Ethnic entrepreneurial success factors: evidence from the United Arab Emirates

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\textbf{ARTICLE INFO}

\textbf{Keywords:} Entrepreneurship, Entrepreneurial success, Ethnicity, Environmental factors, Sustainability, Middle East, UAE

\textbf{ABSTRACT}

This paper examines how personal, business, and environmental factors influence ethnic entrepreneurial success in the UAE, against the backdrop of the nation's concerted efforts to promote entrepreneurship and foreign investments in SMEs, as the means to attaining its goals of sustainable, long term economic diversification, expansion, and enhanced performance. The study adopts a mixed methods approach to investigate the key determinants of ethnic entrepreneurial success by utilizing primary quantitative data collected via a survey of 103 entrepreneurs. In addition, qualitative data is obtained from in-depth interviews of ten expatriate entrepreneurs. Whereas the quantitative results evidenced a significant impact of one personal and two business factors on ethnic entrepreneurial success in the UAE, with the environmental factors being insignificant, the qualitative results confirmed the importance of personal and business variables in achieving success, especially the role of support from ethnic groups. Further, interviewees' perceptions of the environmental factors' role were mixed, supporting the qualitative findings regarding the insignificance of these factors. Our findings are timely and beneficial for policymakers promoting ethnic entrepreneurship in the UAE and potential entrepreneurs intending to establish businesses within it. Furthermore, no previous studies have been found in the research literature regarding the factors influencing ethnic entrepreneurial success in the UAE, ranked fourth globally in the Global Entrepreneurship Index (GEI) 2020. Hence, this study's results merit policymakers' consideration regarding the adequacy and relevance of their efforts to promote startups and entrepreneurship.

\section{1. Introduction}

Since the onset of the Covid pandemic, many countries have set new and innovative policies to overcome the resultant economic challenges. In this regard, the governments of the six Gulf Cooperation Council (GCC) economies (that also include the UAE) have demonstrated a renewed sense of urgency to accelerate further their agenda of economic diversification, expansion, and competitiveness to ensure their nations' long-term sustainability (Rabbani and Ben Mimoune, 2021). The region has long felt the need for such diversification (Miniaoui and Schiliro, 2017; Kargwell and Inguva, 2012). However, the UAE has been the front runner in making significant strides towards attaining its economic diversification goals by deploying initiatives to boost entrepreneurship, SMEs, and private business investments, especially foreign investment (Callen et al., 2014; Kargwell and Inguva, 2012). These efforts placed UAE first in the Middle East and fourth globally in the Global Entrepreneurship Index (GEI) 2020.

Interestingly, UAE has outperformed many major global economies such as the United States, Canada, the United Kingdom, Australia, China, Japan, and South Korea (Arabian Business, 2021).

Generally, new business creation and the attendant role of entrepreneurs are universally acknowledged as critical drivers of economic growth, social development, and the competitiveness of nations (ElMassah et al., 2019; Domingo, 2017; GEM, 2016–2017). These aspects arguably hold greater significance for the UAE (and the GCC region) than for the rest of the world for several reasons. Also, 89 percent of the UAE's population are foreign residents (non-citizens). Most of these are engaged in Small and Medium Enterprises (SMEs) and entrepreneurial activity. Hence ethnic migrant entrepreneurs are playing a significant role in employment generation. Research by Morris (2006) claimed that 'there is no economic necessity for the UAE government to provide specific entrepreneurial options for their citizens. Economic conditions and labor market growth provide ample opportunities for all nationals to have jobs. However, this situation has changed quite radically since 2006. The need for the

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https://doi.org/10.1016/j.heliyon.2022.e09639
Received 6 December 2021; Received in revised form 5 February 2022; Accepted 29 May 2022
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hour is for the rapid establishment and profitable operations of SMEs and entrepreneurship, owing to reasons outlined briefly below.

The UAE has achieved significant successes in national development, with an approximate 1,000% rise in its GDP from $46 billion in 1995 to $418 billion in 2014 (BTL, 2016). In addition, the country owns the world’s 7th largest oil reserves (British Petroleum Statistical Review of World Energy; 2020). Also, it has a small native population of slightly over a million (less than 15% of its total population). Over time, the high oil revenues (with abundant resources) translated into an overstuffed public sector (Rutledge and Alkaabi 2017; Cyril, 2015), coupled with the preference of jobseekers for employment within it, given its better pay, shorter working hours, and higher status (Marchon and Toledo, 2014). In 2014 and 2015, global oil prices plummeted by about 50 percent resulting in a significant reduction in UAE’s oil income (and hence major public sector revenues) (Annual Economic Report, 2016). With anticipated further oil price declines, tight fiscal controls on public spending to reduce the dependence on oil revenues were institutionalized by the government, including trimming the bloated public sector. This raises the need for the expectation from the private sector (primarily SMEs) to assume the role of crucial employer of the nation’s citizens and other residents.

