



Babes - Bolyai University of Cluj - Napoca, Romania



Faculty of Economics and Business Administration

Department of Management

**A TYPOLOGY OF SMALL BUSINESS OPPORTUNITIES  
OF THE ARAB SECTOR IN NORTHERN ISRAEL: A  
CASE STUDY**

ABSTRACT

Submitted to: Professor Dr. Anca Borza

By: Yousef Break

Passport Number: 39603671



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## **Abstract**

This study was conducted to complement the disparity and knowledge regarding small businesses amongst the Arab population in Northern Israel. It aims to gather current information on the phenomenon studied, to explore the attributes of these businesses and their present condition, and to examine possible different attributes between this sector and the Jewish sector.

Everyone, and especially those aware of the subject of small business enterprises, knows how important and vital they are to economic development, and the extent to which they afford solutions to diverse socio-economic problems.

Small businesses are considered a growth engine and afford an important economic resource for existing difficulties and barriers. They are considered an economic and social solution for both the Arab minority in particular, and for the economy in Israel in general.

The research question explores what characterizes small businesses in the Arab sector in Northern Israel, whether there are unique attributes, and what is the condition of small businesses relative to others in the Jewish sector.

The research hypotheses note that differences will be found between SBEs in the Arab sector and in the Jewish sector in Israel, and that the harsh economic situation will exist amongst small businesses as they suffer from difficulties regarding infrastructure and distance, financing, competition and so on.

The first chapter presents theoretical perspective and literature review on the subject and on complementary issues.

This is followed by the methodology employed in this mixed method case study, which combines the qualitative and the quantitative research methods in order to balance the disadvantages of each method. The qualitative study employed semi-structured interviews to gather information from people in the field and from experts directly on the subject in order to understand in depth the phenomena studied, and content analysis was performed.

The quantitative research employed a questionnaire directed to businessmen from the Arab sector, to also compare and to diagnose findings from the Jewish sector in northern Israel to complete the sample and analyze the findings presented in the diagrams and tables.

Chapter three describes the sample and the research findings including the research population of 92 participant business owners from the Arab sector of northern Israel and 30 business owners from the Jewish sector in the same geographic area.

The discussion in chapter four pertains to the significance of the data found in both the qualitative and the quantitative sections of the study according to the categories

noted therein, followed by chapter five with the attributes, strengths, weaknesses, promoting and inhibiting factors in both initiatives and management, represented in an original model. These findings are further presented in a SWOT model. This chapter mentions the conclusions that can be drawn from the findings obtained in response to the research questions, and what should be learned from the study.

**Key words:** Small business enterprise (SBE), entrepreneurship in Israel, Arab sector, Northern Israel, Arab entrepreneurship, Arabs in the Israeli economy / small industry management, barriers to SBEs.

## INTRODUCTION

The proposed study dealt with small business enterprises in the Arab minority population, located in Northern Israel from the beginning of 2000 – the beginning of the 21st century. The Arab minority in Israel constitutes a large and diversified subdivision of the Israeli population steadily striving to enlarge its economic status and standards. This trend, which is felt in the Arab sector, partly follows the natural progress toward a decent livelihood and prosperity of the overall population, but also presents special characteristics dictated by the particularities of the sector. New forms and tendencies have been observed to appear in the challenging economic conditions of the 21st century.

During the last decade, Arab citizens in Israel, presently numbering 1.5 million people or almost 20% of the general population, have experienced frustratingly low levels of accessibility to State resources and services, and in this sense remain a weak sector (Sofer, Schnell, Drori, Atrash, 1995). Not enough employment can be found and unemployment figures run high. The Arab labor force as a whole earns less than their Jewish counterparts. In spite of reasonable immersion in the technological surroundings of modern life, the Arab sector lags behind the general income level and enjoys fewer benefits than the Jewish majority (Sofer et al., 1995).

The majority of Arab families inhabit the north of the country. Many live in rural areas related to traditional interests in agriculture. Family heads frequently hold jobs as service providers in the near surroundings, at times outside of it. They are professionals who have been typically trained as teachers, social workers, sales people and clerks. Some Arabs are involved in trade and industry. Arab entrepreneurship is known to be small or midsized, with notable exceptions (such as large, celebrated Arab wholesale family businesses) (Israel Central Bureau of Statistics, [CBS] 2014).

