanton (2007) chart the declining rates of response rates from 64% in 1975 to 50% in 1995. More recently response rates typically struggle to reach 10% and are considered good when 20% is achieved (See Schepers, Voordeckers, Steijvers and Laveren, 2014; Goel, Voordeckers, van Gils, and van den Heuvel, 2013). Demographic questions in the administered questionnaire confirmed that the respondent was the key decision maker in the business.

Inevitably, all surveys will suffer from some degree of non-response from targeted individuals. The non-responses may arise because of an unwillingness to take part in a survey –because of a lack of available time or perhaps because of fear over how a data set will be used; or the targeted individuals may be unable to be contacted because their business has closed or ceased trading, or has moved premises and the contact information in the sample framework is out of date; or the individuals cannot provide the answers and information required in the questionnaire (De Vaus, 2005; Saunders et al., 2009). Clearly there are two main implications of non-response to a questionnaire and those are a reduction in the usable sample which may necessitate further firms to be contacted to try and boost the number of returns, and secondly there is the possibility of

non-response bias. Non-response bias occurs where there are systematic characteristics which make it more (or less) likely to complete the questionnaire. When certain types of entrepreneurs and their firms systematically fail to complete the questionnaire this means that the collective voice of the respondents is flawed and biased. To avoid this problem the sample size.

Non-response bias was tested using parametric (Bonferroni) and non-parametric (Mann-Whitney and Chi-Square) tests with regard to age of the business, number of employees, and the legal status and industry sector. The results were not statistically significant at the 5% level or better.

#### **4.8 Problems encountered during the research process**

The critical review of the theories of growth and barriers to growth and entrepreneurship generated comparatively few problems. Some journals and books were difficult to find but by using inter-library loans and libraries of other colleges in the University of London meant that all source material was able to be obtained. The researcher did find it daunting during the first year when the research questions were being finalised because there have been a huge number of studies to grapple with and try to understand the growth process. However, once it was decided that barriers or obstacles to growth was the main literature to focus upon this did make the experience of reading and reviewing the literature and theories much more enjoyable. With regard to theories to focus upon it was also daunting but once it was decided that a business theory framework to bring together other theories in a multi-theory framework that also allowed progress to be made. Initially, it had been thought that a single theory would be the focus of attention but the disappointing nature of the empirical research and the lack

of theoretical advancements over the last forty to fifty years suggests that a more radical approach is needed to help understand the theory of obstacles or barriers to growth and simultaneously advance our empirical understanding.

The more demanding problems to deal with related to the fieldwork and operationalisation of the testing of the research hypotheses. The lack of data sources in Kuwait was challenging. Despite being a wealthy country with all of the trappings of a modern consumer society, there are no lists of entrepreneurs in Kuwait. On balance it was felt that the Chambers of Commerce in Kuwait would provide the best option for the creation of the sample framework because the lists were constantly kept up to date and provided much needed brushstrokes on the characteristics of the members of Chambers of Commerce. Telephone directories were an alternative but these offered no real information on the businesses other than telephone numbers, activity and location. Government agencies did not have any lists of entrepreneurs so that meant that irrespective of the researcher's network and contacts there was no list to access within government agencies or ministries.

Whilst a combination of drop and collect and online surveys were followed it was hard work to encourage entrepreneurs to complete the questionnaires. The team who dropped and collected the questionnaires had to try and encourage entrepreneurs that it was in their interests and Kuwait's interests for them to complete the questionnaires and so that a better picture of the barriers and obstacles to growth can be quantified and the characteristics associated with encountering problems can be assembled in order for policy makers and practitioners to alter policies to help entrepreneurs and the SME community. Whilst theoretical advancement is an important part of the thesis it was of no interest to the entrepreneurs; they were more interested in policy and practitioner possibilities to make their businesses run more smoothly and ultimately profitably.

Whilst the online surveys were completed using the Survey Monkey software which meant that the data could be downloaded in SPSS and be ready to clean this was obviously not the case for the questionnaires which were completed in a paper format. The questionnaires had to be coded up and that was a laborious process which also took more time than the researcher had anticipated. Two colleagues from my university checked the coded SPSS data against the printed completed questionnaires and a very small number of coding errors were identified and rectified.

#### **4.9 Conclusion**

This chapter has presented the research methodology which has been used by the researcher to investigate the research questions in Kuwait. The research strategy followed took into account the objectives of the study and a positivist quantitative approach was followed. Due to the lack of a government list of entrepreneurs in Kuwait it was necessary to gather information directly from entrepreneurs using a sample framework derived from the Chambers of Commerce in Kuwait. The response rate at 35% is reasonably good and all steps were taken during the fieldwork to ensure that the questionnaire was robust and would be able to provide data to test the hypotheses. Response bias tests were performed and those suggest that response bias is not a problem. Thus, all reasonable tests were taken to ensure that the data is robust and that the results following from the analysis of the data are reliable.



## Chapter 5

### Data Analysis and Results

#### 5.1 Introduction

As indicated in previous chapters, this research seeks to throw light upon three objectives. The first is to identify the barriers to growth in Kuwait using a large scale data set of 396 entrepreneurs and ordered logit econometric regression techniques. The second is to identify the theoretical constructs, focusing upon human capital theory, the resource based view of the firm, social network theory and the diffusion of innovation which can be brought together with business model theory to explain and understand barriers to growth in Kuwait. This is advanced by testing a series of three multi-part hypotheses. The third objective is to identify the lessons from the barriers to growth headline figures and from the ordered logit econometric models which are learned for practitioners and policy makers in Kuwait.

After reviewing the theoretical models in chapter two and the previous literature which has studied barriers to growth in chapter three, the research methodology chapter outlined the operationalisation of the gathering of the data, creation of variables, and steps which were taken in order to be able to test the hypotheses and provide advancements for theory, practitioners and policy makers. The data analysis has primarily focused upon ordered logit regression models because the entrepreneurs provided five point scores on their perceptions of the barriers that they were, and were not, encountering. The analysis was carried out using STATA (13).

This chapter commences with section two where data exploration is presented – and the reader is given an overview of the profile of the entrepreneurs and their businesses, and then a focus upon the use of social media sites. Section three presents an

assessment of the forty barriers to growth in Kuwait and compares the researcher's results with previous research. Section four presents the hypothesis testing analysis of the three multi-part hypotheses. Lastly, a conclusion completes the chapter.

## **5.2 Data Exploration**

The purpose of this section is to provide an overview of the characteristics of the entrepreneurs and their firms in the sample. This section will allow the reader to have a better understanding of the respondents.

### **5.2.1 Sample Description**

The demographic description of the sample of Kuwaiti entrepreneurs seeks to ensure that the data is presented in a systematic and meaningful manner. The questions fell into three types. Firstly, those respondents where a continuous variable is created from answered questions and variables include, the age of the businesses, the age of the firms, the number of full-time employees, and the number of part-time employees and these are presented in Table 5.1. Secondly, there are responses which are categorical, and within this type of variables the most common are binary response questions and these include: high finance at start-up, gender, the use of Facebook, the use of Twitter, the use of LinkedIn, the use of Instagram, the use of Bebo, the use of MySpace, the use of Keek, a product innovator, a process innovator, a limited company, an exporter of goods or services, coming from a business owning background, a team or a solo business, and being a home business. Within the categorical responses there are also questions where more than two categories have been given by the respondents and this has been used to create a series of dummy variables for the regression analysis and these

are: educational achievement and this was used to create variables relating to School, Degree, and MSc/PhD.

Of the respondents with former government employment experience the responses were then divided into six binary variables: education employment at deputy school head or associate professor or higher in education institutions (Education High) or lower appointment (Education Low); ministries denotes employment at upper middle rank in the civil service or a member of Parliament (Ministries High) or lower appointment (Ministries Low); and finally the wider category of employment in a senior position in the diplomatic service, army, oil companies, television, healthcare and airways (all State owned or controlled) Wider High) or lower appointment (Wider Low). Indirect political connections were measured via the current or prior employment of family and friends in government roles. Respondents without current or prior family members or friends in government roles were coded as '0' and those with a parent, close relative, good friends, spouse and adult children who were currently, or before retirement, a government official were coded as '1' (Indirect). The same binary classification adopted for direct political connections was employed for indirect political connections (Education High<sup>2</sup>), (Education Low<sup>2</sup>), (Ministries High<sup>2</sup>), (Ministries Low<sup>2</sup>), (Wider High<sup>2</sup>), and (Wider Low<sup>2</sup>). 187 entrepreneurs (47%) had direct political connections, and 80 entrepreneurs (20%) had indirect political connections. The entrepreneurs direct political connections included Education (High, 7 entrepreneurs and Low, 14 entrepreneurs), Ministries (High, 17 entrepreneurs and Low, 60 entrepreneurs), Wider (High, 28 entrepreneurs and Low, 61 entrepreneurs). Indirect political connections comprised Education (High<sup>2</sup>, 12 entrepreneurs), Ministries (High<sup>2</sup>, 31 entrepreneurs), and Wider (High<sup>2</sup>, 37 entrepreneurs).

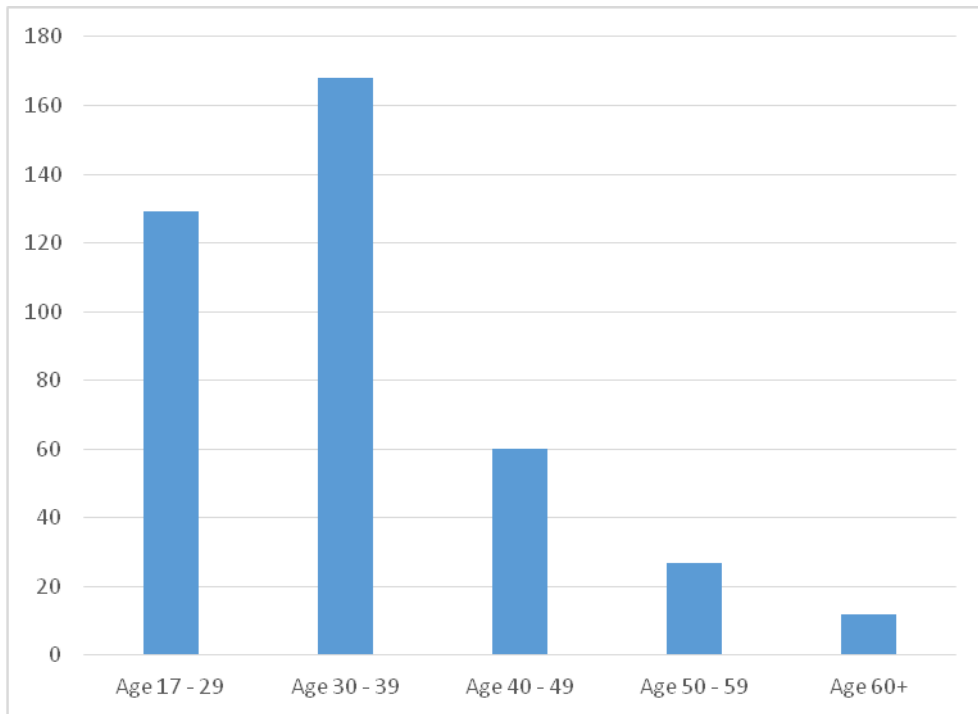
The main product or service provided reported by respondents was used to create 9 industry control variables using the UK Standard Industrial Classification (SIC) (ONS 2009): manufacturing (SIC10-33 no=0, yes=1); wholesale and retail trade (SIC46-47 no=0, yes=1); accommodation and food service activities (SIC55-56no=0, yes=1); information and communication (SIC58-63no=0, yes=1); professional, scientific and technical activities (SIC69-74); and administrative and support service activities (SIC77-82 no=0, yes=1). 22% of the firms are from manufacturing (SIC10-33, 85 firms), 27% of the firms are from wholesale and retail (SIC46-47, 106 firms), 15% of the firms are from accommodation and food services (SIC55-56, 60 firms), 6% of the firms are from information and communications (SIC58-63, 23 firms), 15% of the firms are from professional scientific and technical activities (SIC69-74, 59 firms), and 16% of the firms are from administrative and support services (SIC77-82, 63 firms).

The method of value capture was assessed by ownership of a website, without a website coded '1' and with a website coded '0' (No website), and the proportion of on-line mediated sales. Nil turnover from on-line sales was coded as '1' and '0' otherwise (Zero Online), 1 to 32% of turnover from on-line sales were coded as '1' and '0' otherwise (Low Online) and  $\geq 33\%$  of turnover from on-line sales were coded as '1' and otherwise '0' (High Online). 221 businesses (56%) had no website, 97 businesses (25%) had websites but they generated nil sales revenue, 37 businesses (9%) generated 1-30% of their sales turnover from online sales, and 37 businesses (9%) generated  $>30\%$  of their sales turnover from online sales.

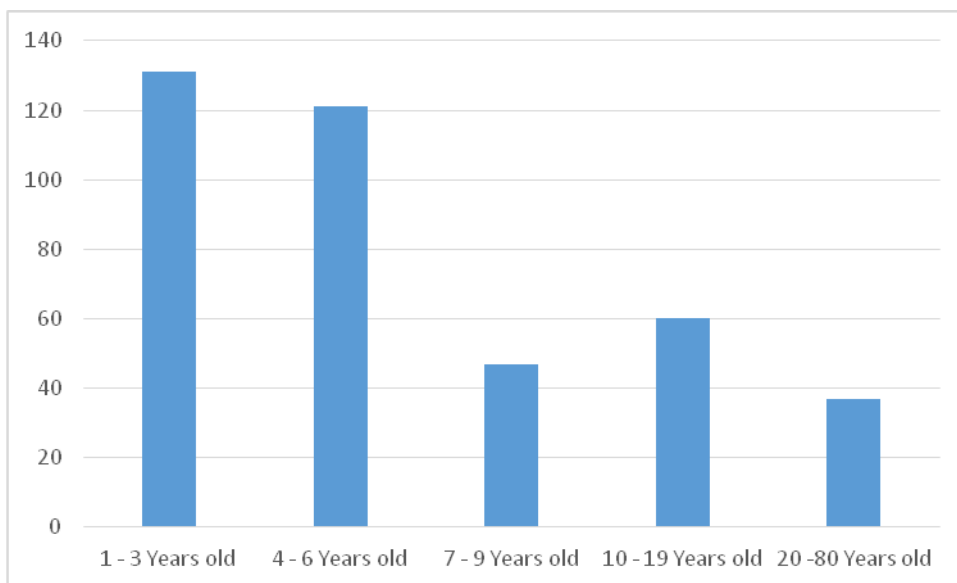
The youngest entrepreneur is 17 years old and the oldest entrepreneur is 88 years old. Figure 5.1 shows a bar chart of the main age groups of the entrepreneurs. 32.58% of the entrepreneurs are aged 17-29 years old (129 entrepreneurs), 42.42% of the entrepreneurs are aged 30-39 years old (168 entrepreneurs), 15.15% of the

entrepreneurs are aged 40-49 years old (60 entrepreneurs), 6.82% of the entrepreneurs are aged 50-59 years old, and 3.03% of the entrepreneurs are aged 60-88 years old (12 entrepreneurs).

**Figure 5.1 Age of the entrepreneurs**

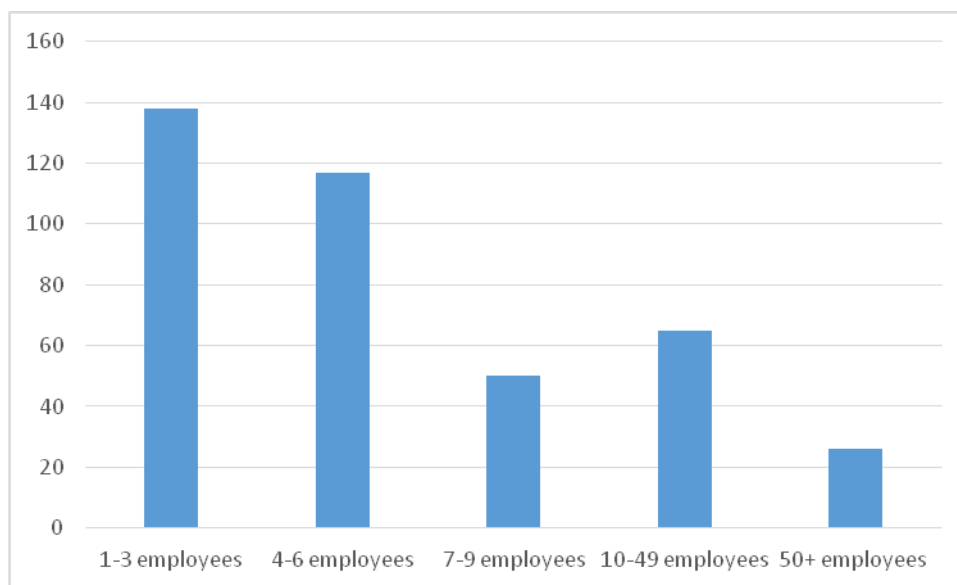


**Figure 5.2 Age of the firms**



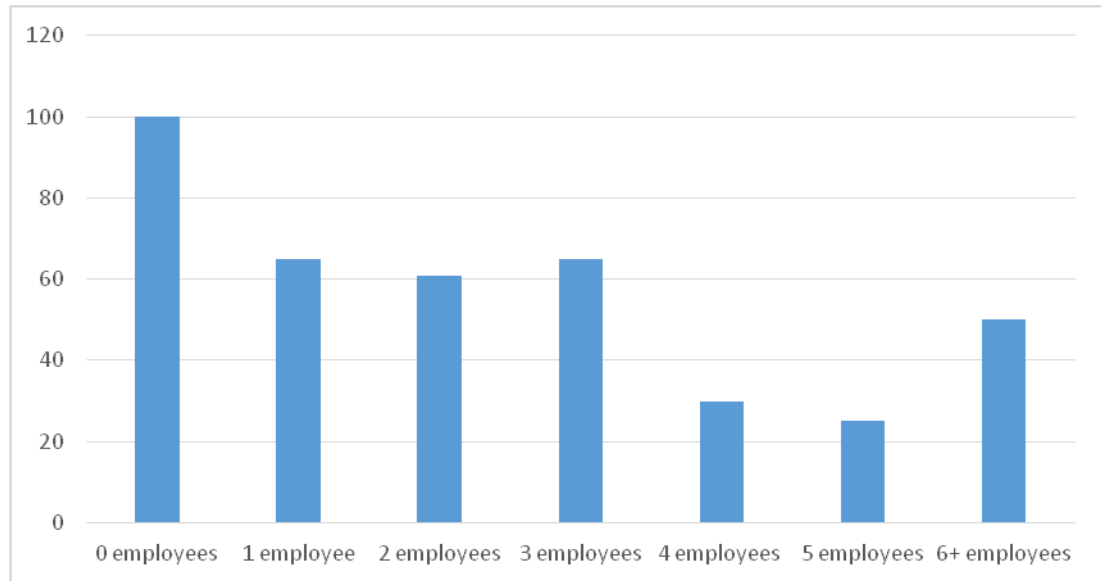
The age of the firms included in the study ranges from 1 to 80 years old. Figure 5.2 shows a bar chart of the main age groups of the firms. 33.08% of the firms are aged 1 – 3 years old (131 firms), 30.56% of the firms are aged 4-6 years old (121 firms), 11.87% of the firms were aged 7-9 years old (47 firms), 15.15% of the firms are aged 10-19 years old (60 firms), and 9.34% of the firms are aged 20-80 years. The average age of the firms is 8 years old.

**Figure 5.3**The number of full time employees



34.85% of the firms have 1-3 full-time employees (138 firms), 29.55% of the firms have 4-6 full-time employees (117 firms), 12.63% of the firms have 7-9 full-time employees (See Figure 5.3). Thus taken together 77.03% of the firms are micro firms. 16.41% of firms have 10-49 full-time employees (65 firms) and are small sized firms. 6.57% of the firms have 50-249 full-time employees (26 firms) and are medium sized enterprises.

**Figure 5.4**The number of part-time employees



25.25% of the firms have zero part-time employees (100 firms), 16.41% of the firms have 1 part-time employee (65 firms), 15.40% of the firms have 2 part-time employees (61 firms), 16.41% of the firms have 3 part-time employees (65 firms), 7.58% of the firms have 4 part-time employees (30 firms), 6.31% of the firms have 5 part-time employees, and 12.63% of firms have six or more part-time employees (50 firms) (See Figure 5.4).

69% of the entrepreneurs are male and 31% of the entrepreneurs are female. Thus approaching one in three of the entrepreneurs are women. This level of entrepreneurial activity by Kuwaiti women is higher than that in other GCC countries. For example, 12% of companies in Saudi Arabia are owned by women (AlMunajjed, 2010). In Kuwait Bachelors degrees are provided free to students. Thus, unlike the UK, where students or their parents have to pay top up fees to universities their Kuwait counterparts in Kuwait do not have to pay any fees to study for an undergraduate degrees. The highest educational qualifications achieved by respondents was junior or high school (n=88, 22%), bachelors (n=229, 58%), masters and/or doctoral degrees (n=79, 20%).The majority (90%) had <250, 000 Kuwaiti Dinars (US\$887,000) start-up finance.148

entrepreneurs (38%) came from a business ownership background. 228 businesses (58%) were team start businesses. 137 businesses (35%) were registered as limited liability companies. In the sample, 20% were home based businesses and 17% exported goods and services.



**Table 5.1 Descriptive statistics for continuous variables, and binary variables**

	Mean	Median	S.D.	Variance	Min	Max	10 <sup>th</sup> P	25 <sup>th</sup> P	75 <sup>th</sup> P	90 <sup>th</sup> P
1 High Finance	0.10	0	0.30	0.09	0	1	0	0	0	1
2 Gender	0.69	1	0.46	0.21	0	1	0	0	1	1
3 School	0.22	0	0.42	0.17	0	1	0	0	0	1
4 Degree	0.58	1	0.49	0.24	0	1	0	0	1	1
5 MSc/PhD	0.20	0	0.40	0.16	0	1	0	0	0	1
6 Age (Natural logarithm)	3.51	1.61	0.27	0.88	0	4.38	0.69	1.10	2.20	2.94
7. Age	34.85	32	10.37	107.45	17	88	24	28	39.5	49
8. Education High	0.02	0	0.13	0.02	0	1	0	0	0	0
9. Education Low	0.04	0	0.19	0.03	0	1	0	0	0	0
10. Ministries High	0.04	0	0.20	0.04	0	1	0	0	0	0
11. Ministries Low	0.15	0	0.36	0.13	0	1	0	0	0	0
12. Wider High	0.07	0	0.26	0.07	0	1	0	0	0	0
13. Wider Low	0.15	0	0.36	0.13	0	1	0	0	0	0
14. Education High2	0.03	0	0.17	0.03	0	1	0	0	0	0
15. Ministries High2	0.08	0	0.27	0.07	0	1	0	0	0	0
16. Wider Low2	0.09	0	0.29	0.09	0	1	0	0	0	0
17. Facebook	0.50	0	0.50	0.25	0	1	0	0	1	1
18. Twitter	0.57	1	0.50	0.25	0	1	0	0	1	1
19. LinkedIn	0.20	0	0.40	0.16	0	1	0	0	0	1
20. Instagram	0.59	1	0.49	0.24	0	1	0	0	1	1
21. Bebo	0.11	0	0.31	0.10	0	1	0	0	0	1
22. MySpace	0.13	0	0.33	0.11	0	1	0	0	0	1
23. Keek	0.18	0	0.38	0.14	0	1	0	0	0	1
24. Product Innovator	0.21	0	0.41	0.16	0	1	0	0	0	1
25. Process Innovator	0.18	0	0.38	0.15	0	1	0	0	0	1
26. Ltd Co	0.35	0	0.48	0.23	0	1	0	0	1	1
27. No website	0.56	1	0.50	0.25	0	1	0	0	1	1
28. Nil Online	0.25	0	0.43	0.19	0	1	0	0	0	1

29. Low Online	.09	0	.29	0.09	0	1	0	0	0	1
30. High Online	.09	0	.29	0.09	0	1	0	0	0	0
31. SIC10-33 (Manufacturing)	.22	0	.41	0.17	0	1	0	0	0	1
32. SIC 46-47 (Wholesale & retail)	.27	0	.44	0.20	0	1	0	0	1	1
33. SIC55-56 (Accommodation & Food Services)	.15	0	.36	0.13	0	1	0	0	0	1
34. SIC58-63 (Information & Communication)	.06	0	.23	0.06	0	1	0	0	0	1
35. SIC69-74 (Professional Scientific & Technical)	.15	0	.36	0.13	0	1	0	0	0	1
36. SIC77-82 (Administration & Support Services)	.16	0	.37	0.13	0	1	0	0	0	1
37. Exporter	.17	0	.38	0.14	0	1	0	0	0	1
38. Parents Business	.37	0	.49	0.24	0	1	0	0	1	1
39. Team	.58	1	.50	0.24	0	1	0	0	1	1
40. Size FT (Natural Logarithm)	1.72	1.61	1.72	1.38	0	5.52	0	0.69	2.20	3.26
41. Size FT	14.20	5	32.95	1085.95	1	249	1	2	9	26
42. Size PT (Natural Logarithm)	.23	0.69	1.66	2.76	-2.30	5.16	-2.30	-2.30	1.39	1.79
43. Size PT	4.10	2	12.29	151.15	0	174	0	0	4	6
44. Age Business (Natural Logarithm)	1.65	1.61	.94	0.88	0	4.38	0.69	1.10	2.20	2.94
45. Age Business	8.36	5	10.20	103.98	1	80	2	3	9	19
46. Home Business	.21	0	.40	1.63	0	1	0	0	0	1

**Table 5.2 Descriptive statistics for categorical variables**

	<b>Frequency (n=396)</b>	<b>Valid Percent</b>
<b>Highest educational achievement</b>		
School	88	22.22
Degree	229	57.83
MSc/PhD	79	19.95
<b>Sector</b>		
SIC10-33 (Manufacturing)	85	21.46
SIC 46-47 (Wholesale & retail)	106	26.77
SIC55-56 (Accommodation & Food Services)	60	15.15
SIC58-63 (Information & Communication)	23	5.81
SIC69-74 (Professional Scientific & Technical)	59	14.90
SIC77-82 (Administration & Support Services)	63	15.91
<b>Online Sales</b>		
No website	221	55.81
Nil Online	97	24.49
Low Online	37	9.34
High Online	37	9.34

**Table 5.3 Descriptive statistics for multiple responses**

Entrepreneur's (Respondent's) Position	<b>Frequency (n=396)</b>	<b>Valid Percent</b>
Founder	249	62.88
Principal	143	36.11
Managing Director	69	17.42
	35	8.84

### **5.2.2 The Characteristics of Social Media Users**

The purpose of this section is to present an overview of the characteristics of the users of social media sites/services – Facebook, Twitter, LinkedIn, Bebo, MySpace and Keek. Firms with high finance were more likely than firms without high finance to use Facebook, Twitter and Keek and these were statistically significant at the 0.10, 0.05 and 0.05 level, respectively.

Women were more likely than men to use Twitter and Instagram and these relationships were statistically significant at the 0.05 and 0.01 levels, respectively. Entrepreneurs with a school level of education were less likely than entrepreneurs with degrees or Masters and Doctoral degrees to use Twitter and this was weakly statistically significant at the 0.10 level. In contrast entrepreneurs with a school level of education were more likely than those with higher levels of education to have used Keek and this is highly statistically significant at the 0.01 level.

Older entrepreneurs aged over 40 years old were the least likely to use Facebook, Twitter, LinkedIn and Instagram. Entrepreneurs aged 17-29 years old were the group most likely to use Twitter and Instagram. Entrepreneurs aged 30-39 years old were the group most likely to use Facebook and LinkedIn. Thus, the use of social media varies greatly by age (See Table 5.4).

The use of Twitter and also Instagram was systematically linked to direct political connections and is statistically significant at the 0.10 level. However, for the other five social media sites there are no statistically significant linkages to direct political networks (See Table 5.5). Indirect political connections are not statistically significantly linked to the use of social media sites at the 0.10 level, or better (See Table 5.5).

Firms who are experiencing a loss are the group least likely to use Facebook, Twitter, Instagram and Keek and these relationships are statistically significant at the

0.01, 0.01, 0.01 and 0.10 levels, respectively. The legal status of the firms is not statistically linked to the use of social media sites at the 0.10 level, or better. The adoption of a website and a higher level of sales is associated with the use of social media sites at the 0.01 level for all social for all social media sites. Specifically, for Facebook, Twitter, LinkedIn, Instagram and Keek firms with no website reported the lowest levels of use of social media sites. Whilst for all sources of social media sites it was found that they represented the highest levels of usage when they had 31-100% of the sales from their websites (See Table 5.6).

The industrial activity of the firms was significantly related to the use of three social media sites, LinkedIn, Bebo, and Keek and all three relationships were statistically significant at the 0.05 level. Exporting activity was positively related to the use of social media sites, Facebook, Twitter, Instagram and Keek at the 0.05 level, or better. 64.2% of exporters and 46.2% of non-exporters used Facebook. 70.2% of exporters used Twitter and 54.1% of non-exporters used Twitter. 74.6% of exporters and 56.2% of non-exporters used Instagram, and 28.4% of exporters and 15.2% of non-exporters used Keek (See Table 5.7)

Table 5.4: Characteristics of the use of social media sites by resource variables (Percentage of businesses which used Facebook, Twitter, LinkedIn, Bebo, MySpace and Keek; multiple responses allowed)

	<b>Facebook</b>	<b>Twitter</b>	<b>LinkedIn</b>	<b>Instagram</b>	<b>Bebo</b>	<b>MySpace</b>	<b>Keek</b>
<i>ALL</i>	49.8	56.8	20.0	59.0	11.0	12.6	17.4
<i>High Finance at Start-Up</i>							
High finance	<b>56.4</b>	<b>64.0</b>	20.5	61.5	10.3	12.8	<b>23.1</b>
Not high finance	<b>49.0</b>	<b>56.0</b>	19.9	59.1	11.2	12.6	<b>16.8</b>
Chi-square (1)	<b>3.0</b>	<b>4.5</b>	0.1	0.1	0.1	0.0	<b>4.5</b>
P	<b>0.097</b>	<b>0.032</b>	0.926	0.769	0.858	0.969	<b>0.033</b>
<i>Gender</i>							
male	47.5	<b>53.3</b>	19.0	<b>54.7</b>	11.0	12.4	16.1
female	54.9	<b>64.8</b>	22.1	<b>69.7</b>	11.45	13.1	20.5
Chi-square (1)	1.9	<b>4.5</b>	0.5	<b>7.8</b>	0.0	0.0	1.1
P	0.170	<b>0.033</b>	0.469	<b>0.005</b>	0.878	0.845	0.283
<i>Education</i>							
School	46.6	<b>48.9</b>	22.7	55.7	12.5	15.9	<b>23.9</b>
Degree	49.8	<b>59.4</b>	17.5	62.0	10.5	11.8	<b>15.3</b>
Masters/PhD	53.2	<b>58.2</b>	24.1	55.7	11.4	11.4	<b>16.5</b>
Chi-square (2)	0.7	<b>4.7</b>	2.1	1.6	0.3	1.1	<b>7.7</b>
P	0.689	<b>0.098</b>	0.343	0.450	0.874	0.573	<b>0.006</b>
<i>Age</i>							
17-29	<b>45.7</b>	<b>62.0</b>	<b>17.8</b>	<b>63.6</b>	10.0	12.4	17.8
30-39	<b>57.7</b>	<b>60.7</b>	<b>24.4</b>	<b>61.3</b>	12.5	13.7	16.7
40+	<b>41.4</b>	<b>43.4</b>	<b>15.2</b>	<b>50.5</b>	10.1	11.1	18.2
Chi-square (2)	<b>7.9</b>	<b>9.7</b>	<b>7.9</b>	<b>8.0</b>	0.6	0.4	0.1
P	<b>0.020</b>	<b>0.008</b>	<b>0.020</b>	<b>0.020</b>	0.752	0.825	0.941

Table 5.5: Characteristics of the use of social media sites by resource variables (Percentage of businesses which used Facebook, Twitter, LinkedIn, Bebo, MySpace and Keek; multiple responses allowed)

	<b>Facebook</b>	<b>Twitter</b>	<b>LinkedIn</b>	<b>Instagram</b>	<b>Bebo</b>	<b>MySpace</b>	<b>Keek</b>
Direct							
Education High	28.6	<b>28.6</b>	14.3	<b>28.6</b>	14.3	14.3	28.6
Education Low	42.9	<b>42.9</b>	21.4	<b>42.9</b>	14.3	14.3	14.3
Ministries High	47.1	<b>35.3</b>	17.7	<b>52.9</b>	11.8	17.7	23.5
Ministries Low	41.7	<b>55.0</b>	20.0	<b>55.0</b>	11.7	11.7	16.7
Wider High	60.7	<b>71.4</b>	14.3	<b>75.0</b>	10.7	17.9	14.3
Wider Low	49.2	<b>60.7</b>	24.6	<b>60.7</b>	9.8	11.5	21.3
Chi-square (5)	4.0	<b>9.3</b>	1.6	<b>9.3</b>	0.3394	1.1099	1.6834
<i>P</i>	0.554	<b>0.097</b>	0.906	<b>0.097</b>	0.997	0.953	0.891
N	187	187	187	187	187	187	187
Indirect							
Education High2	66.7	58.3	33.3	58.3	16.7	16.7	16.7
Ministries High2	71.0	77.4	32.3	74.2	9.7	16.1	25.8
Wider High2	56.8	70.3	29.7	70.3	16.2	18.9	24.3
Chi-square (2)	1.5260	1.5707	0.0787	1.0387	0.709	0.0977	0.4116
<i>P</i>	0.466	0.456	0.961	0.595	0.701	0.952	0.814
<i>Profitability</i>							
Loss	<b>33.7</b>	<b>42.8</b>	19.9	<b>42.8</b>	11.5	13.9	<b>15.7</b>
Break Even	<b>56.5</b>	<b>67.4</b>	17.4	<b>65.2</b>	6.5	9.8	<b>21.0</b>
Profit	<b>64.5</b>	<b>66.7</b>	21.7	<b>75.4</b>	13.8	13.0	<b>23.2</b>
Chi-square (2)	<b>30.7</b>	<b>23.0</b>	0.7	<b>34.9</b>	3.0	0.9	<b>5.5</b>
<i>P</i>	<b>0.000</b>	<b>0.000</b>	0.721	<b>0.000</b>	0.227	0.630	<b>0.065</b>

n=396 unless otherwise stated

Table 5.6: Characteristics of the use of social media sites by transaction structures variables (Percentage of businesses which used Facebook, Twitter, LinkedIn, Bebo, MySpace and Keek; multiple responses allowed)

	<b>Facebook</b>	<b>Twitter</b>	<b>LinkedIn</b>	<b>Instagram</b>	<b>Bebo</b>	<b>MySpace</b>	<b>Keek</b>
<i>ALL</i>	49.8	56.8	20.0	59.0	11.0	12.6	17.4
<i>Legal status</i>							
limited company	50.4	55.5	21.9	57.7	13.9	13.9	19.7
not a limited company	49.4	57.5	18.9	60.2	9.7	12.0	16.2
Chi-square (1)	0.3	0.2	0.5	0.2	1.6	0.3	0.8
P	0.858	0.695	0.480	0.621	0.204	0.588	0.384
No Website	<b>36.7</b>	<b>45.3</b>	<b>14.3</b>	<b>48.4</b>	<b>10.0</b>	<b>10.0</b>	<b>10.9</b>
0% online sales	<b>61.4</b>	<b>67.3</b>	<b>20.8</b>	<b>69.3</b>	<b>8.9</b>	<b>11.9</b>	<b>18.8</b>
1-30% of sales	<b>67.6</b>	<b>70.3</b>	<b>27.0</b>	<b>78.4</b>	<b>8.1</b>	<b>8.1</b>	<b>24.3</b>
31-100% of sales	<b>78.4</b>	<b>83.8</b>	<b>46.0</b>	<b>78.4</b>	<b>27.0</b>	<b>35.1</b>	<b>46.0</b>
Chi-square (3)	<b>37.5</b>	<b>30.3</b>	<b>21.7</b>	<b>26.2</b>	<b>10.6</b>	<b>19.2</b>	<b>28.9</b>
P	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.014</b>	<b>0.000</b>	<b>0.000</b>

**n=396**



Table 5.7: Characteristics of the use of social media sites by value structure variables (Percentage of businesses which used Facebook, Twitter, LinkedIn, Bebo, MySpace and Keek; multiple responses allowed)