The UAE has been proactive in attempting to alleviate various barriers and unanticipated challenges faced by entrepreneurs and SME owners (Jones and Mosteau, 2019; Yaseen, 2014), with its belief that these efforts would facilitate the country’s post-oil era economic diversification, growth, and sustainable competitiveness (Minaouii and Schilirò, 2017). For example, UAE has legally permitted 100 percent foreign business ownership since 2020- which is epiphanous given its long-standing requirement of 51 percent local ownership of firms based outside its ‘free zones’ (Turak, 2021). Furthermore, an earlier measure aimed at enhancing the UAE’s conduciveness to SMEs’ healthy functioning and entrepreneurship has been the overhaul of its bankruptcy laws twice, during the years 2016 and 2019, to ease financial obstacles faced by entrepreneurs and investors (Godinho, 2020). In addition, in 2018, Abu Dhabi (UAE’s capital) launched an unprecedented three-year Dh50 billion stimulus package (‘Tajer’), allowing businesses to be set up by all GCC nationals and UAE residents with an Emirati partner without an office or physical presence. Also, it abolished the need for a two-year office or workspace license, permitting permanent home-based licenses instead. These measures were initiated to allow start-ups and SMEs to focus their time and money at the essential early stages of their business on growth and innovation, further increasing their contribution to the economy (Warner, 2018). The attraction of foreign direct investments (FDI) into the country to bolster its economic diversification and expansion agenda is another area the UAE has been vigorously pursuing. The UAE’s federal and regional governments enacted various legislations in 2020, allowing 100 percent foreign ownership for 122 economic activities across 13 industry sectors. These sectors include manufacturing, agriculture, construction, space, renewable energy, hospitality & food services, healthcare, transport & storage, information & communication technologies, professional, scientific & technical activities, administrative & support services, educational activities, art, and entertainment.

Furthermore, a new foreign investment law was approved recently (Federal Decree-Law No. 19 of 2018), which led to establish an FDI unit within the Ministry of Economics. The FDI unit is mandated to propose and implement FDI policies (Nordes, 2021). In addition, 10-year residency visas are now possible for investors and specialists in scientific, technical, medical, and research fields (GEM, 2018/2019).

The preceding initiatives have resulted in various positive outcomes for the UAE (UNCTAD’s World Investment Report 2020). The UAE registered an increase of 32 percent between 2018 and 2019, reaching USD 13.8 billion, making it the largest FDI recipient in West Asia’s sub-region in 2019 (Abbas, 2020; Nordes, 2021). The World Bank’s Ease of Doing Business ranks UAE 11th (in 2019) and 16th (in 2020) out of 190 countries (Augustine, 2020).

The FDI inflows (as discussed above) and enhanced SME activities have influenced the widespread introduction of foreign labor and ethnic (or migrants/foreigners driven) entrepreneurial activities, with the UAE’s citizens (Emiratis) only accounting for about 900,000 of the 8.1 million population, amounting to roughly 88.5 percent of the UAE’s population being foreign (Hamdan, 2019). Thus, foreigners presently drive much of the country’s entrepreneurial activities. This unique demographic feature and peculiar ethnic environment differentiate the UAE from conventional host economies, where non-nationals represent ethnic minorities and usually dwell in ethnic enclaves.

The UAE’s economic policymakers must consider the unique determinants of entrepreneurial success if they have to sustain the success achieved in increasing the growth of these activities. In particular, they have to give special attention to ethnic entrepreneurs’ success due to the significant contribution of the foreigners (non-citizens) to small and medium enterprise growth in the UAE’s economy. Our earlier argument also explains this awareness about what’s suitable for the ethnic entrepreneurs, arguably being good for the UAE.

Several scholarly studies focus on Ethnic Entrepreneurship (EE) (Ma et al., 2013; Ilhan-Nas et al., 2011). However, despite ethnic entrepreneurs’ significant contribution to the UAE economy, hardly any studies have focused on the UAE. The unique demographic of the UAE (as the majority of its population is non-native) provides an exciting and unique scope for studying its EE. There are many practical implications for policymakers in the UAE and the larger scholarly community interested in EE. Furthermore, investigating the factors that shape ethnic entrepreneurs’ success in the UAE would offer valuable insights into the potential measures to enhance this success and encourage more such activities. However, given the greenfield nature of this study and the multitude of success factors prevalent within the extant literature on general entrepreneurship (and not EE), this research restricts its scope to an examination of how personal, business, and environmental factors influence the success of ethnic entrepreneurs in the UAE.

