

AN ENTREPRENEUR: PRODUCT OF NATURE OR NURTURE?

A CASE OF A YOUNG OMANI

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ABSTRACT

Generally the notion of entrepreneurship applies to both those who create new startups and those in larger firms who bring new ideas, innovations, and businesses to market, the challenges are very different. Entrepreneurs who start a business from scratch must do whatever it takes to make their venture succeed, performing all tasks, working all hours, and showing creativity and resourcefulness, passion and humility. But, in larger organizations, the challenge is fostering an environment and a culture where people have the time, resources, opportunity, and incentive to innovate. Failing early and often must be rewarded, with innovation and entrepreneurship encouraged at all levels and functions. At the same time small businesses face different kinds of problems.

Most of the researched on this topic, agreed that those entrepreneurs who start a business from nothing must possess creativity and must have a unique idea. But except, creativity the attributes which play a vital role are passion, humility, a willingness to take calculated risks, an ability to sell and persuade in order to raise capital, attract employees, and secure customers, a tremendous work ethic, a willingness to do whatever it takes to succeed, and an ability to execute the idea, modifying the original idea as necessary.

This particular case is a journey through an entrepreneur's success. In addition to that, it also brings out the importance of discussion and research on the environmental factors, playing an important role in the success of an entrepreneur and the related ventures.

KEYWORDS: Creativity, Entrepreneur, Omanization, Opportunity, SANAD, SMEs

Teaching Notes: This particular case should be incorporated in the teaching pedagogy for BBA & MBA, students. This case can be taken up in the class for Entrepreneurship, Creativity and Innovation and personal development.

The teaching objectives depending on the modules are:

- Entrepreneurial skills
- Entrepreneurial environment
- Creativity
- Innovation, can it be acquired?
- Dimensions of personal development
- How personal ethics helps in shaping a successful career?

In what way and up to what extent the case will add value towards an effective teaching pedagogy, will depend on the tutor's own experience and creativity.

The case is a real life situation from the life of an entrepreneur, in the Sultanate of Oman. The names of the people in person are being changed to keep the sanctity of the place, people and profession.

The very things that ensure a company's survival and success act as obstacles to entrepreneurship.

INTRODUCTION

Educated and business people love to talk about building "entrepreneurial cultures." The very term evokes the excitement and success of Google, Apple, and Facebook. But the reality is that large established companies are often lousy at actually being entrepreneurial. Failures of these big brands can make companies risk-averse, even though the entrepreneurial behavior that leads to innovation is vital for business. In practical nature the very things that ensure a company's survival and success -- established routines, specialization to maintain competitive advantage, and structure and systems to ensure stable output -- act as obstacles to entrepreneurship.

The Must Haves: In today's hypercompetitive globalized business environment companies can succeed with routine and structure but they will find it difficult to lead the market in this way. So companies that can find, support, and nurture their own entrepreneurs are the likeliest to succeed. This can be possible by:

Breaking the Silos

It's not unusual for large corporations to limit entrepreneurship to a few departments, such as R&D and IT. This will lead to totally missing the mark. Entrepreneurs rarely come from business schools. They arise from fields as diverse as chemistry, psychology, mathematics, history, literature, or biology. In his 2010 iPad release speech, Steve Jobs elaborated on the reason for Apple's success: "It's in Apple's DNA that technology alone is not enough, its technology married with liberal arts, married with the humanities that yield the results that make our hearts sing."

In fact universities should cultivate an entrepreneurial culture across all faculties. Large companies should create an entrepreneurial environment across all divisions. The top management should engage the entire company in becoming more risk-tolerant and entrepreneurial. Unleashing multidisciplinary collaborative thinking will put the company in a better place. Furthermore, breaking silos can potentially bridge the gap between innovation and entrepreneurship. Large corporations are generally not short on great ideas; what they lack is the entrepreneurial risk taking and passion to bring the idea to the market. Uniting the genius of the idea generator and innovator with the ingenuity of the entrepreneur is what ultimately makes companies successful.

Identifying and Fostering Talent

Not everyone in the company will have the innate talent to excel as an entrepreneur. Identify your elite performers across the company. Once you know who they are, look for their traits in your incumbents, and screen for those talents in new hires. Then allocate appropriate financial and nonfinancial resources to support these individuals and increase the probability of extraordinary performance.