	<b>Facebook</b>	<b>Twitter</b>	<b>LinkedIn</b>	<b>Instagram</b>	<b>Bebo</b>	<b>MySpace</b>	<b>Keek</b>
Manufacturing (SIC 10-33)	45.9	56.5	<b>12.9</b>	60.0	<b>8.2</b>	7.1	<b>12.9</b>
Wholesale or retail (SIC 46-47)	53.8	57.6	<b>19.8</b>	61.3	<b>12.3</b>	16.0	<b>17.9</b>
Accommodation and food services (SIC55-56)	46.7	61.7	<b>15.0</b>	65.0	<b>5.0</b>	10.0	<b>13.3</b>
Information and communication (58-63)	56.5	60.9	<b>21.7</b>	52.2	<b>13.0</b>	13.0	<b>26.1</b>
Professional, scientific and technical activities (69-74)	49.2	55.9	<b>28.8</b>	55.9	<b>8.5</b>	10.2	<b>13.6</b>
Admin and support service activities (77-82)	49.2	50.8	<b>25.4</b>	55.6	<b>20.6</b>	19.1	<b>27.0</b>
Chi-square (5)	1.9	1.7	<b>11.1</b>	2.1	11.1	6.6	<b>11.3</b>
P	0.868	0.888	<b>0.049</b>	0.831	<b>0.049</b>	0.255	<b>0.048</b>
<i>Exporting Activity</i>							
Exporter	<b>64.2</b>	<b>70.2</b>	20.9	<b>74.6</b>	11.9	14.9	<b>28.4</b>
Non-Exporter	<b>46.8</b>	<b>54.1</b>	19.8	<b>56.2</b>	10.9	12.2	<b>15.2</b>
Chi-square (1)	<b>6.7186</b>	<b>5.8414</b>	0.0452	<b>7.8075</b>	0.0561	0.3864	<b>6.7007</b>
P	<b>0.010</b>	<b>0.016</b>	0.832	<b>0.005</b>	0.813	0.534	<b>0.010</b>

**N=396**

Table 5.8: Characteristics of the use of social media sites by control variables (Percentage of businesses which used Facebook, Twitter, LinkedIn, Bebo, MySpace and Keek; multiple responses allowed)

	<b>Facebook</b>	<b>Twitter</b>	<b>LinkedIn</b>	<b>Instagram</b>	<b>Bebo</b>	<b>MySpace</b>	<b>Keek</b>	
<i>Family business background</i>								
family business background	49.3	58.1	21.6	60.1	<b>8.1</b>	<b>10.1</b>	<b>13.5</b>	
No family business background	50.0	56.1	19.0	58.9	<b>12.9</b>	<b>14.1</b>	<b>19.8</b>	
Chi-square (1)	0.0	0.2	0.4	0.1	<b>3.8</b>	<b>3.8</b>	<b>3.9</b>	
P	0.896	0.689	0.520	0.804	<b>0.049</b>	<b>0.049</b>	<b>0.048</b>	
<i>Team start</i>								
Team start	49.1	58.8	<b>18.0</b>	59.2	<b>9.2</b>	<b>10.1</b>	15.8	
Solo start	50.6	54.2	<b>22.6</b>	59.5	<b>13.7</b>	<b>16.1</b>	19.6	
Chi-square (1)	0.1	0.8	<b>2.8</b>	0.0	<b>2.8</b>	<b>3.1</b>	1.0	
P	0.772	0.361	<b>0.099</b>	0.950	<b>0.099</b>	<b>0.076</b>	0.318	
<i>Team business now</i>								
Team business	48.7	57.8	20.1	60.1	11.7	13.0	18.5	
Solo	53.4	53.4	19.3	56.8	9.1	11.4	13.6	
Chi-square (1)	0.6	0.5	0.0	0.3	05	0.2	1.1	
P	0.436	0.464	0.867	0.584	0.494	0.686	0.288	
<i>Size</i>								
Micro (<10employees)	<b>46.9</b>	54.8	<b>21.3</b>	<b>56.4</b>	11.2	12.8	<b>17.7</b>	
Small (10-49 employees)	<b>56.9</b>	64.6	<b>12.3</b>	<b>72.3</b>	7.7	9.2	<b>10.8</b>	
Medium (50-249 employees)	<b>65.4</b>	61.5	<b>23.1</b>	<b>61.5</b>	19.2	19.2	<b>30.8</b>	
Chi-square (2)	<b>4.9</b>	2.4	<b>5.0</b>	<b>5.7</b>	2.5	1.7	<b>5.3</b>	
P	<b>0.087</b>	0.305	<b>0.086</b>	<b>0.058</b>	0.286	0.424	<b>0.073</b>	

**N=396**

### **5.3 Assessment of the business obstacles in rank order**

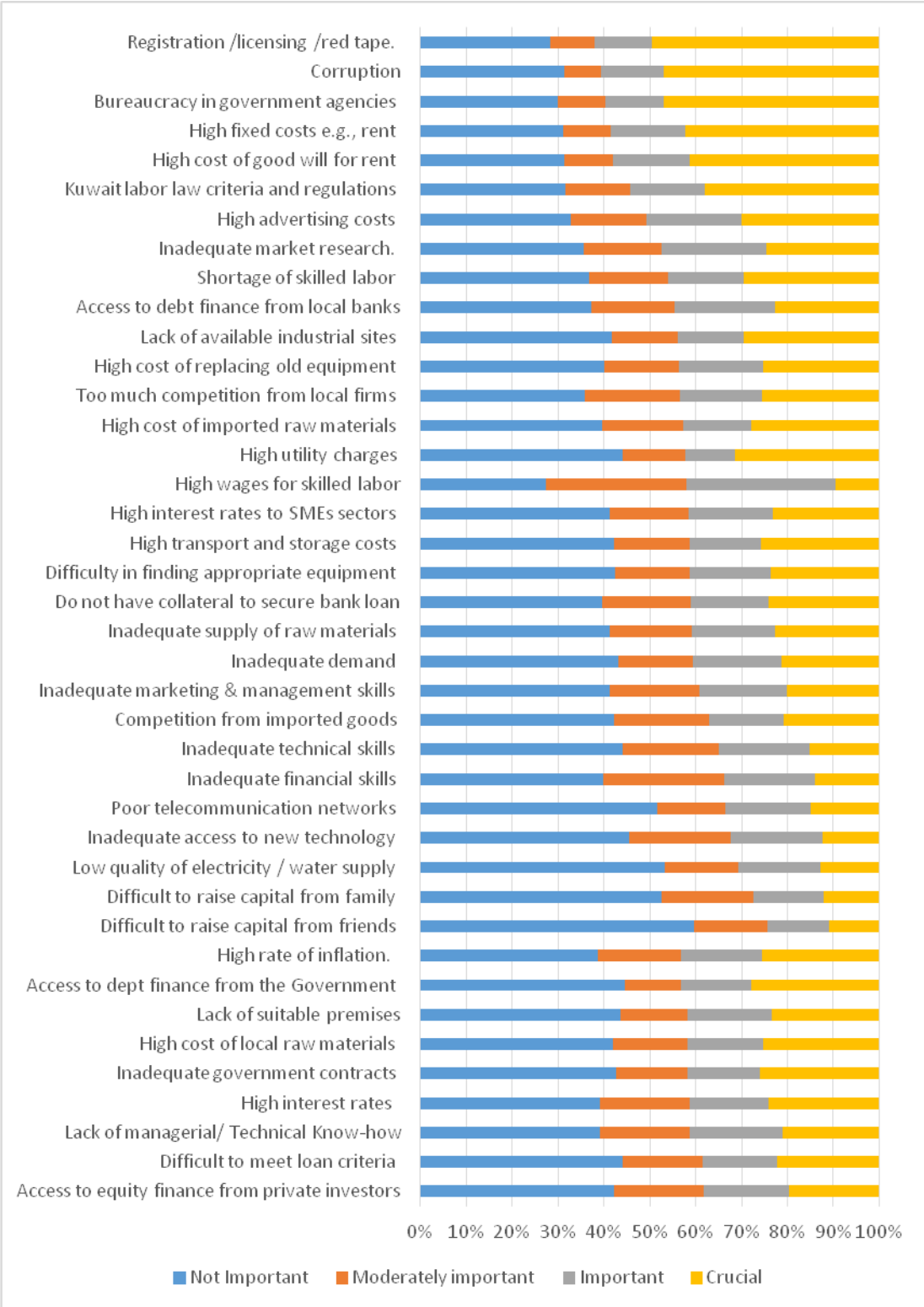
The purpose of this section is to provide an overview of the entrepreneurs' responses to the question, "From your practical experience as a CEO in Kuwait, which of the following factors listed below, do you perceive as a barrier or limit to your ability to meet your business objectives?" 40 business barriers are included as options to the question and this section presents cross-sectional analysis in order to develop a feel for the overall picture before the econometric analysis is presented in the next section. The headline ranking of the barriers can be done using several measures, the proportion of crucial and important business obstacles, as well as the proportion of crucial business obstacles, and the mean scores. Table 5.9 shows the mean of the responses, accompanied with the percentage break down of the four categories: Not Important, Moderately Important, Important, and Crucial. The break-down of the four categories of responses for the forty barriers is also presented in Figure 5.5. Secondly, the combined percentage of respondents who gave important or crucial responses are also shown in Table 5.10 and Figure 5.6. It needs to be noted that the combined important and crucial responses are sorted from highest to lowest overall scores in Figure 5.7.

**Table 5.9 Limitations encountered by entrepreneurs in achieving their business objectives over the last three years, (% reporting not important to crucial limitation).**

Factor	Mean	Not Important	Moderately important	Important	Crucial
<b>Finance:</b>					
Access to debt finance from local banks	2.30	37.4	17.9	22.0	22.7
Access to equity finance from private investors	2.16	42.4	19.4	18.7	19.7
Access to debt finance from the Government	2.26	44.7	12.1	15.4	27.8
High interest rates to SMEs sectors	2.24	41.2	17.2	18.4	23.2
Do not have collateral to secure bank loan	2.26	39.7	19.2	16.9	24.2
Difficult to meet loan criteria	2.16	44.2	17.4	16.2	22.2
Difficult to raise capital from family	1.87	52.5	20.0	15.4	12.1
Difficult to raise capital from friends	1.76	59.6	16.2	13.4	10.9
<b>Market:</b>					
Inadequate demand	2.19	43.2	16.2	19.4	21.2
Too much competition from local firms	2.33	35.9	20.7	17.9	25.5
Competition from imported goods	2.15	42.2	20.5	16.4	20.7
High advertising costs	2.48	32.8	16.4	20.7	30.0
Inadequate market research.	2.36	35.6	16.9	23.0	24.5
<b>Managerial/ Technical:</b>					
Lack of managerial/ Technical Know-how	2.22	39.1	19.7	20.2	21.0
Shortage of skilled labor	2.39	36.9	17.2	16.4	29.6
High wages for skilled labor	2.24	27.3	30.8	32.3	9.6
Inadequate access to new technology	1.99	45.5	22.2	20.0	12.4
Inadequate financial skills	2.08	39.9	26.3	20.0	13.9
Inadequate marketing & management skills	2.18	41.2	19.7	18.9	20.2
Inadequate government contracts	2.25	42.7	15.7	15.7	26.0
Inadequate technical skills	2.06	44.2	21.0	19.7	15.2

**Table 5.9: Limitations encountered by entrepreneurs in achieving their business objectives over the last three years, (% reporting not important to crucial limitation).**

Factor	Mean	Not Important	Moderately important	Important	Crucial
<b>Inputs:</b>					
High cost of local raw materials	2.25	41.9	16.4	16.4	25.3
High cost of imported raw materials	2.31	39.7	17.7	14.7	28.0
Inadequate supply of raw materials	2.21	41.2	17.7	18.2	22.5
High fixed costs e.g., rent	2.70	31.1	10.4	16.4	42.2
High cost of good will for rent	2.68	31.3	10.6	16.7	41.2
High cost of replacing old equipment	2.29	40.2	16.2	18.4	25.3
Difficulty in finding appropriate equipment	2.22	42.3	16.2	17.8	23.5
<b>Economic/Regulatory:</b>					
High rate of inflation.	2.30	38.6	18.2	17.7	25.5
High interest rates	2.26	39.1	19.7	17.2	24.0
Kuwait labor law criteria and regulations	2.61	31.6	14.1	16.2	38.1
Bureaucracy in government agencies	2.77	30.0	10.4	12.6	47.0
Registration /licensing /red tape.	2.83	28.3	9.6	12.6	49.5
Corruption	2.76	31.3	8.1	13.6	47.0
<b>Infrastructure</b>					
High utility charges	2.29	44.2	13.6	10.9	31.3
Lack of available industrial sites	2.32	41.7	14.4	14.4	29.6
High transport and storage costs	2.25	42.4	16.4	15.7	25.8
Low quality of electricity / water supply	1.90	53.3	15.9	17.9	12.9
Poor telecommunication networks	1.97	51.8	14.7	18.7	14.9
Lack of suitable premises	2.21	43.7	14.7	18.2	23.5
N	396				



**Figure 5.5 Factors Limiting the Entrepreneurs' Ability to Meet their Business Objectives**

**Table 5.10: Limitations encountered by entrepreneurs in achieving their business objectives over the last three years, (% reporting important, or crucial limitation).**

Factor	All	Ranking
<b>Finance:</b>		
Access to debt finance from local banks	44.7	10
Access to equity finance from private investors	38.4	31=
Access to debt finance from the Government	43.2	14=
High interest rates to SMEs sectors	41.6	22
Do not have collateral to secure bank loan	41.1	27
Difficult to meet loan criteria	38.4	31=
Difficult to raise capital from family	27.5	39
Difficult to raise capital from friends	24.3	40
<b>Market:</b>		
Inadequate demand	40.6	29
Too much competition from local firms	43.4	13
Competition from imported goods	37.1	33
High advertising costs	50.7	7
Inadequate market research.	47.5	8
<b>Managerial/ Technical Know-how:</b>		
Lack of managerial/ Technical Know-how	41.2	25=
Shortage of skilled labor	46	9
High wages for skilled labor	41.9	18
Inadequate access to new technology	32.4	37
Inadequate financial skills	33.9	35
Inadequate marketing & management skills	39.1	30
Inadequate government contracts	41.7	19=
Inadequate technical skills	34.9	34
<b>Inputs:</b>		
High cost of local raw materials	41.7	19=
High cost of imported raw materials	42.7	16
Inadequate supply of raw materials	40.7	28
High fixed costs e.g., rent	58.6	4
High cost of good will for rent	57.9	5
High cost of replacing old equipment	43.7	12
Difficulty in finding appropriate equipment	41.3	24
<b>Economic/Regulatory:</b>		
High rate of inflation.	43.2	14=
High interest rates	41.2	25=
Kuwait labor law criteria and regulations	54.3	6
Bureaucracy in government agencies	59.6	3
Registration /licensing /red tape.	62.1	1
Corruption	60.6	2
<b>Infrastructure:</b>		
High utility charges	42.2	17
Lack of available industrial sites	44	11
High transport and storage costs	41.5	23
Low quality of electricity / water supply	30.8	38
Poor telecommunication networks	33.6	36
Lack of suitable premises	41.7	19=

N=396 Salman

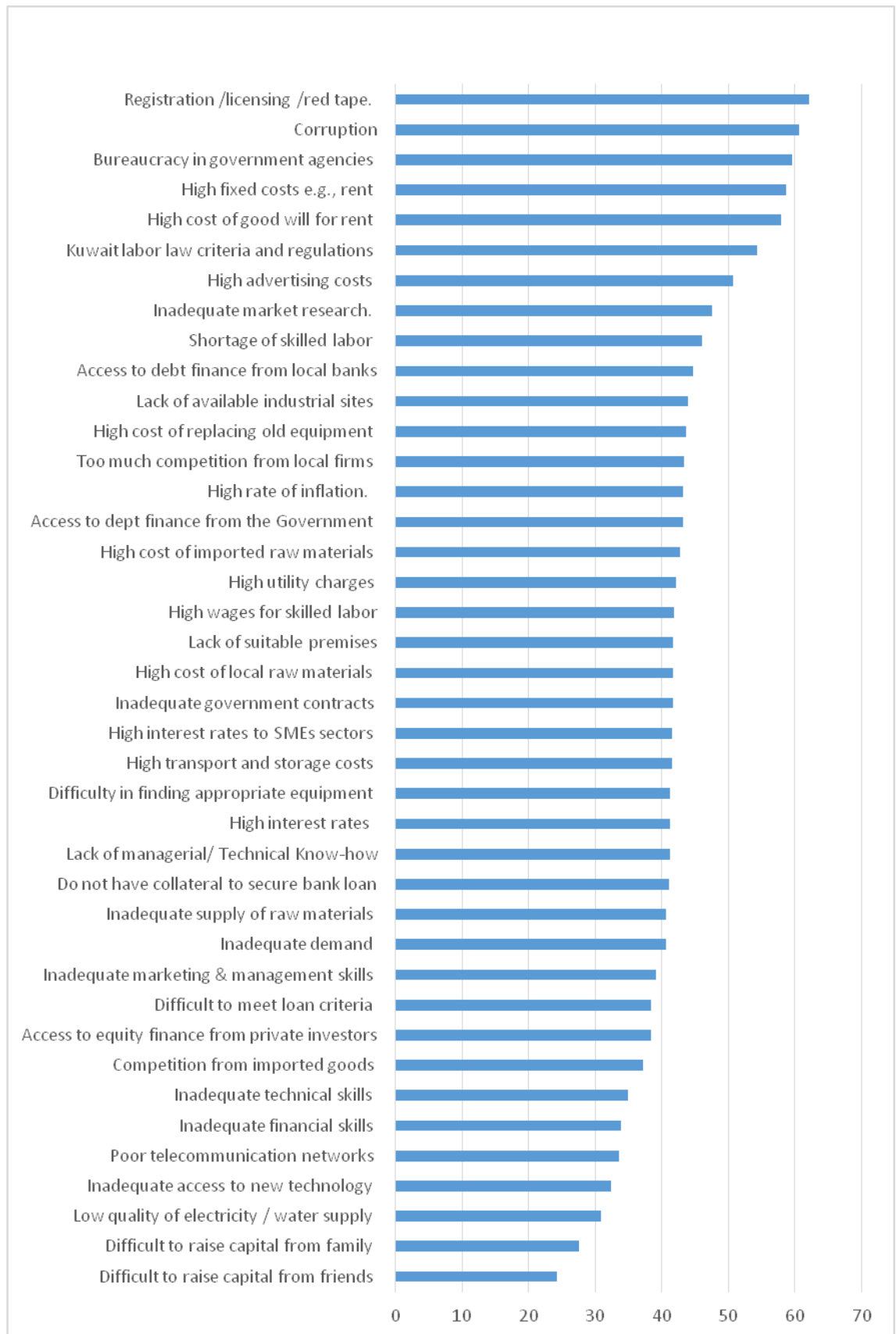


Figure 5.6 Factors Limiting the Entrepreneurs' Ability to Meet their Business Objectives (Percentage of the Respondents reporting crucial or important limitation)



The following sections of the chapter present the results of using an ordered logit regression model to estimate the forty barriers encountered by Kuwaiti entrepreneurs. The regression results in tables 6.3 to 6.10 report the coefficients and the Z scores, where the later are shown in parentheses. Those variables which were found to be statistically significant at the 0.10 level, or better, are shown in bold to make the regression results easier to read.

The sample statistics and the correlation matrix are presented in Table 5.11. For all of the variables with the exception of the use of the social media sites, there is no evidence to suggest that the regression model results are distorted by multicollinearity. However, for the social media sites there is a high degree of multicollinearity and accordingly it is necessary to only include one of the social media sites, at a time, in each of the forty models of the barriers to growth in Kuwait.

**Table 5.11 Summary Statistics and Correlation Matrix (n=396)**

	Mean	S.D.	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
1 High Finance	0.10	0.30	1.0												
2 Gender	0.69	0.46	.10 <sup>b</sup>	1.0											
3 School	0.22	0.42	.10 <sup>b</sup>	.12 <sup>b</sup>	1.0										
4 Degree	0.58	0.49	.01	-.12 <sup>b</sup>	-.42 <sup>a</sup>	1.0									
5 MSc/PhD	0.20	0.40	.06	.02	-.27 <sup>a</sup>	-.38 <sup>a</sup>	1.0								
6 Age	3.51	0.27	.10 <sup>b</sup>	.10 <sup>b</sup>	.04	-.14 <sup>a</sup>	.14 <sup>a</sup>	1.0							
7 Education High	0.02	0.13	-.04	.01	-.10 <sup>b</sup>	-.01	.10 <sup>b</sup>	.08 <sup>c</sup>	1.0						
8 Education Low	0.04	0.19	.03	.01	.06	-.11 <sup>b</sup>	.08 <sup>c</sup>	.05	-.03	1.0					
9 Ministries High	0.04	0.20	.06	-.02	.07	-.07	.02	.06	-.03	-.04	1.0				
10 Ministries Low	0.15	0.36	-.10 <sup>b</sup>	-.01	.08 <sup>c</sup>	-.05	-.02	.08 <sup>c</sup>	-.06	-.08 <sup>c</sup>	-.10 <sup>b</sup>	1.0			
11 Wider High	0.07	0.26	.04	-.01	.10 <sup>b</sup>	.12 <sup>b</sup>	-.04	-.03	-.04	-.05	-.06	-.12 <sup>b</sup>	1.00		
12 Wider Low	0.15	0.36	-.02	-.08 <sup>c</sup>	-.04	.05	-.02	.02	-.06	-.08 <sup>c</sup>	-.09 <sup>c</sup>	-.18 <sup>a</sup>	-.12 <sup>b</sup>	1.00	
13 Education High2	0.03	0.17	-.01	-.07	.08 <sup>c</sup>	-.12 <sup>b</sup>	.06	-.04	-.02	.13 <sup>b</sup>	.04	.01	-.05	-.03	1.00
14 Ministries High2	0.08	0.27	.03	-.03	.01	.01	-.01	-.04	.17 <sup>a</sup>	-.06	-.01	.03	-.01	.03	-.05
15 Wider Low2	0.09	0.29	.10 <sup>b</sup>	-.11 <sup>b</sup>	-.05	.08 <sup>c</sup>	-.05	-.10 <sup>b</sup>	-.04	-.02	.06	-.11 <sup>b</sup>	-.05	.15 <sup>a</sup>	-.06
16 Facebook	0.50	0.50	.04	-.07	-.03	.00	.03	-.04	-.06	-.03	.01	-.07	.06	-.01	.06
17 Twitter	0.57	0.50	.05	-.11 <sup>b</sup>	-.09 <sup>c</sup>	.06	.01	-.15 <sup>a</sup>	-.08	-.05	-.09 <sup>c</sup>	-.02	.08	.03	.01
18 LinkedIn	0.20	0.40	.01	-.04	.04	-.07	.05	-.05	-.02	.00	-.01	.00	-.04	.05	.06
19 Instagram	0.59	0.49	.02	-.14 <sup>a</sup>	-.04	.06	-.04	-.09 <sup>c</sup>	-.09 <sup>c</sup>	-.06	-.03	-.04	.09 <sup>c</sup>	.01	-.01
20 Bebo	0.11	0.31	.01	-.01	.02	-.02	.01	.01	.01	.02	.00	.01	.00	-.02	.03
21 MySpace	0.13	0.33	.05	-.01	.05	-.03	-.02	-.02	.01	.01	.03	-.01	.04	-.01	.02
22 Keek	0.18	0.38	.01	-.05	.09 <sup>c</sup>	-.07	-.01	-.03	.04	-.02	.03	-.01	-.02	.04	-.01
23 Product Innovator	0.21	0.41	.08	-.07	-.08	.11 <sup>b</sup>	-.05	.03	-.02	.07	.05	-.08	.01	.04	-.09 <sup>c</sup>
24 Process Innovator	0.18	0.38	.11 <sup>b</sup>	-.02	-.03	.05	-.04	-.09	-.06	.09 <sup>c</sup>	.06	-.03	.03	.06	-.01
25 Ltd Co	0.35	0.48	.05	.23 <sup>a</sup>	-.12 <sup>b</sup>	.10 <sup>b</sup>	.01	.03	.06	-.11 <sup>b</sup>	.03	-.06	.01	-.08 <sup>c</sup>	-.10 <sup>b</sup>
26 No website	0.56	0.50	-.03	-.02	.07	-.02	-.05	.05	.04	.06	.11 <sup>b</sup>	.11 <sup>b</sup>	-.01	-.09 <sup>c</sup>	.01
27 Nil Online	0.25	0.43	.05	-.01	-.06	.05	.01	.00	-.03	-.05	-.10 <sup>b</sup>	-.06	.03	.08 <sup>c</sup>	-.06

28 Low Online	.09	.29	-.05	.03	-.05	-.01	.06	-.02	.01	-.02	-.03	-.07	-.02	.06	.05
29 High Online	.09	.29	.04	.01	-.01	-.03	.03	-.08 <sup>c</sup>	-.04	-.01	-.02	-.01	.01	-.04	.04
30 SIC10-33	.22	.41	-.01	-.02	-.03	.02	.00	.02	.07	-.07	.04	.02	.05	-.00	-.02
31 SIC 46-47	.27	.44	.06	-.20 <sup>a</sup>	.05	-.05	.01	.02	-.04	.01	.01	-.05	-.06	.04	.06
32 SIC55-56	.15	.36	.12 <sup>b</sup>	.16 <sup>a</sup>	-.06	.08 <sup>c</sup>	-.03	-.06	-.06	-.01	.05	-.01	.05	-.02	-.08 <sup>c</sup>
33 SIC58-63	.06	.23	-.05	.14 <sup>a</sup>	-.00	-.00	.01	-.05	-.03	.07	.05	-.01	-.03	-.05	.02
34 SIC69-74	.15	.36	-.02	.00	-.07	-.02	.10 <sup>b</sup>	.05	.05	-.04	-.09 <sup>c</sup>	-.06	.05	.08 <sup>c</sup>	.01
35 SIC77-82	.16	.37	-.14 <sup>a</sup>	.02	.10 <sup>b</sup>	-.02	-.08 <sup>c</sup>	-.01	-.01	.07	-.06	.11 <sup>b</sup>	-.07	-.07	.00
36 Exporter	.17	.38	-.06	-.05	.08 <sup>c</sup>	-.04	-.04	.05	.04	-.11 <sup>b</sup>	.01	.02	.01	.05	-.04
37 Parents Business	.37	.49	.17 <sup>a</sup>	-.05	-.09 <sup>c</sup>	.01	.08	-.03	.05	.02	-.01	-.06	.03	-.08 <sup>c</sup>	-.02
38 Team	.58	.50	.03	.14 <sup>a</sup>	-.11 <sup>b</sup>	.10 <sup>b</sup>	-.01	.01	-.01	-.01	.01	-.01	-.08 <sup>c</sup>	-.03	.00
39 Size FT	1.72	1.72	.38 <sup>a</sup>	.23 <sup>a</sup>	-.11 <sup>b</sup>	.04	.06	.06	-.02	-.07	-.01	-.08 <sup>c</sup>	-.04	-.04	-.11 <sup>b</sup>
40 Size PT	.23	1.66	.00	.06	-0.01	-.02	.04	-.02	-.06	.00	-.01	.03	-.04	-.02	-.07
41 Age Business	1.65	.94	.16 <sup>a</sup>	.15 <sup>a</sup>	.10 <sup>b</sup>	-.15 <sup>a</sup>	.08 <sup>c</sup>	.40 <sup>a</sup>	.06	.01	.06	.03	-.04	-.04	-.05
42 Home Business	.21		-.19 <sup>a</sup>	-.22 <sup>a</sup>	.05	.03	-.09 <sup>c</sup>	-.15 <sup>a</sup>	.02	-.01	.04	.05	.01	.09 <sup>c</sup>	.11 <sup>b</sup>

Notes: The average age of the entrepreneurs was 34.851; the average age of the business was 8.364 years; and, the average size of the businesses was 14.202. <sup>a</sup> Significant at the 0.01 level, <sup>b</sup> Significant at the 0.05 level, <sup>c</sup> Significant at the 0.1 level

Table 5.11 Cont.

	14	15.	16.	17.	18.	19.	20.	21.	22.	23.	24.	25.	26.
15 Wider Low2	0.11 <sup>b</sup>	1.0											
16 Facebook	0.12 <sup>b</sup>	0.12 <sup>b</sup>	1.0										
17 Twitter	0.12 <sup>b</sup>	0.12 <sup>b</sup>	0.69 <sup>a</sup>	1.0									
18 LinkedIn	0.09 <sup>c</sup>	0.09 <sup>c</sup>	0.42 <sup>a</sup>	0.35 <sup>a</sup>	1.0								
19 Instagram	0.09 <sup>c</sup>	0.09 <sup>c</sup>	0.62 <sup>a</sup>	0.75 <sup>a</sup>	0.25 <sup>a</sup>	1.0							
20 Bebo	-0.01	-0.01	0.32 <sup>a</sup>	0.24 <sup>a</sup>	0.59 <sup>a</sup>	0.23 <sup>a</sup>	1.0						
21 MySpace	0.03	0.03	0.34 <sup>a</sup>	0.24 <sup>a</sup>	0.55 <sup>a</sup>	0.21 <sup>a</sup>	0.86 <sup>a</sup>	1.0					
22 Keek	0.06	0.06	0.37 <sup>a</sup>	0.32 <sup>a</sup>	0.47 <sup>a</sup>	0.30 <sup>a</sup>	0.71 <sup>a</sup>	0.71 <sup>a</sup>	1.0				
23 Product Innovator	-0.01	0.00	0.05	0.07	-0.03	0.13 <sup>a</sup>	-0.04	-0.06	0.00	1.0			
24 Process Innovator	0.11 <sup>b</sup>	0.11 <sup>b</sup>	0.08	0.13 <sup>b</sup>	0.03	0.12 <sup>b</sup>	0.02	0.01	0.03	0.40 <sup>a</sup>	1.0		
25 Ltd Co	-.03	-.05	0.01	-0.02	0.04	-0.02	0.06	0.03	0.04	-0.06	-0.06	1.0	
26 No website	-.08 <sup>c</sup>	-.08 <sup>c</sup>	-0.29 <sup>a</sup>	-0.27 <sup>a</sup>	-0.17 <sup>a</sup>	-0.25 <sup>a</sup>	-0.04	-0.09 <sup>c</sup>	-0.20 <sup>a</sup>	-0.05	-0.08	-.09 <sup>c</sup>	1.0
27 Nil Online	-.01	.06	0.15 <sup>a</sup>	0.15 <sup>a</sup>	0.02	0.14 <sup>a</sup>	-0.03	0.00	0.03	0.07	0.06	.09 <sup>c</sup>	-.40 <sup>a</sup>
28 Low Online	.04	.05	0.11 <sup>b</sup>	0.09 <sup>c</sup>	0.06	0.12 <sup>b</sup>	-0.03	-0.04	0.06	-0.04	0.05	.10 <sup>b</sup>	-.36 <sup>a</sup>
29 High Online	.13 <sup>b</sup>	.02	0.18 <sup>a</sup>	0.17 <sup>a</sup>	0.21 <sup>a</sup>	0.00	0.16 <sup>a</sup>	0.22 <sup>a</sup>	0.24 <sup>a</sup>	-0.04	-0.04	-.05	-.36 <sup>a</sup>
30 SIC10-33	.01	.06	-0.04	0.00	-0.09 <sup>c</sup>	0.05	-0.05	-0.09 <sup>c</sup>	-0.06	0.00	0.03	-.04	-.01
31 SIC 46-47	-.01	.10 <sup>b</sup>	0.05	0.00	0.00	0.02	0.02	0.06	0.00	0.01	0.03	-.10 <sup>b</sup>	.04
32 SIC55-56	-.04	-.04	-0.03	0.04	-0.05	0.00	-0.09	-0.03	-0.05	-0.01	-0.01	.24 <sup>a</sup>	.04
33 SIC58-63	-.03	-.04	0.03	0.02	0.01	-0.04	0.02	0.00	0.06	0.00	0.02	.01	-.15 <sup>a</sup>
34 SIC69-74	.14	-.06	0.00	0.00	0.09 <sup>c</sup>	-0.03	-0.04	-0.03	-0.04	-0.02	-0.01	-.02	-.03
35 SIC77-82	-.08 <sup>c</sup>	-.07	0.00	-0.05	0.06	-0.03	0.13 <sup>a</sup>	0.08 <sup>c</sup>	0.13 <sup>b</sup>	0.00	-0.06	-.04	.04
36 Exporter	.14 <sup>a</sup>	-.01	0.13 <sup>a</sup>	0.12 <sup>b</sup>	0.01	0.14 <sup>a</sup>	0.01	0.03	0.13 <sup>a</sup>	0.05	0.03	-.02	-.15 <sup>a</sup>
37 Parents Business	.03	.04	0.00	0.02	0.03	0.01	-0.07	-0.06	-0.08	-0.03	0.00	.11 <sup>b</sup>	-.08 <sup>c</sup>
38 Team	.00	-.04	0.05	0.05	-0.06	0.00	-0.07	-0.09 <sup>c</sup>	-0.05	-0.03	0.00	.30 <sup>a</sup>	-.06
39 Size FT	-.01	-.00	-0.06	0.00	-0.07	0.02	0.04	0.03	0.03	0.01	-0.05	.29 <sup>a</sup>	-.11 <sup>b</sup>
40 Size PT	-0.04		-0.02	-0.02	0.00	0.01	0.09 <sup>c</sup>	0.06	0.07	0.02	-0.12 <sup>b</sup>		
41 Age Business	.02	-.04	-0.02	-0.16 <sup>a</sup>	-0.03	-0.15 <sup>a</sup>	0.01	0.01	-0.03	0.03	-0.06	.02	.08 <sup>c</sup>
42 Home Business	0.06	0.00	0.07	0.08 <sup>c</sup>	0.05	0.09 <sup>c</sup>	0.06	0.09 <sup>c</sup>	0.09 <sup>c</sup>	0.01	0.03		

**Table 5.11 Cont.**

	27.	28.	29.	30.	31.	32.	33.	34.	35.	36.	37.	38.	39.	40.	41.	42.
27 Nil Online	1.0															
28. Low Online	-.18 <sup>a</sup>	1.0														
29 High Online	-.18 <sup>a</sup>	-.10 <sup>b</sup>	1.0													
30 SIC10-33	-.08 <sup>c</sup>	.15 <sup>a</sup>	.01	1.0												
31 SIC 46-47	.01	-.08 <sup>c</sup>	.00	-.32 <sup>a</sup>	1.0											
32 SIC55-56	.01	-.04	-.04	-.22 <sup>a</sup>	-.26 <sup>a</sup>	1.0										
33 SIC58-63	-.02	.14 <sup>a</sup>	.14 <sup>a</sup>	-.13 <sup>b</sup>	-.15 <sup>a</sup>	-.11 <sup>b</sup>	1.0									
34 SIC69-74	.08 <sup>c</sup>	-.04	-.04	-.22 <sup>a</sup>	.25 <sup>a</sup>	-.22 <sup>a</sup>	-.26 <sup>a</sup>	1.0								
35 SIC77-82	.03	-.09 <sup>c</sup>	-.02	-.23 <sup>a</sup>	-.26 <sup>a</sup>	-.18 <sup>a</sup>	-.11 <sup>b</sup>	-.18 <sup>a</sup>	1.0							
36 Exporter	.06	.11 <sup>b</sup>	.09 <sup>c</sup>	.03	.17 <sup>a</sup>	-.13 <sup>a</sup>	-.03	-.06	-.03	1.0						
37 Parents Business	.08 <sup>c</sup>	.06	-.05	-.04	-.01	.07	-.01	-.01	-.01	.08	1.0					
38 Team	.09 <sup>c</sup>	.03	-.04	-.04	-.01	.16 <sup>a</sup>	-.01	-.10 <sup>b</sup>	-.01	-.08 <sup>c</sup>	-.07	1.0				
39 Size FT	.14 <sup>a</sup>	.03	-.04	-.01	.07	.20 <sup>a</sup>	-.05	-.19 <sup>a</sup>	-.04	.02	.10 <sup>b</sup>	.14 <sup>a</sup>	1.0			
40 Size PT	0.04	0.02	.04	-.09 <sup>c.04</sup>	.16 <sup>a</sup>	.08	-.13 <sup>a</sup>	-.03	.02	0.02	0.02	0.01	0.11 <sup>b</sup>	1.00		
41 Age Business	.01	-.03	-.15 <sup>a</sup>	.10 <sup>b</sup>	.07	-.12 <sup>b</sup>	-.10 <sup>b</sup>	.02	-.04	.10 <sup>b</sup>	.10 <sup>b</sup>	-.08 <sup>c</sup>	.28 <sup>a</sup>	-0.02	1.0	
42 Home Business	0.03	-0.21 <sup>a</sup>	-0.02	-0.08	0.02	0.11 <sup>b</sup>	0.08	0.09 <sup>c</sup>	-0.13 <sup>a</sup>	0.08 <sup>c</sup>	-0.07	-0.20 <sup>a</sup>	-0.27 <sup>a</sup>	-0.11 <sup>b</sup>	-0.22 <sup>a</sup>	1.00

#### 5.4 Hypothesis Testing

The previous section has provided the results on the headline figures of the forty barriers to growth in Kuwait and compared the results to the main previous studies on barriers to growth. This section tests the three multipart hypotheses against the forty barriers to growth in Kuwait using a usable sample of 396 entrepreneurs which are analysed using ordered logit regression models. In all of the models the likelihood ratios are statistically significant at the 0.01 level, and the log likelihood ratios are around -450. The log likelihood is the log likelihood of the fitted model. It is used in the Likelihood Ratio Chi-Square test of whether all predictors' regression coefficients in the model are simultaneously zero. The LR Chi-Square statistic can be calculated by  $-2*(L(\text{null model}) - L(\text{fitted model}))$  where  $L(\text{null model})$  is from the log likelihood with just the response variable in the model (Iteration 0) and  $L(\text{fitted model})$  is the log likelihood from the final iteration (assuming the model converged) with all the parameters. The null hypothesis is that all of the regression coefficients in the model are equal to zero. Because the LR Chi-Square test is statistically significant at the 0.01 level this means that the null hypothesis is rejected. In OLS regression analysis there are the  $R^2$ , the Coefficient of Determination and the Adjusted  $R^2$  which takes into account the number of variables included in a regression model. However, in logistic regression analysis and ordered regression analysis there are no equivalents of the  $R^2$  and Adjusted  $R^2$  measures to determine the goodness of fit of the models. Instead there are a variety of pseudo R-squared values of which McFadden's pseudo R-squared is the most widely used measure. However, McFadden's values are typically low, and less than 0.10 (See Hosmer and Lemeshow, 2000). Having established that as far as possible the models are valid each of the three multi-part hypotheses are examined in turn.