### **Presentation of the problem**

According to the perception of modern economy in the present time, small business enterprises (SBEs) are considered to be an economic "growth engine" (Decker, Schiefer, & Bulander, 2006; Ayyagari, Beck, Demirguc-Kunt, 2007). Small business enterprises and the development thereof are considered an economic resource, as the

size of those businesses allows them to be flexible and dynamic, and assists them in growing despite the many difficulties and barriers they face (Decker et al., 2006). Additionally, such entrepreneurship might constitute an effective solution for delayed economies such as the economy of the Arab sector in Israel, and contribute to integrating employees in the labor market (Khatib & Solomon, 2006).

In other words, the engine which drives the free economy globally is small business enterprises (Decker et al., 2006; Ayyagari et al., 2007). In Israel, as well, the SBEs drive the economy and comprise a significant part of the State economy. In 2007 some 400,000 such companies were noted - 99.3% of the total, with 55% of the Israeli workforce employed therein. While that is so, there are also many small businesses operating presently in Israel that belong to the Arab sector.

As part of the challenging economic conditions of the 21<sup>st</sup> century and from striving to improve the status and economic level of the Arab sector in Israel, a momentum of establishing various businesses amongst the minority has begun to appear as of 2000. From the beginning of the 21<sup>st</sup> century, many Arab communities have initiated a significant number of SBEs that are presently at various stages of development. Mostly, these are businesses of trade, personal services or craft businesses (Khatib & Solomon, 2006).

According to the forecasts (Israeli Ministry of the Industry, Trade and Employment 2010) the number of SBEs amongst the Arab minority is expected to even grow much more in the future, due to the extreme economic and social changes that take place in that society. Additionally, demographic forecasts indicate that the Arab population in Israel, that presently comprises about 20% of the overall population of the State, is expected to swell and to constitute about 25% by 2030 (Yaffe, 2010). Thus, naturally, growth in the number of small businesses owned by Israeli Arabs is anticipated. This means that the Arab minority in Israel is an important economic force which cannot be ignored, and as a large minority in the State it has a huge economic potential for the Israeli labor market.

Notwithstanding the great importance of SBEs of the ethnic minorities as an economic force, and despite the increasing global interest in them, this issue has not received sufficient research attention in Israel. In fact, the Israeli academia has remained indifferent to events in the Arab sector, despite the significant economic



activity of the minority and its effect upon the national economy. Thus, despite the great economic significance and the economic potential of small businesses in the Arab sector in Israel with the reduction of economic, employment and social gaps there, the issue has not received appropriate academic attention.

A new study by Heilbrunn and Abu-Asbah (2011) examines the weaknesses of business entrepreneurship in the Arab sector. However, it focuses on female entrepreneurship only, while employing the qualitative approach, so no presumptions about small businesses in the overall Arab sector can be made according to it.

In fact, there is only one study in recent years which addressed the issue – that by Khatib and Solomon (2006) whose unique work revealed the main barriers, obstacles and risks small businesses face in the Israeli-Arab economy. These include the credit crunch and lack of sources of financing, especially during the pre-establishment phase, initial marketing, managerial competencies and marketing skills. The study focuses on just two communities in the Arab sector and one peripheral community in the Jewish sector. Notwithstanding, there are still updated, unique and comprehensive data missing regarding the studied phenomenon since the beginning of the 21<sup>st</sup> century. Much current data is missing regarding the status, economic patterns, characteristics and unique needs of small businesses amongst the Arab sector in Northern Israel. Additionally, there is a lack of an updated study which examines both empirically and qualitatively the explanations and causes for disparity in status between small businesses in the Arab sector and those in the Jewish sector - whether it is due to problems such as discrimination, lack of awareness, religion and tradition or to other causes.

Much remains to be done. The present study belongs to this rarefied space and attempts to make a contribution, in isolating the challenges particularly typical of SBEs in the Arab sector, emphasizing female initiatives and identifying success factors despite the barriers they face, and emphasizing innovation versus imitation.

In addition to all the above, it should be noted again that the Arab sector constitutes a unique minority in Israel, which lags behind the strong Jewish majority in the country. The Israeli Arab businesses do not act in a void. They live and compete among a Jewish majority as well as amongst minorities. The social and economic standards are set in the State by the mainstream. A most challenging task is finding ways of valid

cooperation between the Arab economic sector and other entrepreneurs for the benefit of all parties.

The successful establishment and development of new firms has long interested economic scholars. Only limited evidence exists with regard to the circumstances of firm foundations and growth nowadays in the Israeli Arab context. Thus, relatively, very little is known regarding SBEs amongst the Arab minority in Israel in general, and in relation to them in the Jewish majority in particular, and not necessarily to businesses of Jews in peripheral communities.