Creating the Right Environment

Just identifying talent isn't enough. Companies must create the environment to foster it. The most successful entrepreneurial environments:

- **Are Open to Risk Taking:** Encourage managers and employees to tolerate failure and accept change. This enhances a firm's capacity for breakthrough innovations.
- **Encourage Trusting Relationships:** This creates a culture of trust among employees and managers. Having strong relationships in the workplace also encourages employees to take risks without the fear of losing their jobs.
- **Build Skills and Knowledge:** Provide employees and managers with opportunities to learn and grow. Support new ideas and employee-driven initiatives.
- **Offer Management Support:** When senior leaders don't walk the talk, no amount of entrepreneurial efforts made by employees or middle managers will work. Senior leadership's commitment to innovation, openness to change at all levels, and most importantly, delegation of appropriate authority to managers and employees to try new ideas sends a clear message to employees that the company is serious about creating an entrepreneurial environment.
- **Permit Access to Resources:** Provide employees with resources, time, and material. Companies such as 3M and Google let employees spend 15% to 20% of their time working on side projects of their choice. Employees should know that they have resources available to embark on new and innovative projects.
- **Maintain a Supportive Organizational Structure:** Complex hierarchy and elaborate policies are designed to bring order, but they also constrain entrepreneurial activity. Simplify approval procedures, cut the red tape, and keep organizational flexibility.
- **Set Realistic Performance Goals:** Entrepreneurial undertakings, by their very definition, have unknown outcomes. Set realistic timelines and reliable performance measures for entrepreneurial initiatives. Design employee reward systems that accommodate failure, tolerate ambiguity, and keep the focus on long-term outcomes.

Continually Assessing the Environment

Regularly monitoring and measuring a company's progress on the entrepreneurial path is crucial. Google wasn't built in a day. It takes time and effort to create an entrepreneurial culture. Annually surveying the heads of IT, R&D, and chief innovation managers about the state of the company's innovativeness or entrepreneurial ability is a good idea, but it's not enough. A leader may think the company is entrepreneurial, but for employees, the reality may be entirely different. So it's important to ask employees about how they perceive the environment. Do they believe that company leadership supports entrepreneurship? Does their day-to-day environment allow or encourage entrepreneurial thinking and action? The right approach is to survey workers at all organizational levels. Capture each employee's opinion on the issue, and share results at the team level -- that's the level at which employees and managers work together to achieve change. Continued assessment enables executives to measure progress and keep the momentum building toward an entrepreneurial environment.

Background

In Oman the Small business sector growth and development is a key government initiative and SANAD was established in this direction to provide finance and training to the potential entrepreneurs. Omanization program complements this policy and reserves the job quotas for Omani Nationals in the Omanized sectors.

When, under the Omanization program, the omanized sectors were extended to include retailing, Ahmed Al-Mughairi was delighted because all along his life, he had dreamt of starting a retail store of his own. Because of the presence of high competition in this sector, he was bit hesitant. But now due to omanization, competition in this sector was reduced only among Omanis. Ahmed had passed his higher secondary school and was planning to join a bachelor's degree as this opportunity came to him. He believed that this opportunity was up for grabs and he would be able to attain education later in his life. Ahmed applied for a loan from SANAD and prepared a simple business plan. SANAD officials told him that a maximum loan amount that he can receive from SANAD was R.O.5000/-. This loan was for a period of seven years with an interest of 2% per annum.

Being located in Muscat, he realized that this amount would not be enough for him to run the enterprise. Due to inflation the rent had gone up considerably and in the city it was not feasible to rent a large store. Ahmed also did not have enough money to buy a property as the property prices had also increased due to appreciation of land prices. Ahmed was not to be disheartened as he was a person who although was not a big risk taker, but knew how to avoid or reduce risk and he had the courage to go against the tide.

Therefore he turned towards his family for financial support from where he got further R.O.10000/-, which he believed he would be able to return soon. Ahmed was finally satisfied that he had found financial support that would enable him to start his venture. His belief in himself came from his father who had taught him to believe in himself and whatever will happen to him, will be of his own undoing. He remembered and believed in his words: A person can shape their own future through hard work. "Destiny is in own hands".

