

# EDITORIAL

## Allam Ahmed\*

Science and Technology Policy Research (SPRU),  
School of Business Management and Economics,  
The Freeman Centre, University of Sussex,  
Brighton BN1 9QE, United Kingdom,  
E-mail: allam@sussex.ac.uk

## Samar Saber Khan

College of Business, Effat University,  
Jeddah, Saudi Arabia

## Muhammad Rahatullah Khan

Business Innovation and  
Entrepreneurship Research Center,  
College of Business  
Effat University,  
Jeddah, Saudi Arabia

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\*Corresponding author

WELCOME to the inaugural issue of Middle East Journal of Entrepreneurship, Leadership & Sustainable Development (MEJELSD).

The aim of MEJELSD is to disseminate the information on latest changes, trends, developments, innovations and activities in the field of entrepreneurship. The field of entrepreneurship entails areas of study such as leadership, small and medium enterprises (SMEs) and sustainable development (SD). Hence the research in these areas will be incorporated. The journal will publish work from academics and managers in these fields.

MEJELSD is a new international, multidisciplinary, refereed journal aims as a forum for academics, practitioners and policymakers from around the world to exchange concepts, research, and best practices about entrepreneurship and leadership in the Middle East.

This unique initiative aims to integrate the study of these various disciplines to achieve SD in the Middle East and help to stimulate debate amongst scholars, researchers and policymakers within and outside the Middle East region with a view to defining common, effective responses to tomorrow's challenges. MEJELSD is also intended as a first step in paving the way towards further reflection on the future position and role of the region in the World.

## MIDDLE EAST REGION

Understanding the nature of problems, challenges and opportunities in the Middle East region is a very difficult task for many people outside its territories. Defining the territories of the region is the first obstacle that most researchers will face when examining any affairs within the region. The World Bank for example defines the Middle East region as Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank and Gaza and Yemen. Many other international institutions define the Middle East as extending from Morocco to Turkey along the southern and eastern shores of the Mediterranean and as far east as Iran and south to the Sudan, Saudi Arabia and Yemen. And while some recent books (Smith, 2006) about the region argue that it would be misleading to include countries like Sudan as part of Middle East, these neighboring countries have also been referred to as part of the Middle East region by different scholars and institutions (see Henry and Springborg, 2001). Therefore, the definition of the region is often unclear and so far, there is no single definition that fully captures the different key historical, cultural and contemporary factors such as Islam, oil, role of the USA, colonialism and the foundation of the state of Israel, but by being clear about our meaning of the region and the underlying assumptions, we can progress our understanding of the region and its future challenges and opportunities.

## THEME

Many scholars consider the Middle East region as one of the most important emerging parts of the world economy in the 21st century. The region is also strategically vital as it produces most of the world's oil. However, despite the region's oil, most Middle East countries score lower on Human Development Index (HDI) world ranking, with GDP, productivity and investment rates well below the global average. It is, therefore, becoming widely accepted that the dominant economic model of the region - based on the public sector, oil incomes and workers' remittances - is not up to the challenges of modern globalisation and the needs of advanced knowledge-based societies. Given the apparently contradictory needs of economic growth and

environmental conservation, it comes as no surprise that entrepreneurship, leadership and SD have had such a powerful influence in contemporary discussions on the future of the region.

## OBJECTIVES

The objective of MEJELSD is to promote the international exchange of knowledge, ideas and information about the very best research undertaken about the Middle East and critically analyzing key factors that are influencing and influenced by entrepreneurship and leadership in the region. The purpose of the journal is:

1. To bring together the research community in the fields of concentration from Middle East
2. To publish the scholarly work of the research community in the fields of concentration from Middle East and else where
3. To also publish work researched in other parts of the world when the editorial board will be confident that this research will contribute to the understanding of the entrepreneurs based in the Middle East.
4. To help and assist the academic and managerial community to learn and understand the developments in the fields of journal concentration in the Middle East

These key factors such as *economy; infrastructure; development; education; technology; etc* are essential for achieving business excellence and competitiveness in the MENA region. Therefore, MEJELSD will have a significant role to play in bridging the knowledge divide between the Middle East and the rest of the world and therefore help in the rapid generation and diffusion of knowledge within the region. Moreover, MEJELSD will consider new perspectives in entrepreneurship and leadership in the Middle East.