The rest of the study is organized as follows: Section 2 contains a literature review. Section 3 describes the research methodology and data, followed by a presentation of the results and a discussion in Section 4. Finally, section 5 concludes the paper with some policy implications.

2. Literature review

2.1. Definition and the need for ethnic entrepreneurship in the UAE

Scholars such as Valdez (2008) define EE as ‘business ownership among immigrants and ethnic-group members, or both.’ However, we adopt a less ambiguous interpretation of EE as advocated by researchers including Honig (2020), Dheer (2017), and Rath and Swagerman (2011). According to them, ethnic entrepreneurs -also known as ‘immigrant entrepreneurs’- start businesses in their countries of settlement and become ‘self-employed’ and introduce their products and services to far-off places. Put differently, EE is about businesses run by migrant communities.

Recent years have witnessed a universal proliferation of EE. Although the rates vary widely across countries, sectors, and cities, ethnic entrepreneurs are known to create employment for themselves, and increasingly for the native populations of the nations they live in (Rath and Schutjens, 2019; Coduras and Autio, 2013).

The UAE reportedly has the highest fear of business failure rate globally. About 54 percent of the adult population feel that fear of failure would prevent them from starting a business. Thirty-three percent of its expatriate populace, who perceive opportunities, on the one hand, feel on the other that fear of failure would prevent them from starting a business. Further, of the 74 percent of those who expressed intentions to start businesses, only 4.6% indeed went ahead in 2017 (GEM-UAE-National Report 2017–18, p36). Facchini et al. (2020) reported the Emiratis liking for public jobs (that are in short supply now) and the existence of a specific culture unconducive to entrepreneurship. This leads Emirati nationals to refrain from undertaking entrepreneurial activities. This may
imply that by reducing the role of the public sector as an employer, EE needs to pick up the slack and generate employment within the UAE because citizen entrepreneurs’ likelihood of the same being achieved is somewhat distant.

2.2. Ethnic entrepreneurship in general

EE, although still a field with growing interest, is not new, as evidenced by the research of Ilhan-Nas et al. (2011), which exhaustively reviews the literature on EE spanning four decades. Several scholars (such as Hortig, 2020) argued that EE had developed a rich history and evolved over time as an academic discipline (Down, 2010; Drori et al., 2009). However, its establishment has been unduly slow due to scholars preferring to publish their work in more established discipline-specific journals (Down, 2010; Drori et al., 2009). Moreover, according to Light (2010), immigrant entrepreneurship-related research is mainly undertaken by sociologists and anthropologists (rather than management perspectives), thus leaving the literature still very limited and with much that remains to be unraveled. Resultantly, there is a reported lack of recent studies on contemporary EE and its current status (Ram et al., 2017; Ma et al., 2015). However, with increasing globalization and the large-scale migration of global labor, recent years have witnessed an enhanced need for understanding EE and the driving forces for ethnic entrepreneurial activities.

Research by Ma et al. (2013) reveals that international EE studies focus on Chinese ethnic entrepreneurs, followed by Cubans, Koreans, and blacks. On the other hand, countries that are relatively more researched in terms of being host to migrant entrepreneurs are S and other developed economies such as the Netherlands, Canada, Germany, and the UK (Rath and Schutjens, 2019; Ilhan-Nas et al., 2011). It is essential to highlight that despite the UAE’s high proportion of migrants (around 88 percent of the total population) and its impressive progress in terms of increasing EE & FDI inflows (as discussed earlier), most of the EE information in the UAE comes from the gray, rather than scholarly literature.

2.3. Factors affecting ethnic entrepreneurs

A few of the more notable themes that have evinced researchers’ interest in recent years include the impediments faced by entrepreneurs in the UAE (Jones and Mosteanu, 2019; and Yaseen, 2014); socio-cultural aspects of the UAE in relation to entrepreneurship, and the Emiratis’ recalcitrance towards the same (McLoughlin, 2013; Facchini et al., 2020); entrepreneurial performance in the UAE (Ahmad et al., 2018; Nuseir, 2018); women in the UAE’s SME’s (Gupta and Mirchandani, 2008); immigrant entrepreneurship-related research is mainly undertaken by sociologists and anthropologists (rather than management perspectives), thus leaving the literature still very limited and with much that remains to be unraveled. Resultantly, there is a reported lack of recent studies on contemporary EE and its current status (Ram et al., 2017; Ma et al., 2015). However, with increasing globalization and the large-scale migration of global labor, recent years have witnessed an enhanced need for understanding EE and the driving forces for ethnic entrepreneurial activities.