Discussion: Personal Attributes

Ahmed took up a vacated and closed retail unit selling groceries, novelties and small amount of clothing merchandise. There was plenty of enthusiasm in his effort. He confided in his friend "This is a lifetime opportunity and I want to make the most of it. I know I have to sacrifice some of my time which I used to spend with family and friends, but if I have to achieve something in my life, I will have to make sacrifices." The honesty and dedication was never in doubt and with plenty of motivation, Ahmed embarked on his new entrepreneurial venture.

Soon Ahmed was to find that entrepreneurial motivation is an important requirement for a successful start-up but not the only pre-requisite. He remembered what Wickham (1998: 34) had opined on this issue. He says that for a successful small business, it is important that potential entrepreneurs not only show commitment, vision and motivation but also communicate this vision, lead and motivate others. He particularly mentions this for the employees of the organization.

Environmental Factors

However as Ahmed started his enterprise he employed 9 members of staff who would help him to run his business. In the initial days the customers coming to his retail store were regular and on the weekends he found that instead of increase in traffic, unusually the customer inflow was very less.

He soon realized that customer's shopping habits have changed and they prefer to shop in supermarkets and hypermarkets as compared to small retail stores like his. The customers got two major benefits out of this. One was that they were able to get lower prices and secondly it enhanced their convenience and shopping experience. Only those customers visited regularly to his shop those wanted to top-up or refill their stocks. Therefore customer visits to his shop was more contingency based rather than option based. He soon realized that this business will not take him far. He began to evaluate other options.

He soon saw an opportunity in the form of need for affordable homes. Most of Homes demanded earlier by Omani failures required it to be large villa type of homes. The wave and Muscat Hamptons has different style of housing units and Villas which is European Style, which is only affordable by the high income groups. But with growth in populations and rising expenses affordable homes became a necessity. He did market research and found the following:

Table 1

Distribution of population in 2010 in Oman							
Sr.No.	Governorate	In number					
		Omani		Expt		Total	
		In No.	%	In No.	%	In No.	%
1	Al-Batinah Region	6,19,937	32%	1,42,040	19%	7,61,977	28%
2	Muscat Region	4,05,421	21%	3,29,276	44%	7,34,697	27%
3	Ash Sharqiyah Region	2,92,606	15%	56,363	8%	3,48,969	13%
4	Ad Dakhliyah Region	2,67,457	14%	47,809	6%	3,15,266	12%
5	Dohafar Region	1,63,456	8%	85,945	12%	2,49,401	9%
6	Adh Dhahirah Region	1,18,583	6%	29,002	4%	1,47,585	5%
7	Al-Burimi Region	42,834	2%	29,609	4%	72,443	3%
8	Al-Wusta Region	18,998	1%	13,748	2%	32,746	1%
9	Musandam Region	21,808	1%	9,202	1%	31,010	1%
Total		19,51,100	100%	7,42,994	100%	26,94,094	100%
Total Housing Units in 2010		5,46,215					
Total House Holds In Oman 2010		4,00,783					

Ahmed launched the company after selling the retail business by the name of Sweet Homes and the Company LLC ventured in purchase of lands in the different areas and different regions in Oman with varying prices, as the company wanted to sell their flats and housing units at economical prices. It acquired land at lowest rates by giving stake in the business to the land holders. Therefore it could acquire land in populated with a maximum distance of 5 kilometers from the city. It ensured that infrastructure developments had taken place and once the flats were built it could be immediately taken up.

The idea worked very well and the customer booked flats in advance. Once the customer booked flats Ahmed arranged from financing of these homes through an arrangement with Muscat Finance Company. So he gave the customers more than just homes. The customers could further design the interiors of their houses much earlier and this was also done by Sweet Homes Company. Therefore Ahmed could provide one stop solutions to home makers at an economical process.

As the customers kept coming, Ahmed's profit grew rapidly from the third year and his entrepreneurial venture grew in size. The growth of the firm was primarily because of two reasons; one that it was a young firm that had the potential for growth and secondly it was a micro firm and growth was the only route to survival. Ahmed's firm now had more than 25 employees and he was dealing with more than 30 suppliers inside and outside Oman. Ahmed had achieved what he always wanted to.