## CURRENT AND FUTURE DEVELOPMENT AND SCOPE

Over the past fifty years there has been a significant shift from the concept of establishing large scale conglomerates to small and medium enterprises (SMEs). SMEs impact on economic life and society is considerable. They play a central role in economy's ability to compete and continual revitalization. However, economic, management and applied management studies paid little or no attention to the particularities and meaning of such companies and person (entrepreneur) behind SME growth. This changed a recently and the subject of entrepreneurship is now widely studied and applied for examining SME's. The Entrepreneurship and SME development paradigm is now enjoys increasing public, political, and scientific attention. SMEs have become a driving force of modern economic systems and have reduced unemployment and poverty levels and provided many social benefits

## SMALL AND MEDIUM ENTERPRISES (SMES) CONTRIBUTION IN ECONOMIC GROWTH

According to U.S. Bureau of the Census, the U.S. Small Business Administration US international Trade Commission Investigation No. 332-508 USITC Publication 4125 of January 2010 it is well known fact that SMEs contribute significantly to the development and growth of efficiency in the U.S.A. particularly to innovation, job generation, and international competitiveness as shown by the followings:

**Economic activity:** The bureau further states that SMEs accounted for approximately 50% of private nonagricultural gross domestic product (GDP) between 1998 and 2004. SMEs accounted for approximately 30 percent of known U.S. merchandise exports between 1997 and 2007. In 2007, U.S. SME exports amounted to \$306.6 billion. Much of the growth in SME merchandise exports was attributable to an increase in the number of net new market entrants. SMEs contributed \$4.7 trillion to the U.S. economy in 2004, or roughly 50 percent of U.S. private nonagricultural GDP. The services sectors were the most important for SME economic activity, accounting for 79.0 percent of SMEs' contribution to GDP. The wholesale and retail trade sectors combined accounted for the largest share of SME GDP (15.3 percent), followed by real estate (11.6 percent) and professional, scientific, and technical services (11.1 percent). Manufacturing (combined with mining) ranked fourth among the economic sectors, accounting for 11.0 percent of SME GDP in 2004, followed by construction (10.0 percent)

**Number of firms:** According to census SMEs accounted for 99.9 percent of the 27 million employer and non-employer private nonfarm businesses in the United States in 2006. The vast majority of SMEs are firms with fewer than 20 employees.

**Employment:** the publication also states that SMEs employed roughly half of the 120 million nonfarm private sector workers in the United States in 2006. Employment within SMEs and larger firms grew by comparable rates between 1998 and 2006, and was largely fueled by employment growth in services and construction sectors.

**Innovation:** SMEs are an important source of innovation processes, products, and services and can be more efficient at producing innovation than large firms.

**Entrepreneurial opportunities:** SMEs provide important opportunities for all U.S. citizens to develop entrepreneurial skills.

The potential of SMEs to promote domestic-led growth in new and existing industries and to strengthen the resilience of the economy in a competitive and challenging environment is inarguable. According to Department of statistics of Malaysia, the economic growth in developed countries such as Japan, Korea, Taiwan and many others, was significantly generated by SME activities. The percentage contribution of SMEs to Gross Domestic Product (GDP)/total value-added ranges from 60.0 percent in China, 57.0 percent in Germany, 55.3 percent in Japan and 50.0 percent in Korea, compared to 47.3 percent attained by Malaysia. The SME growth is assessed by SME contribution to the three (3) main sectors of the economy; manufacturing, services and agriculture. This shows that small and medium enterprises (SMEs) have been the backbone of economic growth and driving industrial development. Due to their sheer numbers, size and nature of operations, the role of SMEs in promoting endogenous sources of growth and strengthening the infrastructure for accelerated economic expansion and development has been recognized. The close link of SMEs and franchise sector which are both entrepreneur have led to the further expansion of SMEs.

## INTERTWINING OF ENTREPRENEURS, SMES AND FRANCHISE SECTOR

In contemporary business the SME growth, entrepreneurship and franchise businesses are interrelated. Franchising is being used as development and growth strategy in numerous contexts across the globe; ranging from its use as entry to expansion mode and securing

competitive advantage; and has played vital role in small business development. The regional development banks have emphasized franchising in development of micro and small businesses in developing countries especially in social sector. Table 1 provides details of economic contributions of franchising.

A 2010 study by the International Franchise Association stated that franchising is responsible for 760,000 businesses, 18 million jobs, 14% of the private sector employment, and over \$500 billion in payroll with an estimated \$1.3 trillion in sales only in the USA. The growth trend of the sector seems to apply to Europe as well including the UK. Sales in the UK have grown more than tenfold from £ 0.9 in 1984 b to £ 9.6 b in 2004 and reached to almost the £ 10b mark in early 2006. According to BFA / NATWEST 2006 survey in UK, there are 718 franchise systems and 28,500 franchisees. The sector employs more than 29.34 million people in USA, UK, France and Germany.

In 2000, the median gross annual income, before taxes, of franchisees was in the \$75,000 to \$124,000 range, with over 30% of franchisees earning over \$150,000 per year. The U.S. Department of Commerce states that 90% of franchises are still in operation after 10 years, compared to just 18% for other forms of small business. This shows the importance of franchise sector role in SME growth and development as trigger of economic growth and curbing unemployment.