### **5.4.1 High Finance**

Hypothesis 1a suggested that owner-managers with higher start-up finance will face fewer barriers when compared to owner-managers with lower start-up finance. Firms with high finance at start-up encounter less financial barriers compared to firms with lower start-up finance, and this is the case for access to debt finance from local banks (Model 1), access to debt finance from the government (Model 4, Table 5.12), difficult to meet loan criteria (Model 6), difficult to raise capital from family (Model 7), and difficult to raise capital from friends (Model 8; Table 5.13).

There are no differences between firms with high start-up finance compared to firms with less start-up finance with regard to all five market related barriers (Models 9 to Model 13, Table 5.14), and all eight managerial and technical know-how barriers (Models 14 to 17, Table 5.15; Models 18 to 21, Table 5.16). Looking at the inputs barriers, there is only one inputs barrier where firms with high start-up finance encounter more problems compared to firms with less start-up finance and that is the high cost of good will for rent (Model 26, Table 5.18). The aforementioned relationship is statistically significant at the 0.05 level.

For three of the economic and regulatory barriers the firms with high start-up finance encounter less problems compared to firms with less start-up finance for a high rate of inflation (Model 29), a high rate of interest (Model 30) and Kuwaiti labor law (Model 31) and these relationships are all statistically significant at the 0.01 level.

For four of the infrastructure barriers the firms with high start-up finance encounter less problems compared to firms with less start-up finance and these are high utility charges (Model 35), a lack of available industrial sites (Model 36), high transport and storage costs (Model 37) and poor telecommunication networks (Model 39). The

aforementioned relationships are highly statistically significant at the 0.05, 0.05, 0.01 and 0.01 levels, respectively.

Thus, the results are consistent with hypothesis H1a for financial barriers, and economic and regulatory, and infrastructure barriers.

#### **5.4.2 Gender**

Hypothesis 1b argued that women owner-managers will face more barriers compared to men. There is no statistically significant difference at the 0.10 level or better between whether men or women encounter greater financial related barriers to growth (Table 5.12 and 5.13). Men encounter less severe market related barriers than women with regard to all five market related barriers, inadequate demand (Model 9), too much competition from local firms (Model 10), competition from imported goods (Model 11), high advertising costs (model 12) and inadequate market research (Model 13, Table 5.14). These relationships are statistically significant at the 0.01 level with the exception of too much competition from local firms which is weakly statistically significant at the 0.10 level, and competition from imported goods which is statistically significant at the 0.05 level. However, the opposite is the case and men encounter greater barriers than women with regard to inadequate access to new technology (Model 17, Table 5.15) and that is statistically significant at the 0.05 level.

There are no statistically significant differences between men and women and the encountering of managerial and technical know-how at the 0.10 level, or better (See Table 5.16).

Men encounter less barriers than women for four of the seven inputs related factors and these are: the high cost of imported raw materials (Model 23), the high fixed costs e.g. rent (Model 25, Table 5.17), the high cost of good will for rent (Model 26)



and the difficulty of finding appropriate equipment (Model 28, Table 5.18) and these are all statistically significant at the 0.05 level.

Gender is only statistically significant in one of the twelve economic and regulatory barriers and that is the high transport and storage costs (Model 37, Table 5.20). In the aforementioned econometric model men encounter greater barriers compared to men and this is statistically significant at the 0.05 level.

Thus, the results suggest that hypothesis 1b is supported with regard to market barriers and also inputs barriers.

#### **5.4.3 Education – School and Degrees**

Hypothesis 1c suggested that owner-managers with a greater level of education will face fewer barriers compared to owner-managers with a lower level of education. Entrepreneurs with a school level of education encounter greater financial barriers compared to entrepreneurs with MSc or PhD degrees in the models of do not have collateral to secure bank loans (Model 5), difficult to raise capital from family (Model 7), and difficult to raise capital from friends (Model 8, Table 5.13) and the variables are statistically significant at the 0.05 level.

Entrepreneurs with degrees encounter more financial barriers compared to entrepreneurs with MSc or PhD degrees for high interest rates to SMEs sectors (Model 4, Table 5.12), difficult to meet loan criteria (Model 6), difficult to raise capital from family (Model 7) and difficult to raise capital from friends (Model 8, Table 5.13).

Entrepreneurs with a school level education compared to entrepreneurs with a MSc or PhD degree encounter more market related barriers with regard to too much competition from local firms (Model 10), competition from imported goods (Model 11),

high advertising costs (Model 12) and these relationships are all statistically significant at the 0.05 level.

The entrepreneurs with a degree level education compared to entrepreneurs with a MSc or PhD degree encounter more market related barriers with regard to too much competition from local firms (Model 10), competition from imported goods (Model 11), high advertising costs (Model 12) and these relationships are all statistically significant at the 0.05 level.

Entrepreneurs with a degree level of education encounter more problems compared to entrepreneurs with a MSc or PhD degree with regard to a shortage of skilled labour (Model 15, Table 5.15) at the 0.01 level of statistical significance. However, that is the only case where one of the education variables is statistically significantly related to encountering managerial and technical-know how (Table 5.15 and Table 5.16).

Education as represented by the possession of a school level of education is only positively statistically significant in one of the seven models of inputs related factors and that is the high cost of good will for rent (Model 26, Table 5.18) where it is statistically significant at the 0.05 level. Entrepreneurs with degrees encounter more problems compared to entrepreneurs with an MSc or a PhD degree with regard to the high cost of good will for rent (Model 26, Table 5.18). The aforementioned relationship is statistically significant at the 0.05 level.

Possession of a school level of education is only statistically significant in one of the six economic and regulatory factors models and they are a high rate of interest (Model 29, Table 5.19) and this is statistically significant at the 0.05 level. Entrepreneurs with a degree level of education encounter more problems than

entrepreneurs with an MSc or a PhD degree for a high rate of interest (Model 29, Table 5.19) and this is at the 0.05 level of significance.

Entrepreneurs with a school level of education encounter more problems than the entrepreneurs with an MSc or a PhD degree for high transport and storage costs (Model 37, Table 5.20). This relationship is statistically significant at the 0.05 level. However, a school level of education is not statistically significant in the other five models of infrastructure barriers.

Entrepreneurs who have a degree level of education have more infrastructure barriers than entrepreneurs with an MSc or PhD degree with regard to high utility charges (Model 35) and high transport and storage costs (Model 37, Table 5.20) and this is statistically significant at the 0.05 level in both models.

Thus with regard to hypothesis 1c school education the results are supported with regard to financial barriers and market factors in a minority of the forty models.

#### **5.4.4 Owner-manager Characteristics - Age**

Hypothesis 1d argued that older owner-managers will face fewer barriers compared to younger owner-managers. There are very few of the models which show that the age of the entrepreneurs is systematically related to barriers to growth: age is not statistically significant at the 0.10 level or better with regard to the eight finance related barriers (Models 1 to 8, Tables 5.12 and 5.13) or the five market related barriers (Models 9 to 13, Table 5.14), but it is related to four models of managerial and technical know-how barriers. Older entrepreneurs encounter greater barriers for high wages for skilled labour (Model 16) and inadequate access to new technology (Model 17, Table 5.15) at the 0.01 level. Older entrepreneurs encounter less barriers for inadequate

financial skills (Model 18), and inadequate government contracts (Model 20, Table 5.16) at the 0.05 and 0.01 levels, respectively. Age of the entrepreneurs is not statistically related to any of the inputsbarriers (Models 22 to 28, Tables 5.17 and 5.18), economic and regulatory barriers (Models 29 to 34, Table 5.19) or the infrastructure barriers (Models 35 to 40, Table 5.20) at the 0.10 level or better.

Thus with regard to hypothesis 1d the human capital of the entrepreneurs as represented by the age of the entrepreneurs, the older entrepreneurs encounter fewer barriers compared to younger entrepreneurs the results as whole do not support the hypothesis.

#### **5.4.5 Innovation – Novel Product/Service**

Hypothesis 1e suggested innovative firms will face more barriers compared to non-innovative firms. Novel product innovators are found to encounter more financial barriers compared to non-novel product innovators. Indeed, the novel product innovation variable appears with a positively signed coefficient which is statistically significant at the 0.05 or 0.01 level for all of the models shown in Models 1 to 8 (Tables 5.12 and 5.13) with the exception of difficult to raise capital from family (Model 7, Table 5.13).

Novel product innovation is found to be systematically related to encountering greater market related barriers and this is statistically significant at the 0.01 level with regard to inadequate demand (Model 9), too much competition from local firms (Model 10), competition from imported goods (Model 11), high advertising costs (Model 12), inadequate market research (Model 13, Table 5.14), a lack of managerial and technical know-how (Model 14), a shortage of skilled labor (Model 15), high wages for skilled labor (Model 16) and inadequate technical skills (Model 17, Table 5.15).

Novel product innovator firms encounter more managerial and technical know-how barriers compared to non-novel product innovators with regard to a lack of managerial and technical know-how (Model 14), a shortage of skilled labour (Model 15), high wages for skilled labour (Model 16), and inadequate access to new technology (Model 17, Table 5.15), inadequate financial skills (Model 18), inadequate government contacts (Model 20), inadequate technical skills (Model 21, Table 5.16), and these relationships are statistically significant at the 0.05 level, or better, for all the aforementioned models with the exception of inadequate financial skills (Model 18, Table 5.16) which is only weakly statistically significant at the 0.10 level.

The Kuwaiti entrepreneurs whose firms have introduced a novel product or service innovation are more likely than those firms who have not introduced a novel product or service innovation to encounter all seven inputs related barriers at the 0.01 or 0.01 level with the sole exception of high cost of good will for rent (Model 26) which is not statistically significant at the 0.10 level, or better (Tables 5.17 and 5.18).

Novel product innovators encounter greater barriers than non-novel product innovators for all six of the twelve economic and regulatory factors and the relationships are all statistically significant at the 0.01 level (Models 29 to 34, Table 5.19).

Novel product or service innovators encounter more problems than non-novel product or service innovators with regard to three of the six infrastructure barriers and these are high utility charges (Model 35), a lack of available industrial sites (Model 36), and a poor telecommunication network (Model 39, Table 5.20). The results strongly support hypothesis 1e with regard to novel product/service innovation.

#### **5.4.6 Innovation – Novel Process**

Hypothesis 1e suggested innovative firms will face more barriers compared to non-innovative firms. This section deals with the second measure of innovation included in the models, novel process innovation. Novel process innovators are found to encounter more financial barriers in comparison to non-novel process innovators with regard to access to equity finance from private investors (Model 2) which is statistically significant at the 0.01 level; access to debt finance from the government (Model 3, Table 5.12), and difficult to raise capital from family (Model 7) at the 0.05 level; and, weakly statistically significant at the 0.10 level for difficult to meet loan criteria (Model 6), and difficult to raise capital from friends (Model 8, Table 5.13).

Novel process innovators encounter more market related barriers in comparison with non-process innovators and this is the case for too much competition from local firms (model 10), competition from imported goods (Model 11, Table 5.14), and these are statistically significant at the 0.05 and 0.01 level, respectively; and it is weakly statistically significant at the 0.10 level in the models of inadequate market research (Model 13, Tables 5.14).

Entrepreneurs whose firms have introduced a novel process innovation encounter more barriers than non-novel process innovators and this is found for a lack of managerial and technical know-how (Model 14), a shortage of skilled labour (Model 15, Table 5.15), inadequate government contracts (Model 20) and inadequate technical skills (Model 21, Table 5.16). These relationships are all statistically significant at the 0.01 level with the exception of a lack of managerial and technical know-how which is statistically significant at the 0.05 level.

Kuwaiti entrepreneurs' firms who have introduced a novel process innovation are more likely to encounter all seven of the inputs related barriers and these relationships are statistically significant at the 0.01 level (Models 22 to 28, Tables 5.17 and 5.18).

Novel process innovators encounter more barriers than their non-novel process innovation counterparts for only one of the six economic and regulatory factors and that is corruption (Model 34, Table 5.19), and it is statistically significant at the 0.05 level.

For all six models of infrastructure barriers the novel process innovators encounter more barriers compared to their non-novel process innovator counterpart. The models are statistically significant at the 0.01 level with the exception of high utility charges (Model 35) and poor telecommunication networks (Model 39, Table 5.20) which are statistically significant at the 0.05 level.

The results strongly support hypothesis 1e with regard to novel process innovation.

#### **5.4.7 Political Contacts - Direct**

Hypothesis 1f suggests that owner-managers social network including political contacts will face fewer barriers than owner-managers without political contacts. The reader is reminded of how the political contacts variables are constructed. Of the respondents with former government employment experience the responses were then divided into six binary variables: education employment at deputy school head or associate professor or higher in education institutions (Education High) or lower appointment (Education Low); ministries denotes employment at upper middle rank in the civil service or a member of Parliament (Ministries High) or lower appointment (Ministries Low); and finally the wider category of employment in a senior position in the diplomatic service, army, oil companies, television, healthcare and airways (all State owned or controlled) Wider High) or lower appointment (Wider Low). Indirect political connections were measured via the current or prior employment of family and friends in government roles. Education High entrepreneurs encounter less barriers with regard to

access to equity finance from private investors (Model 2), and Education Low entrepreneurs also encounter less barriers with regard to access to equity finance from private investors (Model 2, Table 5.12) but both of those variables are not statistically significantly related to the other six financial barriers (Tables 5.12 and 5.13). In contrast Ministries High encounter more barriers with regard access to debt finance from local banks (Model 1), access to equity finance from private investors (Model 2), access to debt finance from the government (Model 3), to do not have collateral to secure bank loan (Model 5), difficult to raise capital from family (Model 7), and difficult to raise capital from friends (Model 8) and these relationships are statistically significant at the 0.05 level. Wider High encounter less barriers for difficult to meet loan criteria (Model 6), and difficult to raise capital from friends (Model 8) and these are both statistically significant at the 0.05 level.

Direct political connections from working in education (Education High and Education Low) are not statistically related to market barriers at the 0.05 level or better for any of the six models (Models 9 to 13, Table 5.14). However, Ministries High is positively statistically significantly related to four of the six market related barriers and those are too much competition from local firms (Model 10), competition from imported goods (Model 11), high advertising costs (Model 12), and inadequate market research (Model 13, Table 5.14) and these are statistically significant at the 0.05 level with the exception of inadequate market research (Model 13) which is only weakly statistically significant at the 0.10 level. Ministries Low appears with a positively signed coefficient and it is statistically significant at the 0.05 level with regard to too much competition from local firms (Model 10) and competition from imported goods (Model 11, Table 5.14). Wider High is not statistically significantly related to any of the six market barriers (Table 5.14). Wider Low encounter more market barriers with regard to



inadequate demand (Model 9), too much competition from local firms (Model 10), competition from imported goods (Model 11) and less barriers with regard to inadequate market research (Model 13, Table 5.14).

Entrepreneurs with Education connections at a high level encounter less inadequate access to new technology barriers (model 17, Table 5.15) and that is statistically significant at the 0.01 level. Entrepreneurs with low level education connections encounter less barriers with regard to inadequate financial skills (Model 18), inadequate government contracts (Model 20), and inadequate technical skills (Model 21, Table 5.16). Ministries High is not statistically significantly related to any of the eight managerial and technical know-how barriers (Models 14 to 21, Tables 5.15 and 5.16). Ministries Low is negatively statistically significant at the 0.01 level with regard to high wages for skilled labour (Model 16) but it is positively statistically significant for the barriers of inadequate access to new technology (Model 17, Table 5.15) and inadequate financial skills (Model 18, Table 5.16) at the 0.01 and 0.05 levels, respectively.

Entrepreneurs with high level education connections encounter more barriers with regard to high fixed costs e.g. rent (Model 25, Table 5.17) and that is statistically significant at the 0.05 level. Entrepreneurs with low level education connections encounter more barriers with regard to high costs of local raw materials (Model 22, Table 5.17). Entrepreneurs with high level political connections in the ministries encounter more inputs related barriers and this is the case for high cost of local raw materials (Model 22), a high cost of imported raw materials (Model 23), inadequate supply of raw materials (Model 24), and high fixed costs e.g. rent (Model 25, Table 5.17) which are statistically significant at the 0.05 level or better; and less problems with regard to the input barrier the high cost of replacing old equipment (Model 27,

Table 5.18). Entrepreneurs with low level connections in the Ministries encounter less barriers with regard to the difficulty in finding appropriate equipment (Model 28, Table 5.18), and this is statistically significant at the 0.05 level. Entrepreneurs with Wider High connections encounter less barriers with regard to the high cost of good will for rent (Model 26, Table 5.18) but this is the only one of the seven inputs barriers which is statistically significant at the 0.05 level or better.

Entrepreneurs with high level education connections encounter more barriers with regard to bureaucracy in government agencies (Model 32) and corruption (Model 34, Table 5.19) and these relationships are statistically significant at the 0.05 level. None of the low level education connections are statistically significant in the six models of economic and regulatory barriers at the 0.10 level, or better. Entrepreneurs with high level connections in the ministries encounter more barriers with regard to Kuwaiti labour law (Model 31), bureaucracy in government agencies (Model 32), registration, licensing and red tape (Model 33) and corruption (Model 34, Table 5.19). Entrepreneurs with low level ministries connections encounter more barriers with regard to corruption (Model 34, Table 5.19) and that is statistically significant at the 0.01 level. Wider High shows no statistically significant relationships with the six economic and regulatory barriers at the 0.10 level or better. Only one of the six models of economic and regulatory models has low level wider connections as being statistically significant at the 0.05 level, or better. The model of registration, licensing and red tape, shows that Wider Low is negatively statistically significant at the 0.01 level.

Education High appears with a negatively signed coefficient which is statistically significant at the 0.05 level for a lack of suitable premises barrier (Model 40, Table 5.20). Education High is not statistically significantly related at the 0.10 level, or better, for any of the other models of infrastructure barriers. Education Low is not

systematically related to any of the six models of infrastructure barriers. Ministries High appears with negatively signed coefficients which are statistically significant at the 0.05 level for four of the six infrastructure barriers and those are high utility charges (Model 35), a lack of available industrial sites (Model 36), low quality of electricity and water supply (Model 38) and a lack of suitable premises (Model 40, Table 5.20). Ministries Low is statistically significantly related to the low quality of electricity and water supply (Model 39) at the 0.05 level but it has a positive signed coefficient rather than the expected negative signed coefficient. Wider High is negatively significantly related to two models of infrastructure barriers and those are the high transport and storage costs (Model 37), and low quality of electricity and water supply (Model 38, Table 5.20).

Taken together the results show that contrary to our expectations in hypothesis 1f that direct political connections are not advantageous in reducing barriers to growth for Kuwaiti entrepreneurs. Indeed, direct political connections are generally either not systematically related to barriers to growth and in fact are a liability in many instances. Thus, hypothesis 1f is not supported with regard to direct political connections.

#### **5.4.8 Indirect Political Connections**

Entrepreneurs with indirect political connections encounter fewer financial barriers compared to entrepreneurs without such connections. Education High<sup>2</sup> appears with a negatively signed coefficient and it is statistically significant at the 0.05 level or better in all of the financial barriers models with the exception of difficult to raise capital from friends (Model 8, Table 5.13) which is not statistically significant at the 0.10 level or better. Ministries High<sup>2</sup> also appears with negatively signed coefficients in

the financial barriers models and it is statistically significant at the 0.05 level or better for all models with the exception of high interest rates to SMEs sectors (Model 4, Table 5.12), and difficult to raise capital from family (Model 7, Table 5.13) which are not statistically significant at the 0.10 level, or better. Wider High2 is negatively statistically significant at the 0.05 level or better for all the financial barriers with the exceptions of access to debt finance from the government (Model 3, Table 5.12), and difficult to raise capital from family (Model 7, Table 5.13).

Education High2 appears with a negatively signed coefficient which is statistically significant at the 0.05 or 0.01 level in all of the market barriers models with the exception of competition from imported goods (Model 11) which is not statistically significant at the 0.10 level or better. Ministries High2 and Wider High2 are negatively statistically related to all five of the market related barriers and are statistically significant at the 0.05 level or better (Models 9 to 13, Table 5.14).

Education High2 appears with negatively signed coefficients in the barriers of a lack of managerial and technical know-how (Model 14), a shortage of skilled labour (Model 15), high wages for skilled labour (Model 16, Table 5.15), inadequate marketing and management skills (Model 19), and inadequate technical skills (Model 21, Table 5.16) at the 0.05 or 0.01 levels. Ministries High2 is negatively statistically significant at the 0.05 level or better in six of the eight models of managerial and technical know-how; and, the barriers which were not statistically significant are inadequate financial skills (Model 18), and inadequate government contracts (Model 20, Table 5.16). Wider High2 is negatively statistically significantly related to the following managerial and technical barriers, a shortage of skilled labour (Model 15), high wages for skilled labour (Model 16, Table 5.15), inadequate government contracts (Model 20), and inadequate

technical skills (Model 21, Table 5.16) and these are statistically significant at the 0.05 level or better.

Education High2 appears with a negatively signed coefficient in six of the seven models of inputs barriers. Indeed the only model where Education High2 is not statistically significant at the 0.05 level, or better, is the high cost of replacing old equipment (Model 27, Table 5.18) which is not statistically significant at the 0.10 level, or better. Ministries High2 is negatively statistically significant in four models of inputs barriers and these are the high cost of imported raw materials (Model 23), the high fixed costs e.g. rent (Model 25, Table 5.17), high cost of good will for rent (Model 26), and high cost of replacing old equipment (Model 28, Table 5.18). Wider High2 is negatively statistically significant in four of the models of barriers to growth and those are the high cost of local raw materials (Model 22), high cost of imported raw materials (Model 23), inadequate supply of raw materials (Model 24) and high fixed costs e.g. rent (Model 25, Table 5.17).

Education High2, Ministries High2 and Wider High2 all show negative relationships with the six models of economic and regulatory barriers and are statistically significant at the 0.05 level, or better, with the sole exception of Ministries High2 which is not statistically significant at the 0.10 level, or better, with regard to the high rate of interest (Model 30, Table 5.19).

Education High2 is negatively statistically significantly related to four of the six infrastructure barriers and those are the high utility charges (Model 35), a lack of available industrial sites (Model 36), high transport and storage costs (Model 37), and a lack of suitable premises (Model 40, Table 5.20). Ministries High 2 is negatively statistically significant at the 0.05 level, or better, in five of the six models of infrastructure barriers. Indeed the one infrastructure model where Ministries High2 is

not statistically significant is poor telecommunication networks (Model 39, Table 5.20). Wider High2 is negatively statistically significantly related at the 0.05 level to four of the infrastructure barriers and those are high utility charges (Model 35), a lack of suitable industrial sites (Model 36), the low quality of electricity and water supply (Model 38), and a lack of suitable premises (Model 40, Table 5.20). Wider High2 is also weakly statistically significant in the model of high transport and storage costs (Model 37, Table 5.20).

Thus, the results strongly support hypothesis 1f with regard to indirect political connections.

#### **5.4.9 Social Media Sites**

Hypothesis 1g suggests that owner-managers who utilise a social media based business model will face fewer barriers than owner-managers who do not utilise social media networks. There is a high degree of multi-collinearity between the use of social media sites and this necessitated that only one of the social media sites, at a time, can be added to the full models. Accordingly, in Tables 5.21 to 5.29 the coefficients and Z scores are presented when they one by one have been added to the other full models.

Looking firstly at the financial barriers, it is clear that the use of Facebook is negatively associated with each of the eight types of financial barriers and these relationships are all statistically significant at the 0.01 level with the exception of difficult to raise capital from family (Model 83) and difficult to raise capital from friends (Model 90) which are statistically significant at the 0.05 level (Table 5.21 and 5.22). A similar pattern also emerges for the use of Twitter and the financial barriers. For LinkedIn it is negatively associated with four of the financial barriers at the 0.05 level, or better, and these are, access to debt finance from local banks (Model 43),

access to debt finance from the government (Model 57, Table 5.21), do not have collateral to secure bank loan (Model 71), and difficult to meet loan criteria (Model 78, Table 5.22).

Furthermore, Instagram is negatively associated with all eight financial barriers and these are statistically significant at the 0.05 level, or better. In contrast, the use of Bebo, MySpace, and Keek is not statistically significantly at the 0.05 level, or better, with any of the eight financial barriers (Models 45-47, 52-54, 59-61, 66-68, Table 5.21; Models 73-75, 80-82, 87-89, 94-96, Table 5.22).

The use of Facebook, Twitter and Instagram is negatively statistically significantly associated at the 0.01 level to all five market barriers with the sole exception of the use of Facebook which is negatively statistically significantly at the 0.05 related to competition from imported goods (Table 5.23). In contrast the use of LinkedIn, Bebo, MySpace and Keek is not statistically significant at the 0.10 level, or better, in any of the five models of market barriers.

The use of Facebook, Twitter and Instagram exhibit similar patterns in their relationships with managerial and technical know-how barriers. Indeed, the use of Facebook, Twitter and Instagram is negatively related to the use of a lack of managerial and technical know-how, a shortage of skilled labour, high wages for skilled labour (Table 5.24), inadequate government contacts, and inadequate technical skills (Table 5.25) and these are statistically significant at the 0.01 level. In contrast the use of LinkedIn and Bebo is only related to one of the managerial and technical know-how barriers and that is a shortage of skilled labour which is negatively statistically significant at the 0.01 and 0.05 level, respectively. Whilst for MySpace and Keek there are no systematic relationships with any of the eight managerial and technical know-how barriers at the 0.10 level, or better (Tables 5.24 and 5.25).

The use of Facebook, Twitter, and Instagram are all systematically related to all seven of the inputs barriers and are statistically significant at the 0.01 level. The exceptions are the use of Instagram and the high cost of imported raw materials (Table 5.26) which is statistically significant at the 0.10 level. The use of LinkedIn is negatively related to the high cost of imported raw materials, the high fixed costs e.g. rent (Table 5.26), and the high cost of good will for rent (Table 5.27) which are statistically significant at the 0.01, 0.05, and 0.01 levels, respectively. The use of Bebo is only systematically related to one of the seven inputs barriers and that is the high cost of good will for rent which is statistically significant at the 0.05 level. The use of MySpace and Keek are not related to any of the seven inputs barriers at the 0.05 level, or better (Table 5.26 and 5.27).

The use of Facebook, Twitter, LinkedIn and Instagram are all negatively statistically significantly related to the six economic and regulatory barriers at the 0.05 level with two exceptions; the use of LinkedIn is not related to registration, licensing and red tape (Model 267) and corruption (Model 274, Table 5.28) which are not statistically significant at the 0.10 level, or better. The use of Bebo and Keek are negatively related to the high rate of inflation barrier at the 0.05 and 0.10 levels, respectively, but other than those two models they are not related to any of the other economic and regulatory barriers. The use of MySpace is not statistically significantly related to any of the six models of economic and regulatory barriers at the 0.10 level, or better (Table 5.28).

The use of Facebook, Twitter, LinkedIn, Instagram and Bebo are related to all six of the infrastructure barriers at the 0.05 level, or better, with two exceptions – firstly, the use of LinkedIn against high utility charges, and secondly, the use of Bebo and high transport and storage costs which are both not statistically significant at the 0.10 level,



or better. The use of MySpace is not systematically related to the six infrastructure barriers at the 0.05 level, or better. Lastly, Keek is related to four of the infrastructure barriers at the 0.05 level, or better, and those are the lack of available industrial sites, the low quality of electricity and water supply, poor telecommunication networks, and a lack of suitable premises (Table 5.29).

The results provide strong support for hypothesis 1g.

#### **5.4.10 Limited Company Businesses**

Hypothesis H2a suggested a business in which the venture is registered as a limited liability company will face fewer barriers than those that adopt other legal statuses. Limited liability companies are less likely than firms without that legal status to encounter financial barriers and that is the case for six of the eight financial barriers. Limited liability companies are less likely to encounter barriers with regard to access to debt finance from local banks (Model 1), access to equity finance from private investors (Model 2), access to debt finance from the government (Model 3), high interest rates to SMEs sectors (Model 4, Table 5.12), difficult to raise capital from family (Model 7), and difficult to raise capital from friends (Model 8, Table 5.13). Whilst all of the coefficients of the limited liability dummy variable in the market barriers models appear with negative signs only one of them is statistically significant at the 0.05 level and that is inadequate demand (Model 9, Table 5.14). Limited liability companies encounter less problems compared to other firms with regard to three of the eight managerial and technical know-how barriers and those are high wages for skilled labour (Model 16) and

inadequate access to new technology (Model 17, Table 5.15), and inadequate marketing and managerial skills (Model 19, Table 5.16) and these are statistically significant at the 0.05 level, or better.

Limited liability companies are less likely than other businesses to encounter two of the inputs barriers, the high cost of local raw materials (Model 22), and the high cost of imported raw materials (Model 23, Table 5.17) and these are statistically significant at the 0.05 and 0.01 levels, respectively.

Limited liability companies is not statistically significant at the 0.05 level in any of the six models of economic and regulatory barriers (Models 29 to 34, Table 5.19). Furthermore, limited liability companies are only less likely to encounter one of the infrastructure barriers and that is high utility charges (Model 35, Table 5.20).

Thus hypothesis H2a is supported with regard to the financial barriers, but not by the other categories of barriers.

#### **5.4.11 E-Commerce**

Hypothesis H2b suggests that a business model in which revenue is captured through e-commerce will encounter fewer barriers than when revenue is captured through other transaction structures. The reader is reminded that the method of value capture was assessed by ownership of a website, without a website coded '1' and with a website coded '0' (No website), and the proportion of on-line mediated sales. Nil turnover from on-line sales was coded as '1' and '0' otherwise (Zero Online), 1 to 32% of turnover from on-line sales were coded as '1' and '0' otherwise (Low Online) and  $\geq 33\%$  of turnover from on-line sales were coded as '1' and otherwise '0' (High Online).

The three dummy variables of website sales are strongly related to financial barriers, and are positively statistically significant at the 0.05 level in the models of

access to debt finance from the government (Model 3), and high interest rates to SMEs sectors (Model 4, Table 5.12), and the same variables are also statistically significant at the 0.10 level or better in the models of difficult to meet loan criteria (Model 6), difficult to raise capital from family (Model 7), and difficult to raise capital from friends (Model 8, Table 5.13).

The zero online variable appears with negatively signed coefficients in all five models of market barriers, and it is statistically significant at the 0.10 level with regard to inadequate demand (Model 9), and at the 0.05 level with regard to the models of high advertising costs (Model 12), and inadequate market research (Model 13, Table 5.14). The Low Online variable is negatively related to all five models of market related barriers and these relationships are all statistically significant at the 0.01 level (Models 9 to 13, Table 5.14). Whilst the High Online variable appears with the predicted negative signed coefficients with regard to the six market barriers it is only weakly statistically significant at the 0.10 level for the inadequate market research barrier (Model 13, Table 5.14).

There is strong support for the perceived relationship between ecommerce and the managerial and technical know-how barriers. The Zero online variable is negatively related to inadequate technical skills and that is highly statistically significant at the 0.01 level (Model 21, Table 5.16) but it is not statistically significant in the other six models of managerial and technical know-how related barriers.

The Low Online variable appears with a negative signed coefficient which is statistically significant at the 0.01 level for the lack of managerial and technical know-how barrier (Model 14), the high wages for skilled labour barrier (Model 16, Table 5.15), inadequate technical skills barriers (Model 21) and at the 0.05 level for inadequate government contracts (Model 20, Table 5.16).

The High Online variable is statistically significant at the 0.05 level for the high wages for skilled labour barrier (Model 16, Table 5.15) and inadequate marketing and management skills (Model 19, Table 5.16).

Firms with a website who report Zero Online sales encounter less problems to firms without a website with regard to high fixed costs e.g. rent (Model 25, Table 5.17) and high cost of good will for rent (Model 26, Table 5.18) and these are both statistically significant at the 0.05 level.

Firms who report Low Online sales encounter less problems to firms without a website with regard to all of the inputs barriers and these are statistically significant at the 0.05 level, or better, with the exception of the high cost of replacing old equipment (Model 27, Table 5.18) which is not statistically significant at the 0.10 level, or better.

The third ecommerce dummy variable is High Online and that is negatively statistically significant at the 0.05 level with regard to the high cost of imported raw materials (Model 23, Table 5.17) but it is not statistically significant in the other six models of inputs related barriers.

Firms with Zero Online encounter less problems compared to firms without a website for three of the economic and regulatory barriers and those are bureaucracy in government agencies (Model 32), registration, licensing and red tape (Model 33) and corruption (Model 34, Table 5.19).

Firms with Low Online sales encounter less problems in comparison to firms who do not have a website for all six economic and regulatory factors at the 0.01 level of significance with the sole exception of corruption (Model 34) which is not statistically significant at the 0.10 level.

Firms with High Online sales face less problems with regard to only one of the six economic and regulatory factors and that is the high rate of interest (Model 30, Table 5.19) and it is statistically significant at the 0.05 level.

Lastly attention turns to the infrastructure barriers and it is apparent that Zero Online is negatively statistically significant for three of the infrastructure barriers and those are high utility charges (Model 35), a lack of available industrial sites (Model 36), and a lack of suitable premises (Model 40, Table 5.20) and the three relationships are all statistically significant at the 0.05 level.

The Low Online variable is negatively statistically significantly related to all six infrastructure barriers with the exception of poor telecommunication networks (Model 39, Table 5.20) which is not statistically significant at the 0.10 level, or better.

The High Online variable is found to be related to three of the six infrastructure barriers and those are high transport and storage costs (Model 37), poor telecommunication networks (Model 39) and a lack of suitable premises (Model 40, Table 5.20) and these relationships are statistically significant the 0.05 level.

Thus the results support hypothesis H2b with regard to financial barriers, market barriers, managerial and technical know-how barriers, inputs barriers., economic and regulatory factors, and infrastructure barriers. In other words, H2b is supported with regard to all six types of barriers in Kuwait.