Further it should be mentioned in this context that the existing data on the Arab economy, and Arab businesses in particular, are often lacking and ambiguous, due not only to the lack of up-to-date studies. The vast majority of entrepreneurs in the Arab sector act in their peripheral ethnic environment, thus their businesses are mostly limited to Arab communities. Many of the businesses in the Arab sector are located at home and are not registered or reported to the authorities. They are not supervised and the data on them is partial at best. From a theoretical viewpoint, this approach presents a big challenge for researchers. In addition, in many instances, the Arab business owners themselves prefer not to play according to the common rules of the game in the relevant branch. They tend not to cooperate with the relevant factors, as in the Arab community in general it is not common to report to surveyors from any source on subjects such as the provision of a livelihood, level of income, sources of income, etc., especially not in very small family businesses. Nonetheless, it is not enough to explain the deafening academic silence regarding businesses of an ethnic sector accounting for 20% of the population.

Therefore, the proposed study collected current and updated information regarding the studied phenomenon and examined the condition of those small businesses in the Arab sector in Israel and its causes. The study fills the void, adds the missing data pertaining to small businesses in the Arab-Israeli economy, and provides a comprehensive and updated picture regarding their condition and hidden potential, by means of a micro-study based on cautious and vigilant field work. This study examined the status, unique characteristics and differences of these businesses as compared to the status of small businesses from the Jewish sector. It is therefore based on data collected from business districts of the Arab sector in Northern Israel,

by means of questionnaires and in-depth interviews. As part of it, data was collected on businesses from the beginning of the 21st century, regarding various areas of employment. This is in order to try to evaluate the present condition of small businesses in the Arab sector, their unique characteristics (such as areas of employment, location, number of employees and their training, etc.) and differences regarding other businesses.

Limitations of time and place prevent covering all the economic and social benefits that would evolve out of familiarity with the condition and status of small businesses in the Arab sector and the development thereof.

Space is insufficient in this dissertation to detail the considerable economic and social benefits that will develop from familiarity with the condition and status of SBEs in the Arab sector. The concept of business initiatives was implemented in recent decades in the context of finding solutions to the above problems. Similarly, business enterprises are known to be connected to economic growth and to producing value. In Israel, too, awareness of the potential of SBEs is increasing. These businesses are usually flexible, dynamic, innovative, and adapt relatively well to market changes. In Israel, similar to the rest of the world, these businesses have a marked impact on growth and on employment due to their large number and broad distribution. Some 75% of these businesses in Israel are in commerce and services, with a high rate of product growth. It is customary to assume that the growth of SBEs is likely to lead to a reduction in poverty since they afford an employment track for the unemployed and a growth engine for the Israeli economy. In view of the potential embedded in them, institutional factors in Israel view encouraging SBEs as a vital social need and work towards the establishment of business initiatives (Zadik, 2007).

### **The research hypotheses**

Two main research hypotheses are hereby proposed:

1. Differences will be found between SBEs in the Arab sector and in the Jewish sector in Israel as most will be operated in rural and peripheral areas whereas SBEs belonging to Jews will mostly operate in urban and industrial areas, as there will be differences in fields of occupation, in familial character and integrate fewer women than in the Jewish sector

2. If the financial situation of SBEs in the Arab sector is reflected as inferior relative to those in the Jewish sector differences will be found between SBEs in the Arab sector and in the Jewish sector in Israel.

### **The research questions**

The current study attempts to examine in general what characterizes small businesses in the Arab sector in Israel.

1. What are the unique characteristics of small enterprises in the Arab sector in particular, which exist more than five-ten years and which have succeeded in growing and surviving?
2. What is the condition of these businesses in relation to small businesses from the Jewish sector in Israel, in particular?
3. What, if any, are the possible factors that could explain the difference between small businesses in the Arab sector and those in the Jewish sector?

These and more specific questions arising from the completion of interviews and from comparative work on the international plan constitute the probing blueprint of this research.

## **II. LITERATURE REVIEW**

The theoretical literature review observes that in recent years an increasing number of SBEs can be found globally, owned or managed by members of ethnic minorities. In the last decade and in recent years particularly there have been (and still are) significant changes in the directions of employment amongst these populations. These changes are often directed towards initiatives in general and towards initiatives of small businesses in particular. Today, therefore, ethnic initiatives and small businesses amongst minorities have become very popular concepts in modern multi-cultural society (Jaegers, 2008; Levent, Masurel, Nijkamp, 2003). It seems that addressing SBEs amongst minorities stems mainly from necessity, from the desire to escape poverty or due to a complex economic situation through self-employment (Ram & Jones, 2008).

