

SUPPORTING ENTREPRENEURSHIP CONTEXT: THE SYNERGY BETWEEN THE GOVERNMENT AND BIG COMPANIES A DESCRIPTIVE ANALYSIS OF A CASE STUDY IN OMAN

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Abstract: Supporting the governmental context and efforts of sustaining SMEs and entrepreneurship in Oman is the main factor of success and flourish, the paper introduces a descriptive analysis of the role of Port of Salalah in supporting the governmental efforts in the field of entrepreneurship.

As it obvious, the joint efforts between any government and the working companies in its business environment are very vital to achieve the national development goals, these efforts are needed as well in the sector of small and medium enterprises (SMEs), which constitutes a backbone for a number of developed and emerging economies.

The sector of (SMEs) and entrepreneurship inherits its degree of flexibility from the regulations applied by the government to adapt an easy way of changing economic dynamics, this flexibility should be complemented and spirited by supporting and larger firms.

Although some researches have been conducted in Oman concerning entrepreneurship, no attention has been given to assess the role of government corporations in supporting (SMEs). The main objective of this paper is to assess and analyze the role of Port of Salalah in supporting (SMEs) in Oman. Data has been collected from Port of Salalah, and a descriptive analysis has been used to analyze this data.

The results show that Port of Salalah deals with (SMEs) and it has offering some (SMEs) contracts to provide the Port with some services in different workfield. The paper presents some recommendations that call for giving attention to (SMEs) in Oman and try to encourage all private and public sector like Port of Salalah to enroll in cooperation program with universities and colleges in the region to give a hand to grow and sustain Omanieconomy.

Keywords: SMEs, development program, entrepreneurship context, economy.

1. INTRODUCTION

Many countries all over the world shape its national economy on small and medium enterprises (SMEs) that operate in different fields of economic activity. (SMEs) play an

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important role in the economies of the various countries of the world because of its advantages in the areas of organizational skills and the ability to create, innovate and identify the market conditions and the proximity of clients (Ahin & Asunakutlu, 2014) and this gives the importance of building the national context of national entrepreneurship (Pilkova, Holienka, & Rehaka, 2014). The (SMEs) have ability to produce goods and services considered as inputs to the production of other goods and other services advantages. They are considered one of the pillars of industrial development in the many countries, and the private sector to the implementation and management of these industries. The (SMEs) sector carries great hopes and great burdens in the evolution of all of the transitional economies. Sustained and healthy growth of this sector is obviously necessary, since it is difficult to imagine rising overall living standards and social peace without such a development.

Governments, in partnership with the private sector, have driven the successes of the (SMEs) sector in many economies. Governments can develop strategies and environment for the (SMEs) sector to grow and play the role of catalysts towards its promotion (Toma, Grigore, & Marines, 2014).

(SMEs) development program in Oman was established in April in 2013 as a yearlong project post the (SMEs) development symposium that was held in (Balha-Oman) in January 2013, the program invites to give (SMEs) chances to bid on state contracts or provide services or materials required by government projects and corporations and there was a question to formalize or not formalize the relation between the government institutions and the supporting context of entrepreneurship and supporting (SMEs) as in (Dau & Cuervo-Cazurra, 2014).

(Central Bank of Oman, 2014) made a comprehensive survey concerning the competitive and dynamic of (SMEs) sector in Oman. The survey explores that the sector did not grow and realize its potential contribute to the national economy. According to a report by the Oxford Business Group, issued in April 2012, the (SMEs) rise in the Sultanate of Oman represents 16 percent of GDP and 90 percent of the economy activities. A study conducted by the International Monetary Fund and the World Bank in 2010, entitled Financial Sector Assessment Program: Sultanate of Oman, and pointed out that the sector of small and medium-sized companies account for 20 percent of GDP and 40 percent of the total workforce in the Sultanate of Oman. These numbers indicate the sector with limited contribute to the overall economy of the country.

To make the sector more efficient and able to contribute to the economic development, the government of Oman has announced a package of measures that aimed to creating the appropriate environment for the promotion and development of the sector and make it more able to contribute to the national income.

One of these policies that adopted by the government, public enterprises are required to provide support services to (SMEs) and allow them to get contracts to provide services for government projects and giving a chance to entrepreneurs to conduct it.

The Ports in Oman are expected to have a vital role in supporting this sector where they have different activities that (SMEs) can participate on them.

The important of this research stems from the important of the role of (SMEs) in supporting the national Omani economy, not because it represent the most productive economic sectors, but also because it increases and sustains the volume of investments and labor and covering the domestic market needs with different products. We expected that this research will add to literature and knowledge concerning (SMEs) in Oman.

