

ISHIKAWA (FISHBONE) ANALYSIS FOR UNDERSTANDING ROOT CAUSE OF ENTREPRENEURIAL FAILURE IN SULTANATE OF OMAN

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Abstract

Government of Oman has been encouraging young Omanis to be job creators than job seekers. In the light of this, entrepreneurship in Oman has become an important economic activity. The results are encouraging as nearly 42% of Omani youth showing interest to start-up their own small business. Institutions such as SME Development Fund and Al Raffd Fund have been encouraging entrepreneurs through financial support. But the major concern is about the success rate which has been alarmingly low as not all entrepreneurs succeed in their small business ventures. Thus, there arises a need to understand causes and reasons of entrepreneurial failure in Oman. The current paper addresses this crucial issue through the application of Ishikawa (Fishbone) analysis. This root cause analysis is based on literature review which explains various 'causes' and 'reasons for causes' of failure of small businesses owned by Omani entrepreneurs. Lack of professional business skills is found as one of the important reasons for small business failure in Oman. Other causes are lack of innovation (skill related) and lack of perseverance (behavioural related). This paper urges the need for providing professional support, 'equal to or more than financial support' to Omani entrepreneurs for succeeding in their small business ventures.

Keywords: Ishikawa, Root Cause, Business Skills, Innovation, Para-Marketing.

Introduction

Mission and vision of Government is to transform the Omani society into knowledge society (Al khonji, 2013) and this seeks demonstration of high levels of skills by Omanis in their work place (MDG, 4th National Report, March, 2016). Due to enthusiastic and ambitious entrepreneurial support of Government and other financial institutions, nearly 42% of Omani youth is showing interest to start their own businesses (Muscat Daily, 13 October 2013). But the main concern is about understanding that the success of entrepreneurship depends not only on innovative product ideas but also on professional business skills possessed by entrepreneurs. As it is known that marketing centric approach will enable organizations to succeed (Kotler et al., 2005), it is most important that the entrepreneurs apply marketing orientation in their business processes (Levitt, Theodore, 1960; Lorette, 2016). Though they think that they know the nature of their business, it is imperative for them to understand various other aspects that affect their businesses such as competition and government policy. As innovation is the key to success in small business management, Omani entrepreneurs need to familiarize themselves with innovative business skills through attending various training programs and acquiring certifications (Al Shanfari, 2012). Formal learning processes will be of utmost help in this process (*ibid*).

Objective of the Research

Main objective of the current paper is to identify the causes and reasons for causes of entrepreneurial failure in Oman. This objective is achieved through extensive of secondary data based on which Ishikawa (fishbone) analysis was conducted.

Methodology

This paper is based on secondary research. Various sources including government reports, reports of financial institutions and banks and research papers are reviewed for the purpose of understanding the problem. The Ishikawa diagram is based on the relevant literature review.

Ishikawa (Fishbone / Cause & Effect) Analysis

The below Ishikawa analysis demonstrates causes and reasons for low or moderate success or failure of entrepreneurs. This analysis is based on extensive study and understanding of the problem through available literature. It is evident from this analysis that improvement of marketing skill could considerably solve the problem in hand.

Chart 1: Ishikawa Diagram



Description of the Fishbone Analysis

Root cause analyses enable managers understand the causes and reasons for the problem being encountered (Vorley, 2008). The above Ishikawa (Fishbone) analysis (Ishikawa, 1990) demonstrates four major causes that may lead to low / moderate business success or small business failure of entrepreneurs in the market (Al Shanfari, 2012). Four main factors included in this fishbone analysis are Product, Process, Perseverance and Para-Marketing. This report presents the visualization of causes and reasons for the problem, i.e., low or moderate success or failure of entrepreneurs in Oman to justify the argument that filling the gap in business skill would enable the managers to considerably solve the problem.

Cause: Product

It refers to the basic business and/or the product being marketed. A wrong business or a wrong product can be a cause of low business success (Arasti, 2011). If an entrepreneur does not know the current need and the market situation, and thus fails to define his/her business, he/she may end-up offering a product that is unwanted and hence will not generate required sales (Levitt, 1960). It is beneficial to know the market demands before attempting to satisfy the needs and wants (Saunders et al., 2007). Attempting to make sales in a saturated market may not lead to any sales at all, as the need is already being fulfilled by so many other businesses, resulting into a mature market. Even if there is a demand for the product or the service provided, but the product lacks uniqueness and newness, it can lead to low sales and result in low business success (www.forbes.com, 4.6.2012). This calls for offering innovative products (*ibid*). Almost every product/service was once invented by someone previously (Masnik, 2011), but the innovation of that invention is what gives us the perception of having something new and unique (Grant Thornton report, 2009). Creative thinking and strategy in innovation can only be attained with the market knowledge and good marketing skills. Unfortunately, in Oman almost every business opened is similar to another existing, offering me-too products (Kane, 1989). Omani entrepreneurs often do not find innovation as a necessity, fear of trying something new can lead to lack of uniqueness which result in similar products being provided by various businesses. Generally, Oman's scientific and technology research base is in its infancy (Al Shanfari, 2012). According to the 2009 Global Competitiveness Report, Oman was ranked 66 in innovation.