#### **5.4.12 Sector**

Hypothesis H3a suggests a business model in which value is created in industries that require substantial capital investment will face more barriers when compared to a business model configured to sell services. The reader is reminded that the models the sectors included are manufacturing (SIC10-33) wholesale and retail trade (SIC46-47),

accommodation and food service activities (SIC55-56), information and communication (SIC58-63) and administrative and support service activities (SIC77-82) and the excluded comparison category is professional, scientific and technical activities (SIC69-74).

The SIC10-33, SIC46-47, SIC55-56 sector dummies are all positively statistically significant in the models of access to debt finance from local banks (Model 1), access to debt finance from the government (Model 3), the high interest rates to SMEs sectors (Model 4, Table 5.12), difficult to meet loan criteria (Model 6), difficult to raise capital from family (Model 7) and difficult to raise capital from friends (Model 8, Table 5.13). Thus, sector is strongly related to financial barriers.

The SIC10-33, SIC46-47, SIC55-56 sector dummies are all positively statistically significant in the models of too much competition from local firms (Model 10), competition from imported goods (Model 11), high advertising costs (Model 12), and inadequate market research (Model 13) at the 0.05 level or better with the sole exception of SIC55-56 which is only weakly statistically significant at the 0.10 level in the model of competition from imported goods (Model 11). Taken together the results suggest that sector is related to market related barriers.

SIC10-33 is positively statistically significant at the 0.05 level or better in two of the managerial and technical know-how group of barriers and those are high wages for skilled labour (Model 16), and inadequate access to new technology (Model 17, Table 5.15). SIC55-56 is related to a lack of managerial and technical know-how (Model 14), a shortage of skilled labour (Model 15), high wages for skilled labour (Model 16) and inadequate access to new technology (Model 17). SIC77-82 is related to high wages for skilled labour (Model 16), inadequate access to new technology (Model 17, Table 5.15),

inadequate financial skills (Model 18, Table 5.16) at the 0.10, 0.05 and 0.05 levels, respectively.

Turning to the inputs barriers, SIC10-33 is related to the high cost of local raw materials (Model 22), the high cost of imported raw materials (Model 23, Table 5.17), and the high cost of replacing old equipment (Model 27, Table 5.18) at the 0.05 level, or better. SIC46-47 is related to inadequate supply of raw materials (Model 24, Table 5.17) at the 0.01 level. SIC55-56 is related to all seven inputs barriers at the 0.05 level or better (Tables 5.17 and 5.18). SIC77-82 is related to the high cost of replacing old equipment (Model 27, Table 5.18) at the 0.01 level.

There are few of the sector dummies related to the economic and regulatory barriers. SIC55-56 is related to bureaucracy in government agencies (Model 32) and registration, licensing and red tape (Model 33, Table 5.19) at the 0.01 and 0.05 level, respectively. SIC77-82 is negatively related to both high rate of inflation (Model 29) and the high rate of interest (Model 30, Table 5.19). Only three of the sector dummies are statistically significant in the models of infrastructure barriers.

Thus, overall there are mixed results with regard to hypothesis 3a.

#### **5.4.13 Exporting**

Hypothesis H3b suggests a business model in which value is captured from exports will face fewer barriers to growth when compared to a business model configured to capture value from domestic sales.

Exporting activity was not statistically significant at the 0.10 level, or better, in any of the eight models of financial barriers (Models 1 to 8, Tables 5.12 and 5.13).

Counter to the researcher's expectations, exporting firms encounter greater barriers compared to non-exporters at the 0.05 level with regard to too much

competition from local firms (Model 10) and competition from imported goods (Model 11) and at the 0.01 level with regard to inadequate market research (Model 13, Table 5.14).

Exporting firms encounter greater barriers than non-exporters at the 0.05 level with regard to three of the managerial and technical know-how group of barriers and those are a lack of managerial technical know-how (Model 14), a shortage of skilled labour (Model 15) and high wages for skilled labour (Model 16, Table 5.15), and these are statistically significant at the 0.05 level. In contrast and in line with expectations exporters encounter less problems with regard to inadequate access to new technology (Model 17, Table 5.15), inadequate financial skills (Model 18), inadequate marketing and management skills (Model 19, Table 5.16), and these are statistically significant at the 0.05 level.

Exporters encounter greater problems than non-exporters with regard to four of the seven inputs barriers and these are the high cost of local raw materials (Model 22), the high cost of imported raw materials (Model 23), inadequate supply of raw materials (Model 24, Table 5.17) and the high cost of good will for rent (Model 26, Table 5.18). The aforementioned relationships are statistically significant at the 0.10, 0.01, 0.05 and 0.05 levels, respectively.

The exporting variable appears with positively signed coefficients and is statistically significant at the 0.05 level with regard to Kuwaiti labour law (Model 31), and it is statistically significant at the 0.01 level for bureaucracy in government agencies (Model 32), registration, licensing and red tape (Model 33) and corruption (Model 34, Table 5.19)

Exporters encounter more problems than non-exporters with regard to a lack of suitable premises (Model 40, Table 5.20) and it is statistically significant at the 0.05



level. The exporting variable is not statistically significant at the 0.10 level, or better, in the other five models of infrastructure barriers (Table 5.20).

Thus, the results do not support hypothesis H3b.

#### **5.4.14 Control Variables**

This section of the chapter provides analysis of the control variables which are included in the models. Six control variables are included in the ordered logit regression models: coming from a background where parents owned a business (Parents Business), whether or not the businesses are team businesses or solo entrepreneurs (Team), the size of the business as measured by the total number of full-time employees (Size FT) and the total number of part-time employees (Size PT), the age of the business in years (Age Business) and whether or not the businesses are home based businesses (Home based). These are each examined in turn.

#### **5.4.14.1 Parents Business**

The first of the control variables is whether the entrepreneurs came from a background where their parents owned a business. Entrepreneurs from a business owning background entered greater difficulties than their counterparts who are not from a business owning background for two finance barriers, access to debt finance from local banks (Model 1, Table 5.12) and difficult to raise capital from family (Model 7, Table 5.13) and one managerial and technical know-how barrier – inadequate marketing and management skills (Model 19, Table 5.16); one economic and regulatory factor – bureaucracy in government agencies (Model 32, Table 6.10) at the 0.05 level, and one infrastructure barrier – poor telecommunication networks (Model 39, Table 5.20).

#### **5.4.14.2 Team Businesses**

Team businesses encountered less barriers than sole entrepreneurs for seven of the eight financial barriers at the 0.10 level or better. Team businesses faced less problems compared to solo entrepreneurs with regard to access to debt finance from local banks (Model 1), access to equity finance from private investors (Model 2, Table 5.12), difficult to meet loan criteria (Model 6), and difficult to raise capital from friends (Model 8, Table 5.13) at the 0.01 level; access to debt finance from the government (Model 3, Table 5.12) and do not have collateral to secure bank loan (Model 5, Table 5.13) at the 0.05 level; and, high interest rates to SMEs sectors (Model 4, Table 5.12) at the 0.10 level.

Solo entrepreneurs businesses encountered greater barriers compared to team businesses for two of the market related barriers and those are high advertising costs (Model 12) and inadequate market research (Model 13, Table 5.14) and these are statistically significant at the 0.01 and 0.05 levels, respectively.

Solo entrepreneurs also faced more problems with regard to five of the seven managerial and technical know-how barriers and those are a shortage of skilled labour (Model 15, Table 5.15), inadequate government contracts (Model 20), and inadequate technical skills (Model 21, Table 5.16) at the 0.01 level; a lack of managerial and technical know-how (Model 14, Table 5.15) at the 0.05 level; and inadequate financial skills (Model 18, Table 5.16) at the 0.10 level.

Team businesses fared better than solo entrepreneur businesses for four of the seven inputs related barriers to growth. Specifically, team businesses encountered less barriers than solo entrepreneur businesses for the high costs of local raw materials (Model 22), inadequate supply of raw materials (Model 24), and high fixed costs e.g. rent (Model 25) which is statistically significant at the 0.05 level; and high cost of imported raw materials (Model 23, Table 5.17) at the 0.01 level.

A similar pattern is encountered for economic and regulatory barriers where team businesses encounter less barriers compared to solo entrepreneur businesses for the following five models: a high rate of inflation (Model 29) at the 0.01 level; Kuwaiti labor law (Model 31), bureaucracy in government agencies (Model 32), and corruption (Model 34) at the 0.05 level; and registration/licensing/red tape (Model 33, Table 5.19) at the 0.10 level.

The team business dummy variable is not statistically significant at the 0.10 level, or better, in the six models of infrastructure barriers (Models 35 to 40, Table 5.20).

#### **5.14.4.3 Size – Full-time**

Firms with a larger number of full-time employees encounter greater barriers than smaller sized firms for six of the eight financial barriers. The number of full-time employees is statistically significant at the 0.01 level in the models of access to debt

finance from local banks (Model 1), access to debt finance from the government (Model 3, Table 5.12), do not have collateral to secure bank loan (Model 5), difficult to meet loan criteria (Model 6, Table 5.13). The relationship is statistically significant at the 0.10 level in the models of access to equity finance from private investors (Model 2), and high interest rates to SMEs sectors (Model 4, Table 5.12).

The number of full-time employees is strongly related to all five of the market barriers. The number of full-time employees is positively statistically significant at the 0.01 level with regard to too much competition from local firms (Model 10), inadequate market research (Model 13, Table 5.14). The number of full-time employees is positively statistically significant at the 0.10 level, or better, with regard to seven of the eight managerial and technical know-how. inadequate demand (Model 9), competition from imported goods (Model 11, Table 5.14).

Larger sized businesses who have a greater number of full-time employees encounter more problems compared to firms with fewer full-time employees and this is the case for a shortage of skilled labour (Model 15), high wages for skilled labour (Model 16, Table 5.15), and inadequate government contracts (Model 20, table 5.16) at the 0.01 level; inadequate access to new technology (Model 17, Table 5.15), inadequate financial skills (Model 18), inadequate technical skills (Model 21, Table 5.16) at the 0.05 level; and, a lack of managerial and technical know-how (Model 14, Table 5.15) at the 0.10 level.

For six of the seven inputs related factors the number of full-time employees is positively statistically significant at the 0.05 level or better (Tables 5.17 and 5.18). Firms with more full-time employees have more problems with regard to the high cost of local raw materials (Model 22), the high cost of imported raw materials (Model 23), inadequate supply of raw materials (Model 24), high fixed costs e.g. rent (Model 25,

Table 5.17), the high cost of replacing old equipment (Model 27, Table 5.18) at the 0.01 level, and the high cost of replacing old equipment (Model 27, Table 5.18) at the 0.05 level.

For all six of the economic and regulatory factors, the number of full-time employees is positively statistically significant at the 0.01 level (Models 29 to 34, Table 5.19). In other words, firms with a greater number of full-time employees encounter economic and regulatory barriers compared to smaller sized firms.

Firms with more full-time employees encounter fewer problems with regard to high utility charges (Model 35), a lack of available industrial sites (Model 36), high transport and storage costs (Model 37), and a lack of suitable premises (Model 40) at the 0.01 level, and the low quality of electricity and water supply (Model 38) at the 0.05 level.

#### **5.4.14.4 Size – Part-time**

Firms with a smaller number of part-time employees encounter greater barriers than firms with more part-time employees and this relationship is statistically significant at the 0.01 level with regard to high interest rates to SMEs sectors (Model 4, Table 5.12), and do not have collateral to secure bank loan (Model 5, Table 5.13); and, statistically significant at the 0.05 level with regard to difficult to meet loan criteria (Model 6), difficult to raise capital from family (Model 7), and difficult to raise capital from friends (Model 8, Table 5.13).

Firms with a smaller number of part-time employees encounter greater barriers than larger sized firms for three of the five of the market related barriers: inadequate demand (Model 9, Table 5.14) at the 0.01 level; too much competition from local firms (Model 10), and inadequate market research (Model 13, Table 5.14) at the 0.05 level.

The number of part-time employees is only found to be systematically related to two of the eight managerial and technical know-how group barriers and those are inadequate marketing and management skills (Model 19, Table 5.16) at the 0.01 level, and a lack of managerial and technical know-how (Model 14, Table 5.15) at the 0.05 level

Firm size as represented by the number of part-time employees is negatively statistically significant at the 0.10 level or better for all of the models of inputs related factors with the exception of high cost of imported raw materials (Tables 5.17 and 5.18). Firms with more part-time employees encounter fewer problems with regard to an inadequate supply of raw materials (Model 24), high fixed costs e.g. rent (Model 25, Table 5.17) at the 0.01 level; the high cost of good will for rent (Model 26) and difficulty in finding appropriate equipment (Model 28, table 5.18) at the 0.05 level; and, the high cost of local raw materials (Model 22, Table 5.17) and the high cost of replacing old equipment (Model 27, Table 5.18) at the 0.10 level.

For five of the six economic and regulatory barriers to growth, the number of part-time employees appears with negatively signed coefficients and these are statistically significant at either the 0.01 or 0.05 level and these are: Kuwaiti labor law (Model 31), bureaucracy in government agencies (Model 32), registration/licensing/red tape (Model 33) at the 0.01 level; and, a high rate of inflation, high rate of interest (Model 30, Table 5.19) at the 0.05 level.

The number of part-time employees is negatively statistically significantly related to the lack of available industrial sites (Model 36, Table 5.20) at the 0.01 level but the number of part-time employees is not statistically significant at the 0.10 level, or better, for the other five infrastructure barriers.

#### **5.4.14.5 Age of the businesses**

Older businesses generally encountered fewer financial barriers compared to younger businesses but it is only statistically significant in one of the models and that is difficult to raise capital from friends (Model 8, Table 5.13) which is weakly statistically significant at the 0.10 level.

A similar pattern emerged for market related barriers but it is only statistically significant at the 0.05 level for inadequate market research (Model 13, Table 5.14), managerial and technical know-how barriers where high wages for skilled labor (Model 16, Table 5.15), and inadequate technical skills (Model 21, Table 5.16) and these are statistically significant at the 0.05, and 0.01 levels respectively. The reverse is found, and older businesses encounter greater barriers for inadequate marketing and management skills (Model 19, Table 5.16) and that is weakly statistically significant at the 0.10 level.

The age of the businesses is not statistically significantly related to any of the inputs barriers at the 0.10 level or better (Models 22 to 28, Tables 5.17 and 5.18).

Older businesses encounter less economic and regulatory barriers for Kuwaiti labour law (Model 31) at the 0.01 level, and a high rate of inflation (Model 29, Table 5.19) at the 0.05 level but the other four economic and regulatory barriers are not systematically related to the age of the businesses.

The age of the businesses is negatively related to all six of the infrastructure barriers but it is statistically significant at the 0.10 level or better for four barriers. Older firms had fewer problems with regard to high utility charges (Model 35) at the 0.01 level; a lack of available industrial sites (Model 36), and a lack of suitable premises (Model 40) at the 0.05 level; and high transport and storage costs (Model 37, Table 5.20) at the 0.10 level.

#### **5.4.14.6 Home based businesses**

Whether or not the businesses are home based businesses is not systematically related to any of the financial barriers, market related barriers, managerial and technical know-how barriers, inputs barriers, economic and regulatory barriers, and infrastructure barriers. In other words, home based businesses do not encounter greater or weaker barriers to growth compared to non-home based businesses for any of the forty models of barriers to growth.

### **5.5 Conclusion**

This chapter has detailed the statistical analysis which was used to examine the data and identify the barriers to growth in Kuwait. The hypotheses were tested using ordered logit regression techniques. This was combined with descriptive tables to facilitate a better feel for the data and the characteristics of Kuwaiti entrepreneurs and their firms. As indicated in the methodology chapter, there was no evidence of response bias amongst the Kuwaiti entrepreneurs. Multicollinearity was a problem with regard to the use of the social media sites and that prevented all of the social media site usage variables from being included together in each of the models of the barriers to growth.

The following chapter will provide a discussion of the research findings and the explanations of the findings associated with the hypothesis testing. In other words, explanations are provided to explain and contextualise the results, drawing upon earlier studies of barriers to growth. The research findings will then be taken forward as well in the next chapter by reflecting upon the implications for theory, practitioners and policy makers.



**Table 5.12: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by financial barriers.**

Variable	Model 1 Access to debt finance from local banks	Model 2 Access to equity finance from private investors	Model 3 Access to debt finance from the Government	Model 4 High interest rates to SMEs sectors
<i>Control variables</i>				
Parents Business	<b>0.403 (2.20)<sup>b</sup></b>	0.234 (1.13)	0.271 (1.27)	0.166 (0.80)
Team	<b>-0.114 (0.47)<sup>a</sup></b>	<b>-0.143 (0.58)<sup>a</sup></b>	<b>-0.240 (0.94)<sup>b</sup></b>	<b>-0.451 (1.84)<sup>c</sup></b>
Size FT	<b>0.353 (3.49)<sup>a</sup></b>	<b>0.178 (1.77)<sup>c</sup></b>	<b>0.356 (3.39)<sup>a</sup></b>	<b>0.172 (1.69)<sup>c</sup></b>
Size PT	-0.069 (0.059)	-0.072 (1.20)	-0.057 (0.92)	<b>-0.161 (2.65)<sup>a</sup></b>
Age Business	0.009 (0.07)	0.035 (0.27)	-0.016 (0.12)	-0.118 (0.92)
Home based	-0.007 (0.03)	0.055 (0.24)	0.200 (0.89)	0.128 (0.58)
<i>Resources</i>				
High Finance	<b>-0.420 (0.95)<sup>b</sup></b>	0.125 (0.437)	<b>-0.651 (2.05)<sup>b</sup></b>	0.629 (1.41)
Gender	0.012 (0.05)	0.282 (0.241)	-0.010 (0.04)	0.094 (0.39)
School	0.304 (0.98)	0.392 (1.23)	0.269 (0.86)	0.422 (1.33)
Degree	2.020 (0.78)	0.276 (1.04)	0.039 (0.15)	<b>0.444 (2.03)<sup>b</sup></b>
Age	0.003 (0.31)	-0.012 (1.08)	-0.004 (0.33)	0.000 (0.03)
Education High	-1.084 (1.26)	<b>-1.392 (2.21)<sup>b</sup></b>	-0.710 (0.84)	-1.320 (2.02)
Education Low	-0.697 (1.25)	<b>-1.101 (2.03)<sup>b</sup></b>	-0.622 (1.06)	-0.527 (0.91)
Ministries High	<b>1.441 (2.50)<sup>b</sup></b>	<b>1.570 (2.63)<sup>a</sup></b>	<b>0.956 (2.06)<sup>b</sup></b>	-1.184 (2.14)
Ministries Low	<b>0.070 (0.24)<sup>b</sup></b>	-0.006 (0.02)	<b>0.216 (0.72)<sup>a</sup></b>	-0.047 (0.16)
Wider High	-0.468 (0.231)	<b>-0.078 (1.94)<sup>c</sup></b>	-0.229 (0.56)	-0.590 (2.12)
Wider Low	-0.129 (0.643)	-0.169 (0.59)	0.247 (0.86)	-0.245 (0.86)
Education High2	<b>-0.850 (2.02)<sup>b</sup></b>	<b>-1.355 (2.37)<sup>b</sup></b>	<b>-1.387 (2.43)<sup>b</sup></b>	<b>-1.740 (2.75)<sup>a</sup></b>
Ministries High2	<b>-0.474 (0.199)<sup>b</sup></b>	<b>-0.496 (2.57)<sup>b</sup></b>	<b>-0.302 (2.03)<sup>b</sup></b>	0.100 (0.53)
Wider High2	<b>-0.187 (2.08)<sup>b</sup></b>	<b>-0.189 (2.03)<sup>b</sup></b>	0.132 (1.14)	<b>-0.260 (2.30)<sup>a</sup></b>
Novel Product	<b>0.861 (3.28)<sup>a</sup></b>	<b>0.409 (2.06)<sup>b</sup></b>	<b>0.786 (2.98)<sup>a</sup></b>	<b>0.807 (3.07)<sup>a</sup></b>
Novel Process	0.319 (1.18)	<b>0.862 (3.16)<sup>a</sup></b>	<b>0.663 (2.34)<sup>b</sup></b>	0.303 (1.12)
<i>Transaction Structure</i>				
Ltd Co	<b>-0.367 (2.05)<sup>b</sup></b>	<b>-0.684 (2.87)<sup>a</sup></b>	<b>-0.347 (2.07)<sup>b</sup></b>	-0.210 (0.90)

Zero Online	0.276 (1.17)	<b>0.408 (2.09)<sup>b</sup></b>	<b>0.539 (2.19)<sup>b</sup></b>	<b>0.467 (2.05)<sup>b</sup></b>
Low Online	0.415 (1.16)	0.112 (0.357)	<b>0.729 (2.07)<sup>b</sup></b>	<b>0.852 (2.37)<sup>b</sup></b>
High Online	0.545 (2.09)	0.304 (0.83)	<b>0.879 (2.38)<sup>b</sup></b>	<b>0.764 (2.06)<sup>b</sup></b>
<i>Value Structure</i>				
SIC10-33	<b>0.206 (0.62)<sup>b</sup></b>	-0.042 (0.12)	<b>0.228 (0.65)<sup>b</sup></b>	<b>0.283 (0.83)<sup>b</sup></b>
SIC46-47	<b>0.125 (0.39)<sup>b</sup></b>	-0.357 (1.07)	<b>0.176 (0.52)<sup>b</sup></b>	<b>0.040 (0.12)<sup>b</sup></b>
SIC55-56	<b>0.533 (2.06)<sup>b</sup></b>	0.299 (0.77)	<b>0.226 (0.58)<sup>b</sup></b>	<b>0.307 (0.80)<sup>b</sup></b>
SIC58-63	0.168 (0.33)	-0.277 (0.540)	-0.148 (0.28)	0.007 (0.01)
SIC77-82	-0.249 (0.71)	-0.400 (1.07)	<b>-0.663 (1.76)<sup>c</sup></b>	-0.266 (0.74)
Exporter	0.102 (0.37)	0.113 (0.272)	-0.082 (0.30)	0.081 (0.31)
Cut 1	0.669 (0.587)	0.021 (0.612)	0.603 (0.610)	0.241 (0.604)
Cut 2	1.507 (0.591)	0.962 (0.615)	1.179 (0.612)	1.056 (0.607)
Cut 3	2.643 (0.601)	2.012 (0.621)	1.960 (0.617)	2.023 (0.614)
Likelihood Ratio	<b>72.41<sup>a</sup></b>	<b>83.94<sup>a</sup></b>	<b>78.09<sup>a</sup></b>	<b>80.05<sup>a</sup></b>
Log likelihood	-496.68	-479.17	-459.78	-482.20
Pseudo R2	0.0679	0.0805	0.0783	0.0766

Note: The excluded education dummy variable is MSc degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.13: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by financial barriers.**

Variable	Model 5 Do not have collateral to secure bank loan	Model 6 Difficult to meet loan criteria	Model 7 Difficult to raise capital from family	Model 8 Difficult to raise capital from friends
<i>Control variables</i>				
Parents Business	-0.072 (0.34)	-0.020 (0.09)	<b>0.354 (1.97)<sup>b</sup></b>	0.165 (0.73)
Team	<b>-0.382 (2.21)<sup>b</sup></b>	<b>-0.080 (0.32)<sup>a</sup></b>	0.278 (1.08)	<b>-0.114 (0.43)<sup>a</sup></b>
Size FT	<b>0.391 (3.87)<sup>a</sup></b>	<b>0.357 (3.41)<sup>a</sup></b>	0.117 (1.10)	0.104 (0.92)
Size PT	<b>-0.164 (2.73)<sup>a</sup></b>	<b>-0.099 (1.98)<sup>b</sup></b>	<b>-0.136 (2.14)<sup>b</sup></b>	<b>-0.138 (2.10)<sup>b</sup></b>
Age Business	-0.051 (0.40)	-0.161 (1.23)	-0.123 (0.90)	<b>-0.265 (1.86)<sup>c</sup></b>
Home based	0.042 (0.19)	-0.083 (0.37)	0.038 (0.16)	-0.011 (0.05)
<i>Resources</i>				
High Finance	0.400 (0.89)	<b>-0.286 (0.62)<sup>a</sup></b>	<b>-0.389 (0.85)<sup>a</sup></b>	<b>-0.064 (0.13)<sup>a</sup></b>
Gender	0.097 (0.41)	0.217 (0.90)	0.120 (0.49)	0.244 (0.94)
School	<b>0.412 (2.19)<sup>b</sup></b>	0.319 (1.00)	<b>0.729 (2.24)<sup>b</sup></b>	<b>0.495 (2.22)<sup>b</sup></b>
Degree	0.199 (0.75)	<b>0.396 (1.99)<sup>b</sup></b>	<b>0.473 (1.69)<sup>c</sup></b>	<b>0.389 (1.99)<sup>b</sup></b>
Age	0.003 (0.26)	0.005 (0.43)	-0.005 (0.42)	-0.006 (0.46)
Education High	-0.358 (0.45)	-0.334 (0.43)	0.226 (0.31)	0.813 (1.11)
Education Low	-0.558 (1.06)	-0.443 (0.81)	-0.345 (0.61)	-0.137 (0.24)
Ministries High	<b>1.233 (2.13)<sup>b</sup></b>	-0.778 (1.40)	<b>0.603 (1.04)<sup>a</sup></b>	<b>0.693 (1.09)<sup>a</sup></b>
Ministries Low	-0.350 (1.21)	<b>0.016 (0.05)<sup>a</sup></b>	<b>0.252 (0.86)<sup>b</sup></b>	<b>0.416 (1.99)<sup>b</sup></b>
Wider High	-0.334 (0.83)	<b>-0.843 (2.16)<sup>b</sup></b>	0.040 (0.10)	<b>-1.300 (2.57)<sup>b</sup></b>
Wider Low	-0.276 (0.95)	-0.298 (1.02)	-0.137 (0.46)	-0.046 (0.15)
Education High2	<b>-1.019 (1.78)<sup>c</sup></b>	<b>-1.176 (1.99)<sup>b</sup></b>	<b>-0.978 (1.69)<sup>c</sup></b>	0.607 (0.99)
Ministries High2	<b>-0.386 (2.00)<sup>b</sup></b>	<b>-0.536 (2.69)<sup>a</sup></b>	0.197 (1.02)	<b>-0.035 (0.17)<sup>b</sup></b>
Wider High2	<b>-0.261 (2.19)<sup>b</sup></b>	<b>-0.250 (2.15)<sup>b</sup></b>	0.089 (0.74)	<b>-0.158 (2.42)<sup>b</sup></b>
Novel Product	<b>0.781 (2.95)<sup>a</sup></b>	<b>0.709 (2.74)<sup>a</sup></b>	0.388 (1.46)	<b>0.371 (1.98)<sup>b</sup></b>
Novel Process	0.210 (0.76)	<b>0.485 (1.76)<sup>c</sup></b>	<b>0.641 (2.32)<sup>b</sup></b>	<b>0.548 (1.90)<sup>c</sup></b>
<i>Transaction Structure</i>				
Ltd Co	0.016 (0.07)	-0.095 (0.40)	<b>-0.442 (1.82)<sup>c</sup></b>	<b>-0.390 (2.38)<sup>b</sup></b>

Zero Online	0.334 (1.38)	<b>0.439 (1.81)<sup>c</sup></b>	<b>0.416 (1.67)<sup>c</sup></b>	<b>0.592 (2.29)<sup>b</sup></b>
Low Online	<b>0.857 (2.45)<sup>b</sup></b>	<b>0.756 (2.17)<sup>b</sup></b>	<b>0.447 (1.69)<sup>c</sup></b>	<b>0.651 (1.74)<sup>c</sup></b>
High Online	<b>1.234 (3.33)<sup>a</sup></b>	<b>1.108 (2.97)<sup>a</sup></b>	<b>0.950 (2.52)<sup>b</sup></b>	<b>1.091 (2.79)<sup>a</sup></b>
<i>Value Structure</i>				
SIC10-33	-0.061 (0.18)	<b>0.253 (0.74)<sup>b</sup></b>	<b>0.072 (0.20)<sup>b</sup></b>	<b>0.165 (0.44)<sup>b</sup></b>
SIC46-47	0.231 (0.71)	<b>0.159 (0.48)<sup>b</sup></b>	<b>0.003 (0.01)<sup>b</sup></b>	<b>0.159 (0.44)<sup>b</sup></b>
SIC55-56	<b>0.480 (1.26)<sup>b</sup></b>	<b>0.378 (0.98)<sup>b</sup></b>	<b>0.527 (1.30)<sup>b</sup></b>	<b>0.599 (2.29)<sup>b</sup></b>
SIC58-63	0.085 (0.17)	-0.408 (0.78)	0.146 (0.28)	-0.336 (0.61)
SIC77-82	-0.100 (0.27)	-0.349 (0.94)	-0.115 (0.30)	-0.314 (0.77)
Exporter	0.041 (0.16)	-0.090 (0.33)	0.117 (0.42)	-0.353 (1.17)
Cut 1	0.707 (0.602)	0.916 (0.620)	1.185 (0.639)	0.817 (0.666)
Cut 2	1.629 (0.607)	1.747 (0.625)	2.146 (0.646)	1.658 (0.670)
Cut 3	2.540 (0.615)	2.647 (0.633)	3.237 (0.658)	2.714 (0.681)
Likelihood Ratio	-481.951	-471.633	-448.678	-411.967
Log likelihood	<b>87.66<sup>a</sup></b>	<b>81.68<sup>a</sup></b>	<b>55.97<sup>a</sup></b>	<b>57.77<sup>a</sup></b>
Pseudo R2	0.0834	0.0797	0.0587	0.0655

Note: The excluded education dummy variable is Degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.14: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by market related barriers**

Variable	Model 9 Inadequate demand	Model 10 Too much competition from local firms	Model 11 Competition from imported goods	Model 12 High advertising costs	Model 13 Inadequate market research
<i>Control variables</i>					
Parents Business	-0.113 (0.54)	-0.000 (0.00)	0.185 (0.88)	-0.089 (0.43)	0.015 (0.07)
Team	-0.150 (0.61)	-0.311 (1.29)	-0.280 (1.14)	<b>-0.873 (3.48)<sup>a</sup></b>	<b>-0.607(2.27)<sup>b</sup></b>
Size FT	<b>0.196 (1.97)<sup>b</sup></b>	<b>0.397 (3.97)<sup>a</sup></b>	<b>0.190 (1.99)<sup>b</sup></b>	<b>0.219 (2.09)<sup>b</sup></b>	<b>0.386 (3.80)<sup>a</sup></b>
Size PT	<b>-0.177 (0.063)<sup>a</sup></b>	<b>-0.133 (2.23)<sup>b</sup></b>	-0.023 (0.38)	-0.059 (0.96)	<b>-0.094 (2.05)<sup>b</sup></b>
Age Business	-0.094 (0.73)	-0.087 (0.68)	-0.001 (0.01)	-0.106 (0.84)	<b>-0.259 (2.01)<sup>b</sup></b>
Home based	-0.003 (0.02)	-0.103 (0.48)	-0.049 (0.22)	0.215 (0.99)	0.313 (1.45)
<i>Resources</i>					
High Finance	-0.380 (0.89)	0.400 (0.89)	-0.215 (0.48)	0.006 (0.01)	0.086 (0.18)
Gender	<b>-0.293 (1.23)<sup>a</sup></b>	<b>-0.391 (1.69)<sup>c</sup></b>	<b>-0.600 (2.54)<sup>b</sup></b>	<b>-0.103 (0.43)<sup>a</sup></b>	<b>-0.204 (0.87)<sup>a</sup></b>
School	0.088 (0.29)	<b>0.488 (2.41)<sup>b</sup></b>	<b>0.600 (2.39)<sup>b</sup></b>	<b>0.577 (2.38)<sup>b</sup></b>	0.230 (0.74)
Degree	-0.085 (0.32)	<b>0.544 (2.08)<sup>b</sup></b>	<b>0.417 (2.20)<sup>b</sup></b>	<b>0.347 (2.41)<sup>b</sup></b>	0.135 (0.52)
Age	0.003 (0.28)	0.005 (0.50)	0.013 (1.25)	-0.003 (0.25)	0.008 (0.74)
Education High	-0.882 (1.08)	-0.259 (0.35)	-0.032 (0.04)	-0.129 (0.16)	-0.594 (0.78)
Education Low	0.223 (0.42)	0.405 (0.73)	-0.291 (0.54)	-0.094 (0.18)	-0.661 (1.16)
Ministries High	0.606 (1.15)	<b>0.691 (2.33)<sup>b</sup></b>	<b>1.070 (2.09)<sup>b</sup></b>	<b>0.158 (0.31)<sup>b</sup></b>	<b>0.907 (1.76)<sup>c</sup></b>
Ministries Low	0.153 (0.55)	<b>0.070 (0.24)<sup>b</sup></b>	<b>0.138 (0.47)<sup>b</sup></b>	-0.026 (0.09)	-0.136 (0.48)
Wider High	0.083 (0.21)	0.200 (0.51)	-0.137 (0.34)	-0.081 (0.21)	0.045 (0.12)
Wider Low	<b>0.660 (2.28)<sup>b</sup></b>	<b>0.588 (2.05)<sup>b</sup></b>	<b>0.632 (2.17)<sup>b</sup></b>	0.306 (1.05)	<b>-0.480 (2.22)<sup>b</sup></b>
Education High2	<b>-0.549 (0.96)<sup>a</sup></b>	<b>-0.193 (0.34)<sup>a</sup></b>	0.213 (0.38)	<b>-1.231 (2.07)<sup>b</sup></b>	<b>-1.116 (1.99)<sup>b</sup></b>
Ministries High2	<b>-0.231 (1.21)<sup>a</sup></b>	<b>-0.176 (0.95)<sup>a</sup></b>	<b>-0.322 (2.36)<sup>b</sup></b>	<b>-0.538 (2.78)<sup>a</sup></b>	<b>-0.427 (2.32)<sup>b</sup></b>
Wider High2	<b>-0.140 (1.22)<sup>a</sup></b>	<b>-0.059 (0.51)<sup>a</sup></b>	<b>-0.189 (2.01)<sup>b</sup></b>	<b>-0.327 (2.77)<sup>a</sup></b>	<b>-0.232 (2.02)<sup>b</sup></b>
Novel Product	<b>0.771 (3.03)<sup>a</sup></b>	<b>0.735 (2.87)<sup>a</sup></b>	<b>0.461 (2.16)<sup>b</sup></b>	<b>1.152 (4.46)<sup>a</sup></b>	<b>0.954 (3.71)<sup>a</sup></b>
Novel Process	0.268 (0.98)	<b>0.385 (1.96)<sup>b</sup></b>	<b>0.738 (2.69)<sup>a</sup></b>	0.276 (1.01)	<b>0.467 (1.72)<sup>c</sup></b>
<i>Transaction Structure</i>					

Ltd Co	<b>-0.445 (1.87)<sup>c</sup></b>	-0.220 (0.94)	-0.156 (0.67)	-0.041 (0.18)	-0.084 (0.36)
Zero Online	<b>-0.455 (0.243)<sup>c</sup></b>	0.304 (1.27)	-0.066 (0.27)	<b>-0.538 (2.21)<sup>b</sup></b>	<b>-0.332 (2.39)<sup>b</sup></b>
Low Online	<b>-0.961 (0.361)<sup>a</sup></b>	<b>-0.993 (2.73)<sup>a</sup></b>	<b>-0.904 (2.60)<sup>a</sup></b>	<b>-0.904 (2.63)<sup>a</sup></b>	<b>-0.827 (2.28)<sup>b</sup></b>
High Online	-0.122 (0.33)	-0.236 (0.64)	-0.464 (1.22)	-0.002 (0.01)	<b>-0.631 (1.71)<sup>c</sup></b>
<i>Value Structure</i>					
SIC10-33	0.004 (0.01)	<b>0.733 (2.21)<sup>b</sup></b>	<b>0.109 (0.32)<sup>b</sup></b>	<b>0.222 (0.66)<sup>b</sup></b>	<b>0.324 (0.96)<sup>b</sup></b>
SIC46-47	0.178 (0.54)	<b>0.498 (1.54)<sup>b</sup></b>	<b>0.331 (1.01)<sup>b</sup></b>	<b>0.120 (0.36)<sup>b</sup></b>	<b>0.196 (0.59)<sup>b</sup></b>
SIC55-56	0.523 (1.35)	<b>0.024 (0.07)<sup>a</sup></b>	<b>0.654 (1.69)<sup>c</sup></b>	<b>0.489 (1.28)<sup>a</sup></b>	<b>0.261 (0.69)<sup>a</sup></b>
SIC58-63	-0.591 (1.18)	<b>-0.703 (1.99)<sup>b</sup></b>	-0.096 (0.19)	-0.447 (0.90)	-0.409 (0.84)
SIC77-82	-0.259 (0.71)	-0.501 (0.356)	0.024 (0.07)	-0.125 (0.35)	0.393 (1.09)
Exporter	-0.121 (0.44)	<b>0.478 (1.98)<sup>b</sup></b>	<b>0.571 (2.15)<sup>b</sup></b>	0.324 (1.23)	<b>0.744 (2.75)<sup>a</sup></b>
Cut 1	-0.190 (0.598)	-0.148 (0.582)	0.599 (0.586)	-0.286 (0.595)	-0.251 (0.595)
Cut 2	0.566 (0.599)	0.855 (0.583)	1.567 (0.591)	0.551 (0.594)	0.598 (0.595)
Cut 3	1.612 (0.603)	1.771 (0.588)	2.475 (0.599)	1.561 (0.597)	1.812 (0.600)
Likelihood Ratio	<b>64.32<sup>a</sup></b>	<b>82.49<sup>a</sup></b>	<b>71.51<sup>a</sup></b>	<b>91.01<sup>a</sup></b>	<b>97.63<sup>a</sup></b>
Log likelihood	-484.423	-493.537	-483.423	-488.96	-486.098
Pseudo R2	0.0623	0.0771	0.0689	0.0851	0.0913