This is similar to the Arab minority in Israel, whose business initiatives occur usually on the background of their being an alternative channel of employment in a society that is economically inferior (Zadik, 2007). Small businesses in general today, and small businesses within ethnic minorities in particular, are perceived as organizations that are able to create and encourage economic growth in cities and peripheral areas, or as a tool through which ethnic minorities can improve their weakened socio-economic status (Levent et. al., 2003). Although information is still lacking on small businesses of ethnic minorities globally, the review notes that these businesses have their own unique attributes that are more prominent regarding "regular" small businesses (Ram & Jones, 2003; Levent et. al., 2008). Israel and its Arab minority are not alone in everything connected to change in patterns of employment in the last decade, to the establishment of small businesses and the unique attributes of these organizations (Khatib & Solomon, 2006; Zadik, 2007). Hence it is generally assumed that differences will be found between SBEs in the Israeli Arab minority sector and SBEs in the dominant Jewish sector.

The review finds that in most cases globally business of the ethnic minority is concentrated in peripheral, more disadvantaged areas of the countries in which they are active (Ran & Jones, 2008). Business entrepreneurs from the Arab minority in particular are limited to ethnic-traditional frameworks that produce barriers to their geographical expansion beyond their regional networks (Schnell & Sofer, 2003), so that they are often limited to villages and to geographic areas of their entrepreneurs (Sofer et al., 1995; Drori & Lerner, 2002; Schnell & Sofer, 2002; Shaik, 2004; Heilbrunn & Abu Asba, 2011). Therefore, it is assumed that SBEs belonging to members of the Arab minority will usually function in rural and peripheral areas, while Jewish SBEs will usually operate in urban and industrial areas.

The literature further finds that minority SBEs globally enjoy unique attributes also as regards areas of employment and the heterogeneity of the work. In contrast to the "regular" SBE sector that is characterized by greater heterogeneity, the small business sector of ethnic minorities is characterized by centrality of the branch and employment in traditional and ethnic activity (Levent et al., 2003; Ram & Jones, 2008). Thus small businesses of the ethnic minorities around the world tend to be concentrated in the service sector (especially in retailing, food and catering and the restaurant business, trade and hospitality, transportation, clothes production and the

textile industry). (Inal, 2002; The National Employment Panel, 2005). Similarly, the reality amongst the Arab minority in Israel shows concentration in branches and small businesses that specialize in traditional fields such as food (Khatib & Solomon, 2006). These researchers observe that in the last two decades the establishment of diverse businesses amongst the Arab minority in Israel has enjoyed momentum - usually businesses in the fields of trade, personal services or handicrafts. Thus, it is assumed that differences will be found in areas of employment so that SBEs in that sector will specialize more in personal services, in handicrafts and traditional professions, relative to the SBEs in the Jewish sector. Similarly, it is assumed that differences will be found as regards heterogeneity in areas of employment, with that of Jews being more heterogeneous and including a broader variety of branches, while those of the Arab sector will concentrate on a more limited number of branches.

The literature review further observes that small businesses in the ethnic minorities rely on people who belong to the same ethnic group, usually family members and relatives who together create a flat hierarchic structure (Levent et al., 2003). These attributes are found also in the business world and in the Arab business culture in which the most dominant pattern of business organization is familial-tribal businesses (Fahed-Sreih et al., 2009; Hammoud, 2011). In the Israeli-Arab business world, where business are smaller and more familial (Khatib & Solomon, 2006), it is assumed that SBEs in the Arab sector will reflect more the character of the family business, relative to the Jewish SBEs.

The literature review also notes unique characteristics of the Arab business culture, as regards the gender-traditional division and the exclusion of women from the public-business space. Scrutiny of the theory indicates that the feminization process in Arab businesses is still in its early stages, so that this world is still considered mainly a male space, to whom women are considered subordinate. These norms are anchored in the Islamic tradition and religion (Almog, 2009; Hammoud, 2011). In the Arab world there is particular objection to female business initiatives, and the result is that traditional barriers still face Arab women who are interested in participating equally to men in the economy and in business, and take part in the national and global economy (Mathew, 2010). Similarly, women in Israeli Arab society, who are interested in being entrepreneurs and establishing businesses, do not enjoy family support and suffer from many traditional-cultural barriers (Lotan, 2005, 2011;

Heilbrunn & Abu-Asbah, 2011). It is therefore assumed that SBEs in the Arab sector will include fewer women, compared to Jewish SBEs. Other demographic attributes connected to businesses in the Arab sector are connected to age. In general, Arab SBEs can be characterized as entrepreneurs who began to establish their businesses at a young age, through recruiting a significant sum of money, often from family members or from independent savings. In addition, due to the family style of organization of SBEs, those working there are often members of the nuclear family, youth and children (Khatib & Solomon, 2006). Together with the high rate of unemployment in the Arab sector in Israel and lack of sources of employment in areas in which they live, the average age of the employees in these SBEs seems to be lower relative to that in the Jewish sector.

