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### FAILURES LEADING TO SUCCESSFUL ENTREPRENEURS: AN ANALYSIS IN JEDDAH, SAUDI ARABIA

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**Keywords: Entrepreneur, business, sustainability, success, failure, management, Saudi Arabia**

#### ABSTRACT

Failure to work is an important result of entrepreneurial activity, but the area of underdeveloped research remains. This study focuses on the attitudes of entrepreneurs with previous experience of failure. The aim of this research was to learn from the experience of successful entrepreneurs and to verify that failure is a successful business agent. This work was carried out using quantitative approach. The sample population was entrepreneurs from Jeddah, Saudi Arabia. The total sample size was 28. Data collection was done using survey questionnaire. The data was analyzed using SPSS software. The findings have shown that planning, performance, good management and dedication is the key to a successful business. Furthermore, results have shown that lack of familiarity with finance and accounting, lack of experience in the commercial market and confusion of expenses and personal salary were the reasons for business failure. In addition, the result showed that the entrepreneurs need to have competitive advantage, growth, expense control, developing their scientific and practical skills for their business to function better.

**Keywords: Entrepreneur, business, sustainability, success, failure, management, Saudi Arabia**

#### INTRODUCTION

Over the last decades, the views on entrepreneurship have developed towards a mutual consensus on its significance to economic society [1]. Entrepreneurship receives considerable interest from both scientists and policy makers. Entrepreneurship, however, has many characteristics. This divergence is in order to further explore the views of the traditional contributors to the concept of entrepreneurship, as well as in the actual world. By refreshing entrepreneurship, the current objective is, in particular, to stimulate people who will be successful after starting up their businesses [2]. In view of the great diversity within the (potential) group of entrepreneurs, there is a need for a particular perception of the factors that define the success of start-up entrepreneurs

Business can be a means of success or failure for both entrepreneurs providing new products or services, people simply managing and owning a subsistence company [3]. Business was also at the same time a means of entrepreneurship and a source of employment and income. Failure has been widely proclaimed as a precondition for learning, a perception that has received significant interpretation in the research on human

psychology and organizational behavior [4]. The productive learning advantages of failure are especially significant in the sector of entrepreneurial activities, in which a huge number of enterprises struggle per year. That being said, entrepreneurs can fail in a business organization, learn from their challenge, and soar from the ashes to succeed in a consequent project [5].

Planning every aspect of the venture from finance to labour, to having an exit strategy, are important segments for a successful venture [6]. In addition, planning is only one way to succeed; the ability of an entrepreneur to be honest, ambitious, and regimental is a few of the characteristics that make a successful entrepreneur a success. Likewise, while inclusion is normal, it is not longevity. In other words, while huge numbers of companies have entered most marketplaces in most years, the sustainability of new companies, particularly de novo entrants, is limited [7]. This is due to the poor planning executed by the entrepreneurs, which results in the short-term sustainability of a firm. Furthermore, population scientists have found that the success rate and sustainability of organizations depends on age [7].

Business people and independent enterprise achievement and failure have been the subject of broad exploration [8]. It is essential to know the external, inner and inspirational variables that are responsible for starting up a business, the boundaries looked at during the underlying and unceasing degrees of exchange and guidance, and to help open up business visionaries [8]. According to Dutta and Sobel [9] business failures are due to weak performance, weak management of technical skills, financial issues, business planning and organization, economic issues, informal issues, weak management of conceptual skills, staff skills, education and less training, and weak relationships. Furthermore, according to Eklund et al. [10] in order for a business to be successful, it needs to have proper management of specialized skills, to select an appropriate workforce with related skills, train and give more consideration to staff preparation, usage of reasonable skills, focus on budgetary issues, improving business relations, review the monetary state, managing organization and resolution of its business and casual issues.

Entrepreneurship is the ability of an individual or a group of individuals to make an opportunity and to make use of it for the community, which encourages innovators and their institutions to succeed [11]. Furthermore, entrepreneurship and economic growth are closely linked, particularly in Saudi Arabia (KSA), to entrepreneurship and entrepreneurship. There are some experiences of past failures of successful entrepreneurs in KSA. However, these failures avoided by a number of ways represented in innovation are a key success factor in many entrepreneurial settings [12]. An entrepreneur in any industry must remain in touch with his or her market, even if this means re-inventing a business multiple times. Having industry knowledge, being up-to-date on trends and being innovative are extremely important in any business.

Entrepreneurship scholars have progressively initiated to try to understand why failure impacts business owners, and also their willingness and opportunity to launch new firms [13]. Failure is a life-altering event with risks resulting for all key areas of an entrepreneur's career, with financial, psychological, social and physiological expenses. Researchers have investigated how business people use distinctive adaptation practices, deal with the cycle of disaster recovery, use self-empathy to control pessimistic feelings, and embrace inspirational perspectives despite disappointment [14].