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Table 1. Entrepreneurial success factor.

| Factors          | Studies                                                                 |
|------------------|-------------------------------------------------------------------------|
| Individual or Personal | Kirby (2004); Hamidi et al. (2008); Robbin and Judge (2009); De Waal (2007); Kerr et al. (2018); Abdullah et al. (2009) |
| Business/Organizational | De Waal (2007); De Waal (2012); Gonzalez-Padron et al. (2008); Epstein et al. (2010) |
| Environmental     | Stephen et al. (2009); Audretsch and Thurik (2001); Wong et al. (2005); Spilling (1996); Rocha and Sternberg (2005); Olsson (2000); Verheul et al. (2006); Alvarez et al. (2011); Gnyawali and Fogel (1994); Lee and Peterson (2000); Hisrich (2000); Lerners and Haber (2000); Bygrave (2007); Howell and Nanda (2019); Rath and Schutjens (2019) |
development (Wong et al., 2005; Wennkers et al., 2005), access to infrastructure (Spilling, 1996; Rocha and Sternberg, 2005), education and training (Olsson, 2006; Verheul et al., 2006) and intellectual property rights (Alvarez et al., 2011); and, the nature of the economy, socio-cultural and political factors, availability of support services (Gnyawali and Fogel, 1994). These arguments that entrepreneurial success depends not only on the individual’s characteristics and behavior but also on the business environment are reinforced by Lee and Peterson (2000). However, in contrast, Hisrich (2000) contradicts the same and only finds a minor influence of environmental factors on entrepreneurial success compared to personal and organizational characteristics.

2.4. Literature gap and research design

The preceding sections drew from the research of Lerners and Haber (2000) and Bygrave (2007) to illustrate the factors considered essential for entrepreneurial success. However, it is necessary to understand that immigrant/ethnic entrepreneurs face particular challenges in setting up their businesses (Howell and Nanda, 2019; Rath and Schutjens, 2019), which arguably are different from those discussed above. Due to the lack of research on the challenges and factors that determine ethnic entrepreneurial success (discussed earlier), there could be misconceptions that ethnic entrepreneurs' success and sustainability are contingent upon the same factors as other (non-ethnic) businesses. In the UAE’s context in particular, while the literature on entrepreneurship is pretty shallow, no studies highlight the success factors applicable to its ethnic entrepreneurs, as is the case with a few countries in Europe and North America (Rath and Schutjens, 2019).

Given the proven importance for ethnic entrepreneurs to succeed in the UAE and the government’s various initiatives to facilitate the same, especially given that the existing culture runs counter to the success of the Emiratis in entrepreneurship, hence job creation (Facchini et al., 2020), this is a critical gap that needs addressing.

Therefore, this study investigates the factors that contribute to the success of ethnic entrepreneurs in the UAE. The research focuses on three success factors in tandem with previous evidence from the earlier literature, as described in the research design in Figure 1. Accordingly, the three main factors determining ethnic entrepreneurial success are personal, business, and environmental factors. Based on these three factors, the following three hypotheses are investigated.

\[ H_1: \text{Ethnic entrepreneurial success is affected by entrepreneurs' factors} \]
\[ H_2: \text{Ethnic entrepreneurial success is affected by business factors} \]
\[ H_3: \text{Ethnic entrepreneurial success is affected by the UAE environment} \]

As stated earlier, our research is focused on the UAE. Also, recall that we define EE as the entrepreneurship of expatriate residents living in the UAE, which is consistent with the meaning assigned to the term by scholars including Waldinger et al. (1990); Honig (2020), Dheer (2017); and Rath and Swagerman (2011). We consider expatriates as those with a non-Emirati culture and shared migration experiences. It is also worth noting that despite forming the majority of the country’s population, expatriates in the UAE face similar overall circumstances as minorities elsewhere. They are considered temporary immigrants whose residences are contingent upon having good jobs, which means they lack security. They also generally lack power, as economic leadership is mainly dominated by the national government and some large foreign investors.

3. Research methodology and data

Churchill and Iacobucci (2006) claim that interpretivism aims to perceive the world through other people’s opinions, thoughts, and observations, allowing for varied outlooks on reality. In like vein, Bryman and Bell (2011) describe interpretivism as a filter between the natural and social sciences. Positivism is used for a highly structured methodology to evaluate results with the help of statistical methods to enable generalization and quantifiable observations.

The current study investigates the effect of personal, business, and environmental factors on ethnic entrepreneurial success. Therefore, both positivist and interpretivism approaches were used. The research framework is presented in Figure 2. This study follows five main steps. First, the main independent and dependent variables were identified. The independent variables are grouped into three main categories. The first group includes personal factors (risk behavior, educational background, family history of entrepreneurship, ability to develop culturally with different groups, experience in the industry, and talent). The second group includes business factors (network/connections, support from the relevant ethnic group, family/friends support, relationship with business partners, uniqueness of product, available personnel at the start of business, availability of funds, availability of external finance, and the role of the local sponsor in business operation). The last group includes environmental factors (UAE as a location for business, regulatory frameworks, macroeconomic scenario, and ease of doing business in the UAE).