The literature review further finds that business of ethnic minorities are relatively small and have greater difficulty in handling challenges relative to other small societies (Jaegers, 2008). Small businesses of ethnic communities around the world face difficulties in development and growth stemming from diverse factors. These businesses often function in peripheral environments in which the variety of potential customers is limited from the outset. Their diversity of products or services is likely to also be limited, with some of them functioning in a particularly competitive environment in which price is the main parameter. Thus most of these businesses are in constant competition with other niches in the free economy market in which they try to survive. In many cases, this is competition vis-à-vis mainstream businesses that are usually held by the dominant majority in the country, that has greater resources and means (Ram & Jones, 2008). To all these, the language difficulties and cultural barriers, the lack of managerial knowledge, business information and so on should be added. Therefore, despite the progress in performance of small businesses amongst ethnic minorities, many of them are still "stuck" and have difficulty growing (Jaegers, 2008; Ram & Jones, 2008).

According to Khatib & Solomon (2006), who conducted their research in Israel, the reality still shows that despite the change in the size of the businesses they are small despite the growth in their number and of those employed in trade in the Israeli-Arab minority. These researchers aver this reality is connected, amongst other things, to the stiff competition from Jewish businesses working close to them (Khatib & Solomon, 2006). It is therefore assumed that Arab SBEs will be small compared to

Jewish SBEs as regards accepted parameters such as the number of employees, the annual turnover and balance sheet. The literature review further finds that the economic situation of ethnic minorities globally to be tougher in view of the existence of more barriers facing them. The specific difficulties of these businesses often prevent minority groups from realizing their business projects and exploiting the economic potential they embody (Jaegers, 2008; Ram & Jones, 2008).

It transpires that minority small businesses around the world suffer more from problems of access to financing and economic resources. Due to the lack of social integration, ethnic entrepreneurs tend to recruit wealth from family and friends and not from banks or other institutional sources. Ethnic entrepreneurs belong to a society with a low socio-economic status, and do not always have the financial resources necessary for establishing a business, thus greatly limiting the financing possibilities. The banks are not always interested in allocating credit to such entrepreneurs and businesses for fear that they do not meet their financial obligations (Schnell & Sofer, 2002; Khatib & Solomon, 2006). To this should be added the Arab business cultural attributes according to which is it less customary to turn to official financial establishments to obtain credit, and more customary to recruit wealth from family, friends and relatives (Sofer et al., 1995; Shaik, 2004; Drori & Lerner, 2002). In view of this, it is assumed that Arab SBEs will suffer more from problems of funding in their ongoing activity.

The literature review indicates that small businesses among ethnic minorities around the world rely less on formal support than do other average small businesses. The entrepreneurs of small ethnic businesses usually prefer less to use the formal government networks to obtain help and information, whether if due to a lack of available and accessible information or whether due to a lack of support and suitable infrastructures, or that can be ascribed more to the limited scope of support in this sector (Jaegers, 2008). Despite the lack of resources and physical infrastructures in the small business centers of the Arab minority, the scope of government support for small businesses in peripheral and ethnic businesses is not sufficient

The Arab sector avers that discrimination exists in government tenders for small businesses and in obtaining credit. Similarly, there is a large amount of bureaucracy that inhibits steps to open businesses in the Arab sector (due to not receiving permits



to employ workers, or in the preference of the Ministry of Defense of Jewish businesses). Furthermore, the business accompaniment plan and small business financing programs in the sector are few and their budgets are relatively low (Cahanov, 2012; Azoulai, 2013). In other words, there are complaints that the institutional support of businesses in the Arab sector are connected to the dynamics of reciprocal relations between the Arab business environment and the institutional environment. Thus, for example, compared to small businesses located in Jewish locales, the infrastructures in the Arab sector have not been improved. The theory generally indicates neglect, which is the lot of the Arab sector in Israel, that is manifested in the lack of consideration by the legislature and the government public institutions (Schnell & Sofer, 2002, 2003; Zadik, 2007).

It is therefore assumed that SBEs in the Arab sector will suffer more from discrimination from ongoing government policy that is manifested in a lack of access to resources, in problems of infrastructure and in neglect. To all these one should add the fact that business owners from ethnic minorities naturally encounter difficulties that are connected to language, lack of knowledge and familiarity with processes, the law or relevant regulations and tend not to rely on external consultancy services that would help them (Khatib & Solomon, 2006; Zadik, 2007; Ram & Jones, 2008; Heilbrunn & Abu-Asbah, 2011). These business owners lack competitive business information, tools and knowledge to manage businesses and promote marketing. Arab business owners in Israel are no different to other ethnic minorities in this context. It is therefore assumed that SBE owners will demonstrate greater lack of familiarity with their rights and obligations as part of their disconnect from public institutions, as well as a lack of awareness of business management.