Note: The excluded education dummy variable is Degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.15: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by managerial and technical know-how barriers**

Variable	Model 14 Lack of managerial/ Technical Know-how	Model 15 Shortage of skilled labor	Model 16 High wages for skilled labor	Model 17 Inadequate access to new technology
<i>Control variables</i>				
Parents Business	0.064 (0.31)	0.046 (0.22)	0.073 (0.35)	0.155 (0.74)
Team	<b>-0.549 (2.25)<sup>b</sup></b>	<b>-0.467 (2.87)<sup>a</sup></b>	-0.144 (0.58)	-0.185 (0.76)
Size FT	<b>0.188 (1.90)<sup>c</sup></b>	<b>0.323 (3.08)<sup>a</sup></b>	<b>0.293 (2.93)<sup>a</sup></b>	<b>-0.229 (2.23)<sup>b</sup></b>
Size PT	<b>-0.106 (1.76)<sup>c</sup></b>	0.062 (1.01)	0.030 (0.50)	0.069 (1.12)
Age Business	-0.115 (0.91)	0.028 (0.22)	-0.294 (2.31) <sup>b</sup>	0.093 (0.75)
Home based	-0.043 (0.20)	-0.019 (0.222)	0.094 (0.43)	0.090 (0.41)
<i>Resources</i>				
High Finance	0.556 (1.25)	0.024 (0.451)	-0.452 (1.02)	0.541 (1.24)
Gender	-0.159 (0.67)	-0.214 (0.88)	-0.111 (0.48)	<b>0.305 (2.30)<sup>b</sup></b>
School	0.078 (0.25)	0.140 (0.317)	0.197 (0.64)	0.311 (0.98)
Degree	0.139 (0.54)	<b>0.343 (2.88)<sup>a</sup></b>	0.113 (0.43)	0.215 (0.80)
Age	-0.003 (0.31)	-0.003 (0.29)	<b>0.017 (2.63)<sup>a</sup></b>	<b>-0.013 (2.99)<sup>a</sup></b>
Education High	-0.307 (0.42)	-0.413 (0.50)	-0.921 (1.21)	<b>-1.42 (2.62)<sup>a</sup></b>
Education Low	-0.534 (0.93)	-0.372 (0.66)	-0.688 (1.27)	-0.234 (0.42)
Ministries High	-0.534 (1.03)	-0.385 (0.78)	-0.470 (0.97)	0.195 (0.41)
Ministries Low	-0.178 (0.63)	-0.018 (0.06)	<b>-0.568 (2.94)<sup>a</sup></b>	<b>0.508 (2.71)<sup>a</sup></b>
Wider High	<b>0.519 (2.34)<sup>b</sup></b>	-0.083 (0.21)	-0.128 (0.34)	<b>0.822 (1.86)<sup>c</sup></b>
Wider Low	-0.136 (0.280)	<b>-0.482 (3.12)<sup>a</sup></b>	<b>0.788 (2.79)<sup>a</sup></b>	<b>0.461 (1.88)<sup>c</sup></b>
Education High2	<b>-0.903 (2.52)<sup>a</sup></b>	<b>-1.503 (2.34)<sup>b</sup></b>	<b>-1.168 (1.99)<sup>b</sup></b>	-0.420 (0.70)
Ministries High2	<b>-0.531 (2.89)<sup>a</sup></b>	<b>-0.570 (2.79)<sup>a</sup></b>	<b>-0.539 (0.190)<sup>a</sup></b>	<b>-0.486 (2.47)<sup>b</sup></b>
Wider High2	-0.093 (0.84)	<b>-0.338 (2.87)<sup>a</sup></b>	<b>-0.337 (2.91)<sup>a</sup></b>	-0.104 (0.95)
Novel Product	<b>0.683 (2.74)<sup>a</sup></b>	<b>0.743 (2.83)<sup>a</sup></b>	<b>0.578 (2.22)<sup>b</sup></b>	<b>0.569 (2.21)<sup>b</sup></b>
Novel Process	<b>0.623 (2.33)<sup>b</sup></b>	<b>0.707 (2.56)<sup>a</sup></b>	0.317 (1.14)	0.175 (0.64)
<i>Transaction Structure</i>				
Ltd Co	-0.074 (0.32)	-0.090 (0.38)	<b>-0.038 (1.69)<sup>c</sup></b>	<b>-0.308 (2.34)<sup>b</sup></b>

Zero Online	0.019 (0.08)	-0.218 (0.89)	-0.269 (1.13)	-0.008 (0.03)
Low Online	<b>-0.625 (2.76)<sup>a</sup></b>	-0.967 (2.65)	<b>-0.944 (2.62)<sup>a</sup></b>	-0.324 (0.96)
High Online	-0.42 (1.17)	-0.417 (1.06)	<b>-0.519 (2.47)<sup>b</sup></b>	-0.411 (1.10)
<i>Value Structure</i>				
SIC10-33	0.082 (0.24)	-0.196 (0.343)	<b>0.529 (2.57)<sup>a</sup></b>	<b>0.650 (2.86)<sup>b</sup></b>
SIC46-47	0.094 (0.29)	-0.241 (0.72)	0.401 (1.21)	<b>0.532 (2.57)<sup>b</sup></b>
SIC55-56	<b>0.559 (2.68)<sup>a</sup></b>	<b>0.808 (2.06)<sup>b</sup></b>	<b>0.867 (2.24)<sup>b</sup></b>	<b>0.608 (2.52)<sup>b</sup></b>
SIC58-63	-0.054 (0.11)	-0.006 (0.490)	0.234 (0.48)	0.606 (1.22)
SIC77-82	0.192 (0.53)	0.184 (0.51)	<b>0.600 (1.66)<sup>c</sup></b>	<b>0.794 (2.12)<sup>b</sup></b>
Exporter	<b>0.628 (2.39)<sup>b</sup></b>	<b>0.507 (2.92)<sup>a</sup></b>	<b>0.598 (2.29)<sup>b</sup></b>	<b>-0.568 (2.08)<sup>b</sup></b>
Cut 1	-0.298 (0.594)	0.194 (0.594)	0.119 (0.607)	-0.146 (0.622)
Cut 2	0.644 (0.594)	1.034 (0.596)	1.624 (0.614)	0.881 (0.624)
Cut 3	1.731 (0.600)	1.868 (0.601)	3.759 (0.637)	2.174 (0.634)
Likelihood Ratio	<b>73.07<sup>a</sup></b>	<b>93.99<sup>a</sup></b>	<b>74.69<sup>a</sup></b>	<b>49.45<sup>b</sup></b>
Log likelihood	-493.22	-478.61	-480.25	-479.29
Pseudo R2	0.0690	0.0894	0.0721	0.0491

Note: The excluded education dummy variable is Degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01



**Table 5.16: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by managerial and technical know-how barriers**

Variable	Model 18 Inadequate financial skills	Model 19 Inadequate marketing & management skills	Model 20 Inadequate government contracts	Model 21 Inadequate technical skills
<i>Control variables</i>				
Parents Business	-0.047 (0.23)	<b>0.324 (2.24)<sup>b</sup></b>	0.074 (0.35)	0.122 (0.58)
Team	<b>-0.408 (1.70)<sup>c</sup></b>	-0.109 (0.46)	<b>-0.388 (2.55)<sup>a</sup></b>	<b>-0.717 (2.85)<sup>a</sup></b>
Size FT	<b>-0.243 (2.40)<sup>b</sup></b>	0.113 (1.13)	<b>0.430 (4.10)<sup>a</sup></b>	<b>0.237 (2.26)<sup>b</sup></b>
Size PT	0.073 (1.19)	<b>0.095 (2.53)<sup>a</sup></b>	-0.065 (1.03)	-0.038 (0.63)
Age Business	0.075 (0.61)	<b>0.217 (1.76)<sup>c</sup></b>	0.087 (0.66)	<b>-0.213 (2.67)<sup>a</sup></b>
Home based	0.113 (0.53)	0.135 (0.64)	0.156 (0.70)	-0.057 (0.26)
<i>Resources</i>				
High Finance	0.348 (0.83)	0.007 (0.02)	-0.484 (1.10)	0.257 (0.59)
Gender	-0.194 (0.86)	-0.275 (1.21)	0.028 (0.11)	0.027 (0.11)
School	0.246 (0.80)	0.377 (1.23)	-0.168 (0.53)	-0.151 (0.47)
Degree	-0.031 (0.12)	0.051 (0.19)	-0.126 (0.48)	0.009 (0.03)
Age	<b>-0.014 (2.33)<sup>b</sup></b>	-0.008 (0.73)	<b>-0.018 (2.58)<sup>a</sup></b>	0.002 (0.14)
Education High	-0.834 (1.09)	-0.722 (0.89)	0.172 (0.22)	0.162 (0.23)
Education Low	<b>-0.884 (2.49)<sup>b</sup></b>	-0.644 (1.16)	<b>-1.122 (1.97)<sup>b</sup></b>	<b>-1.194 (1.98)<sup>b</sup></b>
Ministries High	0.029 (0.06)	0.165 (0.34)	-0.615 (1.15)	-0.615 (1.20)
Ministries Low	<b>0.573 (1.99)<sup>b</sup></b>	-0.267 (0.93)	-0.266 (0.302)	-0.233 (0.78)
Wider High	<b>0.937 (2.23)<sup>b</sup></b>	-0.478 (1.18)	-0.228 (0.56)	-0.085 (0.22)
Wider Low	<b>0.416 (2.44)<sup>b</sup></b>	<b>0.427 (2.55)<sup>a</sup></b>	-0.108 (0.37)	0.031 (0.11)
Education High2	-0.459 (0.78)	<b>-1.016 (2.68)<sup>a</sup></b>	1.566 (2.50) <sup>b</sup>	<b>-1.217 (1.97)<sup>b</sup></b>
Ministries High2	0.185 (1.00)	<b>-0.323 (2.64)<sup>a</sup></b>	0.143 (0.74)	<b>-0.440 (2.35)<sup>b</sup></b>
Wider High2	0.016 (0.15)	-0.032 (0.29)	<b>-0.222 (1.99)<sup>b</sup></b>	<b>-0.152 (2.32)<sup>b</sup></b>
Novel Product	<b>0.466 (1.85)<sup>c</sup></b>	0.512 (2.02)	<b>0.560 (2.18)<sup>b</sup></b>	<b>0.678 (2.75)<sup>a</sup></b>
Novel Process	0.321 (1.19)	0.322 (1.18)	<b>0.899 (3.21)<sup>a</sup></b>	<b>0.802 (3.02)<sup>a</sup></b>
<i>Transaction Structure</i>				
Ltd Co	-0.268 (1.19)	<b>-0.345 (2.69)<sup>a</sup></b>	-0.152 (0.63)	-0.170 (0.72)

Zero Online	-0.080 (0.34)	-0.200 (0.84)	0.317 (1.27)	<b>-0.441 (2.80)<sup>a</sup></b>
Low Online	0.069 (0.20)	-0.100 (0.28)	<b>-0.921 (2.42)<sup>b</sup></b>	<b>-0.921 (2.60)<sup>a</sup></b>
High Online	-0.327 (0.92)	<b>-0.466 (2.29)<sup>b</sup></b>	0.196 (0.53)	-0.492 (0.387)
<i>Value Structure</i>				
SIC10-33	0.284 (0.86)	0.137 (0.41)	0.258 (0.76)	0.323 (0.95)
SIC46-47	0.338 (1.05)	-0.020 (0.05)	-0.256 (0.78)	0.241 (0.74)
SIC55-56	0.362 (0.95)	-0.033 (0.09)	0.152 (0.40)	<b>0.777 (2.02)<sup>b</sup></b>
SIC58-63	0.306 (0.62)	-0.072 (0.15)	-0.136 (0.27)	0.230 (0.45)
SIC77-82	<b>0.514 (2.42)<sup>b</sup></b>	0.186 (0.52)	-0.168 (0.46)	0.368 (1.02)
Exporter	<b>-0.36 (2.37)<sup>b</sup></b>	<b>-0.358 (2.36)<sup>b</sup></b>	0.625 (2.32) <sup>b</sup>	0.139 (0.52)
Cut 1	-1.536 (0.600)	-0.678 (0.603)	0.051 (0.614)	0.082 (0.614)
Cut 2	-0.344 (0.595)	0.210 (0.602)	0.815 (0.616)	1.094 (0.617)
Cut 3	0.879 (0.599)	1.212 (0.606)	1.641 (0.619)	2.334 (0.627)
Likelihood Ratio	49.05 <sup>b</sup>	48.93 <sup>b</sup>	90.07 <sup>a</sup>	79.81 <sup>a</sup>
Log likelihood	-497.617	-501.670	-467.511	-472.65
Pseudo R2	0.0628	0.0429	0.0879	0.0779

Note: The excluded education dummy variable is Degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.17: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by inputs related barriers**

Variable	Model 22 High cost of local raw materials	Model 23 High cost of imported raw materials	Model 24 Inadequate supply of raw materials	Model 25 High fixed costs e.g., rent
<i>Control variables</i>				
Parents Business	0.168 (0.81)	0.122 (0.58)	0.033 (0.16)	-0.168 (0.77)
Team	<b>-0.528 (2.12)<sup>b</sup></b>	<b>-0.480 (2.91)<sup>a</sup></b>	<b>-0.571 (2.32)<sup>b</sup></b>	<b>-0.569 (2.17)<sup>b</sup></b>
Size FT	<b>0.309 (2.95)<sup>a</sup></b>	<b>0.398 (3.71)<sup>a</sup></b>	<b>0.282 (2.71)<sup>a</sup></b>	<b>0.416 (3.75)<sup>a</sup></b>
Size PT	<b>-0.107 (1.70)<sup>c</sup></b>	-0.075 (1.19)	<b>-0.094 (2.54)<sup>a</sup></b>	<b>-0.208 (3.12)<sup>a</sup></b>
Age Business	-0.051 (0.40)	-0.000 (0.00)	-0.159 (1.24)	0.033 (0.25)
Home based	0.247 (1.11)	0.090 (0.40)	0.265 (1.20)	0.164 (0.228)
<i>Resources</i>				
High Finance	-0.214 (0.46)	-0.230 (0.49)	0.161 (0.36)	-0.100 (0.21)
Gender	-0.267 (1.12)	<b>-0.600 (2.48)<sup>b</sup></b>	-0.201 (0.84)	<b>-0.460 (1.99)<sup>b</sup></b>
School	-0.084 (0.27)	0.349 (1.12)	0.134 (0.44)	0.269 (0.83)
Degree	-0.260 (0.99)	0.238 (0.91)	0.071 (0.27)	0.308 (1.13)
Age	-0.001 (0.09)	0.002 (0.15)	-0.004 (0.37)	-0.006 (0.58)
Education High	-0.704 (0.87)	-0.719 (0.87)	-0.468 (0.58)	<b>1.323 (2.44)<sup>b</sup></b>
Education Low	<b>0.796 (2.38)<sup>b</sup></b>	-0.616 (1.09)	-0.687 (1.20)	-0.339 (0.54)
Ministries High	<b>1.327 (2.35)<sup>b</sup></b>	<b>0.873 (2.70)<sup>a</sup></b>	<b>1.212 (2.18)<sup>b</sup></b>	<b>1.293 (2.40)<sup>b</sup></b>
Ministries Low	-0.211 (0.73)	-0.194 (0.67)	-0.018 (0.06)	-40.9 (1.39)
Wider High	-0.137 (0.34)	-0.227 (0.56)	-0.160 (0.41)	-0.441 (1.09)
Wider Low	-0.284 (0.96)	<b>-0.583 (1.97)<sup>b</sup></b>	<b>-0.522 (2.78)<sup>a</sup></b>	-0.358 (1.17)
Education High2	<b>-1.154 (1.99)<sup>b</sup></b>	<b>-1.452 (2.42)<sup>b</sup></b>	<b>-1.300 (2.26)<sup>b</sup></b>	<b>-1.583 (2.35)<sup>b</sup></b>
Ministries High2	-0.200 (1.04)	<b>-0.280 (1.44)<sup>b</sup></b>	-0.192 (0.99)	<b>-0.867 (3.75)<sup>a</sup></b>
Wider High2	<b>-0.229 (1.99)<sup>b</sup></b>	<b>-0.255 (2.11)<sup>b</sup></b>	<b>-0.207 (1.99)<sup>b</sup></b>	<b>-0.259 (2.09)<sup>b</sup></b>
Novel Product	<b>0.619 (2.39)<sup>b</sup></b>	<b>0.651 (2.46)<sup>b</sup></b>	<b>0.846 (3.31)<sup>a</sup></b>	<b>0.463 (2.71)<sup>a</sup></b>
Novel Process	<b>0.816 (2.94)<sup>a</sup></b>	<b>0.910 (0.277)<sup>a</sup></b>	<b>0.884 (3.22)<sup>a</sup></b>	<b>0.895 (2.99)<sup>a</sup></b>
<i>Transaction Structure</i>				
Ltd Co	<b>-0.427 (1.98)<sup>b</sup></b>	<b>-0.387 (2.62)<sup>a</sup></b>	-0.196 (0.84)	0.088 (0.36)

Zero Online	0.185 (0.76)	0.093 (0.38)	-0.079 (0.33)	<b>-0.663 (2.60)<sup>a</sup></b>
Low Online	<b>-0.871 (2.41)<sup>b</sup></b>	<b>-0.837 (2.32)<sup>b</sup></b>	<b>-0.942 (2.61)<sup>a</sup></b>	<b>-1.196 (3.03)<sup>a</sup></b>
High Online	-0.288 (0.74)	<b>-0.546 (2.47)<sup>b</sup></b>	-0.188 (0.51)	-0.207 (0.54)
<i>Value Structure</i>				
SIC10-33	<b>0.637 (2.04)<sup>b</sup></b>	<b>0.585 (2.66)<sup>a</sup></b>	0.534 (1.55)	0.326 (0.95)
SIC46-47	0.441 (1.30)	0.438 (1.28)	<b>0.599 (2.77)<sup>a</sup></b>	0.246 (0.332)
SIC55-56	<b>1.092 (2.80)<sup>a</sup></b>	<b>1.234 (3.10)<sup>a</sup></b>	<b>0.795 (2.02)<sup>b</sup></b>	<b>0.973 (2.42)<sup>b</sup></b>
SIC58-63	-0.049 (0.09)	-0.070 (0.13)	0.333 (0.65)	-0.135 (0.27)
SIC77-82	0.442 (1.22)	0.449 (1.20)	0.359 (0.97)	-0.001 (0.00)
Exporter	<b>0.467 (1.75)<sup>c</sup></b>	<b>0.500 (2.88)<sup>a</sup></b>	<b>0.565 (2.17)<sup>b</sup></b>	0.259 (0.96)
Cut 1	0.157 (0.604)	0.574 (0.614)	0.156 (0.607)	-0.130 (0.611)
Cut 2	0.943 (0.605)	1.460 (0.618)	1.025 (0.610)	0.442 (0.611)
Cut 3	1.794 (0.609)	2.223 (0.624)	2.022 (0.616)	1.277 (0.612)
Likelihood Ratio	-473.692	-467.771	-476.663	-439.008
Log likelihood	<b>86.34<sup>a</sup></b>	<b>102.76<sup>a</sup></b>	<b>89.39<sup>a</sup></b>	<b>118.87<sup>a</sup></b>
Pseudo R2	0.0835	0.0990	0.0857	0.1192

Note: The excluded education dummy variable is Degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.18: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by inputs related barriers**

Variable	Model 26 High cost of good will for rent	Model 27 High cost of replacing old equipment	Model 28 Difficulty in finding appropriate equipment
<i>Control variables</i>			
Parents Business	-0.074 (0.215)	0.000 (0.00)	-0.037 (0.18)
Team	-0.087 (0.34)	-0.131 (0.54)	-0.178 (0.71)
Size FT	0.378 (3.58)	<b>0.358 (3.49)<sup>a</sup></b>	<b>0.243 (2.39)<sup>b</sup></b>
Size PT	<b>-0.158 (2.47)<sup>b</sup></b>	<b>-0.104 (1.91)<sup>c</sup></b>	<b>-0.141 (2.30)<sup>b</sup></b>
Age Business	-0.42 (0.32)	-0.067 (0.53)	0.037 (0.28)
Home based	-0.076 (0.35)	0.117 (0.53)	0.258 (1.18)
<i>Resources</i>			
High Finance	<b>-0.783 (1.99)<sup>b</sup></b>	-0.149 (0.33)	<b>-0.139 (2.03)<sup>b</sup></b>
Gender	<b>-0.600 (2.47)<sup>b</sup></b>	-0.255 (1.09)	-0.247 (1.04)
School	<b>0.610 (1.99)<sup>b</sup></b>	0.009 (0.03)	-0.050 (0.16)
Degree	<b>0.543 (2.03)<sup>b</sup></b>	-0.022 (0.08)	-0.177 (0.69)
Age	-0.000 (0.02)	-0.010 (0.97)	-0.014 (1.24)
Education High	-1.079 (1.24)	-0.426 (0.55)	-0.569 (0.72)
Education Low	0.017 (0.03)	-0.656 (1.22)	-0.785 (1.40)
Ministries High	-0.653 (1.23)	<b>-1.073 (2.11)<sup>b</sup></b>	-0.621 (1.21)
Ministries Low	-0.002 (0.01)	-0.089 (0.31)	<b>-0.565 (1.99)<sup>b</sup></b>
Wider High	<b>-0.526 (2.32)<sup>b</sup></b>	-0.187 (0.50)	0.077 (0.21)
Wider Low	-0.069 (0.24)	0.208 (0.71)	0.131 (0.46)
Education High2	<b>-1.773 (2.45)<sup>b</sup></b>	0.770 (1.28)	<b>-0.928 (2.42)<sup>b</sup></b>
Ministries High2	<b>-0.586 (2.77)<sup>a</sup></b>	<b>-0.342 (2.84)<sup>a</sup></b>	0.212 (1.08)
Wider High2	0.011 (0.09)	0.111 (0.97)	0.090 (0.78)
Novel Product	0.320 (1.22)	<b>0.804 (3.16)<sup>a</sup></b>	<b>0.537 (2.16)<sup>b</sup></b>
Novel Process	<b>0.787 (2.71)<sup>a</sup></b>	<b>0.898 (3.34)<sup>a</sup></b>	<b>0.757 (2.80)<sup>a</sup></b>
<i>Transaction Structure</i>			
Ltd Co	0.053 (0.22)	-0.234 (1.00)	-0.209 (0.88)

Zero Online	<b>-0.595 (2.38)<sup>b</sup></b>	0.179 (0.75)	-0.087 (0.36)
Low Online	<b>-0.993 (2.57)<sup>b</sup></b>	0.157 (0.45)	<b>-0.780 (2.15)<sup>b</sup></b>
High Online	-0.140 (0.37)	0.034 (0.09)	-0.024 (0.07)
<i>Value Structure</i>			
SIC10-33	0.440 (1.29)	<b>0.518 (2.49)<sup>b</sup></b>	0.430 (1.25)
SIC46-47	0.081 (0.24)	0.369 (1.11)	0.366 (1.10)
SIC55-56	<b>0.678 (2.71)<sup>a</sup></b>	<b>0.834 (2.12)<sup>b</sup></b>	<b>0.888 (2.26)<sup>b</sup></b>
SIC58-63	-0.026 (0.05)	0.495 (0.500)	0.107 (0.21)
SIC77-82	-0.011 (0.03)	<b>0.666 (2.79)<sup>a</sup></b>	0.344 (0.93)
Exporter	<b>0.379 (2.36)<sup>b</sup></b>	0.041 (0.15)	0.207 (0.78)
Cut 1	0.359 (0.610)	0.250 (0.610)	-0.034 (0.614)
Cut 2	0.919 (0.611)	1.026 (0.613)	0.721 (0.614)
Cut 3	1.724 (0.615)	1.967 (0.618)	1.638 (0.619)
Likelihood Ratio	<b>94.88<sup>a</sup></b>	<b>78.31<sup>a</sup></b>	<b>69.64<sup>a</sup></b>
Log likelihood	-453.610	-483.64	-482.27
Pseudo R2	0.0947	0.0749	0.0664

Note: The excluded education dummy variable is Degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.19: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by economic/regulatory barriers**

Variable	Model 29 High rate of inflation	Model 30 High rate of interest	Model 31 Kuwait labor law	Model 32 Bureaucracy in government agencies	Model 33 Registration / Licensing / Red tape	Model 34 Corruption
<i>Control variables</i>						
Parents Business	0.139 (0.67)	0.185 (0.89)	0.031 (0.15)	<b>0.320 (2.39)<sup>b</sup></b>	-0.035 (0.15)	-0.111 (0.49)
Team	<b>-0.436 (2.76)<sup>a</sup></b>	-0.124 (0.50)	<b>-0.413 (2.54)<sup>b</sup></b>	<b>-0.673 (2.53)<sup>b</sup></b>	<b>-0.473 (1.79)<sup>c</sup></b>	<b>-0.647 (2.42)<sup>b</sup></b>
Size FT	<b>0.324 (3.23)<sup>a</sup></b>	<b>0.416 (4.02)<sup>a</sup></b>	<b>0.615 (5.48)<sup>a</sup></b>	<b>0.724 (5.69)<sup>a</sup></b>	<b>0.619 (5.11)<sup>a</sup></b>	<b>0.458 (3.93)<sup>a</sup></b>
Size PT	<b>-0.082 (2.37)<sup>b</sup></b>	<b>-0.141 (2.36)<sup>b</sup></b>	<b>-0.189 (2.92)<sup>a</sup></b>	<b>-0.325 (4.45)<sup>a</sup></b>	<b>-0.261 (3.66)<sup>a</sup></b>	-0.286 (4.05)
Age Business	<b>-0.180 (2.41)<sup>b</sup></b>	-0.072 (0.57)	<b>-0.224 (2.69)<sup>a</sup></b>	0.174 (1.26)	-0.134 (0.98)	-0.000 (0.01)
Home based	0.001 (0.01)	-0.164 (0.74)	-0.234 (1.05)	0.029 (0.233)	0.046 (0.20)	-0.038 (0.16)
<i>Resources</i>						
High Finance	<b>-0.504 (1.16)<sup>a</sup></b>	<b>-0.551 (1.24)<sup>a</sup></b>	<b>-0.224 (2.69)<sup>a</sup></b>	0.424 (0.78)	0.686 (1.23)	0.098 (0.20)
Gender	-0.021 (0.09)	-0.058 (0.24)	-0.048 (0.20)	-0.068 (0.27)	-0.257 (1.02)	-0.154 (0.61)
School	0.269 (0.88)	<b>0.752 (2.37)<sup>b</sup></b>	0.270 (0.86)	0.149 (0.44)	0.236 (0.71)	0.236 (0.72)
Degree	0.124 (0.48)	<b>0.495 (2.90)<sup>a</sup></b>	0.353 (1.35)	0.120 (0.42)	0.215 (0.77)	0.274 (1.00)
Age	0.003 (0.22)	-0.006 (0.50)	0.014 (1.29)	0.006 (0.50)	-0.002 (0.15)	0.003 (0.26)
Education High	-0.505 (0.65)	-0.663 (0.87)	-0.570 (0.70)	<b>1.424 (2.49)<sup>b</sup></b>	-1.230 (1.31)	<b>1.127 (2.27)<sup>b</sup></b>
Education Low	-0.269 (0.48)	-0.118 (0.19)	-0.274 (0.48)	-0.432 (0.68)	-0.256 (0.44)	-0.310 (0.51)
Ministries High	-0.585 (1.17)	-0.580 (1.13)	<b>1.265 (2.26)<sup>b</sup></b>	<b>1.212 (2.00)<sup>b</sup></b>	<b>0.817 (2.44)<sup>b</sup></b>	<b>0.897 (2.60)<sup>b</sup></b>
Ministries Low	-0.401 (1.39)	-0.157 (0.53)	-0.099 (0.34)	0.028 (0.09)	-0.142 (0.46)	<b>0.559 (2.87)<sup>a</sup></b>
Wider High	0.132 (0.39)	-0.460 (1.20)	0.200 (0.48)	-0.000 (0.00)	0.015 (0.03)	0.059 (0.14)
Wider Low	-0.125 (0.44)	0.135 (0.48)	-0.095 (0.33)	-0.198 (0.65)	<b>-0.490 (2.62)<sup>a</sup></b>	-0.118 (0.38)
Education High2	<b>-0.723 (2.29)<sup>b</sup></b>	<b>-0.754 (2.25)<sup>b</sup></b>	<b>-2.169 (3.54)<sup>a</sup></b>	<b>-2.893 (3.36)<sup>a</sup></b>	<b>-2.543 (3.05)<sup>a</sup></b>	<b>-2.655 (3.15)<sup>a</sup></b>
Ministries High2	<b>-0.328 (1.69)<sup>c</sup></b>	-2.16 (1.12)	<b>-0.552 (2.78)<sup>a</sup></b>	<b>-0.963 (3.94)<sup>a</sup></b>	<b>-0.740 (3.11)<sup>a</sup></b>	<b>-0.651 (2.83)<sup>a</sup></b>
Wider High2	<b>-0.230 (2.04)<sup>b</sup></b>	<b>-0.258 (2.20)<sup>b</sup></b>	<b>-0.206 (2.71)<sup>a</sup></b>	<b>-0.319 (2.42)<sup>b</sup></b>	<b>-0.258 (2.94)<sup>a</sup></b>	<b>-0.266 (2.07)<sup>b</sup></b>
Novel Product	<b>0.744 (2.83)<sup>a</sup></b>	<b>1.173 (4.45)<sup>a</sup></b>	<b>1.028 (3.77)<sup>a</sup></b>	<b>0.805 (2.70)<sup>a</sup></b>	<b>0.640 (2.22)<sup>a</sup></b>	<b>0.954 (3.28)<sup>a</sup></b>
Novel Process	0.333 (1.22)	0.384 (1.40)	0.329 (0.281)	0.354 (1.16)	0.331 (1.08)	<b>0.422 (2.37)<sup>b</sup></b>
<i>Transaction Structure</i>						

Ltd Co	-0.079 (0.33)	-0.307 (1.31)	-0.035 (0.15)	0.057 (0.22)	-0.087 (0.35)	0.168 (0.67)
Zero Online	-0.114 (0.48)	-0.215 (0.89)	-0.118 (0.48)	<b>-0.603 (2.27)<sup>b</sup></b>	<b>-0.683 (2.54)<sup>b</sup></b>	<b>-0.830 (3.14)<sup>a</sup></b>
Low Online	<b>-0.809 (2.29)<sup>b</sup></b>	<b>-0.873 (2.38)<sup>b</sup></b>	<b>-0.737 (2.93)<sup>a</sup></b>	<b>-1.245 (2.94)<sup>a</sup></b>	<b>-1.094 (2.58)<sup>b</sup></b>	-0.388 (1.00)
High Online	-0.435 (1.18)	<b>-0.860 (2.31)<sup>b</sup></b>	-0.243 (0.63)	0.092 (0.22)	0.121 (0.31)	0.392 (0.97)
<i>Value Structure</i>						
SIC10-33	0.017 (0.05)	-0.160 (0.48)	0.056 (0.16)	0.302 (0.85)	0.342 (0.95)	0.480 (1.33)
SIC46-47	-0.096 (0.29)	-0.279 (0.85)	-0.151 (0.46)	0.041 (0.12)	0.052 (0.15)	0.345 (0.98)
SIC55-56	-0.031 (0.08)	0.150 (0.39)	0.017 (0.05)	<b>0.539 (2.30)<sup>a</sup></b>	<b>0.572 (2.37)<sup>b</sup></b>	0.443 (1.10)
SIC58-63	-0.714 (1.38)	-0.719 (1.36)	-0.002 (0.00)	0.089 (0.17)	0.189 (0.36)	0.386 (0.73)
SIC77-82	<b>-0.680 (2.06)<sup>b</sup></b>	<b>-0.896 (2.43)<sup>b</sup></b>	-0.338 (0.93)	-0.232 (0.60)	-0.057 (0.15)	-0.101 (0.26)
Exporter	-0.289 (1.09)	-0.380 (1.40)	<b>0.462 (2.38)<sup>b</sup></b>	<b>0.806 (2.70)<sup>a</sup></b>	<b>0.547 (2.84)<sup>a</sup></b>	<b>0.517 (2.78)<sup>a</sup></b>
Cut 1	-0.255 (0.605)	0.274 (0.614)	0.533 (0.617)	0.479 (0.647)	0.007 (0.643)	0.417 (0.645)
Cut 2	0.578 (0.606)	1.256 (0.618)	1.279 (0.619)	1.092 (0.648)	0.553 (0.643)	0.879 (0.645)
Cut 3	1.456 (0.609)	2.190 (0.624)	2.059 (0.625)	1.779 (0.652)	1.197 (0.644)	1.577 (0.648)
Likelihood Ratio	<b>62.28<sup>a</sup></b>	<b>95.83<sup>a</sup></b>	<b>103.09<sup>a</sup></b>	<b>147.26<sup>a</sup></b>	<b>117.14<sup>a</sup></b>	<b>120.28<sup>a</sup></b>
Log likelihood	-496.398	-479.63	-464.357	-406.450	-413.259	-412.489
Pseudo R2	0.0590	0.0908	0.0999	0.1534	0.1241	0.1272

Note: The excluded education dummy variable is Degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01