Although some researchers have been conducted in Oman concerning entrepreneurship, no attention has been given to assess the role of government corporations in supporting SMEs. The main objective of this paper is to assess and analyze the role of Port of Salalah in supporting and offering opportunities to (SMEs) in Oman to provide services needed by the Port beside it is second big port in GCC countries.

2. LITERATURE REVIEW

Generally, there is no consensus worldwide on the definition of (SMEs) (Hooi, 2006); various definitions have been used by different countries and multilateral institutions based on the size, number of employee, capital and total assets (Ogbo, 2012). The (SMEs) has been defined by World Bank as an enterprises that its employee less than 300 and its own maximum assets and revenues of 15 million dollar (Gibson & Van der Vaart, 2008).

Currently small and medium sized enterprises are defined by their size. According to the new definition stated by (European Commission, 2003) "Small and medium enterprise is 'any entity engaged in an economic activity, irrespective of its legal form which employ fewer than 250 persons and whose annual turnover or annual balance sheet total does not exceed 50 million euro, this definition has been recommended in 1996 and it has been widely applied throughout the European Union on 2003.

(SMEs) are considering the engine of the any economy in different counters and entrepreneurs must be given a chance as it was advised in (Kuura, Blackburn, & Lundin, 2014) because they offer a major source of jobs, and the creation of entrepreneurship and innovation is crucial to enhance the competitiveness and employment in the country. (McIntyre, 2001) Shows that theoretically, SMEs have many advantages, compared with state-owned enterprises (SOEs) as SOEs have been privatized. (SMEs) give incentives for both managers and workers tend to be clearer and stronger than it was in large organizations. Governance problems are less important because in many cases the managers and the owners are the same people. The (SMEs) companies allow owners to easy monitor the performance of managers while the labor cost of monitoring is also lower.

The (SMEs) facing many obstacles and challenges (Teoh & Chong, 2008) and (Leyden, Link, & Siegel, 2014) elaborated that the main challenges to development of

(SMEs) is the lack access to fiancé and lack access to social networks. Along the same line (Hashim & Abdullah, 2002)and (Muhammad, Char, bin Yaso'a', & Hassan, 2010)observed the main problems faced SMES in Malaysia is the lack of knowledge about marketing technology, brands, customer loyalty, as well as the lack of good communication with other local and international institutions.

(European Commission, 2014) identified some obstacles faced (SMEs) these constrains are: no sufficient capital to finance exports; the difficulty of identifying foreign business opportunities; lack of Information; inability to contact customers outside the country; the difficulty of obtaining reliable foreigner representation and non qualified staff.

Governmental support can help in promoting (SMEs), for instance (European Commission, 2011) conducted a survey and elaborated that governmental support for SMEs either financial or non financial has lead to increased its total in the large market by 28%; increased job creation; increased its total firm turnover by 11%. Promptingthe inside capabilities of (SMEs) concerninggrowth and competitiveness show successfulsupport.

From the above mentioned literature we conclude that they are many challenges faced by SMEs which hindering the growth and development of these enterprises such as poor location lack of ability to get finance, inadequate skills of managers etc. To avoid these obstacles (SMEs) need essential support from governments to help these enterprise for growth and development to achieve their objectives in enhancing national economy,we try through this paper to determine the role of Slalah Port in Supporting (SMEs) in Oman.

3. DEFINITION ANDCHARACTERISTICS OF SMES IN OMAN

This section presents the definition and the policies that have been adopted by government to develop the (SMEs) sector in Oman.

SMEs in Oman is also expected to be a leader for economic and social development, through its vital roles in increasing economic diversification, in creating job opportunities for citizens and equitable distribution of resources. Small and medium-sized enterprises (SMEs) in Oman are acquiring increased support from government and private sector, with a number of public official's policies for the further development of the sector.

Currently, the (SMEs) have been defined by Ministry of Commerce and Industry (MCI) based on the number of employee and sales turnover as follows:

<i>Enterprise</i>	<i>Number of employee</i>	<i>Annual turnover</i>
Micro-Enterprise	1-5	< 25,000 OMR(about \$ 65,000)
Small Enterprise	5-9	<25,000-2,50,00 OMR(about \$ 6,50,000)
Medium Enterprise	10-99	<2,50,000-1.5 million OMR (about \$ 3.9 million)

Source: Ministry of Commerce and Industry in Oman, 2012

In Oman SMES are faced by many problems. As indicated by the Ministry of Commerce and Industry in Oman (2008) the main constrains facing (SMEs) are: lack of experience and management capabilities, high default rates and poorprofitability of these projects, Their financial structure is heavily dependent onborrowing and the difficulty of obtaining appropriate guarantees.(Bilal & Al Mqbali, 2015)examine the challenges faced by (SMEs) in Al Batniah Governorate,the results show that obstacles and constrains accordance to their importance are as follows: the investment environment come as first obstacle, the marketing obstacles come second, followed by finance obstacles, capabilities of business owners, while the legislations and regulations obstacles come last.