As mentioned earlier, the literature review suggests that these factors are seen as important and distinguishing features of EE. The dependent variable, ethnic entrepreneurial success, is represented by two indicators: commercial success and survival (for at least five years).

Second, two sets of surveys were designed, as the study applied both quantitative and qualitative methods. The quantitative survey was structured into three sections; demographic information of entrepreneurs, the success of their business, and factors affecting this success, each assessed on a 5-point Likert scale. The sample of the entire questionnaire can be found in Appendix.

Third, the reliability of the survey instrument was tested through collaboration with an experienced quantitative research consultant to complete an “expert-driven pretest” of the survey to identify potential problems with questions or response options. We adopted this approach to avoid logistical constraints concerning piloting the survey by directly contacting respondents. Besides this, the pilot questionnaire was also sent for feedback on clarity, structure, and possible omissions to several academic-researcher colleagues and businesspersons familiar with the topic.

The fourth step involved identifying participants and sample size. The UAE market was screened to target ethnic entrepreneurs using a simple random sampling technique. Prior studies in similar fields used similar sampling techniques (Abimbola and Agboola, 2011; Tur-Porcar et al., 2018). As per the Global Entrepreneurship Index (2019), 8.2 percent of the adult population of the UAE are classifiable as entrepreneurs. 70 percent of these entrepreneurs are expatriates, which means that our population totals 5.18 million. In line with Saunders et al. (2009), the recommended sample size to estimate the expected proportion with 5
percent absolute precision and 95 percent confidence is 385. Accordingly, we sent out 500 surveys and received 403 responses, a response rate of 80.6 percent (with 5 percent Margin of Error). It is worth noting that our sample is focused on existing enterprises, i.e., those that have achieved some success. Moreover, the study sample included only entrepreneurs or business owners who started their businesses from scratch. Otherwise, the survey was designed to terminate (survey attached in the appendix). Unfortunately, unsuccessful surveying enterprises were not possible since expatriates must leave the country in case of failure. During data cleaning process, 300 responses were identified as invalid or incomplete (completion rate: 26 percent). Hence, our final sample size dropped to 103 respondents. To complement the survey results, we conducted interviews as a qualitative research method for deeper insights into selected ethnic entrepreneurs regarding their perceptions of their success factors. For the interviews, we used opportunity sampling (personal contacts) for selecting interview participants. Ten interviews were held to obtain entrepreneurs’ opinions from different angles. The study applied multiple regression analysis to estimate the causal factors of ethnic entrepreneurs’ success and determine the best success predictors. Answers from both sources of analysis were combined to ensure the validity and robustness of the results.

4. Results

4.1. Descriptive statistics

The profile of respondents is presented in Table 2. A great number of respondents were male (90 percent), while female made up only 10 percent of the study population. The majority of respondents hold graduate or postgraduate degree (78 percent) and belonging to ages ranged between 40 and 56 years old (57 percent). The survey covered different ethnic groups. Given the high proportion of Indians within the expatriate community, a large majority (65 percent) of entrepreneurs surveyed came from this ethnic group. However, this group was split into those from Kerala and those from the rest of India due to the many Keralites residing in the UAE. In addition, 80 percent of our sample started their business in 2015 or earlier, fulfilling our study’s survival criterion. The majority of respondents started their business at the age between 31 to 40 years old (56 percent), reflecting a mid-career ambition, while a very small percentage of entrepreneurs started their venture at the age below 25 (two percent) and above 55 (one percent). The main sectors covered in our survey are retail and services, which account for 56 percent and 24 percent of respondents, respectively.
Age at which started the business

| Age at which started the business | % |
|---------------------------------|---|
| <25                             | 2 |
| 25-30                           | 12|
| 31-35                           | 21|
| 36-40                           | 35|
| 41-45                           | 17|
| 46-55                           | 13|
| >55                             | 1 |

4.2. Multiple regression analysis

We used multiple regression analysis to estimate the impact of personal, business, and environmental factors on ethnic entrepreneurial success in the UAE. The three factors are represented by the 19 identified independent variables as shown in Figure 2 and the survey presented in the Appendix. The estimated model’s results are shown in Table 3.

There is a significant impact of only three independent variables on ethnic entrepreneurial success: risk behavior (risk-taking capability of the entrepreneur), relationship with the business partners, and funds for the entrepreneur. Other factors do not have any significant impact on the organization’s success. In other words, only one (out of six) personal factors and two (out of nine) business factors were proved to significantly affect ethnic entrepreneurial success in the UAE. In contrast, all environmental factors have no significant impact. According to the aforementioned results, we accept $H_1$ and $H_2$ (for the three significant variables), while we reject $H_3$.