## **OVERVIEW OF ENVTPRENEURSHIP, SME'S AND FRANCHISE SECTOR IN SAUDI ARABIA**

Unemployment in the Saudi society is rife and many institutions including the government are initiating many projects and activities to boost local talent employment and employability. In Saudi Arabia, the scope of entrepreneurship development by primary industry is evident through its involvement in the extraction and collection of natural resources, farming and fishing. This played a major role in economic growth of the Kingdom as primary industry tends to make up a larger portion of the economy of developing countries than they do for developed countries.

Saudi Arabia is a consumer society and entrepreneurial activities remain with the major groups and business houses. These companies and entrepreneurs own and operate businesses in hotel, catering, processing, FMCG manufacturing (processing) and retail, automobile and related, imports and distribution, education, restaurants, real estate, private airlines and banks, investment houses, shopping centers and high-rise buildings, Oil, agriculture and the international franchise outlets ranging from United Colors of Benetton to PepsiCo and McDonalds. In franchising, the mode of business has been that of master franchisee. This cannot generate mass entrepreneurial activity or Saudization as the individual franchisee does not come into play. The kingdom hosts almost all the renowned international franchise brands in hotel, restaurant, fast food, clothing, fashion and footwear etc. However, it is of paramount importance that the economy is fed by manufacturing and specialized service sector in addition to the primary sector. This assists in generating employment and stimulates the economic activity and can trigger mass Saudization.

## **THE GAP**

The knowledge of academia, managers and practitioners is limited in the domains of Entrepreneurship and its areas such as Leadership, SME's and sustainable development in



relation to Middle East. This is because these domains are now getting increased attention of all the stakeholders from this strategically important region of the world. Therefore, there is a need to bridge this gap through an academic and applied journal.

## CONTENTS

MEJELSD publishes original papers, review papers, conceptual papers, technical reports, case studies, conference reports, management reports, book reviews, notes, commentaries, and news. MEJELSD particularly encourages papers that significantly bring new knowledge to the area both for academics and practitioners. Special Issues devoted to important topics about MEJELSD will occasionally be published.

## SUBJECT COVERAGE

Although the general theme and target will be entrepreneurship and leadership, there is no limitation to the articles that will be considered by MEJELSD. Articles can address these topics theoretically or empirically through either a descriptive or critical approach.

MEJELSD particularly encourages articles that significantly bring new knowledge to the area both for academics and practitioners. Papers can address topics theoretically or empirically through either a descriptive or critical approach. The following issues are for guidance only and are not restrictive:

- Entrepreneurship research and studies in Middle East
- Role of Women in Economic Growth and sustainable Development in Middle East
- Knowledge-based economy and sustainable development in Middle East
- Intra-preneurship in Middle East
- Leadership in Middle East
- Family owned businesses in Middle East
- SME businesses in Middle East
- Women in businesses in Middle East
- Social enterprise and entrepreneurship in Middle East
- Philanthra-preneurship in Middle East
- Franchise business in Middle East
- Service sector businesses in Middle East
- Relationships in the entrepreneurial businesses in Middle East
- Role of entrepreneurship in economic growth in Middle East
- Role of SME's in economic development etc in Middle East
- Organizational Strategy and Strategic Planning in an entrepreneurial business in Middle East
- Gender issue and Values in Entrepreneurship in Middle East
- Role of business, management and entrepreneurship in achieving sustainable development
- Business incubators, entrepreneurship and innovation in Middle East
- Change management in Middle East
- Role of multilateral institutions in sustainable development in Middle East
- Agribusiness management in Middle East
- Ecotourism and sustainable tourism development in Middle East and role of Service Sector in its development in Middle East
- Impact of financial crises and risks of innovation sustainability on SMEs in Middle East in Middle East
- Youth advocacy and sustainable Development in Middle East

## EDITORIAL BOARD

MEJELSD editorial committee is truly international in terms of the wide range of specialisation of its members and the validated academic background that they bring to bear on the quality of the review and the geographic areas (within and outside the Middle East) from where they have come with different editorial experience.

## INAUGURAL ISSUE

The response to our inaugural issue has been so high with many high-quality papers received covering a wide range of focus and scope of MEJELSD. The papers we selected have an interesting profile for the inaugural issue covering a wide spectrum of topics and focus. It is hoped that the ensemble of papers presented in this first issue will help to stimulate debate amongst scholars, researchers and policymakers that will ultimately lead to a more integrated and multidisciplinary approach to SD. Finally we hope you find our inaugural edition to be interesting and thought provoking and look forward to receiving your valuable submission and comments so we can continue to serve your needs to the very best of our ability.

## ACKNOWLEDGEMENTS

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Allam Ahmed  
London, United Kingdom



Samar Saber Khan  
Jeddah, Saudi Arabia



Muhammad Rahatullah Khan  
Jeddah, Saudi Arabia

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