In the Sultanate of Oman, there are around 117,000 (SMEs) constituting more than 90% of the economy activity and around 20% of theGrowth Domestic Product (GDP) as per the latest statistics available in the Directorate General of (SMEs) Development. Mainly, the projects of these enterprises are in the sector of wholesale, retail and foodstuffs which represent 41% of the total projects, while the industrial projects represent 17% and the contracting projects represent 31% (Oman international exhibition center, 2012).

Table 1
Below shows the No. of (SMEs) in Oman

1	Agriculture	249
2	Fishing	7
3	Mining and Quarrying	219
4	Manufacturing	20581
5	Electricity, Gas and Water	92
6	Construction	15633
7	Whole sale, Retail Trade and Car Repair	49436
8	Hotels and restaurants	6905
9	Transport storage and Communication	2880
10	Financial Intermediaries	950
11	Real estate and renting services	5789
12	Social Insurance	16
13	Education	691
14	Health and Social work	715

Source: Chamber of Commerce & Industry in Oman (2012)

To promote the (SMEs) sector in many countries governments can develop strategies to prepare appropriate environment for the sector to play a vital role in growth and development of economy.A World Bank Study (2006) noted that “governments could play the role by taking actions to mitigate market failure and eliminate policy biases”, in addition (Ács, Autio, & Szerb, 2014) introduced the concept of national systems of entrepreneurship systemic approach, tofacilitate communications between components of it; and also to identify factors that hinder the good performance; and serve the entrepreneurship processes.

Due to their importance to the Omani economy and where it is known that (SMEs) help to create new jobs, development of economies of the country and fostering competitiveness and economic growth.

Government of Omani has realized the importance of (SMEs) and comes out with lot of efforts to support (SMEs) to implement of the recommendations of (SMEs) development symposium; which was held in Bahla in January 2013; the government of Oman embarked on some policies to support (SMEs) to play their important role in economic growth and development, such as availability of loan through AlRafud Fund, established a specialized department to develop (SMEs) under the Ministry of Commerce and Industry (MCI).

The development and support program of (SMEs) provided by the government declared some policies regarding supporting of (SMEs), the governmental should offer (SMEs) the chance to get contracts from the government or big companies to provide them services for their projects and help in training entrepreneurs to get appropriate skills to be able to manage their business as (Fox, 2014) claimed that entrepreneurs training is very important issue that should be supported to establish (SMEs).

4. METHODOLOGY AND DATA COLLECTION

As it was mentioned before, the main objective of this research is to assess and evaluate the role of Port of Salalah in supporting (SMEs) in Oman, because Port of Salalah is one of the biggest companies in Oman. The descriptive analytical approach has been followed. In this research both primary and secondary sources were used. The data has been collected from the records of various departments of the Port namely; contracting, financial and training departments and interviews also were used with the officials in the Port for more details.

5. DATA ANALYSIS AND FINDINGS

Port of Salalah is located in Dhofar Governorate on the Arabian Sea which is on the northern part of the Indian Ocean. It is the largest port in Oman. It is centrally located at the crossroads of trade between Asia and Europe. With over 2.5 billion consumers, it serves the markets of East Africa, the Red Sea, the Indian Subcontinent and the Arabian/Persian Gulf on its doorstep. The port has been managed by APM Terminals, the Dutch terminal operating company, since 1998. The operating company, Port of Salalah Services Company (S.A.O.G.), is listed on the Omani stock exchange. The port operates both a container terminal and a general cargo terminal, and serves the local and regional community. The port was formerly known as Raysut Harbour or Mina' Raysut or Port Raysut. It can accommodate large vessels up to 16m draft. It is the main Container Transshipment Terminal of the region.