4.3. Interview results

The qualitative analysis is based on the information we obtained via face-to-face, in-depth interviews conducted with ten expatriate entrepreneurs in the UAE, to obtain deeper insights into their perceptions of the common factors that led to their success. NVIVO data analysis software was used to analyze the information gleaned from the interviews. The information lent itself well to categorization under three broad sub-themes: personal factors, business factors, and business environment. An elaboration of these three themes is provided in Table 3 below, and the paragraphs following the same.

In relation to personal factors—as shown in the above table—interviewees identified risk-taking capability, tolerance and flexibility in dealing within the multi-cultural environment as the main determinants of entrepreneurial success.”

These findings which are in line with the quantitative survey results suggest that an entrepreneur’s personal attributes such as ability to take risks and their flexibility in dealing within the multi-cultural business environment play a significant role in their success. Risk-taking capability indeed has a strong affiliation to an individual’s self-confidence as it gives the courage to leap forward and trigger that urge to take risk. It is important to note that a successful entrepreneur is not only a risk taker, but also a risk manager. The risk an entrepreneur has to deal with is usually associated with his/her control and skills. It is also related to their risk perception which is based on his/her experience (Macko and Tyszka, 2009).

As regards business factors, interviewees stressed the availability of finance, and qualified team personnel, and support from the ethnic community as being the main entrepreneurial success factors. The availability of finance or funds was also found to be one of the significant success factors among entrepreneurs who participated in the quantitative survey. It is not deniable that founding, running, operating and developing a company (Pticar, 2016), highly depends on adequate and quality financing. In order to have a successful business, especially for small and medium-sized entrepreneurs, it is essential to ensure stable financing and growth, as well as to be able to meet optimal investing decisions.

Furthermore, about two-thirds of our sample entrepreneurs had over eight years of work experience before starting their businesses. In contrast, less than 10 percent of the entrepreneurs had an experience of under one year or less. In addition, only 4 percent of entrepreneurs have stayed in the UAE for five years or more before starting their business. Respondents referred mainly to earning more money and seeking greater autonomy as their main motivations to become entrepreneurs. The data also shows that 62 percent of our sample consider their businesses successful (rated excellent/very good). In contrast, the other 38 percent have rated them as less successful (still active but success rated as good/fair/poor).

The vast majority of respondents stated that the main reason of selecting UAE as a business location is the easy availability of resources (76 percent), followed by a desire to stay in UAE (73 percent) and favorable government policies (64 percent) (Figure 3). This indicates a combination of personal, business-specific, and broader macro-economic ones. Successful entrepreneurs identified many factors behind their success. Results show that a relatively low initial investment is required to start a business in the UAE; 85 percent of the respondents reported less than $50,000 as sufficient to start a business. They said personal funding is the primary source of finance, followed by bank loans. Thus, entrepreneurs have leveraged their accumulated funds and the ease of availability of external funding (Figure 4).
Although support from the relevant ethnic group was not a significant success factor in the quantitative analysis, interviewees found it an important factor that supported the success of some ethnic groups in the UAE. This holds particularly true for Indians, as corroborated by the excerpt in Table 3 above.

In fact, such support and relationships are a source of mutual aid and support for group members, which in turn benefit individual members by advancing the group as a whole. It might also generate resources that facilitate entrepreneurship. These include ethnic-information channels that might supply information or knowledge of business opportunities, borrowing strategies that can supply capital to maintain a business; and networks that provide, for example, access to low-wage labor from co-ethnics. Some EE scholars (Aldrich and Waldinger, 1990; Valdez, 2002) also suggested that ethnic group membership is essential to entrepreneurial outcomes.

Finally, in relation to the business environment in the UAE, the interviewees’ responses were mixed. Although some interviewees supported the UAE’s role as an encouraging place for business success due to political stability and the ease of starting a business, others perceived the UAE business environment as increasingly challenging and not encouraging, because of the high degree of competition from larger firms, introduction of the value-added tax (VAT), and the high costs of licenses (see Table 4).

As described above, the information culled from the interviews seems to strongly correspond with the conclusive quantitative results discussed.
earlier. Thus, interview respondents supported the same statistically significant personal and business success factors generated through quantitative methods. Similarly, concerning the environmental variables, the interview results showed mixed perceptions of various respondents regarding the role of these variables in determining entrepreneurial success. This supports our case regarding the estimated insignificant impact of this group of variables using the quantitative approach.