Cause: Process

Another factor that can cause business failure or stand in the way of a business growth is how the business is operated and managed (Crawford, 1972). Many small businesses fail due to the lack of managerial skills and operational dilemmas (Cooney, 2012). Running a business isn't just about introducing a product to a market and expecting it to sell all by itself and requires strategies that guarantee success (*ibid*). Those strategies are made by great effort, analytical skills, creative and critical thinking and hard work as a result of which an entrepreneur is able to forecast certain possible scenarios. One of the main causes of failed start-ups in Oman is the limitation of education and knowledge support to Omani entrepreneurs (Al Shanfari, 2012). The science park that provides programmes and support in the region, The Knowledge Oasis, initiated by the Ministry of Commerce & Industry in 2003, however the capacity of this park is limited to 15 firms and is currently all occupied. The education system in Oman has also been accused of discouraging creativity and innovation (*ibid*). Omani individuals grow to be a more risk free and imitational entrepreneurs that do not explore alternatives. Mr. Al Shuily, a personality development expert and alternate therapist mentioned in an interview with Times of Oman "people like to copy and paste business ideas or strategies" (13 Feb, 2016). Almost half of the Arab CEO's believe that the education system produces an unqualified national cadre (Arab human capital challenge, 2009). However, even when there is very less knowledge support for Omani entrepreneurs, there are many bright minded and talented individuals with outstanding strategies for their businesses and have a very well foreseen business plan, however funding their business project is an issue that creates a downfall in their process management. Main challenges facing the SME owners in Oman are the policy and administrative challenges followed by the marketing and financial issues (Christina et al., 2014) which are adding to process related cause of small business failure in Oman.

Cause: Perseverance

Facing challenging and risk in the business world is a must. It is inevitable as it can raise entrepreneur's skills and improve managerial skills. If not faced in the right direction and with right orientation, those challenges can completely throw the business out (Vonortus & Kim, 2011). Not continuing the business in the long run and inability to survive through critical times could be the main causes of small business failure (ANAO report, 2009). Many young Omani entrepreneurs start up with an innovative idea and put all their energy in start-ups. They often start with excitement but fail to manage risks and unfortunately are not persistent to reach their goals (Al Shanfari, 2012). By being comfortable in their environment and not exploring alternatives, Omani businesses in the long run fail to compete, not only with the local businesses but international businesses that eventually take over the local market and lead to failure of Omani SMEs. Another reason for this cause is entrepreneurs' inability to support financially struggling businesses (*ibid*). Though there is support at the beginning of entrepreneurship (www.riyada.om/en-us/media/events/Pages/eventpage7.aspx), follow-up support in case of failure has not been sufficient (The Telegraph, 4.1.2008).

Cause: Para-Marketing

It is a term that might be confusing to many however para-marketing is a level beyond marketing. The term, 'para-marketing' (coined by the author) refers to entrepreneurs' actions and activities which are beyond normal marketing activities. Normal marketing activities such as managing marketing mix, CRM however need to be performed and they perform 'para-marketing' in addition to normal marketing activities. According to 'para-marketing' the entrepreneurs do activities such as guiding their customers regarding problems not related to their business, dropping customers at home, and a range of services that do not fall under the normal marketing framework (Raulerson, 2012). Entrepreneurs may have to be convinced about how much of a positive impact it creates on a business. Besides being able to satisfy the needs and wants of customers, when entrepreneurs solve other related and unrelated problems of their customers, it is then that the customer bonds with the business and the relationship grows stronger. The difference between the CRM strategy and 'para-marketing' strategy is that the marketer solves problems, even if they are not related to the business.

It is important for entrepreneurs to do all they can in order to make their customer relationships stronger (Patel, 2015). As a part of their 'para-marketing' strategy, when they go beyond marketing, they succeed in keeping customers closer and that close access to customers, helps them ease some operations in the business. An example can illustrate it better. An entrepreneur owns a designer wear shop that sells garments. A walk-in customer comes with an emergency situation and needs a pair of shoes which are not retailed by the entrepreneur in this example. But the entrepreneur assists the customer and resolves his/her problem. The entrepreneur solved the customers' problem even when it was not related to the business. This builds the business. The entrepreneurs may have to be trained in such emerging concepts so that they can reduce the risk of failure and succeed in their entrepreneurial ventures.

Conclusion

Entrepreneurship in Oman is in nascent stage and requires extensive boosting from government and professional bodies. It is not wise to expect professional business skills among entrepreneurs as majority still lack formal higher education and formal learning in areas related to business functions. Through the Ishikawa (fishbone) root cause analysis it was found that lack of required professional business skills is one of the main causes of low success/failure of entrepreneurs in Oman. And the reasons for that cause could be lack of marketing knowledge along with lack of formal learning process related to successful functioning of a small business. And based on this finding, it is recommended that the government and funding institutions may have to emphasise on providing business training to the fund seekers. Another important aspect is lack of perseverance in case of initial failure. And based on this finding, it is suggested that the funding institutions and government may have to support the existing failing entrepreneurs along with funding the new entrepreneurs.

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