**Table 5.20: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by infrastructure related barriers**

Variable	Model 35 High utility charges	Model 36 Lack of available industrial sites	Model 37 High transport and storage costs	Model 38 Low quality of electricity / water supply	Model 39 Poor telecommunication networks	Model 40 Lack of suitable premises
<i>Control variables</i>						
Parents Business	0.119 (0.55)	0.066 (0.31)	0.046 (0.22)	0.173 (0.80)	<b>0.613 (2.83)<sup>a</sup></b>	0.136 (0.65)
Team	0.243 (0.94)	0.141 (0.56)	0.149 (0.59)	0.250 (0.96)	0.201 (0.77)	0.184 (0.72)
Size FT	<b>0.352 (3.33)<sup>a</sup></b>	<b>0.423 (4.02)<sup>a</sup></b>	<b>0.401 (3.85)<sup>a</sup></b>	<b>0.201 (1.98)<sup>b</sup></b>	0.025 (0.24)	<b>0.381 (3.53)<sup>a</sup></b>
Size PT	-0.049 (0.78)	<b>-0.095 (2.53)<sup>a</sup></b>	-0.059 (0.96)	-0.025 (0.39)	-0.061 (0.97)	-0.045 (0.72)
Age Business	<b>-0.246 (2.85)<sup>a</sup></b>	<b>-0.172 (2.32)<sup>b</sup></b>	<b>-0.244 (1.88)<sup>c</sup></b>	-0.064 (0.47)	-0.169 (1.30)	<b>-0.321 (2.42)<sup>b</sup></b>
Home based	-0.062 (0.28)	0.252 (1.13)	0.019 (0.09)	0.077 (0.33)	-0.184 (0.80)	0.044 (0.19)
<i>Resources</i>						
High Finance	<b>-1.082 (2.30)<sup>b</sup></b>	<b>-0.133 (2.39)<sup>b</sup></b>	-0.392 (3.84) <sup>a</sup>	0.025 (0.05)	<b>-0.140 (3.89)<sup>a</sup></b>	-0.780 (1.63)
Gender	-0.149 (0.61)	-0.081 (0.34)	<b>-0.519 (2.18)<sup>b</sup></b>	-0.139 (0.57)	-0.297 (1.20)	-0.118 (0.49)
School	0.319 (1.00)	-0.051 (0.16)	<b>0.510 (2.63)<sup>b</sup></b>	-0.138 (0.42)	0.229 (0.70)	0.137 (0.43)
Degree	<b>0.388 (2.48)<sup>b</sup></b>	0.104 (0.40)	<b>0.472 (2.82)<sup>b</sup></b>	0.046 (0.17)	0.045 (0.17)	0.079 (0.30)
Age	0.002 (0.14)	-0.004 (0.33)	0.005 (0.47)	-0.004 (0.33)	0.004 (0.39)	-0.001 (0.12)
Education High	-0.327 (0.42)	1.056 (1.23)	-0.895 (1.09)	-0.919 (1.11)	-0.725 (0.80)	<b>-1.774 (2.80)<sup>b</sup></b>
Education Low	-0.298 (0.52)	-0.325 (0.56)	-0.364 (0.66)	0.060 (0.11)	-0.532 (0.97)	-0.419 (0.71)
Ministries High	<b>-0.621 (2.25)<sup>b</sup></b>	<b>-0.747 (2.46)<sup>b</sup></b>	-0.453 (0.88)	<b>-1.095 (1.99)<sup>b</sup></b>	<b>-1.010 (2.76)<sup>a</sup></b>	<b>-0.678 (2.31)<sup>b</sup></b>
Ministries Low	0.091 (0.31)	-0.106 (0.36)	-0.235 (0.80)	<b>0.414 (2.41)<sup>b</sup></b>	0.208 (0.71)	0.016 (0.06)
Wider High	-0.339 (0.82)	-0.460 (1.14)	<b>-0.717 (2.87)<sup>b</sup></b>	<b>-0.857 (2.92)<sup>a</sup></b>	-0.053 (0.13)	-0.229 (0.59)
Wider Low	0.135 (0.46)	-0.111 (0.290)	-0.249 (0.85)	0.216 (0.73)	<b>-0.018 (0.06)</b>	<b>-0.263 (0.87)</b>
Education High2	<b>-1.111 (2.91)<sup>a</sup></b>	<b>-1.289 (0.605)<sup>b</sup></b>	<b>-1.135 (2.84)<sup>b</sup></b>	-0.078 (0.13)	-0.295 (0.50)	<b>-1.745 (2.93)<sup>a</sup></b>
Ministries High2	<b>-0.451 (2.33)<sup>b</sup></b>	<b>-0.423 (2.09)<sup>b</sup></b>	<b>-0.334 (2.69)<sup>b</sup></b>	<b>-0.373 (2.92)<sup>a</sup></b>	-0.178 (0.91)	<b>-0.567 (2.75)<sup>a</sup></b>
Wider High2	<b>-0.303 (2.50)<sup>b</sup></b>	<b>-0.244 (2.03)<sup>b</sup></b>	<b>-0.210 (1.79)<sup>c</sup></b>	<b>-0.203 (2.76)<sup>b</sup></b>	-0.121 (1.03)	<b>-0.251 (2.14)<sup>b</sup></b>

Novel Product	<b>0.404 (2.54)<sup>b</sup></b>	<b>0.492 (2.86)<sup>a</sup></b>	0.225 (0.88)	0.072 (0.27)	<b>0.761 (2.92)<sup>a</sup></b>	0.308 (1.19)
Novel Process	<b>0.606 (2.10)<sup>b</sup></b>	<b>0.785 (2.78)<sup>a</sup></b>	<b>0.824 (3.02)<sup>a</sup></b>	<b>0.726 (2.60)<sup>a</sup></b>	<b>0.673 (2.42)<sup>b</sup></b>	<b>0.783 (2.83)<sup>a</sup></b>
<i>Transaction Structure</i>						
Ltd Co	<b>-0.657 (2.69)<sup>a</sup></b>	-0.274 (1.14)	0.033 (0.14)	-0.527 (2.12) <sup>b</sup>	-0.216 (0.89)	-0.102 (0.43)
Zero Online	<b>-0.580 (2.33)<sup>b</sup></b>	<b>-0.580 (2.36)<sup>b</sup></b>	-0.007 (0.03)	-0.030 (0.12)	-0.014 (0.05)	<b>-0.494 (2.02)<sup>b</sup></b>
Low Online	<b>-0.868 (2.40)<sup>b</sup></b>	<b>-0.707 (1.97)<sup>b</sup></b>	<b>-0.751 (2.07)<sup>b</sup></b>	<b>-0.791 (2.19)<sup>b</sup></b>	-0.441 (1.22)	<b>-0.903 (2.47)<sup>b</sup></b>
High Online	-0.172 (0.45)	-0.261 (0.71)	<b>-0.625 (1.99)<sup>b</sup></b>	-0.166 (0.42)	<b>-0.978 (2.57)<sup>b</sup></b>	<b>-0.395 (2.08)<sup>b</sup></b>
<i>Value Structure</i>						
SIC10-33	0.163 (0.48)	0.454 (0.341)	0.241 (0.72)	-0.066 (0.19)	-0.049 (0.14)	0.334 (0.96)
SIC46-47	0.031 (0.09)	0.086 (0.25)	-0.228 (0.70)	-0.160 (0.46)	0.261 (0.76)	-0.144 (0.42)
SIC55-56	0.324 (0.81)	0.352 (0.88)	0.349 (0.91)	0.367 (0.92)	0.270 (0.68)	0.154 (0.39)
SIC58-63	0.493 (0.94)	0.042 (0.08)	-0.240 (0.47)	-0.631 (1.11)	<b>0.660 (2.28)<sup>b</sup></b>	-0.234 (0.45)
SIC77-82	-0.33 (0.88)	-0.130 (0.34)	<b>-0.525 (2.39)<sup>b</sup></b>	-0.508 (1.28)	<b>-0.586 (2.46)<sup>b</sup></b>	-0.315 (0.83)
Exporter	0.051 (0.18)	0.208 (0.76)	0.194 (0.74)	0.372 (1.34)	0.300 (1.08)	<b>0.455 (2.67)<sup>b</sup></b>
Cut 1	0.740 (0.621)	0.744 (0.615)	0.530 (0.612)	0.561 (0.641)	0.610 (0.638)	0.520 (0.635)
Cut 2	1.384 (0.624)	1.445 (0.618)	1.310 (0.613)	1.327 (0.646)	1.328 (0.642)	1.227 (0.637)
Cut 3	1.921 (0.626)	2.176 (0.623)	2.115 (0.619)	2.514 (0.658)	2.521 (0.653)	2.198 (0.645)
Likelihood Ratio	<b>78.76<sup>a</sup></b>	<b>88.50<sup>a</sup></b>	<b>77.77<sup>a</sup></b>	<b>59.96<sup>a</sup></b>	<b>-73.86<sup>a</sup></b>	<b>89.10<sup>a</sup></b>
Log likelihood	-450.569	-463.829	-476.084	-445.225	-445.91	-467.61
Pseudo R2	0.0804	0.0871	0.0755	0.0631	0.0765	0.0870

Note: The excluded education dummy variable is Degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.21: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by financial barriers.**

Variable	Model 41 to 47 Access to debt finance from local banks	Model 48 to 54 Access to equity finance from private investors	Model 55 to 61 Access to debt finance from the Government	Model 62 to 68 High interest rates to SMEs sectors
Facebook	<b>0.748 (3.96)<sup>a</sup></b>	<b>0.525 (2.78)<sup>a</sup></b>	<b>0.876 (4.53)<sup>a</sup></b>	<b>0.734 (3.86)<sup>a</sup></b>
Twitter	<b>0.853 (4.31)<sup>a</sup></b>	<b>0.738 (3.73)<sup>a</sup></b>	<b>1.010 (4.99)<sup>a</sup></b>	<b>0.752 (3.77)<sup>a</sup></b>
Linkedin	<b>0.676 (2.97)<sup>a</sup></b>	0.280 (1.24)	<b>0.603 (2.59)<sup>b</sup></b>	<b>0.386 (1.72)<sup>c</sup></b>
Instagram	<b>0.851 (4.25)<sup>a</sup></b>	<b>0.654 (3.27)<sup>a</sup></b>	<b>0.900 (4.41)<sup>a</sup></b>	<b>0.769 (3.84)<sup>a</sup></b>
Bebo	<b>0.514 (1.76)<sup>c</sup></b>	0.172 (0.59)	0.449 (1.50)	<b>0.500 (1.73)<sup>c</sup></b>
MySpace	0.363 (1.29)	0.055 (0.20)	0.1664 (0.05)	0.327 (1.18)
Keek	0.184 (0.75)	0.063 (0.26)	0.269 (1.09)	0.395 (1.64)

Note: The full models are augmented with one of the social media variables, one at a time.

The excluded education dummy variable is MSc degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.22: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by financial barriers.**

Variable	Model 69 to 75 Do not have collateral to secure bank loan	Model 76 to 82 Difficult to meet loan criteria	Model 83 to 89 Difficult to raise capital from family	Model 90 to 96 Difficult to raise capital from friends
Facebook	<b>0.966 (5.02)<sup>a</sup></b>	<b>0.805 (4.17)<sup>a</sup></b>	<b>0.505 (2.57)<sup>b</sup></b>	<b>0.529 (2.59)<sup>b</sup></b>
Twitter	<b>0.911 (4.54)<sup>a</sup></b>	<b>0.784 (3.93)<sup>a</sup></b>	<b>0.345 (1.70)<sup>c</sup></b>	<b>0.515 (2.41)<sup>b</sup></b>
Linkedin	<b>0.590 (2.58)<sup>b</sup></b>	<b>0.549 (2.37)<sup>b</sup></b>	0.329 (1.47)	<b>0.406 (1.70)<sup>c</sup></b>
Instagram	<b>0.784 (3.90)<sup>a</sup></b>	<b>0.747 (3.68)<sup>a</sup></b>	<b>0.520 (2.51)<sup>b</sup></b>	<b>0.509 (2.35)<sup>b</sup></b>
Bebo	0.376 (1.32)	0.274 (0.94)	0.288 (0.97)	0.348 (1.13)
MySpace	0.177 (0.65)	0.054 (0.20)	0.068 (0.24)	0.055 (0.19)
Keek	0.240 (1.01)	0.086 (0.36)	0.379 (1.54)	0.325 (1.27)

Note: The full models are augmented with one of the social media variables, one at a time.

The excluded education dummy variable is MSc degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.23: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by market related barriers**

Variable	Model 97 to 103 Inadequate demand	Model 104 to 110 Too much competition from local firms	Model 111 to 117 Competition from imported goods	Model 118 to 124 High advertising costs	Model 125 to 131 Inadequate market research
Facebook	<b>0.836 (4.36)<sup>a</sup></b>	<b>0.713 (3.80)<sup>a</sup></b>	<b>0.484 (2.56)<sup>b</sup></b>	<b>0.991 (5.20)<sup>a</sup></b>	<b>0.827 (4.34)<sup>a</sup></b>
Twitter	<b>0.983 (4.91)<sup>a</sup></b>	<b>0.837 (4.29)<sup>a</sup></b>	<b>0.707 (3.61)<sup>a</sup></b>	<b>1.026 (5.17)<sup>a</sup></b>	<b>0.912 (4.59)<sup>a</sup></b>
Linkedin	0.079 (0.35)	0.005 (0.02)	0.236 (1.02)	0.338 (1.50)	0.308 (1.37)
Instagram	<b>0.770 (3.85)<sup>a</sup></b>	<b>0.923 (4.64)<sup>a</sup></b>	<b>0.830 (4.14)<sup>a</sup></b>	<b>1.012 (5.00)<sup>a</sup></b>	<b>0.948 (4.70)<sup>a</sup></b>
Bebo	0.080 (0.27)	0.159 (0.55)	0.391 (1.32)	0.328 (1.15)	0.279 (0.99)
MySpace	0.032 (0.11)	0.078 (0.28)	0.206 (0.73)	0.146 (0.54)	0.050 (0.19)
Keek	0.188 (0.78)	0.049 (0.20)	0.163 (0.66)	0.190 (0.81)	0.064 (0.27)

Note: The full models are augmented with one of the social media variables, one at a time.

The excluded education dummy variable is MSc degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.24: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by managerial and technical know-how barriers**

Variable	Model 132 to 138 Lack of managerial/ Technical Know-how	Model 139 to 145 Shortage of skilled labor	Model 146 to 152 High wages for skilled labor	Model 153 to 159 Inadequate access to new technology
Facebook	<b>0.772 (4.06)<sup>a</sup></b>	<b>0.719 (3.81)<sup>a</sup></b>	<b>0.527 (2.80)<sup>a</sup></b>	0.241 (1.27)
Twitter	<b>0.903 (4.50)<sup>a</sup></b>	<b>0.853 (4.34)<sup>a</sup></b>	<b>0.530 (2.70)<sup>a</sup></b>	0.104 (0.53)
Linkedin	0.179 (0.79)	<b>0.474 (2.04)<sup>b</sup></b>	0.125 (0.56)	0.024 (0.10)
Instagram	<b>0.986 (4.74)<sup>a</sup></b>	<b>1.005 (5.01)<sup>a</sup></b>	<b>0.769 (3.83)<sup>a</sup></b>	0.168 (0.85)
Bebo	0.431 (1.53)	<b>0.827 (2.79)<sup>a</sup></b>	0.260 (0.95)	0.035 (0.11)
MySpace	0.023 (0.08)	0.389 (1.37)	0.077 (0.29)	0.310 (1.05)
Keek	0.107 (0.45)	0.137 (0.56)	0.044 (0.19)	0.080 (0.37)

Note: The full models are augmented with one of the social media variables, one at a time.

The excluded education dummy variable is MSc degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.25: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by managerial and technical know-how barriers**

Variable	Model 160 to 166 Inadequate financial skills	Model 167 to 173 Inadequate marketing & management skills	Model 174 to 180 Inadequate government contracts	Model 181 to 187 Inadequate technical skills
Facebook	0.150 (0.80)	0.087 (0.46)	<b>0.714 (3.71)<sup>a</sup></b>	<b>0.870 (4.50)<sup>a</sup></b>
Twitter	0.066 (0.34)	0.084 (0.44)	<b>0.833 (4.19)<sup>a</sup></b>	<b>0.822 (4.12)<sup>a</sup></b>
Linkedin	0.041 (0.18)	0.211 (0.92)	0.350 (1.49)	0.299 (1.30)
Instagram	0.137 (0.70)	0.045 (0.23)	<b>0.862 (4.27)<sup>a</sup></b>	<b>0.750 (3.70)<sup>a</sup></b>
Bebo	0.099 (0.33)	0.163 (0.53)	0.127 (0.43)	0.470 (1.64)
MySpace	0.263 (0.92)	0.240 (0.82)	0.210 (0.75)	0.211 (0.77)
Keek	0.115 (0.46)	0.205 (0.80)	0.050 (0.20)	0.351 (1.48)

Note: The full models are augmented with one of the social media variables, one at a time.

The excluded education dummy variable is MSc degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.26: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by inputs barriers**

Variable	Model 188 to 194 High cost of local raw materials	Model 195 to 201 High cost of imported raw materials	Model 202 to 208 Inadequate supply of raw materials	Model 209 to 215 High fixed costs e.g., rent
Facebook	<b>0.634 (3.34)<sup>a</sup></b>	<b>0.788 (3.96)<sup>a</sup></b>	<b>0.643 (3.38)<sup>a</sup></b>	<b>0.857 (4.44)<sup>a</sup></b>
Twitter	<b>0.897 (4.49)<sup>a</sup></b>	<b>0.399 (1.75)<sup>c</sup></b>	<b>0.861 (4.35)<sup>a</sup></b>	<b>1.184 (5.87)<sup>a</sup></b>
Linkedin	0.006 (0.03)	<b>0.760 (3.75)<sup>a</sup></b>	0.131 (0.58)	<b>0.527 (2.20)<sup>b</sup></b>
Instagram	<b>0.815 (4.04)<sup>a</sup></b>	<b>0.502 (1.74)<sup>c</sup></b>	<b>0.716 (3.57)<sup>a</sup></b>	<b>1.189 (5.79)<sup>a</sup></b>
Bebo	0.143 (0.49)	0.229 (0.83)	0.369 (1.28)	0.211 (0.72)
MySpace	0.183 (0.66)	0.202 (0.71)	0.184 (0.67)	0.110 (0.40)
Keek	0.224 (0.90)	<b>0.405 (1.67)<sup>c</sup></b>	<b>0.400 (1.66)<sup>c</sup></b>	0.084 (0.34)

Note: The full models are augmented with one of the social media variables, one at a time.

The excluded education dummy variable is MSc degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01



**Table 5.27: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by inputs barriers**

Variable	Model 216 to 222 High cost of good will for rent	Model 223 to 229 High cost of replacing old equipment	Model 230 to 236 Difficulty in finding appropriate equipment
Facebook	<b>1.154 (5.69)<sup>a</sup></b>	<b>0.608 (3.20)<sup>a</sup></b>	<b>0.212 (2.46)<sup>b</sup></b>
Twitter	<b>0.543 (2.28)<sup>b</sup></b>	<b>1.046 (5.23)<sup>a</sup></b>	<b>0.917 (4.58)<sup>a</sup></b>
Linkedin	<b>1.211 (5.90)<sup>a</sup></b>	0.302 (1.31)	<b>0.418 (1.82)<sup>c</sup></b>
Instagram	<b>1.059 (6.12)<sup>a</sup></b>	<b>0.927 (4.58)<sup>a</sup></b>	<b>0.984 (4.80)<sup>a</sup></b>
Bebo	<b>0.809 (2.57)<sup>b</sup></b>	<b>0.552 (1.87)<sup>c</sup></b>	0.341 (1.15)
MySpace	0.448 (1.54)	0.138 (0.50)	0.089 (0.32)
Keek	<b>0.459 (1.81)<sup>c</sup></b>	0.370 (1.51)	0.234 (0.98)

Note: The full models are augmented with one of the social media variables, one at a time.

The excluded education dummy variable is MSc degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.28: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by economic and regulatory barriers**

Variable	Model 237 to 243 High rate of inflation	Model 244 to 250 High rate of interest	Model 251 to 257 Kuwait labor law	Model 258 to 264 Bureaucracy in government agencies	Model 265 to 271 Registration / Licensing / Red tape	Model 272 to 278 Corruption
Facebook	<b>1.108 (5.56)<sup>a</sup></b>	<b>0.837 (4.37)<sup>a</sup></b>	<b>0.685 (3.59)<sup>a</sup></b>	<b>1.085 (5.39)<sup>a</sup></b>	<b>1.147 (5.65)<sup>a</sup></b>	<b>0.963 (4.88)<sup>a</sup></b>
Twitter	<b>0.593 (2.57)<sup>b</sup></b>	<b>1.033 (5.17)<sup>a</sup></b>	<b>1.018 (5.07)<sup>a</sup></b>	<b>1.422 (6.73)<sup>a</sup></b>	<b>1.530 (7.17)<sup>a</sup></b>	<b>1.182 (5.73)<sup>a</sup></b>
Linkedin	<b>1.289 (6.32)<sup>a</sup></b>	<b>0.530 (2.29)<sup>b</sup></b>	<b>0.700 (2.89)<sup>a</sup></b>	<b>0.569 (2.26)<sup>b</sup></b>	0.219 (0.90)	0.314 (1.30)
Instagram	<b>0.811 (2.39)<sup>b</sup></b>	<b>1.156 (5.65)<sup>a</sup></b>	<b>0.859 (4.26)<sup>a</sup></b>	<b>1.314 (6.20)<sup>a</sup></b>	<b>1.335 (6.32)<sup>a</sup></b>	<b>1.047 (5.08)<sup>a</sup></b>
Bebo	<b>0.656 (2.21)<sup>b</sup></b>	0.391 (1.34)	0.381 (1.22)	0.003 (0.01)	0.403 (1.25)	0.015 (0.05)
MySpace	0.370 (1.31)	0.136 (0.49)	0.063 (0.22)	0.352 (1.19)	0.162 (0.53)	0.107 (0.37)
Keek	<b>0.458 (1.88)<sup>c</sup></b>	0.289 (1.19)	0.071 (0.28)	0.049 (0.19)	0.296 (1.12)	0.117 (0.410)

Note: The full models are augmented with one of the social media variables, one at a time.

The excluded education dummy variable is MSc degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

**Table 5.29: Estimates of an ordered logit model of the limitations encountered by owner-managers in achieving their business objectives over the last three years, by infrastructure related barriers**

Variable	Model 279 to 285 High utility charges	Model 286 to 292 Lack of available industrial sites	Model 293 to 299 High transport and storage costs	Model 300 to 306 Low quality of electricity / water supply	Model 307 to 313 Poor telecommunication networks	Model 314 to 320 Lack of suitable premises
Facebook	<b>0.799 (4.13)<sup>a</sup></b>	<b>0.882 (4.55)<sup>a</sup></b>	<b>0.707 (3.68)<sup>a</sup></b>	<b>0.585 (2.96)<sup>a</sup></b>	<b>0.645 (3.27)<sup>a</sup></b>	<b>0.708 (3.68)<sup>a</sup></b>
Twitter	<b>1.060 (5.20)<sup>a</sup></b>	<b>1.160 (5.70)<sup>a</sup></b>	<b>0.934 (4.64)<sup>a</sup></b>	<b>0.831 (3.96)<sup>a</sup></b>	<b>0.963 (4.62)<sup>a</sup></b>	<b>0.969 (4.78)<sup>a</sup></b>
Linkedin	0.029 (0.12)	<b>0.471 (2.01)<sup>b</sup></b>	<b>0.530 (2.27)<sup>b</sup></b>	<b>0.537 (2.24)<sup>b</sup></b>	<b>0.614 (2.61)<sup>a</sup></b>	<b>0.634 (2.71)<sup>a</sup></b>
Instagram	<b>1.074 (5.19)<sup>a</sup></b>	<b>1.037 (5.05)<sup>a</sup></b>	<b>1.038 (5.02)<sup>a</sup></b>	<b>0.667 (3.16)<sup>a</sup></b>	<b>0.872 (4.16)<sup>a</sup></b>	<b>0.986 (4.77)<sup>a</sup></b>
Bebo	<b>0.607 (2.01)<sup>b</sup></b>	<b>0.711 (2.35)<sup>b</sup></b>	0.484 (1.61)	<b>0.800 (2.61)<sup>a</sup></b>	<b>0.731 (2.41)<sup>b</sup></b>	<b>0.717 (2.39)<sup>b</sup></b>
MySpace	0.132 (0.46)	0.346 (1.21)	0.049 (0.17)	<b>0.507 (1.74)<sup>c</sup></b>	0.438 (1.52)	0.345 (1.21)
Keek	<b>0.439 (1.77)<sup>c</sup></b>	<b>0.545 (2.19)<sup>b</sup></b>	0.337 (1.37)	<b>0.714 (2.85)<sup>a</sup></b>	<b>0.664 (2.66)<sup>a</sup></b>	<b>0.604 (2.43)<sup>b</sup></b>

Note: The full models are augmented with one of the social media variables, one at a time.

The excluded education dummy variable is MSc degree; the excluded dummy variable relating to online sales from the website is No Website; the excluded industrial sector dummy variable is Professional, scientific and technical activities (SIC 69-74). Standardized beta coefficients are shown; n=396; <sup>c</sup> p<0.10, <sup>b</sup> p<0.05 and <sup>a</sup> p<0.01

## Chapter 6

### Discussion and Conclusions

#### 6.1 Introduction

Kuwait is a wealthy country but one which is developing and aiming to move away from a dependency upon oil revenues (CIA, 2015). The Kuwaiti people and government have been disciplined and maintained a policy of running a budget surplus and investing the oil derived surplus in European and North American equity markets. However, as this chapter is written in April 2016 the price of oil has dropped to approximately \$40 per barrel and that is well below the \$80 per barrel which was enjoyed in most of the post 2010 period. Iran will be allowed to legally trade oil following the American led nuclear arms and trade agreement with the country (BBC 2015a) and that combined with the development of electrical cars and lorries (The Telegraph 2015), will further put downwards pressure on oil prices. Thus, the Kuwaiti government policy to develop an SME sector is prescient (Kuwait Government, 2009, 2013a, 2013b) and there is a strong need to understand theoretically and empirically the problems that hinder entrepreneurs and their businesses in Kuwait. The approach of this thesis upon barriers to growth, rather than using employment or sales growth was adopted because those other avenues have not advanced our theoretical and empirical knowledge of the growth process Leitch et al. 2010; Coad and Tamvada, 2012; Parker, 2004).

The theoretical focus of the thesis has been to use business model theory to bring together human capital theory, the resource based view of the firm, social network theory and the diffusion of innovation. A multi-theory approach within a business model theory umbrella is a way of understanding the barriers to growth of businesses and, by implication, a way of better understanding firm growth. The previous chapter presented the empirical results focusing upon ordered logit regression models of 40

barriers to growth in Kuwait. The purpose of this chapter is to provide a discussion of the results.

## **6.2 Barriers to Growth**

Looking at Figure 5.5 and Table 5.10 it can be seen that 62.1% of the entrepreneurs indicated that corruption was an important or a crucial factor which limited the entrepreneurs' ability to meet their business objectives, and after ranking all of the corresponding values for all barriers it is clear that corruption is the number one barrier in Kuwait. Yamoah et al.'s (2014) study did not include corruption but they did include two reasons which are different types of corruption, political interference in loan disbursement, and an inadequate financial allocation to incentive support institutions. Specifically, they found that 53.3% of firms in Ghana found that political interference in loan disbursement was an important or a crucial barrier and this was ranked fourteenth in order of severity. Inadequate financial allocation to incentive support institutions was more of a barrier in their study and mentioned by 63.7% of firms and ranked eleventh. The result in this study is in sharp contrast with Cosh and Hughes's (2000) research where they found that increasing competition was the number one obstacle in 1999 and 1997 respectively. Indeed, they found that the mean scores were 2.70 and 2.64 in 1999 and 1997, respectively, using a four point scale. Corruption was not one of the reasons reported in Cosh and Hughes's (2000) study which used longitudinal data; and it was not reported as a problem in the 2014, 2012, and 2010 SBS surveys or the 2007/8 ASBS survey. Robson and Obeng (2008) found that corruption was only mentioned by 20.3% of respondents as an important or a crucial limitation and it was ranked 35<sup>th</sup> in their study. The Corruption Perceptions Index (CPI) ranks countries/territories based on how corrupt a country's public sector is perceived to be. The CPI has ranked Kuwait as 67<sup>th</sup>

out of 176 countries. It is a composite index, drawing on corruption-related data from expert and business surveys carried out by a variety of independent and reputable institutions (<http://www.transparency.org/country#KWT>).

The second and third most mentioned barrier in rank order is registration, licensing and red tape which is mentioned by 60.6% of respondents, and closely followed by bureaucracy in government agencies which was mentioned by 59.6% of entrepreneurs. Yamoah et al. (2014) found that the high cost of registration or licensing was an important or crucial barrier for 75.9% of Ghanaian firms and ranked sixth in order. Yamoah et al. (2014) found that 69.4% of firms felt that too many procedures in registration and licensing processes were an important or crucial obstacle and this was ranked as ninth. They also found that 58.2% of firms found that delays in registration and licensing process were mentioned by 58.2% of firms and this was ranked as twelfth in order of severity.

Red tape was included in the 2014 SBS survey and 54% of firms felt that red tape was an obstacle to the success of their business and was ranked third in order of importance. Regulation has been included for many years as an option in the UK surveys of SMEs and in the 2014 SBS survey 49% of firms mentioned regulation was an obstacle to the success of their business and was ranked fifth. In comparison regulation was more of a problem in the ASBS 2007/8 survey where it was mentioned by 59% of firms and ranked third. In the Robson and Obeng (2008) study registration, licensing and red tape was mentioned by only 18.8% of entrepreneurs as an important or a crucial limitation and it was ranked 37<sup>th</sup>. In 2014 Kuwait was ranked 86<sup>th</sup> in ease of doing business in a classification made by the World Bank which is lower than all other GCC countries like Saudi Arabia at 49, UAE at 22, Oman at 50 and Bahrain at 55 (International Bank for Reconstruction and Development and World Bank, 2015).

The fourth and fifth most mentioned barriers are: high fixed costs e.g. rent which is mentioned by 58.6% of entrepreneurs, and high cost of good will for rent which is mentioned by 57.9% of entrepreneurs. The high fixed cost e.g. rent, and also the high cost of good will for rent were not included in the Robson and Obeng (2008) study, and likewise the other studies reviewed in chapter 3 did not include it.

The sixth most mentioned barrier is the Kuwait labor law criteria and regulations which is mentioned by 54.3% of entrepreneurs. The Kuwaiti labour law criteria and regulations in large part revolves around employing Kuwaiti nationals as employees above and in preference to non-Kuwaiti employees. In many ways it is a more extreme version of the Canadian labour regulations which is used in Canada, but in Canada there is still flexibility by in large. Unfortunately, in Kuwait the labour regulations appear to have been rigidly interpreted. Alrabeei (2012) found in his questionnaire that Local regulations was the second most important issue for owner-managers in Bahrain with a mean score of 3.8. Thus, there is a degree of consistency between the results of this study of Kuwait and Alrabeei's (2012) study.

The seventh most mentioned barrier is high advertising costs which is mentioned by 50.7% of entrepreneurs and that is the last of the barriers where the total of important and crucial responses is mentioned by more than one half of the entrepreneurs. 43.1% of entrepreneurs in Ghana in the Robson and Obeng (2008) study mentioned high advertising costs as an important or a crucial limitation.

Inadequate market research is mentioned by 47.5% of the entrepreneurs and that is ranked eighth. Robson and Obeng (2008) in contrast found that only 27.3% of entrepreneurs indicated that inadequate market research was an important or a crucial limitation.

A shortage of skilled labour is ranked ninth and is mentioned by 46% of the entrepreneurs. This result is in line with Cosh and Hughes (2000) study with 1997 data where skilled labour was the seventh most ranked obstacle. It does need to be noted that Cosh and Hughes (2000) did find that skilled labour was more of a problem in 1999 where it was ranked fourth. The 2014 SBS survey found that recruiting staff was an obstacle to the success of 31% of firms and it was ranked tenth. This is a cyclical variable and it was less of a problem in the 2012 and 2010 SBS surveys where the corresponding values are 25% and 26% respectively; but it was 35% in the 2007/8 ASBS survey and ranked fifth. The UK small business surveys have also included the response a shortage of skilled workers generally, and this was mentioned by 21% in the 2014 SBS survey and ranked tenth, 28% in the 2012 SBS survey and ranked seventh, 24% in the 2010 SBS survey and ranked seventh, and 32% in the ASBS 2007/8 survey and ranked seventh.

Alrabeei (2012) in his study of Bahrain found that ability to hire qualified workers (4.3) was the greatest barrier in his questionnaire. In his unprompted further question he found that Unqualified human resources was also the biggest problem in Bahrain (87 responses). Thus, whilst Bahrain and Kuwait are both small countries the ability to hire qualified workers is a more acute problem in Bahrain than Kuwait.

Yamoah et al's (2014) study did not include a shortage of skilled labor as a reason but they did include: an inadequate skilled personnel to provide expert advice and this was mentioned as an important or a crucial barrier by 39.5% of firms and was ranked fifteenth. Robson and Obeng (2008) reported that 34.0% of Ghanaian entrepreneurs found that a shortage of skilled labour was an important or a crucial limitation, and this was ranked 23<sup>rd</sup>.



Access to debt finance from local banks is ranked tenth and is mentioned by 44.7% of entrepreneurs. Thus, finance per se is not a major problem in Kuwait. In contrast, Cosh and Hughes (2000) found that finance related problems were more prevalent in their study. They did not include access to debt finance as a specific category, and instead they had availability and cost of finance for expansion, and also the availability and cost of overdraft finance. The availability and cost of finance for expansion was the second most important barrier in 1997 and the sixth most important barrier in 1999. The availability and cost of overdraft finance was ranked fifth in 1997 and seventh in 1999 (Cosh and Hughes, 2000). Inadequate access to debt finance was mentioned by 41.8% of the entrepreneurs in the Robson and Obeng (2008) study and it was ranked 18<sup>th</sup>. Alrabeei (2012) found that the ability to obtain capital was a major problem in Bahrain with a mean score of 3.6. Indeed, in his study it was the third most important barrier in his questionnaire. In his further question which was unprompted he also found that Capital/finance was an important issue and mentioned by 73 responses, and this was ranked second in order of importance. Thus, which Bahrain and Kuwait are both perceived as munificent environments in Kuwait there is abundant finance whilst the opposite is the case in Bahrain.

A lack of available industrial sites is ranked eleventh and is mentioned by 44% of the entrepreneurs. Cosh and Hughes (2000) found that the availability of appropriate premises or site were ranked tenth out of eleven reasons using 1999 and also 1997 data. In contrast Yamoah et al. (2014) found that a lack of industrial sites was only mentioned by 17.9% of firms in Ghana and was ranked seventeenth in order of severity. Robson and Obeng (2008) found that 35.1% of entrepreneurs in Ghana reported important or crucial limitations with regard to a lack of industrial sites. In contrast, the most recent UK survey using the 2014 SBS survey found that only 21% of firms found that the

availability or cost of suitable premises was an obstacle to the success of their business, and this was ranked last out of thirteen statements. The corresponding value in the 2012 SBS survey was 22% and ranked ninth, and in the 210 SBS it was 21% and ranked eighth. In the earlier ASBS 2007/8 survey the availability/ cost of suitable premises was more of a problem and mentioned by 27% of firms and ranked eighth.

The high cost of replacing old equipment (43.7%), too much competition from local firms (43.4%), the high rate of inflation (43.2%), access to debt finance from the Government (43.2%), the high rate of inflation (43.2%), high utility charges (42.2%), high wages for skilled labor (41.9%), the high cost of local raw materials (41.7%), inadequate government contracts (41.7%), a lack of suitable premises (41.7%) are ranked twelfth to twenty-first position, respectively. Comparing the Kuwaiti results to the Robson and Obeng (2008) study, the most stark differences are the high rate of inflation (71.4%, ranked 1<sup>st</sup>), the high cost of utility charges (58.8%, ranked 4<sup>th</sup>), the high cost of replacing old equipment (42.3%, ranked 6<sup>th</sup>), and the high wages for skilled labour (48.3%, ranked 12<sup>th</sup>). Yamoah et al. (2014) found that the high cost of utility charges was mentioned as an important or crucial obstacle to 88.5% of firms in Ghana and ranked third.

Robson and Obeng (2008) used the barrier, too many competing firms, rather than 'local firms' and they found this was mentioned by 49.3% of enterprises and ranked 10<sup>th</sup>. Access to debt finance from the government is a Kuwait specific barrier and this was not included in the Robson and Obeng (2008) study. The high cost of imported raw materials was mentioned by 42.5% of Ghanaian entrepreneurs as an important or a crucial limitation and that is similar to the Kuwait result.

The UK small business surveys in contrast have found that competition is a major obstacle for the majority of UK businesses. 56% of firms mentioned competition as an

obstacle to the success of their business in the 2014 SBS survey and that was ranked second. The previous 2012 SBS survey had also reported 56%, although it was ranked in third place. The 2010 SBS survey reported 58% and second in order of severity. The 2007/8 ASBS survey shows a score of 55% and a rank of fourth.

Yamoahet al. (2014) found that a high rate of inflation was mentioned by 70.3% of firms and was ranked seventh in Ghana. The UK SBS surveys have consistently found that the economy is the number one obstacle to the success of firms over the period 2007/8 to 2014 and all that has changed is the magnitude of the responses, and not the relative position in the rankings. Thus, the economy was mentioned by 59% in the 2014 SBS survey, 78% of firms in the 2012 SBS survey, 81% in the 2010 SBS survey and 64% in the 2007/8 ASBS survey.