Growth Pattern

Once at a wedding party in his neighborhood he met a number of his old friends and he was delighted. He was surprised that not only his old friends recognized him immediately but also the entire community recognized him. He had become not only successful but also famous. Perhaps this had been his inner desire always: he had the desire to achieve something in life and his commitment had taken him where he always wanted.

At the same party he met his dearest friend Salim and when Salim asked him about his success, Ahmed did not have much to say. He said "Honestly I don't know but I would attribute it to my hard work and commitment and ability to believe in me. However I do not have business skills required as I do not have the formal higher education or undergo any training programs". He added, "I still do not know my customers, their characteristics, how to target them and how to differentiate our retail shop with others. Wish I had the knowledge to do so now as this is the crucial time in my business career. I am always afraid to lose my customers".

However Ahmed's customers did not desert him, but after a certain point Ahmed's growth went on a plateau and was not growing. Ahmed also began to face problems with the suppliers as many suppliers had shorter credit terms and Ahmed's firm's cash flow could not sustain or finance the growth of the company. Ahmed was dependent only on few suppliers and his growth in terms of product diversification was being hindered. Since he had no provision for further financing or any angel financing, he could not obtain cash.

However the worst period in Ahmed's business career came when two of his most experienced managers decided to leave the firm. Their working style did not match with Ahmed's working style. The two managers had earlier demanded from Ahmed more independence in terms of decision-making and more flexibility in their strategies. Ahmed was unsure whether they had any strategies in the first place.

Theoretical Viewpoint: Each Entrepreneurial Venture has a Different Set of Challenges Requiring Different Solutions

All companies today want innovation and entrepreneurial thinking; the question is how to achieve it. On the basis of literature and experience of the entrepreneurs, this can be somewhat possible by:

- **Innovating Throughout the Organization:** For entire companies to be innovative, they must understand that the best innovations come from the lowest levels of the organization and that innovation can and should take place in every functional area.

- **Creating a Culture of Innovation:** Innovative organizations instill an organization-wide culture of innovation. This culture encourages ideas, creativity, and even failure. Companies with such cultures think and behave as angel investors and venture capitalists. They seek to explore as many ideas as possible, separating marginal ideas from those seen as having the greatest potential to be big winners. The companies then invest a little capital in the potential winners to determine their viability. Losers are quickly and inexpensively pruned and additional capital is invested in the winners.
- **Allocating Time for Innovation:** Just wanting innovation and entrepreneurial thinking to occur isn't good enough. Organizations need to give employees adequate time to innovate. Google has become renowned for allowing employees to spend 20% of their time working on whatever they want. Many of the company's most significant products and services have come from ideas generated by employees during this 20% of employee time. In fact, a review of the company's innovations showed that the results generated by employees during their self-directed time exceed the value of innovations that went through the company's formal review and funding process.
- **Establishing Organization Structures and Goals that Support Innovation:** This can be started by hiring creative people, which includes people with nontraditional profiles and from different hiring sources. In addition, multifunctional entrepreneurial teams have been established. People switch teams, share best practices, and collaborate. Throughout the organization "bold new experiments" should be encouraged.

Future

Since the shop was Ahmed's dream, his baby, he was afraid to depend too much on his managers and took all decisions by himself although it meant more time in decision-making. This was also partly due to his self-belief and self-confidence. One year has passed since the managers have left and Ahmed is still at the helm. The two new managers appointed are happy to follow Ahmed's directions but the elusive growth that Ahmed had for so long wanted is still out of sight. Ahmed is open for suggestions and wished at this point two things: Firstly that only if he had attained enough knowledge through education and training he could have attained faster growth. Secondly if there was a person who would guide him to his ultimate success: to develop a restaurant chain as fast as he can. However no one can doubt that Ahmed is a seasoned entrepreneur: A product of both nature and nurture.