5. Discussion of results

The study results proved the significance of only three of the 19 identified independent variables. Among personal factors, the risk-taking capability was found to be the only significant determinant. This is consistent with the findings of various empirical studies, including Hayton et al. (2002), Elmassah et al. (2019), and Abdullah et al. (2009). Two business factors were found to significantly affect ethnic entrepreneurial success: relationship with business partners and availability of funds. This is in line with the conclusions of Gonzalez-Padron et al. (2008) and De Waal (2007). However, in contrast to the findings of some empirical studies, factors related to the UAE's business environment were found to have an insignificant impact on ethnic entrepreneurial success.

Qualitative analysis of face-to-face interviews with ethnic entrepreneurs supported the role of the three statistically significant success factors. Qualitative results also showed a considerable part of the ethnic community's support for EE success in the UAE. The interviews, therefore, facilitated deeper insights into ethnic entrepreneurs' perspectives of their success determinants. Interviewees' opinions also explain the insignificant estimated role of UAE-specific business characteristics on entrepreneurial success. Ethnic entrepreneurs showed mixed perceptions of the business environment of the UAE, with some of them affirming its positive role in encouraging business success and welcoming expatriate entrepreneurs, and others shedding light on various challenges in the UAE that limit entrepreneurial success.

The UAE has demonstrated a willingness to enhance entrepreneurship levels and startups to support job creation, societal well-being, and economic diversification. New policies and procedures have been adopted to ease doing business for investors. As per the most recent GEM Report (2019/2020), these policies positively impacted the country, which placed the UAE among the most attractive global startup hotspots. These changes explain the significant progress in the UAE's entrepreneurship data between 2017 and 2019. In 2017, only one-third of the adult population reported good opportunities to start a new business in the UAE. This rate doubled in 2018 to about 67 percent, placing the UAE 8th among the GEM countries. Additionally, 61 percent of those who perceived business opportunities in 2017 stated they were deterred by fear of failure. However, in 2018, this rate decreased to

### Table 3. Entrepreneurial Success Factors based on Interview Data.

| Success factors common to all interviewees | Determinants of success factors common to all interviewees | Relevant interview excerpts |
|-------------------------------------------|----------------------------------------------------------|----------------------------|
| a) Personal factors                        | Risk-taking capability; tolerance and flexibility in dealing within the multi-cultural environment | One of the interviewees (a leading healthcare service provider in the UAE) said: 'One must be prepared to take calculated risks... it's very important to weigh your risks against your personal circumstances and not blindly get into business.' |
| b) Business factors                        | Availability of finance; qualified team personnel; and support from the ethnic community. | In relation to 'support from the ethnic community', one respondent said: 'Indians help each other. They regularly meet at the Indian club to help and support each other. Indians know how to ration their expenses, live basic life to achieve their targets. They know from where to bring the cheapest raw materials from their big Indian community. That's why they are the most successful ethnic entrepreneurs in the UAE.' |
| c) Business environment                    | Mixed responses received (discussed below)               | According to an interviewee: 'political stability and the ease of starting a business make the UAE an ideal place for businesses.' |

### Table 4. Multiple regression analysis of the ethnic entrepreneurial success.

| Factors | Variables                                      | Coefficients | S.E | Model Fit Information | Number of Observations = 103 |
|---------|------------------------------------------------|--------------|-----|-----------------------|------------------------------|
| Personal | Risk-taking ability                            | 0.237*       | 0.106 | Number of Observations = 103 |
|         | Expertise in the field/industry of operations | -0.145       | 0.075 | R² = 0.506            |
|         | Availability of the right talent for work      | -0.049       | 0.053 | Adjusted-R² = 0.393   |
|         | Education                                      | 0.033        | 0.041 | F-Statistics (19, 83) = 4.474 |
|         | Family history of entrepreneurship             | -0.009       | 0.033 |                          |
|         | Ability to integrate with others              | 0.053        | 0.093 |                          |
| Business | Relation with business partners                | 0.130*       | 0.059 |                          |
|         | Networking                                     | 0.097        |      |                          |
|         | Power & role of local sponsor in business      | -0.038       | 0.057 |                          |
|         | Support from own ethnic group                 | 0.045        | 0.053 |                          |
|         | Family & Friend support                       | -0.041       | 0.053 |                          |
|         | Uniqueness of the product/service             | 0.028        | 0.082 |                          |
|         | Availability of personal funds                | 0.248**      | 0.093 |                          |
|         | Availability of external funds                | 0.066        | 0.069 |                          |
|         | Initial employees at the start of business    | 0.034        | 0.499 |                          |
| Environment | Regulatory framework                           | 0.054        | 0.106 |                          |
|         | Macro-economic conditions                     | -0.084       | 0.08  |                          |
|         | Ease of doing business                        | 0.013        | 0.082 |                          |
|         | UAE as a business location                    | -0.146       | 0.093 |                          |
about 24 percent, the third-lowest among GEM countries (GEM, 2019/2020).