The above table shows that there are about 65% companies providing services in different work fields to the Port, 25.3% of these companies are foreign companies, while 74.7% are national companies. The senior managers in the Port claim that they are

Table 2
Number of Companies Providing Services to Port of Salalah

Companies	No.	%
Foreign Companies	17	25%
National Companies	50	75%
Total	67	100

Source: Port of Salalah Records 2014

encouraging national companies to provide the Port with different Services especially (SMEs) to support them to contribute in development of national economy and job creation, however, the SMEs faced by some problems which hinder them to provide the services with high quality such as lack of managerial skills, and shortage of finance.

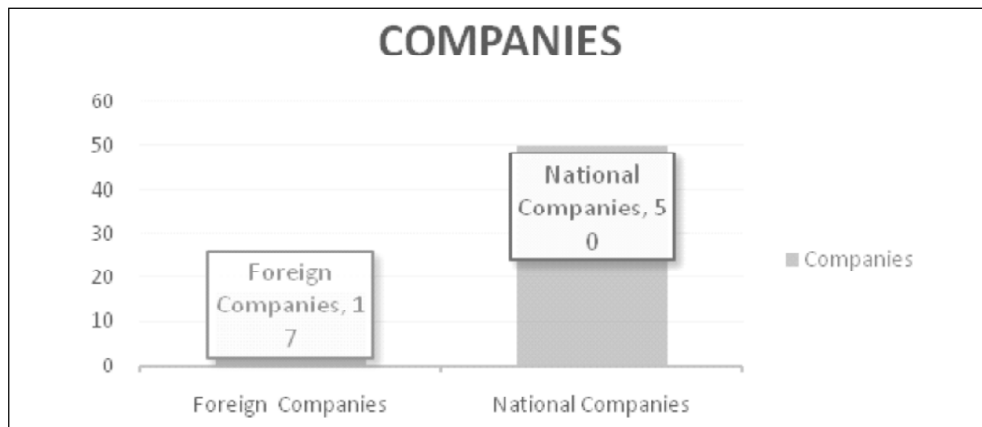


Figure 1: Number of Companies Providing Services to Port of Salalah

This charts shows that there are 50 national companies have contracts with Port of Salalah, and 17 foreign companies.

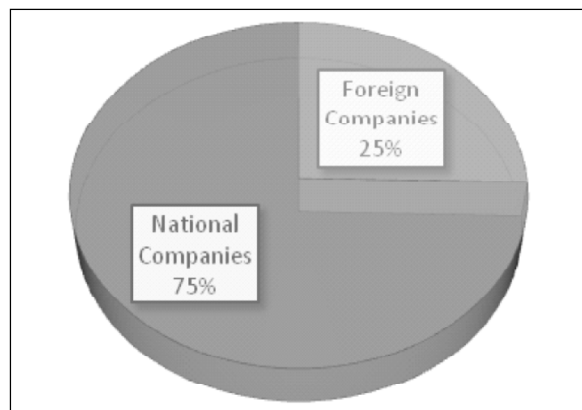


Figure 2: Companies Providing Services to Port of Salalah

This chart shows the ratio of national companies were contracts with Port of Salalah in different work field namely, Services, Technical/ Engineering, Maritime and legal, 75% of these companies are Omani.

Table 3
Work field of National companies in Port of Salalah

Work Field		%
Services	21	42
Trading	18	36
Technical / Engineering	7	14
Maritime	3	6
Legal	1	2
Total Companies	50	100
Total Fields	5	

Source: Port of Salalah Records 2014

Table 3 shows that the companies are working in five main work fields, namely, services, trading, technical/engineering, maritime and legal. The majority of companies are working in services sector 42%, 36% in trading sector, 14% in technical/engineering sector, 6% in maritime sector and 2% in legal sector.