Sweet Homes LLC				
Projected profit & loss Accounts for the Three Years				
	Particulars	Amounts (Ro) 1st Year	Amounts (Ro) 2nd Year	Amounts (Ro) 3rd Year
A	Sales	15,00,000	28,00,000	49,00,000
	Direct Materials	4,50,000	8,68,000	14,85,000
	Direct Labor Cost	3,75,000	7,56,000	13,05,000
	Direct Cost	1,05,000	2,24,000	4,05,000
	Total Direct Cost	9,30,000	18,48,000	31,95,000
	Gross Profit	5,70,000	9,52,000	17,05,000
	Indirect Cost:			
	Depreciation of the Equipments	2,85,000	4,76,000	5,22,000
	Depreciation of the office equipment	28,500	47,600	65,250
	Indirect laborers	1,14,000	1,90,400	2,61,000
	Power	11,400	19,040	26,100
	Telephone	45,600	85,680	1,30,500
	Fuel Expenses	62,700	1,14,240	1,69,650
	Work man Compensation	18,750	37,800	65,250
	Fines & penalties	4,200	8,960	16,200
	Insurances	51,300	85,680	1,17,450
	Advertisements	120000	150000	180000
	Total Indirect Expenses	7,41,450	12,15,400	15,53,400
	Net Profit or/ Loss	-171450	-263400	151600

Figure 1: Income Statement for Sweet Homes for the Year Ending 2010, 2011, and 2012

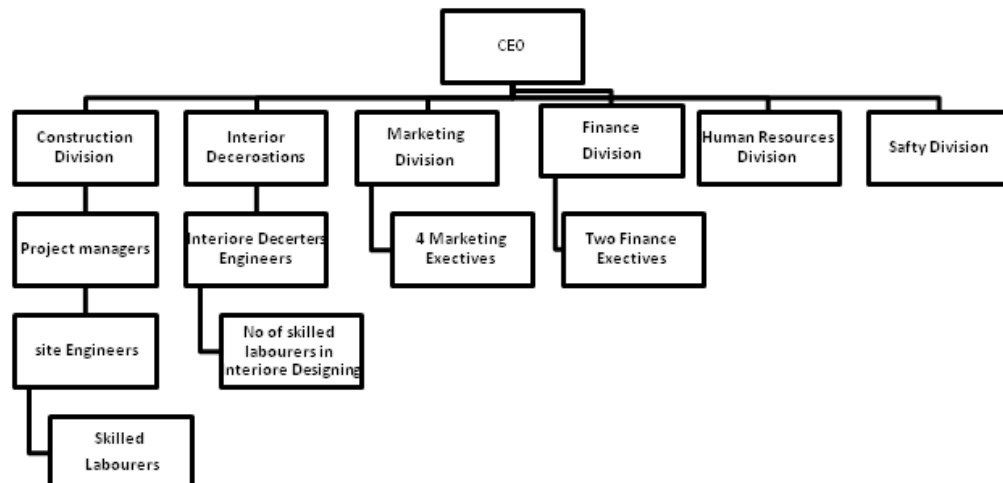


Figure 2: Management Structure of Sweet Homes LLC

FURTHER DISCUSSIONS

The fact is that the entrepreneurs and the small and medium enterprises (SMEs) they create contribute up to **78 percent of employment** and **more than 29 percent** of GDP in developing economies. These types of businesses play an invaluable role in creating jobs, spurring community growth, and alleviating poverty. Some of these SMEs create even more value by generating clear, measurable environmental benefits. But the problem is that these entrepreneurs face a host of challenges when it comes to growing their businesses and succeeding. The reasons for this failure are various. Like, accessing finance, attracting and maintaining quality human capital, tackling limited markets and mindsets, overcoming unsupportive policies, coping with risk and uncertainty, and distributing their products and services.

CONCLUSIONS

Taking a risk is crucial for any entrepreneurial success but fostering an entrepreneurial environment helps in a longer run. If companies can create products and services that have significant social value, lead to business growth and wealth creation, and are sources of competitive advantage. Currently open environment of the Internet has been a catalyst for entrepreneurs. Communication is free and open, with no barriers, which has created an unprecedented flow of information, connectivity, and collaboration. Entrepreneurs should provide the innovative business models, technologies, products, and services that can shape growth that's truly economically *and* environmentally sustainable.

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