Our results showed a statistically insignificant impact of the UAE business environment on entrepreneurial success despite all developments described above. This might be explained by the fact that these pro-entrepreneurship policies were only recently introduced and would need more time to impact local businesses. This latter conclusion can also be supported by GEM 2019/20, which placed the UAE among the countries with the highest entrepreneurship growth expectations.

This study has added to the existing literature on EE theory in two ways. First, many studies have focused mainly on factors affecting EE opportunity or their decision to start up (Aldrich and Waldinger, 1990; Valdez, 2002; Ullah et al., 2016). Research on identifying determining factors, including personal, business, and environment, affecting ethnic entrepreneurial success is considerably scarcer. Thus, one of the main contributions of this research is to fill these gaps. This study contributes to the literature by focusing on the existing businesses and offers a comprehensive framework to investigate various factors that lead to ethnic entrepreneurs’ success. Second, by applying a mixed methodology, the study contributed to the literature on the importance of exploring both quantitative and qualitative aspects of ethnic entrepreneurial success through in-depth investigations. Additionally, the findings/contentions of our study are consistent with earlier studies—albeit general in nature—that support the view that entrepreneurial success is a multidimensional construct (Fisher et al., 2014) best captured by more than just financial and economic indicators.

6. Conclusion and policy implications

Despite scholarly predictions that the small-business sector would decline and eventually totter into oblivion, there is evidence to the contrary that most advanced economies have been witnessing a substantial growth in the number of small businesses and self-employed entrepreneurs (Droulety, 2018; GEM, 2017/2018). With the increasingly globalized world economy and the large scale of labor migration globally, the past years have seen an emerging need to understand EE and the driving forces for ethnic entrepreneurial activities (Down, 2010; Ma et al., 2013). Interest in self-employment and entrepreneurship has risen over recent decades as potential job creation and economic development engine. EE has also emerged as an essential field, highlighting cultural and ethnic values in business success. Though still evolving, various empirical studies have shed light on the factors behind ethnic entrepreneurial success stories in multiple countries. However, the aforesaid does not hold for the UAE, which stands out as a remarkable country. The UAE has become a fertile ground for entrepreneurs, and attracting tech businesses to the UAE, among other (Sagar, 2019). Although these incentives are evidence of encouraging policies, more efforts are required to address the challenges perceived by ethnic entrepreneurs. These can include reducing license fees, providing required finance, and offering tax incentives to support ethnic-driven start-ups and SMEs’ competitiveness.

Moreover, the country’s entrepreneurial ecosystem needs to be strengthened to foster an entrepreneurial culture that is characterized by innovation, acceptance of failure and calculated risk-taking, favorable attitudes towards EE, and encouragement of entrepreneurial aspirations. These indeed need the collaboration of all the relevant stakeholders, including government entities, large firms, banks, educational institutions, the community, and entrepreneurs themselves.

The findings of this study, in fact, inform the government and policymakers regarding the direction and sufficiency of efforts to promote start-ups and entrepreneurship among multiple ethnic groups. It also provides insightful data for researchers, as well as knowledge about factors leading to ethnic entrepreneurial success to guide policymakers in formulating effective and targeted policies and programs to stimulate and support the efforts of ethnic entrepreneurs.

However, we consider this study to be a starting point for additional research on EE in the UAE’s context (a greenfield area), including more variables and exploring the impact of recently adopted government incentives for entrepreneurship development over the coming years. Further research can also investigate whether there are differences in success factors across various ethnic groups in the country. The UAE is a representative example of all other GCC countries with similar economic and demographic characteristics. Accordingly, similar studies can be extended to investigate these countries. Quite significantly, the unique case of ethnic or expatriate entrepreneurs in the UAE and other GCC countries deserves more focus in the literature to show the challenges they face despite forming most of the population in these countries.

A fundamental limitation we faced has been the lack of updated and accurate official statistics on factors that are material to this study, such as the percentage-wise breakdown of business ownership by nationality, and statistics related to the numbers of year-wise establishment and closure of startups/small businesses, and their ownership, by ethnicity/nationality. An absence of such figures has hampered a more nuanced analysis of various factors that would further enrich this study.

Declarations

Author contribution statement

Suzanna Elmassah: Conceived and designed the experiments; Performed the experiments; Analyzed and interpreted the data; Contributed reagents, materials, analysis tools or data; Wrote the paper.

Reynold James & Sherene Bacher: Conceived and designed the experiments; Performed the experiments; Contributed reagents, materials, analysis tools or data; Wrote the paper.

Funding statement

Reynold James was supported by Zayed University.

Data availability statement

Data will be made available on request.

Declaration of interests statement

The authors declare no conflict of interest.

Additional information

Supplementary content related to this article has been published online at https://doi.org/10.1016/j.heliyon.2022.e09639.

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