Finally, the literature review notes various inhibiting factors that are associated with attributes of the Arab business sector, whose roots lie in traditional-religious norms and values. The Arab business culture is characterized by tribal-familial factionalism, by protectionism and by economic nepotism (Al Yahya & Vengroff, 2005; Almog, 2009; Hammoud, 2011). These traditional attributes affect the character of the business culture and development in the sector, and therefore, for example, hardly any companies or large factories rich in manpower are located in Arab sector (Almog, 2009; Hammoud, 2011). These cultural norms create a limitation that does not enable the Arab business world to break through from the economic perspective and to

develop due to the tendency, for example, to selectivity in the choice of manpower and the choice of managerial factors (Almog, 2009; Aldreheim, Edwards, Watson, Chan, 2012).

Moreover, studies that examined the Arab business culture note that generally in these societies there exist work attributes of collectivism compared to a low index of individualism. The Arab business culture is found to have authoritative leadership that reflects rules and laws, and strict regulations in order to strengthen the authority and the control in the business organization, and in order to promote collective interests. But these interests are not always compatible with the business development (Dedaussis, 2004, in Hammoud, 2011; Al Yahya & Vengroff, 2005). Additionally, the religious-traditional norms hold a place in shaping the style and character of businesses in the Arab world. The traditional Arab culture educates to obedience, paternalism, conservatism, conformity, collectivism, and to vertical values and usually does not exhort to individual excellence and to promoting the needs of the individual required in the competitive business world (Hill et al., 1998; Almog, 2009). The business domains develop like advanced technology, characterized by a non-conformist style of thought, by creative thought, improvisation, horizontal values, competitiveness, and achievement (Hill, et al., 1998; Almog, 2009).

To all these one should add the traditional–religious barriers that prevent Arab women from contributing their share to the business world (Lotan, 2005; Heilbrunn & Abu Asba, 2011), or the damage of the religious-traditional norms to the business opportunities of business people in the sector, since they include seclusion and relative disconnection from the Jewish business world (Almog, 2009). In view of this, one may assume that the inferior economic condition of the businesses in the Arab sector will be connected to religion and tradition.

### **III. METHODOLOGY**

#### **The mixed method research**

Further to the above, the development of a mixed research method stems from the drawbacks of the quantitative and the qualitative methods, that were conducted separately from each other. Thus for example, despite the effectiveness and the clarity of the quantitative research results the generalization, the simplification and the lack

of flexibility connected to it prevent deeper understanding of the processes, and particularly understanding the causality and the historical perspective that led to them. Similarly, the deepening and furthering of the plan that characterizes the qualitative research is often at the expense of the ability to contain the findings, and exposes it to a considerable degree to the need to handle subjective perceptions of those involved in the research. On this background the use of a mixed research array empowers the advantages of each research approach and reduces accordingly their disadvantages with one method helping to "cover" the disadvantages of the other.

Formally, the mixed research array is defined as a research method in which the researcher gathers and analyzes data and integrates the findings and conclusions that arise from them using a quantitative and qualitative research array in one research framework. Their main philosophical paradigm underlying the mixed research array is pragmatism, i.e., instead of being involved in meticulousness that is necessary due to the selected research method, the researcher chooses a broader research array that enables achieving more directly the research results (Teddlie & Tashakorri, 2009).

This is perhaps the place to note (Teddlie & Tashakorri, 2009) that in the past the attitude of the academe to this array was simply to a framework in which two studies were conducted in parallel, each from a different paradigm. But in recent years this research approach was recognized in itself, known with such terms as a hybrid research array, or a complex array. Nowadays, as noted, the term "mixed research" is becoming accepted and is becoming more popular amongst many researchers.

The mixed research array has several applications in the research field. Some researchers emphasize their combination, serving alternately at different stages of the research (Johnson & Onwuegbuzie, 2004). This emphasis is demanded in order to differentiate between studies in which there is integration between two research approaches and between studies in which two types of information are simply used.

In summary, the choice of a particular research array is not an arbitrary decision. It is motivated by current research questions and by research objectives, as well as by the research field and the character of the participants therein. It is influenced in particular by the researcher's ideology and his behavior regarding the world and the reality.