Nevertheless, to the author's best knowledge, minimal works have focus on analyzing the experience of successful entrepreneurs overcoming failures in Saudi Arabia. Thus, this

paper presents an investigation on the past failures of successful entrepreneur in Saudi Arabia.

**METHODOLOGY**

This work was carried out using quantitative research method. This method was used to compare between entrepreneurs who have experience in business and others who are start with no previous experiences in Jeddah, Saudi Arabia. Data collection was done using online survey method. In addition, the relationship between two variables, failure factors and successful entrepreneurs were analyzed. The collected data were analyzed using SPSS software and also using basic percentage statistics. The sample size of this work is 28 entrepreneurs from various business organizations in Jeddah.

**RESULT AND DISCUSSION**

***Demographic Characteristics***

Table 1 shows the demographic results. Based on Table 1, in terms of age, 17.9 % were in the age group of 18 to 26 years, 60.7% were in the age group of 27 to 35 years, 17.9% were in the age group of 36 to 44 years, and 3.6% were in the age group of 44 to 52 years. Next, in terms of education level, 3.6 % have completed high school, 71.4 % have completed bachelor’s degree, 21.4% have completed master’s degree and 3.6 % have completed other relevant education level. Next, in terms of business size, 71.4 % were small level, 25.0% were medium level and 3.6 % were large level.

Table 1. Demographic characteristics

<b>Age</b>	
<b>Group</b>	<b>Percentage (%)</b>
18 - 26 years	17.9
27 - 35 years	60.7
36 - 44 years	17.9
44 - 52years	3.6
<b>Education</b>	
<b>Level</b>	<b>Percentage (%)</b>
High school	3.6
Bachelor’s degree	71.4
Masters	21.4
Other	3.6
<b>Business Size</b>	
<b>Level</b>	<b>Percentage (%)</b>
Small	71.4
Medium	25.0
Large	3.6

***Questionnaire Analysis***

Figure 1 shows the means, standard deviations, and chi-square test results for the questionnaire part 1 statements. Based on Figure 1, all chi-square values are statistically significant (p-values are less than 0.05), namely, there is statistically significant difference between the expected and observed frequencies, and in other words, there is significant difference between the respondents in their opinion toward these statements. According to

the mean, the statements had been ordered in descending order from the highest mean to the lowest, so, the following is found: 1. It was the only way I could make a living. 2. Didn't like working with others. 3. To be my own boss 4. To generate more money than I would while working as an employee in other firms. 5. To discover and fulfill my passions and the work I really want.

Statements	Mean	ST. D	Chi-Square	p-value	Acceptance level	Order
It was the only way I could make a living.	3.79	1.23	9.500	0.050	Agree	1
Didn't like working with others.	3.75	1.14	13.071	0.011	Agree	2
To be my own boss	2.00	1.28	20.929	0.000	Disagree	3
To generate more money than I would while working as an employee in other firms.	1.75	0.89	12.857	0.005	Strongly disagree	4
To discover and fulfill my passions and the work I really want.	1.54	1.10	33.429	0.000	Strongly disagree	5

Figure 1. Means, standard deviations, and chi-square test results for the questionnaire part 1 statements.

Figure 2 shows the mean , standard deviations and chi-square test results for the questionnaire part 2 statements. Based on Figure 2, all chi-square values are statistically significant (p-values are less than 0.05), namely, there is statistically significant difference between the expected and observed frequencies, and in other words, there is significant difference between the respondents in their opinion toward these statements. According to the mean, the statements had been ordered in descending order from the highest mean to the lowest, so, the following is found: 1. It is hard for me to understand businessmen who constantly aim at achieving new goals even after they have accomplished a lot of success. 2. Businessmen who have achieved more in business often display low morals and ethics. 3. While working on a group project, I prefer working under the leadership of others. 4. I feel like that certain decisions in my life are influenced by powerful people. 5. I like the challenge of circumstances that has related risk.

Statements	Mean	ST.D	Chi-Square	p-value	Acceptance level	Order
It is hard for me to understand businessmen who constantly aim at achieving new goals even after they have accomplished a lot of success.	4.21	1.23	17.714	0.003	Strongly Agree	1
Businessmen who have achieved more in business often display low morals and ethics	4.00	1.09	10.929	0.027	Agree	2
While working on a group project, I prefer working under the leadership of others.	3.86	1.11	15.57	0.004	Agree	3
I feel like that certain decisions in my life are influenced by powerful people	2.57	1.17	30.57	0.000	Neutral	4
I like the challenge of circumstances that has related risk.	2.14	1.21	12.000	0.017	Disagree	5

Figure 2. Means, standard deviations, and chi-square test results for the questionnaire part 2 statements.