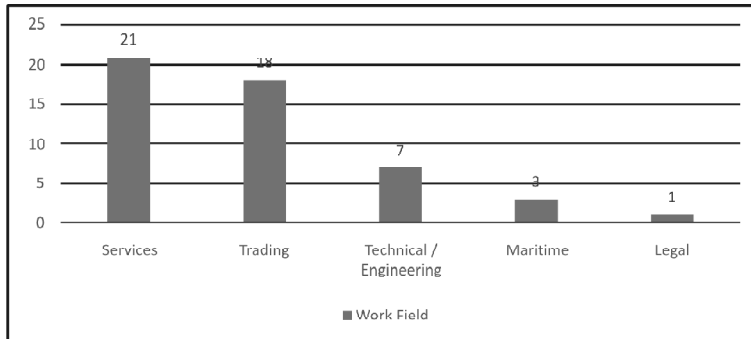


Figure 3: National Companies Providing Services to Port of Salalah

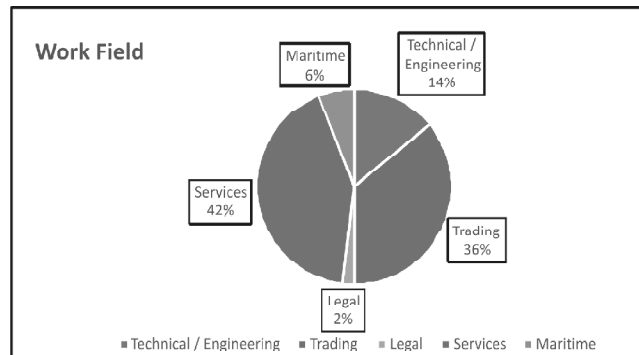


Figure 4: Work field of National companies in Port of Salalah

This following chart shows the ratios of fields that national companies' which has contacts with Port of Salalah.

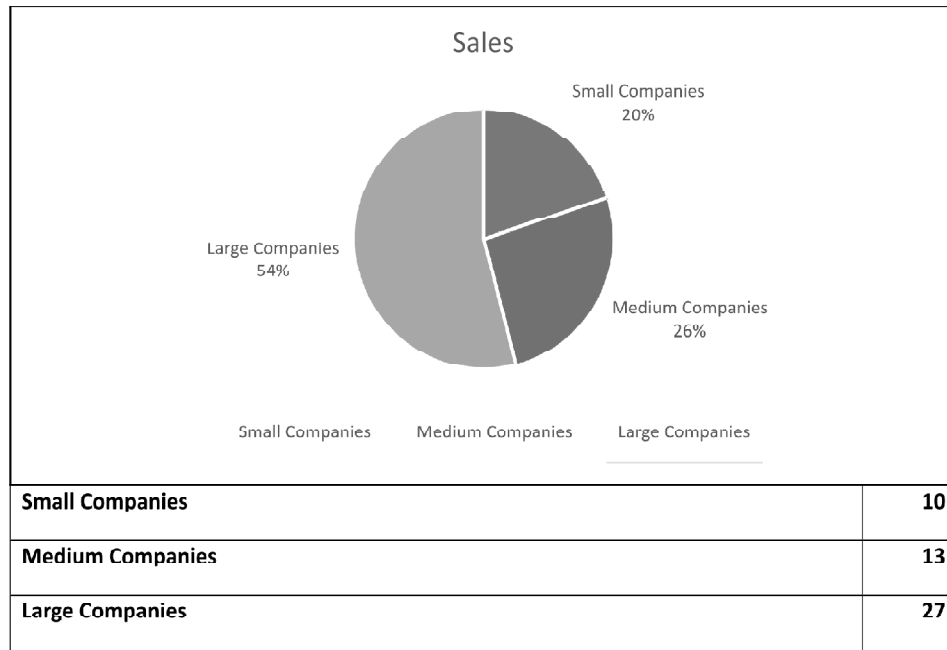


Figure 5: Workfields of national companies in Port of Salalah

This figure shows that 20% of the national companies which have contracts with Port of Salalah are small companies, 26% are medium and 54% are big.

This is a good indicator shows that Port of Salalah has contracts with small and medium Omani companies. However, there is missing information of when these companies were established.

6. SUMMERY AND RECOMMENDATIONS

The purpose of this division is to present the summary of the research and introduce some recommendation for more support to (SMEs) sectors.

Many counters have been depended on (SMEs) as instrument in development and economic growth. They consider as a major source of job creation, promote financial inclusion, provide raw material to larger industries and support social mobility.

This research focuses on the assessing and evaluating the role of Port of Salalah in supporting (SMEs).

From the above discussion; the study concludes that Port of Salalah is offering some contracts to (SMEs) to provide the Port with some services in different workfield, this

indicates that Port of Salalah plays a good role in supporting (SMEs) in Oman, and the port has commitment the policies that declared by the government of Oman and support its efforts to develop this important sector. In addition, the port takes its national responsibility to foster and develop this sector.

7. RECOMMENDATIONS

The Port of Salalah is recommended to initiate and support networks between other ports in Oman and government institutions, which could help and support (SMEs) across countries. In addition, to especially make more efforts to support (SMEs) by giving these enterprises more chance in contracts especially in the work field where (SMEs) can do. Moreover, the Ports is recommended to support the other activities of (SMEs) such as providing training program to the managers of these enterprises to increase their managerial skills. Moreover, to make cooperation with high education institutions especially in the Salalah Governorate to provide drive change concerning creation dissemination of (SMEs) among the students and community as a large since the focusing on this sector has started recently.

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