For this reason, this study that wishes to examine the attributes of entrepreneurship in the Arab minority sector in Israel, cannot suffice with the choice of one of the research methods. The choice of the qualitative method enables studying and understanding the complex reality in which entrepreneurs in this sector operate, but it will be too limited to offer a broad picture of this population segment. Counter to this, the choice of the quantitative method alone will be able to provide aggregate insights regarding attributes of the entrepreneurship of this sector, but will not be able to shed light on the attributes unique to it and on the unique context in which the sector operates. In view of this, an approach should be applied that will be able to extract the maximum benefit from the two research paradigms, and to empower the insights regarding the study itself from the symbiosis existing between them.

### **The quantitative and the qualitative research methods**

Guba and Lincoln (1994) refer to the term paradigm as to a collection of basic arts, whose existence cannot be verified or proven. On this background diverse research approaches and methodologies developed, that are unique in their different models regarding the nature of the research. In general, a research paradigm is a totality of perceptions. That does not only summarize the manner in which the research can answer the research question, but represents, as noted above, a collection of opinions with a connection and association between them that represent an organized philosophical approach (Rustomjee, 2001).

Thus, for the sake of the example, the quantitative paradigm avers that there is one reality or unique truth, that can be assessed through the use of statistical means. On the other hand, the qualitative approach stems from a natural paradigm that claims that the reality is, in fact, a person's internal subjective perception, influenced and shaped according to the culture from which he comes, by his personal experience and from the way in which he perceives the circumstances. When these perceptions are applied by researchers they represent a different philosophy, since while the quantitative researcher sees in the empirical data the representation of the truth or the reality that he wishes to expose, the qualitative researcher tries to identify certain truths in the research field and to examine their meaning through interpretation of the reality. Accordingly, the insights of both types of researcher are likely to be limited: the conclusions of the quantitative researcher, are influenced by the nature of the data,

while these data do not necessarily afford an exact, direct or inclusive representation of the truth they wished to expose originally. On the other hand, the qualitative researcher's interpretation is also affected by the cultural, social and, notably, the subjective world view of the researcher himself, that is likely to affect the way in which he will interpret the reality (Rustomjee, 2001).

In order to understand the differences between the two research paradigms it is customary to examine several dimensions of differentiation. The first is the existential ontological dimension, which aims to explore the question of the reality with which the researcher deals (Stake, 1995), and to describe this reality in a way that empowers his personal awareness, as well as that of the research participants (Shkedi, 2003). Researchers who use the constructivist approach believe that the manner in which they understand the context in which a phenomenon or event occurred is essential for understanding the reality in which they exist. Hence, constructivist ontological researchers relate supreme importance to the historical order in which the events studied occurred, to the nature of the research field and to the social dynamics that enabled the occurrences, and accordingly call for critical understanding of the field of this event (Stake, 1995).

In contrast, the quantitative approach, that stems from the positivist approach to reality, explored selected attributes of the phenomenon or of the process in a controlled environment, while the use of the cautious mathematical –logical approach assisted in the formulation and generalization of the reality. In this framework, the researcher should be objective and lack bias, and in particular may not influence the phenomenon, the process or their way of measurement in a manner that could influence the conclusions derived from the data and from the measurements collected. Moreover, also in cases in which such involvement, for example, as in cases of laboratory trials or the use of a control group, the researcher should be extra cautious regarding the moral and ethical principles (Rustomjee, 2001).

This is perhaps the place to mention the difference between the positivist approach and the constructivist approach in interpreting the empirical data. The positivist approach strives to organize the information hierarchically, and to present it in a linear fashion, in other words in a direct and unequivocal manner. In contrast, the constructivist approach strives to organize the information in a multi-dimensional

manner, that illustrates areas in which consensus exists regarding the subject studied, and areas in which there are differences of opinion regarding the style of interpretation and the connections between the phenomena and the processes that are to be researched, as they arise from the empirical data (Shkedi, 2003).

Another dimension for examining the differences between the research paradigms is the epistemological dimension (of knowledge). This dimension aims to examine and to learn what is knowledge, how it is generated, and how it can be expanded in the research context. The differences reviewed above between the positivist and the constructivist approaches are also manifested in the context of this dimension. Positivist research will see in the phenomenon examined sustainable reality, that stands alone and is not dependent on the researcher. Consequent to this approach, is the assumption that the phenomenon researched is not random, but functions consistently in a certain order, known and fixed in advance. From this assumption stems, in fact, that researchers are able to identify these patterns of occurrence, and to differentiate them from other events (regular events), and thereby to identify connections and attributes that explain these phenomena (Rustomjee, 2001). On the other hand, qualitative constructivist research will try to understand and to study the phenomenon as it is perceived by those who experienced it in practice. A broader perspective is, in fact, operating here, according to which the occurrence of a phenomenon is not necessarily a universal and fixed reality, but an event that is perceived as exceptional or unique only by those who experienced it. Hence, the way to understand this unique relative and subjective reality are subjected to these understandings that are experienced in practice, as well as the conditions and the reality that brought them to this experience and to this perception of reality (Rustomjee, 2001).