High interest rates to SME sectors (41.6%), High transport and storage costs (41.5%), a difficulty in finding appropriate equipment (41.3%), a lack of managerial/ Technical Know-how (41.2%), high interest rates (41.2%), do not have collateral to secure bank loan (41.1%), an inadequate supply of raw materials (40.7%), inadequate demand (40.6%) are ranked twenty-second to twenty-ninth, respectively. Cosh and Hughes (2000) in sharp contrast found that overall growth of market demand in principle product markets was ranked second in 1999 and fourth in 1997 with mean scores of 2.47 and 2.36, respectively. Alrabeei (2012) in his questionnaire to owner-managers found that generating new sales (3.2), Existing debt load (2.9), and alack of confidence in global economic future (2.8) were the fourth to sixth most important barriers in Bahrain, where the values in parentheses are the mean scores.

Yamoahet al. (2014) found that the high interest rate was mentioned by 96.2% of firms as an important or crucial obstacle in Ghana and it was ranked as the top barrier. Yamoahet al.'s (2014) study found that a high depreciation of the cedi was mentioned

by more than three out of four firms (77.7%) as an important or a crucial obstacle and this was ranked fifth in their study.

Inadequate marketing & management skills (39.1%), Difficult to meet loan criteria (38.4%), access to equity finance from private investors (38.4%), competition from imported goods (37.1%), inadequate technical skills (34.9%), inadequate financial skills (33.9%), poor telecommunication networks (33.6%) are ranked thirtieth to thirty-sixth. Cosh and Hughes (2000) found that using data from 1999 and 1997 management skills were the fifth and sixth most important obstacle to achieving business objectives, respectively. Cosh and Hughes (2000) also found that marketing and sales skills were the third most severe obstacle in 1999 and 1997.

Yamoahet al. (2014) found that poor telecommunication networks is only mentioned by 8.9% of firms in Ghana as an important or a crucial barrier and this was ranked a lowly nineteenth. They also found that inadequate technical skills is much more of a problem and mentioned by 65.1% of firms as an important or a crucial obstacle and was ranked tenth.

Lastly, there are four barriers which are mentioned by less than one third of the entrepreneurs and they are: inadequate access to new technology (32.4%), low quality of electricity / water supply (30.8%), difficult to raise capital from family (27.5%), and difficult to raise capital from friends (24.3%). Cosh and Hughes (2000) found that the acquisition of technology was the eleventh factor in order of importance in their study in 1999 and 1997 with mean scores of 1.93 and 1.83, respectively. The difficulties in implementing new technology was ranked ninth in 1999 and 1997 with mean scores of 1.78 and 1.85, respectively. Yamoahet al. (2014) found that difficult access to new technology was mentioned by 69.7% of firms in Ghana and was ranked eighth in order of severity.

Yamoahet al. (2014) found that the low quality of the electricity supply was mentioned by 77.9% of firms in Ghana and was ranked as the fourth most important barrier. Yamoahet al. (2014) also found that the low quality of water supply was mentioned by 57.9% of firms in Ghana and ranked thirteenth.

Interestingly in the study of Kuwait, its high quality road infrastructure was not mentioned by any of the respondents. In contrast, Yamoahet al's (2014) study found that a poor quality of road network was an important or a crucial obstacle to 20.4% of firms and was ranked tenth in order of importance.

Also, whilst Kuwait experienced lawlessness in the tragic period of occupation by Iraqi force, Kuwait is a very peaceful and law abiding country where crime is not a problem. Indeed none of the entrepreneurs in Kuwait found that crime was a problem. In contrast, Yamoahet al. (2014) found that 14.6% of firms in Ghana mentioned a high crime rate as an important or crucial obstacle and this was ranked eighteenth in order of severity.

Interestingly pensions were not mentioned as an issue or a barrier to any of the entrepreneurs in Kuwait. In contrast 22% of firms in the 2014 SBS survey indicated that pensions were an obstacle to the success of the business, and this was ranked twelfth in order of severity. In the UK pensions as steadily increased in percentage terms as a problem or obstacle for firms in the UK from 11% in the 2007/8 survey to 12% in the 2010 SBS survey, to 17% in the 2012 SBS survey, and now more than one in five and nearly one in four firms see pensions as a problem.

Kuwait has a very generous and munificent environment where there are virtually no taxes that Kuwaiti business has to pay. The abundant oil and gas revenues and generous government ensures that Kuwait enjoys an enviable taxation regime. In sharp contrast taxes was mentioned as an obstacle to the success of 48% of firms in the 2014

SBS survey and that was ranked sixth in order of severity. Taxes were a more acute problem in earlier surveys, and specifically the 2012 SBS survey found taxes was mentioned by 57% of firms and ranked second; and by 50% of firms in the 2010 SBS survey and ranked third; and, by 62% of firms in the 2007/8 ASBS survey and ranked second.

The study of Kuwait did not find that there were any entrepreneurs who faced problems related to not being able to raise prices. In contrast, the 2014 SBS survey found that the majority, 52%, of firms indicated that not being able to raise prices was an obstacle to the success of their firms and this was ranked in fourth place. This was the first time that the UK small business surveys had included that option.

Two out of four of the 2014 SBS survey respondents indicated that late payments was an obstacle to the success of their firms and this was ranked in eighth place in order of severity. In Kuwait late payments were not mentioned as an obstacle or barrier.

Also, cash flow, was not mentioned as a problem by the Kuwaiti entrepreneurs. In contrast, the UK surveys of small firms have found that cash flow is a major obstacle for SMES. The 2014 SBS survey found that 42% of firms indicated that cash flow was an obstacle to the success of their firm and whilst this was ranked seventh it is still clearly a problem because it has an effect on more than two out of five firms. Previous SBS surveys found cash flow was an even more acute problem, and mentioned by 50% of firms in the 2012 SBS survey and ranked fifth, and 49% of firms and ranked fourth in the 2010 SBS survey, and 47% in the 2007/8 ASBS survey and ranked fifth.

The UK backed SME surveys also include the response obtaining finance and the responses are strongly related to the credit crunch and the business cycle. Thus, obtaining finance was an obstacle to the success of the business for 28% of firms and ranked eleventh in the 2014 SBS survey. This was a vast reduction on the previous 2012

SBS survey which found a corresponding value of 38% and a ranking of sixth place; and the 39% and sixth place in the 2010 SBS survey. The 2007/8 survey had reported a much lower score of 22% and a ranking of ninth in order of severity.

After examining the 40 barriers to growth in Kuwait using descriptive statistics the results show that registration, licensing and red tape, followed by corruption, bureaucracy in government agencies, high fixed costs (e.g. rent), and high cost of good will for rent are the five barriers which are the greatest impediments encountered by Kuwaiti entrepreneurs. Robson and Obeng (2008) in their analysis of 37 barriers to growth factors in Ghana found that a high rate of inflation, high interest rates, and high depreciation of the Cedi were the three greatest barriers that prevent small businesses from achieving their objectives

In contrast, inadequate marketing & management skills (39.1%), difficult to meet loan criteria (38.4%), access to equity finance from private investors (38.4%), competition from imported goods (37.1%), inadequate technical skills (34.9%), inadequate financial skills (33.9%), poor telecommunication networks (33.6%) are mentioned by between one third to two out of five of the entrepreneurs. Whilst this study found that four barriers which are mentioned by less than one third of the entrepreneurs and they are: inadequate access to new technology (32.4%), low quality of electricity / water supply (30.8%), difficult to raise capital from family (27.5%), and difficult to raise capital from friends (24.3%). In contrast Robson and Obeng's (2008) found that corruption, registration, licensing and red tape were the least mentioned problems in Ghana.

### **6.3 Summary of Key research findings**

This thesis adopted a quantitative approach to investigating barriers to growth in Kuwait. In this section the key research findings are presented. To remind the reader about which of the hypotheses are supported and not supported in the research Table 6.1 presents a full list of the hypotheses investigated in this study, followed by the relationships between the control variables and the barriers to growth. Figures 6.1, and 6.2 revisit the hypotheses relating to barriers to growth given what has been found from the research results presented in the previous chapter. Collectively, the research findings relating to hypotheses which are and are not supported are all making contributions. Hypotheses which are supported identify characteristics which are systematically econometrically linked to barriers to growth. The hypotheses which are not supported are still making contributions because they indicate those characteristics which are *not* systematically related to barriers to growth.



**Table 6.1 Summary of hypotheses**

<i>Resources – Human Capital and Resource Based View</i>	<i>Supported or Not Supported</i>
H1a Owner-managers with higher start-up finance will face fewer barriers when compared to owner-managers with lower start-up finance	Supported for Finance barriers, Economic and Regulatory barriers, and Infrastructure barriers.
H1b a Womenowner-managers will face more barriers when compared to male owner-managers	Supported for Market barriers and also Input barriers.
H1c Owner-managers with a greater level of education will face fewer barriers compared to owner-managers with a lower level of education	Supported for Financial barriers and Market barriers.
H1d Older owner-managers will face fewer barriers compared to younger owner-managers	Not Supported.
H1e Innovative firms will face more barriers compared to non-innovating firms	Supported for Financial barriers, Market barriers, Managerial and Technical Know-How barriers, Inputs barriers, Economic and Regulatory barriers, and Infrastructure barriers.
H1f Owner-managers social network including political contacts will face fewer barriers than owner-managers without political contacts	Direct Political contacts Not supported. Indirect Political contacts Supported for Financial barriers, Market barriers, Managerial and Technical Know-How barriers, Inputs barriers, and Economic and Regulatory and Infrastructure barriers.
H1g Owner-managers who utilise a social media based business model will face fewer barriers than owner-managers who do not utilise social media networks	Supported for Financial barriers, Market barriers, Managerial and Technical Know-How barriers, Inputs barriers, and Economic and Regulatory and Infrastructure barriers.
<i>Transaction Structure – Human Capital and Resource Based View</i>	
Hypothesis H2a A business model in which the venture is registered as a limited company will face fewer barriers than those that adopt other legal statuses	Supported for Financial barriers
Hypothesis H2b A business model in which revenue is captured through e-commerce will encounter fewer barriers than when revenue is captured through other transaction structures.	Supported for Financial barriers, Market barriers, Managerial and Technical Know-How barriers, Inputs barriers, and Economic and Regulatory and Infrastructure barriers.
<i>Value Structure – Human Capital and Resource Based View</i>	
Hypothesis H3a A business model in which value is created in industries that require substantial capital investment will face more barriers when compared to a	Mixed Support across the six types of barriers

business model configured to sell services	
Hypothesis H3b A business model in which value is captured from exports will face fewer barriers when compared to a business model configured to capture value from domestic sales	Not Supported

**Table 6.2 Summary of control variables**

<i>Variables</i>	<i>Positive or Negative Relationships</i>
Parents business	Lacks systematic patterns
Team business	Positive relationship with Financial barriers, Managerial and Technical Know-How barriers, Input barriers, Economic and Regulatory barriers
Size – Full-Time	Positive relationship with Finance barriers, Market barriers, Managerial and Technical Know-How, Inputs barriers, Economic and Regulatory barriers, and Infrastructure barriers
Size – Part-Time	Negative relationship with Finance barriers, Inputs barriers, Economic and Regulatory barriers  Positive relationship with Market barriers
Age of businesses	Lacks systematic patterns
Home-based businesses	No systematic relationships

The aim of the research is to empirically examine the relationship between characteristics of the owner-managers, their firms and the use of business models to see the barriers to growth faced in Kuwait. We find that when a business includes high levels of start-up finance (somewhat inevitably) fewer financial barriers are encountered but also fewer institutional barriers as well. Previous research in western countries has found that the amount of start-up finance increases the length of the ‘honeymoon period’ for ventures in that fewer barriers are perceived by entrepreneurs than later in the life of the venture (Cressy, 2006b). The results from Kuwait suggest that a business financed by more than US\$887,000 reduces both financial and institutional barriers. With the exception of the relationship between higher qualifications and fewer marketing and production barriers, a business with high human capital was not significantly related to other barriers to growth. This contrasts with the review by Westhead and Cowling (1995) in which they found evidence of a significant relationship between the educational attainment of the principle founder and business

growth. In relation to gender, businesses led by female entrepreneurs faced greater financial, marketing and production barriers than male entrepreneurs. Although Kuwait is a relatively liberal country, when compared to other states in the Gulf region, female emancipation still has a long way to go before gender equality is achieved. That older entrepreneurs encounter fewer barriers (here institutional barriers) when compared to younger entrepreneurs is consistent with previous research (Robson and Obeng, 2008).

The most intriguing results relate to social resources and barriers to growth. Respondents with direct political contacts acquired from prior employment in government ministries encounter greater financial, marketing, production, and institutional barriers when compared to those without such connections. Thus direct political contacts are counterproductive and impact on the significance of barriers. Although many studies have found that political contacts are helpful to entrepreneurs, this is not always the case. Our results resonate with research that has indicated that entrepreneurs who move between sectors “may have had fewer opportunities to observe or develop experience directly relevant to managing a business. Therefore, their ventures are less likely to do well” (Cooper et al., 1991 p. 68). This suggests that social connections fostered in prior experience of working in government ministries are not beneficial or conducive to new venture creation and growth. In contrast, the social resources embedded in indirect political connections via family and friends are beneficial to business goal achievement. This might be explained by superior social connections of family and friends. Also, in Kuwait the media has really focused on political figures and tried to obtain information about any corruption or the utilising of connections. Sometimes being political means that you may have enemies and competitors due to political views which means direct connections may be a disadvantage.

In relation to transaction structure, businesses configured around limited liability company status are associated with fewer institutional barriers. The results are consistent with the view that formal company status conveys a higher degree of venture credibility and legitimacy (Freedman and Godwin, 1992). Business models that capture value from e-commerce are associated with fewer finance, marketing, production, and institutional barriers and thereby suggest that ventures in which the business model is based on traditional value capture, e.g., cash, cheque and in-store payments, are likely to encounter more barriers to growth.

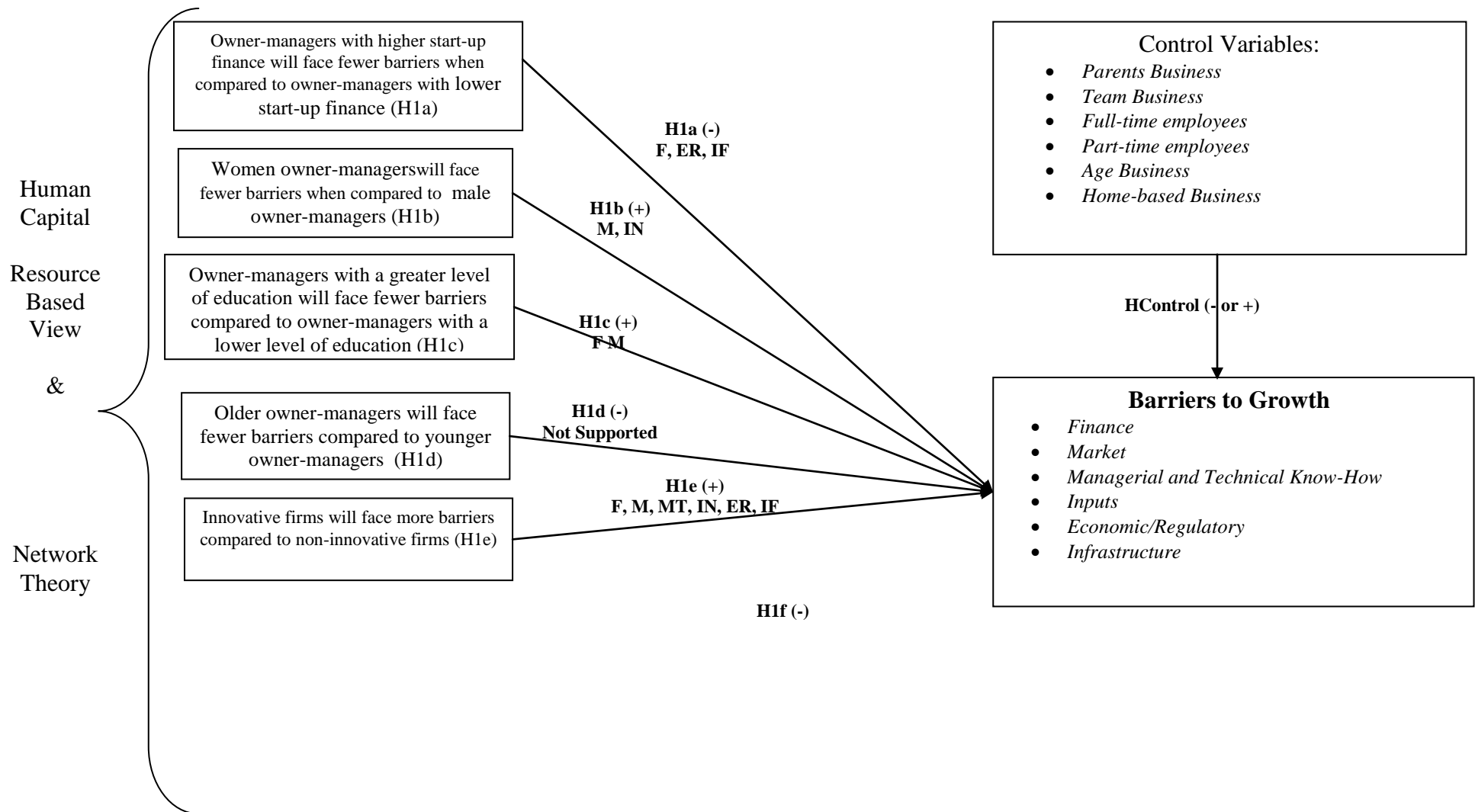
When value structure is considered, business models in value creation is derived from capital intensive industries, e.g., manufacturing, wholesaling and retailing, encounter more barriers when compared to service industries that require less capital investment. Further, business models that create value from exports encounter more finance, marketing, production and institutional barriers than when value is created from domestic markets.

The spread of statistically significant results supports the usefulness of business model configurations to examine barriers to growth. The analysis finds that fewer barriers to growth are encountered by business model configurations of male entrepreneurs with high financial resources and indirect social resources, when value is captured from limited liability company status and e-commerce and created in low capital intensive industries and export markets. The relationships are stronger for high start-up finance and indirect political connections than education, gender and age; and e-commerce activity than limited liability company status.

Furthermore, in relation to resource dependency theory, the results show that resources are important but it is the balance between the different categories of resources that is also important. We show how when access to financial resources is not

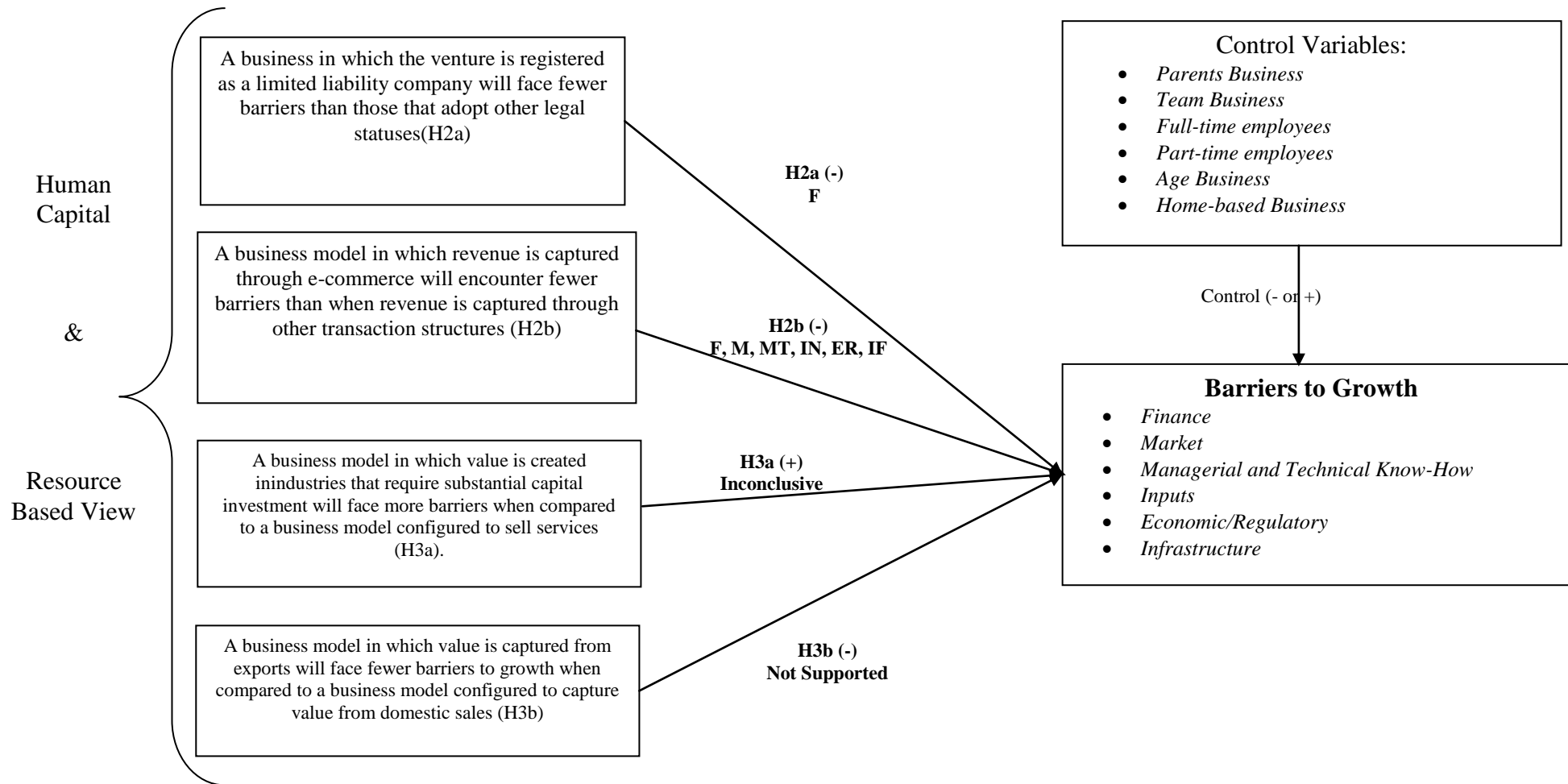
a barrier this does not compensate for access to other categories of resources. In Kuwait, low finance barriers did not eliminate marketing and production barriers for men. In relation to institutional barriers, we found that low institutional barriers did not eliminate marketing and production barriers for men and women. Our results compliment and take forward Khaire's (2010) study of the specific impact of social resources on new venture growth.

Barriers to growth are complex and it is unlikely that any one factor will explain the presence, or absence, of impediments to growth. This notwithstanding the theoretical framework in which our study is situated draws upon George and Bock's (2011) structure and suggests that resources, transaction structure and value structure, together provide a fruitful way of understanding barriers to growth. Our empirical models show that George and Bock's (2011) structure can be operationalised in a country in which the relative munificence of resources varies between resource categories. The resource based view of the firm and resource dependency theory are popular within the barriers to growth literature, and entrepreneurship more generally, but there is a need to go beyond resources and also reflect upon transaction structures and value structures to understand barriers to growth. The business model configurations we identify suggest that adding transaction structures and value structures to resources is important.



**Figure 6.1: Resources hypotheses supported and not supported with barriers to growth in Kuwait**

**Figure 6.2: Transaction Structures and Value Structure hypotheses supported and not supported with barriers to growth in Kuwait**



#### **6.4 Implications for theory**

The reader is reminded that the second chapter reviewed the main theoretical approaches which have been followed in order to understand growth. The empirical results do provide support that the business model general configuration presented by George and Bock (2011) with regard to resources and transaction structure is valid and can be applied to Kuwait. However, the results with regard to value structure are weaker and only provide qualified support for the third part of George and Bock's (2011) business model configuration. This thesis has made an important contribution to the debate on business models by studying measures and extending the components on a sample of Kuwait entrepreneurs.

The weakness of business model theory, by itself, is that it is open to the criticism that it is not a theory in the sense that most entrepreneurship scholars understand the term. Business model theory in essence is a framework which can bring together other theories and that is its strength, although much of the previous literature tends not to follow this approach of theory building (George and Bock, 2011; Zott et al. 2011). This thesis has drawn together human capital theory, the resource based view of the firm and network theory within a business model framework.

Collectively, the three different theoretical approaches which are brought together do dovetail together but their applicability as represented by twelve sets of variables, across the six different groups of barriers to growth does vary. The findings of the Kuwait study do provide support for the resource based view of the firm and the emphasis upon the internal resources of the business to explain firm performance and how the firms overcome or avoid barriers to growth. The overall findings appeared to show that businesses which had access to a high level of start-up finance encountered



fewer barriers with regard to Supported for Finance barriers, Economic and Regulatory barriers, and Infrastructure barriers.

Whilst there is a huge and important literature on gender (Greene, Hong, and Marlow, 2013; Marlow and McAdam, 2013, 2012), the results of this study suggests that gender is only important for two types of barriers. Women encountered more barriers than men with regard to financial barriers and market barriers. Whilst gender is one of the key general parts of human capital in Human Capital theory, it thus appears that the theory as represented by gender is not a source of universal barriers in Kuwait for women. Likewise the age of entrepreneurs is also a form of general human capital but age of the entrepreneurs, either represented as a continuous variable, or when age was grouped into dummy variables and the models re-estimated was not systematically related to any of the six types of barriers to growth. Thus, that is a second blow to general human capital and Human Capital theory.

Innovation is a specific form of human capital, and also an indication of a successful bundling together of resources, through either strategy or good fortune. Thus, innovation is a variable in both Human Capital theory and also the Resource Based View of the firm. Innovating firms encountered more barriers compared to non-innovating firms across all six types of barriers to growth. This applied to both novel product innovators and also to novel process innovators and thus supports Human Capital theory and also the Resource Based View of the firm.

A great deal of time was spent in creating a series of questions which were able to identify the previous employment record of the entrepreneurs in order to see the extent to which they had direct political contacts. These direct contacts are captured by Social Network theory. Of the respondents with former government employment experience the responses were then divided into six binary variables: education employment at

deputy school head or associate professor or higher in education institutions (Education High) or lower appointment (Education Low); ministries denotes employment at upper middle rank in the civil service or a member of Parliament (Ministries High) or lower appointment (Ministries Low); and finally the wider category of employment in a senior position in the diplomatic service, army, oil companies, television, healthcare and airways (all State owned or controlled) Wider High) or lower appointment (Wider Low). Indirect political connections were measured via the current or prior employment of family and friends in government roles. The results found that direct political contacts were not conducive to avoiding barriers to growth. In other words, in contrast to Social Network Theory, direct political contacts are a handicap or an impediment to doing business.

Whilst working in the Ministries is providing important work and it involves prestigious, and sometimes high profile roles and activities, it is not an asset in future entrepreneurial activities once Kuwaitis have left the Ministries and they have their own firms. Ministries High encounter more barriers with regard to *financial barriers* (access to debt finance from local banks, access to equity finance from private investors, access to debt finance from the government, to do not have collateral to secure bank loan, difficult to raise capital from family, and difficult to raise capital from friends; *market barriers* - too much competition from local firms, competition from imported goods, high advertising costs, and inadequate market research; more *inputs related barriers* and this is the case for high cost of local raw materials, a high cost of imported raw materials, inadequate supply of raw materials, and high fixed costs e.g. rent; and *less problems* with regard to the input barrier the high cost of replacing old equipment.

The results suggest that Ministries High is a handicap and the explanations for this pattern of results is speculative but it may be the case that their former colleagues'

information and strategies are perhaps less than optimum. Former employment at a lower level in the Ministries is likewise important and prestigious work, albeit with lower level responsibilities and authority. Interestingly, Ministries Low encounter more barriers than counterparts without connections with regard to too much competition from local firms, and competition from imported goods. Thus, Ministries Low formers employment is not beneficial and it is not a millstone which is the case of those entrepreneurs who had higher level jobs in the Ministries.

Wider Low encounter more market barriers with regard to inadequate demand, too much competition from local firms, competition from imported goods, and less barriers with regard to inadequate market research. In sharp contrast the indirect political connections results provided strong support for Social Network Theory. Entrepreneurs with indirect political connections encounter fewer financial barriers compared to entrepreneurs without such connections. Entrepreneurs with Education<sup>2</sup> connections encountered fewer financial barriers with regard to all of the financial barriers with the exception of difficult to raise capital from friends.

## **6.5 Implications for practice and policy**

The results of the study suggest implications for practice derived from the business model components associated with barriers to growth. Government policies to encourage new venture creation and enterprise growth that focus solely on making finance available to entrepreneurs are insufficient as other barriers to growth remain unaffected. Thus the impact of enterprise support initiatives will be enhanced if access to finance is linked to business advice concerning marketing and production.

### **High Start-up finance**

Higher start-up finance, provided that the funds are not rapidly dissipated, may give a firm greater resources to deal with a wide variety of business scenarios and avoid or overcome barriers. The results showed that high-start-up finance firms encountered less financial barriers, economic and regulatory barriers, and infrastructure barriers. Thus, it is important that entrepreneurs when developing a business idea and progressing from nascent entrepreneurs to actually setting up their businesses and having them up and running need to ensure that they start their firms with more than adequate resources. This potentially gives the firms more breathing space. However, the results do suggest that high finance per se is not enough to avoid encountering barriers. The new fund is providing the applicants for funding up to 500,000 K.D which is equivalent to £1.1 million and that is going to help to minimise the barriers to enter the markets. One of the highest costs is the renting and the goodwill that is associated with finding a good location in major malls that attract the most passing trade. The major cost of goodwill can go up to 1 million KD and this mean it already excludes virtually all SMEs. The government should enact laws that ensure large malls and retail developments that already benefit from government land and contracting should have

good location for SMEs on a discounted rate and without the cost of good will or otherwise should pay taxes to ensure that Kuwaiti SMEs can compete in their own market. Also there is a need to make sure that SMEs have access to good locations for their businesses in the cities that will be built in the future. The government should allow more freedom of development of land in Kuwait. The government should free more land and add taxes to land holders who are hoarding or underutilizing land. Most of the land is owned either by the Kuwait oil company or a few landlords, and this is the real problem of why Kuwaiti businesses face high cost of rents. The government or private institutions should start building new cities to increase the number of sites for SME developments. Home businesses are another alternative for decision makers to cut the cost on high rent costs. I was personally took part in a meeting with The UNDP, parties and stakeholders on the 10<sup>th</sup> of April 2013 for a round table discussion on the subject “Home Business License”. At the meeting the discussion main point was about the issue of providing an over view of the Home Business License policy by reflecting upon the economic benefits of creating a home business license. Below are the major agreed upon outcomes of the discussions between all the parties invited at the round table:

1. Create an open ended activities list that citizens can add as they wish to do from home and the ministry will provide only the forbidden activities.
2. No increased regulation on the Home Business License, it should be easy and fast to issue.
3. Simple parameters of the Home Business License: no capital, no labour employment, no location needed, no age limit (21 and above).

4. Government employees can issue a home business license but the recipients don't get any support from the Manpower & Restructuring Allowance Program.
5. Name of the Home Business License should be changed to Free Business License, incorporates that a physical location is not required.
6. Add the home business license to the new law being written currently.
7. The home business license is a personal liability towards the person who acquired the license, and no heirs are allowed on the license.

If this is approved it will help to recognize officially home business and help the regulator to benefit from the economic activities of the sector .and lower the amount of start-up finance which is required.

## **Gender**

In this study businesses led by female entrepreneurs encounter more market and inputs barriers than male entrepreneurs. There were no differences between male and female entrepreneurs and financial, managerial and technical know-how, economic and regulatory and infrastructure barriers. This is on the whole encouraging and suggests that Kuwait is moving towards becoming a society where male and female entrepreneurs are on equal footings. However, there is still room for improvement, and clearly given that the female entrepreneurs encounter more mark and inputs barriers than male entrepreneurs this suggests that targeted support for female entrepreneurs would help them overcome these challenges. The constitution of Kuwait provides men and women with equal rights. It states that Article 7, Justice, freedom and equality are the pillars of society; and cooperation and compassion are the firm link binding all citizens. Article 8, The State shall preserve the pillars of society and shall guarantee

security, tranquillity and equal opportunity to all citizens. • Article 9, The family is the foundation of society; its mainstays are religion, morals and the love of country. The Law shall preserve its entity, shall strengthen its bonds and shall, under its aegis, protect mothers and infants. According to UNICEF MENA, the Gender Equality Profile Status of Girls and Women in the Middle East and North Africa is a problem. Since Kuwait has agreed to be part of the Convention on the elimination of all forms of discrimination against women (CEDAW) in 1994, Kuwaiti women have gained more rights in comparison to the other Arabic states in different aspects of their lives one of which is economic participation in the labour market and running businesses. Furthermore Kuwaiti women have access to bank loans and other forms of financial credit and without the permission of their husbands or fathers. Thus, Kuwaiti women do not need the consent of a male relative in order to be approved for loans. Although Kuwaiti young women have a high literacy rate and an excellent level of education, the percentage of participation in the labour market is only 24 per cent and considered low in comparison to the corresponding value of 42 per cent for young men in Kuwait.

The labour force participation rate for women aged 15 and above is 45 per cent, compared to 83 per cent for men. Globally, the global labour force participation rate of women is 52 per cent (UNICEF, 2011). This might be the case due to the fact that a lot of women work from home and start their own business (Almughani, 2010). In 2009, four women won seats in parliamentary elections and this has effected and increased the awareness of more women rights. Several new laws and legislation have helped women to gain more equal right (Almughani, 2010). The new fund should set gender-specific opportunity targets for new businesses, with an emphasis on allowing qualified women to develop entrepreneurial activities and encourage women to start working from home to overcome culture restrictions. The government should enact legislation that bans

sexual harassment in the workplace, assigns penalties for employers who tolerate it, and provides for victim compensation, to ensure that women start businesses in a very safe environment. The new fund has to entail laws that ensure equal funding opportunities and also should conduct public-awareness campaigns to eradicate the traditional gender stereotypes that inhibit women's participation in the business.

## **Education**

Kuwait is a country with a highly educated population, due to the fact that The constitution of Kuwait (1962) outlines that the state is responsible for educating and protecting the Kuwaiti youth. Article 10 stipulates "The State cares for the young and protects them from exploitation and from moral, physical, and spiritual neglect." Article 13 states that "education is a fundamental requisite for the progress of society, assured and promoted by the State." Article 14 continues by adding that "the State shall promote science, letters, and the arts and encourage scientific research therein." Further on in the constitution, Article 40 states the right of every Kuwaiti citizen to obtain an education. Also highlighted are the commitments to eliminate illiteracy. Article 40 reads as follows:

1. Education is a right for Kuwaitis, guaranteed by the State in accordance with law and within the limits of public policy and morals. Education in its preliminary stages is compulsory and free in accordance with the law.
2. The law lays down the necessary plan to eliminate illiteracy.
3. The State devotes particular care to the physical, moral, and mental development of the youth. (ConstituteProject.org .2010)



This privilege from the state with other led initiatives has produced a Kuwait literacy rate among both female and male youth to be 99 per cent. The net enrolment ratios of girls and boys in primary school are roughly equal (87 and 89 per cent respectively). In secondary school, girls' and boys' net enrolment ratios are also similar: 80 per cent for girls and 77 per cent for boys. Tertiary education gross enrolment ratios available from UNESCO Institute for Statistics (UIS) show a much higher enrolment ratio for women than for men; 29 per cent compared to 15 per cent. Women comprise more than 60 percent of the student body at several leading universities in Kuwait. According to the 2010 Freedom House report, one explanation of the female dominance in Kuwaiti universities is that men often study abroad. A focus on applied education that centres on improving soft skill like problem solving, communication, team work, flexibility and the ability to adapt with change should be aligned with industry and the market. The change in Kuwait should be in the methodology of education, especially in the current era where critical change in economic, technology and social life is so fast. The Methodology should include real cooperation with partners in different industrial and economical sectors. One example can be IBM (P\_TECH) that has been introduced to first year students and high schools that help students to link them with advice from someone in a different work sector and give a chance for them to have a job after training.

### **Age**

Age of the entrepreneurs is not related systematically to the encountering of barriers to growth. This suggests that practitioners should not be concerned at targeting business support towards younger entrepreneurs. Instead, as indicated above targeted support should be focused towards women, and education. In 2014 the median age in Kuwait was 28.8 years and 25.6% of Kuwait's population is under the age of 15; 15.4% are

between the age of 15 and 24; 52.3% are between 25 and 54; 4.5% are between 55 and 64 and just 2.1% of the total population is 65 and older (WBR, 2015). The main challenge for the fund is to find the balance between young and older entrepreneurs and to encourage young entrepreneurs to work with and get knowledge from experienced ones. Some young people think that small business is a type of a social class so they were willing to start business without the intention to gain profit and this can lead to them starting businesses without understanding the basics of pricing and trade.