Furthermore, the respondents were asked what is the key factor for building a successful organization. Thus, 39.3 % stated planning, 14.3 % stated performance, 25.0 % stated good management, 14.3 % stated dedication and 7.1% stated others.

Next, the respondents were asked what were the potential risks that they faced while starting off their business. For this statement, 39.3% responded donating personal time and health, 25.0% stated relying on cash flow, 21.4% stated abandoning the steady paycheck, 10.7% stated trusting a key employee and 3.6% stated new government decision and economic conditions.

Next, the respondents were asked what were the strategies that they had initially adopted to make the company function better. 57.1 % stated competitive advantage, 14.3% stated growth, 10.7% stated expense control, 3.6% stated long range, and 3.6% stated develop their scientific and practical skills.

Next, the respondents were asked what was their biggest failure while establishing a business. Thus, for this statement, 31.14% stated lack of familiarity with finance and accounting, 25% stated lack of experience in the commercial market, 10.71% stated confusion of expenses and personal salary, and 32.14% stated others.

Likewise, the respondents were asked how do they cope with their failure. For this statement, 60.71 % stated taking counseling from others who have experience, 25% stated renew the business plan and mode, 7.14% stated develop their skills through courses and others. Finally, 7.14% stated requesting assistance from government or private entities who support business projects.

Figure 3 shows ANOVA test results to test the difference according to age. Based on Figure 3, the result show that F-test value is (1.369&1.477) and p-value is (0.276&0.246) which is greater than ( $\alpha \leq 0.05$ ), i.e. there is no statistically significant difference between the respondents in their opinions toward the statements of the questionnaire according to their age.

Sources of Variation	Sum of Squares	df	Mean Square	F	p-value
Between Groups	48.248	3	16.083	1.369	.276
Within Groups	281.859	24	11.744		
Between Groups	30.032	3	10.011	1.477	.246
Within Groups	162.682	24	6.778		

Figure 3. ANOVA test results to test the difference according to age.

Figure 4 shows ANOVA test results to test the difference according to highest education level. Based on Figure 4, the results show that that F-test value is (1.297&1.649) and p-value is (0.298&0.205) which is greater than ( $\alpha \leq 0.05$ ), i.e. there is no statistically significant difference between the respondents in their opinions toward the statements of the questionnaire according to their highest education level.

Sources of Variation	Sum of Squares	df	Mean Square	F	p-value
Between Groups	46.057	3	15.352	1.297	.298
Within Groups	284.050	24	11.835		
Between Groups	32.931	3	10.977	1.649	.205
Within Groups	159.783	24	6.658		

Figure 4. ANOVA test results to test the difference according to highest education level

Figure 5 shows T-Test results to test the difference according to business size. Based on Figure 5, the results show that t-test value is (1.661&1.759) and p-value is (0.109&0.105) which were greater than ( $\alpha \leq 0.05$ ), i.e. there is statistically significant difference between small and medium in their opinions toward the statements of the questionnaire.

Gender	N	mean	Std.	t	df	Sig.
Small	20	13.6000	3.45497	1.661	25	.109
Medium	7	11.1429	3.07834			
Small	20	16.8000	2.74533	1.759	25	.105
Medium	7	17.2857	2.36039			

Figure 5. T-Test results to test the difference according to business size

### ***Overall Discussion***

Overall, results have shown that the past failures of successful entrepreneurs are very important in identifying the nature of business life. In addition, when the duration of the company is higher, the chances for success are higher [14]. Furthermore, new entrepreneurs have a higher prospect of early departure from the business sector. Likewise, the educational standard of the entrepreneur is also important for success, even if it is only when earnings are considered. In addition, experience and training are also important for the determination of success and the achievement of goals [15]. Having had experience in the same sector as the newly established business, the likelihood of success in making profits, the value chain and the survival of the market increases [15].

### **CONCLUSION**

This work has examined the past failures of successful entrepreneur in Saudi Arabia. This work was done based on quantitative method and 28 entrepreneurs were involved. The findings have shown that planning; year of experience, and skill development is the key for sustaining a business and overcoming business failure. In addition, enhancing business performance, good management and dedication towards business will contribute towards its longevity and avoid failure. It is therefore concluded that the world is developing day by day, and that the factors of failure or success are changing. Thus, entrepreneurs need to be aware of where these factors come from and how they can deal with them for long-term stability.

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