### **Innovation**

Practitioners are interested in encouraging innovation for a variety of reasons including a belief that survival of businesses is related to innovation (Barringer, Jones and Neubaum, 2005; Gunasekaran et al. 2000). Innovating firms encounter more barriers than non-innovating firms and whilst the firms in the sample are all alive and active it is not known how the innovating firms will cope with the barriers that they are encountering. There is a need for practitioners to devote more resources to be targeted towards innovative firms. The government should commission an independent research institute to review the status of innovation in business and encourage all business and support business with innovation. The increase of public awareness in different sectors needs to be developed. The fund should encourage people to enter more innovative projects rather than typical food, beverages, and retail services. Copy write laws should be minimized, less bureaucracy is desirable and franchising will also help to improve the market knowledge and bring some of the latest and the most successful businesses from around the world to Kuwait.

## **Social Media Sites**

Entrepreneurs need to embrace social media sites and to recognise that they offer an excellent opportunity to network, communicate with existing customers, attract new customers and find information which can be used to advance their business goals. However, entrepreneurs need to recognise that from this study not all social media sites are of equal benefit. The use of Facebook, Twitter, and Instagram was associated with fewer financial, market, managerial and technical know-how, and inputs barriers. Whilst Bebo, MySpace and Keek may offer attractive features which may benefit entrepreneurs' businesses this study found no discernable benefit, or handicap, from using Bebo, MySpace and Keek against all of the six types of barriers. LinkedIn falls between these two groups of higher beneficial and no benefit. Entrepreneurs who used LinkedIn encountered fewer financial, inputs, economic and regulatory and infrastructure barriers. To utilities the usage of Social media the fund should hire advisory staff and specialists to encourage training and open connections in different accounts and types of social media for SME owners. Contacts with different social media activists to train the business owners is another avenue which can be pursued. Social media businesses can be a good channel for a home based business especially for women that have cultural barriers banning them to work outside the home .

## **Limited liability status**

In many developing countries informal entrepreneurship plays an important role in creating employment and making goods and services available to customers. Our data however find that businesses in which the venture is protected by limited liability status are less likely to encounter barriers to growth. Thus policies to enhance

economic development through supporting entrepreneurship would benefit from ensuring that formal enterprise registration is a relatively simple and inexpensive process.

### **E-Commerce**

Finally, the spread of e-commerce to developing countries bodes well for removing barriers to growth. The results indicate that business models in which value is captured in traditional ways e.g., cash, are likely to encounter more barriers to growth than when sales are mediated through e-commerce. This result complements the suggestion concerning facilitating the formalization of venture registration in that the informal economy is predominantly a cash economy. The e-commerce sector is one of the fastest growing sectors in the Arab region and at the moment it is worth approximately \$7 billion in the Arab market and \$0.5 billion in Kuwait. The state funded business by the fund should encourage people to use e-commerce. The government should remove all obstacles to the registration and operation of e-commerce and encourage more knowledge workers by increasing the skill and education of employees and students. This sector should have the priority of a free market where anyone can start that type of business without any capital or physical location they should be allowed to start at home. The government should allow a free market for the technology and internet providers with the prices for software, hardware and internet services set freely by consent between internet users and internet providers, in which the laws and forces of supply and demand are free from any intervention by a government, price-setting monopoly, or other authority. This sector could be very attractive if we use female workers to overcome cultural barriers so they can work at home and also use it as a way to employ young people who are currently without jobs. To improve the infrastructure, the government should amend the laws to protect the rights of consumers

and sellers in the cyber space. The bureaucracy of customers and the risk of damaging items should be protect by law and a special jurisdiction.

### **Exporting**

The exporting firms encountered more managerial and technical know-how barriers, input barriers, and infrastructure barriers. Exporting goods and services involves the entrepreneurs having to learn about customers, and potential customers, in other GCC countries, as well as potentially African, European and North American customers, depending upon the target strategy. Exporting is a risky strategy and thus requires the building and developing of a set of skills and expertise that allows the firm to be competitively positioned not just domestically but beyond the Kuwaiti borders. More resources need to be deployed by practitioners towards existing entrepreneurs who have exporting firms. This will be important in also helping to move the economy away from oil dependency. At present too much of the Kuwait exports are from oil and oil related products. Also resources need to be developed to help entrepreneurs who have aspirations to export goods and services. The government can use resources to subsidise the participation of Kuwaiti entrepreneurs at trade fairs overseas.

### **Control Variables - Size**

Several of the control variables are systematically related to barriers to growth and raise issues for practitioners to consider. The results showed that size of firm as represented by the number of full-time and also part-time employees is strongly related to encountering barriers. Whilst larger sized firms are associated with greater resources and potentially deeper pockets and a greater capacity to weather business difficulties

they are encountering more difficulties. With a growing population Kuwait needs to be able to create jobs, and to also safeguard existing jobs. The Kuwait government faces a dilemma over whether to target resources to assist smaller firms or larger sized firms. Whilst size is a variable which is included in most studies of growth there is still a lack of consensus over whether firm size influences survival and also employment and sales revenue growth (Liedholm, 2002).

On balance, it is suggested that Kuwait practitioners target resources to assist larger sized firms to overcome barriers. The justification is that the larger sized firms should have more assets and stronger cash flows and a greater capacity in marketing and growing their firms compared to smaller sized firms. This policy of trying to target winners is important, and larger sized firms are also employing more Kuwait employees.

Age (business) The age of the businesses was found to be not systematically related to most of the barriers to growth with the exception of the infrastructure barriers. Older firms were less likely to encounter barriers compared to younger firms with regard to high utility charges, a lack of available industrial sites, a lack of suitable premises, and high transport and storage costs. Or stated differently younger firms encounter more infrastructure barriers compared to older firms. This is encouraging for Kuwait practitioners because it suggests that for most aspects of business the age of the firms does not influence the capacity to encounter barriers to growth. It also suggests that given that only a limited types of profiles of entrepreneurs and firms can be targeted that existing policies should not be changed to take into account firm age.

Home businesses were found to be not different to non-home businesses in the barriers which they do, and do not, encounter. This suggests that whilst running a business at home is challenging the entrepreneurs who choose to go down the pathway

of running a business from home are not exposed to systematic problems which are different from their counter parts who have decided to go down the pathway of a formal business in business premises. Thus, there is no need for practitioners to channel resources towards home-based businesses.

## **6.6 Limitations and implications for future research**

The limitations of the study suggest opportunities for further research. First, the survey gathered data on the presence of different resource categories by organization type. Further research that employs qualitative methods could investigate how entrepreneurs establish, maintain and expand over time their access to financial, human and social capital. For example, studies that investigate the evolutionary and procession aspects of network development would shed light on the economic, social and cultural significance of direct and indirect relationships with family, friends, professional and political contacts. Second, research to investigate the dynamics of newly entrepreneurial economies has generated interesting findings for transitioning and developing countries. However the great wealth, political climates and cultural values of the GCC may explain why studies from this region are few. Further studies to investigate the establishment of and support for fledgling entrepreneurial economies in the region would enhance understanding of this economically important region and Islamic entrepreneurship more generally. Finally, the study gathered new, cross-sectional data from a novel population to provide an insight into set Arabic entrepreneurship.

This study was undertaken as part of the requirements of studying for a doctoral qualification and time and resources were limited. Accordingly, there was only resources to be able to carry out one large survey of entrepreneurs in Kuwait. Cross-

sectional studies at one point in time are common in entrepreneurship research (Chrisman et al., 2012; Robson and Obeng, 2008) and longitudinal studies are rare.

Longitudinal collection of data would enable time series analysis to be conducted to establish the validity and reliability of the statistically significant relationships identified for entrepreneurs in Kuwait.

## **6.7 Conclusion**

This study is one of the first to investigate entrepreneurship in the Gulf region (Gümüşay 2014) and portrays an interesting and complex account of the relationships between business model configuration and barriers to growth in a predominantly Islamic country. The decision to focus on barriers to growth was prompted by the weak and disappointing results from studies of determinants of enterprise growth. Measures for resources, transaction and value structures were created and it is found that business model configuration matters in relation to barriers to growth in Kuwait. The results indicate significant relationships for individual business model components as well as overall configuration and barriers to growth and thus endorse the usefulness of the business model construct in entrepreneurship research. Access to financial resources, even in a resource munificent environment such as Kuwait, does not mean that marketing and production barriers are eliminated. Entrepreneurs are, therefore, likely to require access to development support in addition to financial resources. The researcher is confident that the results will particularly resonate with other wealthy and Islamic GCC countries such as Bahrain, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

The study makes several contributions. First, the researcher creates an empirical framework for investigating business model configuration. The cumulative



development of business model theory has been impeded by lack of agreement concerning definition and measurement (Zott et al., 2011). Pioneering research created measures for product-market strategy (Zott & Amit, 2008) and different forms of capital (Mair et al., 2012). Our contribution is rooted in the multi-dimensional business model framework developed by George and Bock (2011) and the measures are derived from the entrepreneurship literature. Second, the research context provides a novel setting for exploring entrepreneurial business model configuration in which different resources vary in abundance. Contrary to many other contexts in which financial constraints impede enterprise growth (Parker, 2004; Cressy, 2006b), I find that even when financial resources are abundant they are insufficient to guarantee enterprise growth. Thus I conclude that the individual business model components vary in their influence in fostering enterprise growth. Social capital acquired from direct political connections and creating value from exporting are barriers to enterprise growth, whereas investing in building indirect political connections and e-commerce are not. The third contribution is to identify the business model configuration associated with fewest financial, marketing, production and institutional barriers to growth. Unpacking the effects of individual business model components allows us to identify the combination resources, transaction and value structures least likely to encounter barriers and more likely to grow.

Reports and observations have essentially forecasted that SMEs or Small or Medium scale enterprises can be said to play a substantial and major role in the overall economic diversification and growth in Kuwait. In this context, it can be widely said that although it has been significantly observed that small and medium scale enterprises constitutes a major section of the registered organizations in Kuwait, the overall investments they attract are significantly low and limited. In this context, it can be

widely said that young entrepreneurs are seen to face a significant number of barriers in accessing of proper funding that are necessary for starting up of any new business ventures. In the nation of Kuwait, it has been largely observed that national employment is a major challenge and the SMEs significantly represents a major driving force behind the fostering of entrepreneurship in the respective nation, along with increasing and enhancing the overall private sector employment.

In this context, it can be widely said that the growth of new SMEs can substantially the overall economic diversification as well as economic growth in the nation of Kuwait. In addition, it can be also said that SME innovation and growth can also significantly facilitate the nation of Kuwait to mitigate the different kind of challenges arising due to the reduced labour market and force in the respective nation. According to the KSPDC or Kuwait Small Projects Development Company SME projects that have a capital of nearly 527,400 USD are considered to be small enterprises. Whereas the SME projects having a capital of nearly 1.7 million USD, are considered to be medium sized enterprises. In the year of 2012, KSPDC was found to effectively and efficiently finance around 41 firms coming to a total investment of nearly 24 million USD. Between the time periods of 2007 to 2012, it was observed that KSPDC significantly supported the growth and development of nearly 125 to 130 new SMEs in the nation of Kuwait.

In the year of 2013, the parliament in Kuwait was seen to approve and pass a new regulation or law which significantly established a National Fund for the purpose supporting the growth and development of the SMEs in the respective nation. This specific fund substantially aims at providing efficient financing for the small entrepreneurship business set up by the Kuwaiti citizens. This specific move can be aid to enhance the overall activity as well as operation of the private sector which in turn

has been significantly essential for enhancement of major employment opportunities and prospects among the Kuwaiti nationals. The overall industry sectors that significantly falls under the funding includes business, industrial, handicraft, agriculture, intellectual activities, service and other business projects or ventures that has a significantly high potential for making major significant contributions towards the diversification and growth of the Kuwait national economy.

This specific approach or measure taken by the respective government can be widely said to facilitate the overall growth and development of entrepreneurship business growth and development in the nation of Kuwait. In addition, it can be also widely said that such initiatives, policies and measures are necessary for the overall growth, development and significant diversification of the economy in the nation of Kuwait. However, it can be widely said that there are some significant challenges and barriers that to some extent hinders the growth and development of entrepreneurship business ventures and activities in the nation of Kuwait. There exists a significant number of factors that substantially limits the overall growth and development of the entrepreneurship business ventures in Kuwait. One of the major factors is the overall process of getting a proper registration and licensing for the new business ventures. In addition, it can be also said that the overall presence of bureaucracy and corruption present in the different government agencies limits the growth and development of entrepreneurship business ventures in Kuwait.

The overall high cost of advertising coupled with the labour law regulations and criteria, lack of skilled labour market, high interest rates in the SME sector are some of the major barriers faced by entrepreneur business ventures. In addition, to the above mentioned challenges the inadequacy in raw materials supply, inadequate management

and marketing skills, poor networking opportunities can be said to be some of the major challenges faced by the entrepreneurs in the nation of Kuwait.

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**Appendix I: Survey in English with Coding Schedule**

**Public Authority for Applied Education and  
Training (PAET), Kuwait  
[]**

**Association of Small and Medium Enterprises  
Kuwait**

**Survey of Information Management,  
Entrepreneurship and Small and  
Medium Sized Business 2013**

**This Survey is designed to gain a better  
understanding of the state of enterprise in  
Kuwait.**

**All the information which you provide will be  
kept confidential and anonymous.**



Incorporated by Act of Parliament:  
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## ENTREPRENEURSHIP & SMALL BUSINESS SURVEY QUESTIONS

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This questionnaire should be completed by the key individual who is the most influential in the business over the past five years. He or she should be the principal owner of the business and/or a manager and be called Chief Executive Officer (CEO), Managing Director or Chairperson, but for convenience we will refer to him/her as the CEO. This survey is designed to gather information surrounding the evolution and development of independent companies in Kuwait. Data gathered during the survey will be treated confidentially and presented only in summary form without the name or affiliation of the respondent. We appreciate your co-operation.

Would you like to receive a copy of the summary report for this survey?

Yes <b>1</b>	No <b>0</b>
--------------	-------------

**Want\_Survey**

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### SECTION A. GENERAL BUSINESS BACKGROUND

**A1. What is your position in the business?** (please tick all appropriate boxes) **A1\_POSITION** *Founder of the business* [ **1** ] *Principal owner* [ **2** ]  
*Managing director* [ **3** ] *Chairman* [ **4** ]

**A2. Which of the following best describes the status of this firm?** (please tick one box) **A2\_STATUS** *Independently owned* [ **1** ] *Subsidiary of another firm* [ **2** ]  
*Franchise firm* [ **3** ]

**A3. How did you gain an ownership stake in this business?** (please tick one box) **A3\_OWNERSHIP**

*Established the business* [ **1** ] *Inherited the business* [ **2** ]

*Purchased or acquired an equity stake in the business* [ **3** ]

**A4. Did you start, inherit or purchase this business alone or with other equity partners?**

Alone [ **1** ] With equity partners [ **2** ] **A4\_A**

*If with others, how many equity partners did you have?*

<b>A4_PARTNERS</b> partners
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**A5. Currently how many equity partners does this business have?**

<b>A5</b> partners
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**A6. What is the legal status of this business?** (please tick one box)

Sole proprietorship [ **1** ] Partnership [ **2** ] Private limited company [ **3** ]

Unlimited company [ **4** ] Other, please specify ..... [ **5** ] ..... IF OTHERS -

**A6\_Other**

A7. Please indicate the year this business received its first order / customer  Year

A8. Please indicate whether you are: Male  Female   
**A8\_GENDER**

A9. What is your age in years?  Years

A10. Did either of your parents own a business? Yes  No   
**A10\_PARENTS**

A11. What is the main product or service provided by the surveyed business?.. **A11\_ACTIVITY**.....

A12. Which of the following educational qualifications do you have? (Please tick one box in each row)

Primary school <b>A12A_PRIMARY</b>	Yes <input type="text" value="1"/>	No <input type="text" value="0"/>
Junior High School <b>A12B_JHS</b>	Yes <input type="text" value="1"/>	No <input type="text" value="0"/>
Senior High School <b>A12C_SHS</b>	Yes <input type="text" value="1"/>	No <input type="text" value="0"/>
College Diploma <b>A12D_COLLEGE</b>	Yes <input type="text" value="1"/>	No <input type="text" value="0"/>
Bachelors degree <b>A12E_BA</b>	Yes <input type="text" value="1"/>	No <input type="text" value="0"/>
Masters degree <b>A12F_MA</b>	Yes <input type="text" value="1"/>	No <input type="text" value="0"/>
PhD degree <b>A12G_PHD</b>	Yes <input type="text" value="1"/>	No <input type="text" value="0"/>
Others (Please specify)... <b>A12H_OTHERS</b>	Yes <input type="text" value="1"/>	No <input type="text" value="0"/>

IF YES AT A12H WRITE THE COMMENTS IN **A12I\_SPECIFY\_OTHERS**

A13. Do you have any Professional Qualifications (i.e. Accountancy/Law etc)? A13\_  Yes  No

If Yes, please specify... **A13\_SPECIFY\_OTHERS**.....

A14. Please indicate the degree of importance this surveyed business attaches to each of the following performance criteria over the past three years? (Please tick one box in each row)

	Very little importance	Some import	Moderate importance	Highly import	Extremely important
Sales level <b>A14A_SALES</b>	<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="5"/>
Sales growth rate <b>A14B_SALES GRO</b>	<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="5"/>
Cash flow <b>A14C_CASH</b>	<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="5"/>
Return on shareholder equity <b>A14D_RET</b>	<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="5"/>
Gross profit margin <b>A14E_GROSS PROF</b>	<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="5"/>
Net profit from operations <b>A14F_NET_PR</b>	<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="5"/>
Business survival <b>A14G_BUS SURVIVAL</b>	<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="5"/>
Reputation and status of the business <b>A14H_REP</b>	<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>	<input type="text" value="4"/>	<input type="text" value="5"/>

Employee security <b>A14I_EMPLOYEE</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Independent ownership of the business <b>A14J_INDE</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Employment for family members <b>A14K_EMPLO</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Maintain / enhance my lifestyle <b>A14L_MAINT</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

**A15. Over the past three years, please indicate the extent to which you have been satisfied with business performance and the following? (please tick one box in each row)**

	Highly dissatisfied	Dissatisfied	Indifferent	Satisfied	Highly satisfied
Sales level <b>A15A_SALES</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Sales growth rate <b>A15B_SALES_GROW</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Cash flow <b>A15C_CASH</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Return on shareholder equity <b>A15D_RETURN</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Gross profit margin <b>A15E_GROSS_PROF</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Net profit from operations <b>A15F_NET_PROF</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Business survival <b>A15G_BUS_SURVIVAL</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Reputation and status of the business <b>A15H_REP</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Employee security <b>A15I_EMPLOYEE</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Independent ownership of the business <b>A15J_INDE</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Employment for family members <b>A15K_EMPLO</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Maintain / enhance my lifestyle <b>A15L_MAINT</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

**A16. Prior to this business did you work for the government at any time? **A16A****

Yes <b>1</b>	No <b>0</b>
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If Yes, please indicate what was your job(s) in the government...**A16\_DETAILS**.....

**A17. Did you start your business at home? **A17\_HOME****

Yes <b>1</b>	No <b>0</b>
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**A18. Currently is your home used for business premises? **A18\_CURRENTLY****

Yes <b>1</b>	No <b>0</b>
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**A19. How important were each of the following factors listed below for having a home based business?(please tick one box in each row)**

	Not Important	Slightly Important	Moderately Important	Crucial
The business was started as a hobby and it grew <b>A19A_HOBBY</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
To avoid the need for commuting <b>A19B_COMMUTING</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
To contain costs <b>A19C_COSTS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
It was a temporary measure – the business will move to commercial premises when it becomes larger <b>A19D_TEMPORARY</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

It was more convenient <b>A19E_CONVENIENT</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
To accommodate family needs <b>A19F_FAMILY_NEEDS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
I was not able to get a business license <b>A19G_BUS_LICENSE_PR</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
I worked at home in my previous job <b>A19H_WORKED_PREVIO</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
The nature of the business does not require commercial premises <b>A19I_NATURE</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
It was a low-risk start – I was testing the waters <b>A19J_LOW_RISK</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
There was a lack of alternative commercial premises <b>A19K_LACK</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
To be flexible in the choice of where to live <b>A19L_FLEXIBLE</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Other – please specify <b>A19M_OTHER</b> .....	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

**IF THEY HAVE GIVEN A RESPONSE IN A19M THEN SAY WHAT IT IS IN  
A19N\_SPECIFY\_OTHER**

**A20. Where does your home-based business operate from?**Please tick one box in each row.

A room that is solely used for business purposes <b>A20A_ROOM_SOLELY</b>	<i>Yes</i>	<i>No</i>
Attached or extended premises (for example a garden building) <b>A20B_ATT</b>	<i>Yes</i>	<i>No</i>
An extension to the house <b>A20C_EXTENSION</b>	<i>Yes</i>	<i>No</i>
Other – please specify... <b>A20D_OTHERS</b> .....	<i>Yes</i>	<i>No</i>

**IF THEY HAVE GIVEN A RESPONSE IN A20D THEN SAY WHAT IT IS IN  
A20E\_SPECIFY\_OTHER**

**SECTION B: ADOPTION OF ELECTRONIC COMMERCE**

**B1. Does your firm have a**

<i>Yes</i> <b>1</b>	<i>No</i> <b>0</b>
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**website?****B1\_WEBSITE**

**B2. If yes, please provide your URL:**

<b>B2_URL</b>
---------------

**B3. Which year was your website created?**

<b>B3_YEAR</b>
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**B4. Approximately, how much did it cost to create the website?**

<b>B4_COST_CREATING</b>
-------------------------

**B5. Approximately, how much does it cost to maintain the website annually?**

<b>B5_COST_MAINT</b>
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**B6. How often is your website updated? B6\_UPDATES**

Daily <b>1</b>	Weekly <b>2</b>	Monthly <b>3</b>	Less Often <b>4</b>
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**B7. Can customers order goods and services online on your website? B7\_ORDER**

Yes <b>1</b>	No <b>0</b>
--------------	-------------

**B8. Can customers pay for goods and services online on your website? B8\_PAY**

Yes <b>1</b>	No <b>0</b>
--------------	-------------

**B9. Over the financial year 2012-2013, approximately what percentage of your turnover was accounted for by on-line sales? (Please tick one box) B9\_TURNOVER**

None	1%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50% or more
<b>0</b>	<b>1</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>25</b>	<b>30</b>	<b>35</b>	<b>40</b>	<b>45</b>	<b>50</b>

**B10. Does your business use social media? B10\_SOCIAL\_MEDIA**

Yes <b>1</b>	No <b>0</b>
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**B11. Which social media technologies have been used by the surveyed business over the last 3 years? If used, please indicate the level of usefulness of the social media technologies was for contributing to organizational growth.**

	Used		No Impact	Slight Impact	Moderate Impact	Important Impact	Crucial Impact
	Yes <b>1</b>	No <b>0</b>					
Magazines <b>B11A_USE_MAG</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Internet forums <b>B11B_USE_INT</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Weblogs <b>B11C_USE_WEBLOGS</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Social blogs <b>B11D_USE_SOC</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Micro blogging <b>B11E_USE_MICRO</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Content communities (e.g. YouTube, Daily Motion etc) <b>B11F_USE_CONT</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Wikis <b>B11G_USE_WIKIS</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Social network sites <b>B11H_USE_SOC</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Podcasts <b>B11I_USE_PODCASTS</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Photographs or Pictures <b>B11J_USE_PH</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Video <b>B11K_USE_VIDEOS</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Rating and Social Bookmarking <b>B11L_USE_RAT</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Other, please specify <b>B11M_USE_OTHER</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

**B12. Have any of the following social media network websites been used with reference to the surveyed business over the last 3 years? If used, please indicate the level of usefulness of the social media technologies was for contributing to organizational growth.**

	Used		No Impact	Slight Impact	Moderate Impact	Important Impact	Crucial Impact
	Yes	No					
Facebook <b>B12A_USE_FACEBOOK</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Twitter <b>B12B_USE_TWITTER</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Linkedin <b>B12C_USE_LINKEDIN</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Instagram <b>B12D_USE_INSTAGRAM</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Bebo <b>B12E_USE_BEBO</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
MySpace <b>B12F_USE_MYSPACE</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Keek <b>B12G_USE_KEEK</b>	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Other, please specify <b>B12H_USE_OTHER</b> .....	Yes <b>1</b>	No <b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

### SECTION C EXPORTING, INNOVATION & BARRIERS TO GROWTH

**C1. What percentage of gross sales for the surveyed business was exported outside of Kuwait over the last year? (If zero exports please write NIL)**

<b>C1_EXPORTER</b> %
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**C2. What percentage of gross sales for the surveyed business is expected to be exported outside of Kuwait over the next year? (If zero exports please write NIL)**

<b>C1_FUTURE_EXPORTER</b> %
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**C3. During the previous 3 years, has the surveyed business undertaken any form of innovation with regard to the following? Please tick one box in each row.**

	Innovation not tried	Innovation tried and failed	Innovation new to firm but not market	Innovation new to market & new to firm
Products or services <b>C3A</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Production processes (including storage) <b>C3B</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

**C4. From your practical experience as an CEO in Kuwait, which of the following factors listed below, do you perceive as a barrier or limit to your ability to meet your business objectives?**

Factors	Scale			
	Not Important	Slightly Important	Moderately Important	Crucial
<b>Finance Factors</b>				
Access to debt finance from local banks <b>C4A_ACCESS_DE</b>	1	2	3	4
Access to equity finance from private investors <b>C4B_ACC</b>	1	2	3	4
Access to debt finance from the Government <b>C4C_ACC_DE</b>	1	2	3	4
High interest rates to SMEs sectors <b>C4D_HIGH_INT</b>	1	2	3	4
Do not have collateral to secure bank loan <b>C4E_COLLATE</b>	1	2	3	4
Difficult to meet loan criteria <b>C4F_DIFFICULT_CRITERI</b>	1	2	3	4
Difficult to raise capital from family <b>C4G_DIFFICULT_FA</b>	1	2	3	4
Difficult to raise capital from friends <b>C4H_DIFFICULT_FR</b>	1	2	3	4
Other – please specify... <b>C4I_OTHERS</b> .....	1	2	3	4
<b>IF THEY HAVE GIVEN A RESPONSE IN C4I_OTHERS THEN SAY WHAT IT IS IN C4J_SPECIFY</b> Market				
<b>Factors</b>				
Inadequate demand <b>C4K_INADEQUATE_DEMAND</b>	1	2	3	4
Too much competition from local firms <b>C4L_COMPET_LOC</b>	1	2	3	4
Competition from imported goods <b>C4M_COMPET_IMPORT</b>	1	2	3	4
High advertising costs <b>C4N_HIGH_ADVERTISING</b>	1	2	3	4
Inadequate market research. <b>C4O_INAD_MKT_RESEARCH</b>	1	2	3	4
Lack of managerial/ Technical Know-how <b>C4P_LACK</b>	1	2	3	4
Shortage of skilled labor <b>C4Q_SHORTGAGE</b>	1	2	3	4
High wages for skilled labor <b>C4R_HIGH_WAGES</b>	1	2	3	4
Inadequate access to new technology <b>C4S_INADEQ_NEW</b>	1	2	3	4
Inadequate financial skills <b>C4T_INADEQ_FINANCIAL</b>	1	2	3	4
Inadequate marketing & management skills <b>C4U_INADEQ_M</b>	1	2	3	4
Inadequate government contracts <b>C4V_INADEQ_GOV_CON</b>	1	2	3	4
Inadequate technical skills <b>C4W_INADEQ_TECH</b>	1	2	3	4
Other – please specify <b>C4X_OTHERS</b> .....	1	2	3	4
<b>IF THEY HAVE GIVEN A RESPONSE IN C4X_OTHERS THEN SAY WHAT IT IS IN C4Y_SPECIFY</b> Product				
<b>Inputs Factors</b>				
High cost of local raw materials <b>C4Z_HIGH_COST_LOCAL</b>	1	2	3	4
High cost of imported raw materials <b>C4AA_HIGH_COST_IMP</b>	1	2	3	4
Inadequate supply of raw materials <b>C4AB_INADEQUATE_S</b>	1	2	3	4
High fixed costs e.g., rent <b>C4AC_HIGH_FIXED_COSTS</b>	1	2	3	4
High cost of good will for rent <b>C4AD_HIGH_GOOD_WILL</b>	1	2	3	4
High cost of replacing old equipment <b>C4AE_HIGH_COST_REP</b>	1	2	3	4
Difficulty in finding appropriate equipment <b>C4AF_DIFF</b>	1	2	3	4
Other – please specify <b>C4AG_OTHERS</b> .....	1	2	3	4
<b>IF THEY HAVE GIVEN A RESPONSE IN C4AG_OTHERS THEN SAY WHAT IT IS IN C4AH_SPECIFY</b> Economic/Regulatory				
High rate of inflation. <b>C4AI_HIGH_INFLATION</b>	1	2	3	4
High interest rates <b>C4AJ_HIGH_INT_RATES</b>	1	2	3	4
Kuwait labor law criteria and regulations <b>C4AK_KUWAIT_LAB</b>	1	2	3	4
Bureaucracy in government agencies <b>C4AL_BUREACRACY</b>	1	2	3	4
Registration /licensing /red tape. <b>C4AM_REGISTRATION</b>	1	2	3	4
Corruption <b>C4AN_CORRUPTION</b>	1	2	3	4
Other – please specify <b>C4AO_OTHERS</b> .....	1	2	3	4
<b>IF THEY HAVE GIVEN A RESPONSE IN C4AO_OTHERS THEN SAY WHAT IT IS IN C4AP_SPECIFY</b> Infrastructure				
High utility charges <b>C4AQ_HIGH_UTILITY_CHARGES</b>	1	2	3	4
Lack of available industrial sites <b>C4AR_LACK_SITES</b>	1	2	3	4
High transport and storage costs <b>C4AS_HIGH_TRANSPORT</b>	1	2	3	4
Low quality of electricity / water supply <b>C4AT_LOW_QUAL</b>	1	2	3	4
Poor telecommunication networks <b>C4AU_POOR_TELCO</b>	1	2	3	4
Lack of suitable premises <b>C4AV_LACK_PREMISES</b>	1	2	3	4
Other – please specify... <b>C4AW_OTHERS</b> .....	1	2	3	4
<b>IF THEY HAVE GIVEN A RESPONSE IN C4AW_OTHERS THEN SAY WHAT IT IS IN C4AX_SPECIFY_OTHER</b>				

**SECTION D: OWNERSHIP OF THE BUSINESS**

**D1. Regarding ownership, which of the following best describe this business?D1**

More than 50% of the voting shares are owned by a single family group related by blood or marriage

**1**

A single family group effectively controls the business

**2**

A significant proportion of the business senior management is drawn from a single family

**3**

None of the above (please provide ownership details)

**4**

**IF THEY HAVE GIVEN A RESPONSE OF NONE OF THE ABOVE THEN  
CODE THEIR RESPONSE DETAILS IN  
D1\_OTHER.....**

**D2. Do you define this company as a family business?D2**

Yes <b>1</b>	No <b>0</b>
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**D3. Which generation now owns the business?D3\_GENERATIONS**

1<sup>st</sup> generation

**1**

2<sup>nd</sup> generation

**2**

3<sup>rd</sup> generation

**3**

4<sup>th</sup> or more generation

**4**

**D4. From the largest family group how many members are directors of the surveyed business?**

**D4**

**D5. From the largest family group how many members are there in the management team?**

**D5**

**D6. From the largest family group how many members are there in other non-managerial or director roles/jobs?**

**D6**

**D7. What proportion of ordinary voting shares are owned by members of the largest family group?**

**D7**

**D8. Is the CEO a member of the single dominant family group that owns the business?D8**

Yes <b>1</b>	No <b>0</b>
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**D9. What was the occupation of your parents (i.e. the main income earner) during your childhood? Please tick one box. **D9****

Business owner	<b>1</b>	Administrative/secretarial	<b>2</b>	Professional	<b>3</b>	Associate professional or technical	<b>4</b>
Manager	<b>5</b>	Skilled trade	<b>6</b>	Sales/customer service	<b>7</b>	Manual/plant and machine operatives	<b>8</b>
Unemployed	<b>9</b>	Other (please specify)...	<b>10</b>				

**IF THEY HAVE GIVEN A RESPONSE IN D9 OF OTHER THEN SAY WHAT IT IS IN **D9\_SPECIFY\_OTHER****

**D10. Is your father, mother, most close relatives, good friends, spouse and adult children *currently*, or *before retirement*, a government official? **D10\_GOV\_OFFICIAL****

Yes <b>1</b>	No <b>0</b>
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**If Yes, please indicate what is, or was, their job(s) in the government..... **D10B\_SPECIFY\_GOV**.....**

**SECTION E: FUTURE OF THE BUSINESS**

**E1. Over the five year period 2008-2013 has a new CEO taken over the running of the business? **E1****

Yes <b>1</b>	No <b>0</b>
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**E2. If yes, was the former CEO a member of the family group that effectively owns/controls/ manages the business? **E2****

Yes <b>1</b>	No <b>0</b>
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**E3. Has the board established clear-cut objective criteria specifying when the current CEO should retire? **E3****

Yes <b>1</b>	No <b>0</b>
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**E4. Does the CEO plan to retire in the next five years? **E4****

Yes <b>1</b>	No <b>0</b>
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**E5. Has the CEO identified a successor? **E5****

Yes <b>1</b>	No <b>0</b>
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*If NO, please go to Question E7*

**E6. If yes, is the succession plan in writing? **E6****

Yes <b>1</b>	No <b>0</b>
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**E7. Has the succession plan been approved by family members involved in the business? **E7****

Yes <b>1</b>	No <b>0</b>
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**SECTION F: EMPLOYMENT, FINANCE AND PROFITABILITY**

**F1. What numbers of your workforce are currently employed in the occupation groups listed below?**Please enter the number of full-time and part-time employees.

	Full-time	Part-time
Kuwaiti citizens	<b>F1A_KUWAIT_FT</b>	<b>F1D_KUWAIT_PT</b>
Non-Kuwaiti citizens	<b>F1B_NON_KUWAIT_FT</b>	<b>F1E_NON_KUWAIT_PT</b>
Total	<b>F1C_TOTAL_FT</b>	<b>F1F_TOTAL_PT</b>

**F2. What numbers of your workforce were employed 3 years ago in the occupation groups listed below?** Please enter the number of full-time and part-time employees.

	Full-time	Part-time
Kuwaiti citizens	<b>F2A_KUWAIT_FT</b>	<b>F2D_KUWAIT_PT</b>
Non-Kuwaiti citizens	<b>F2B_NON_KUWAIT_FT</b>	<b>F2E_NON_KUWAIT_PT</b>
Total	<b>F2C_TOTAL_FT</b>	<b>F2F_TOTAL_PT</b>

**F3. Have you been seeking external finance for the surveyed business over the past 3 years?****F3**

Yes <b>1</b>	No <b>0</b>
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**F4. If Yes to F3, approximately what proportion of this did you obtain?**

<b>F4</b>	%
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**F5. If No to F3, did fear that your application would be turned down prevent you from applying for external finance?****F5**

Yes <b>1</b>	No <b>0</b>
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**F6. At the start up of the surveyed business what was the amount of capital?**  
Please tick one box.

**F6**

≤250,000KD [**1**]    250,001-500,000KD [**2**]    500,001KD or More [**3**]

**F7. For the last financial year, has the surveyed business operated at:**

**F7**

Loss [**1**]    Break even [**2**]    Profit [**3**]

**F8. For the financial year, 3 years ago, has the surveyed business operated at:**

**F8**

Loss [**1**]    Break even [**2**]    Profit [**3**]

THANK YOU FOR YOUR TIME, SUPPORT AND INSIGHTS  
Please use the enclosed self-addressed pre-paid envelope to mail your survey.  
If you have other comments, please share them with us in the space below.

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**Public Authority for Applied Education  
and Training (PAET), Kuwait**

**[]**

**Association of Small and Medium Enterprises  
Kuwait**

**Survey of Information Technology,  
Entrepreneurship and Small and  
Medium Sized Business 2013**

**This Survey is designed to gain a better  
understanding of the state of enterprise in  
Kuwait.**

**All the information which you provide will be  
kept confidential and anonymous.**



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NB: The Coding Scheme has been included in the questionnaire.  
Please note that the barriers to growth were randomised in the questionnaire given to entrepreneurs. The use of side headings and grouping the reasons together is for greater ease of seeing the list of barriers.