The quantitative positivist approach enables clearer differentiation between the reality and the subjective perception, and therefore makes use of distinguishing (statistical) tools for objective conclusions. In contrast, the qualitative constructivist approach focuses on the subjective aspect, and even claims that it affords a critical factor to understanding the phenomenon studied. In fact, according to this approach objectivism is the result of the ability to identify areas in which there is agreement regarding the perception of the reality and its interpretation introduced by the research participants (Stake, 1995).

The essential differences between the two research paradigms led to many differences of opinion regarding the quality, effectiveness and quality of the research practice, while giving prominence to the advantages and disadvantages embodied in each method. At the same time, the recognition is becoming established in recent years that this very diversity and variance are likely to benefit the world of research, in a way that their combination contributes to the validity and the reliability of the research in general (Hakohen & Zimran, 1999). The reason for this lies in the fact that the two research methods have different research objectives. Qualitative research aims to improve the awareness and the understanding of the phenomena and the diverse processes, mainly through an exact description of the reality. Improved understanding and awareness are based on a combination of theoretical knowledge and inductive critical thought, which are the result of the events. In contrast, the objective of the quantitative approach is to test diverse possible theories in order to confirm or refute them through deductive examination of connections between variables (Guba & Lincoln, 1994). Illustration of the differences between the two research paradigms can be seen in table no. 1 below.

### **The case study**

The research approach used in a case study is the inductive approach, i.e., the approach through which study and analysis of a single case enables obtaining more general insights on the topic studied. This fact has converted the case study to a popular means of exploring human, personal and organizational behavior, and of the processes that characterize individuals (Stake, 2000).

Analysis of an individual case, i.e., a test case, can be unique and special, including observations and gathering data, including significances that the researcher brings with him regarding the research topic, according to which epistemological patterns and knowledge about the social life are constructed, which are liable to afford an explanation for the human behaviors in general and is therefore termed descriptive theory (Hammel, 1992). These characteristics convert the case study into a common research approach in many areas of the arts and sciences, and of course in behavioral and social sciences such a sociology, anthropology, psychology, organizational counseling and education (Robson, 1993). Moreover, this research approach enjoyed diverse names over the years, and was originally associated with the qualitative

research approach. But nowadays a more expanded approach is accepted regarding this research approach, that stems from the very meaning of the word "case". This is also an expression that can serve to describe a variety of situation, events, or claims. This differentiation is particularly important since the term "case" does not pertain to a chance or random event but the opposite. It refers intentionally to the intention to identify in it fixed patterns that are typical of human behavior, that can be included in cases or other populations. In other words, analysis of the case may certainly raise random issues, but this is not the main aspect of the analysis. This is identifying the attributes of the case that are not random but may also be characteristic of many cases (Antonovsky, 2013).

### Research Design

Stage	Objective	Research tools	Objective	Research population
Stage 1: Qualitative + quantitative mixed research	Exploratory study	Semi- structured interviews with experts on business management in the Arab sector in Israel	Gather data from the field to construct the closed questionnaire	Five interviews with experts on SBEs, five business owners, five establishment clerks
	To gather data about SB management in the Arab sector, difficulties, dilemmas	Closed questionnaire	Analysis to understand issues connected to SB management in the Arab sector in Israel	122 participants, 92 Arab SB owners, 30 Jewish SB owners
Stage 2		Interviews with professionals, experts on managing SBs in the Arab sector	Furthering, honing, constructing the model	Same population



### **The research population**

The research population included 122 participants, of whom 92 were Arab business owners, and 30 were Jewish SB owners. Five interviews were conducted with experts on SBEs, with five business owners and with five establishment clerks. To elaborate this point, both the interviewees and the experts included academicians and entrepreneurs of Arab and Jewish SB owners in northern Israel, and members of the establishment who fulfill positions on the subject researched, whether on behalf of the central government or the local government. In addition, 15 interviews were conducted.

### **Methods of data analysis**

The first stage of the content data analysis started with listening and transcribing the recorded interviews, while writing the comments. In the second stage the data were mapped and coded while seeking repeat themes and topics. It should be noted that the interviews included certain content that was not found to be relevant to the research and was thus excluded from the content analysis. The third stage re-examined the division that was created. All these findings were placed alongside each other in an attempt to locate repeat trends and patterns. Finally, the categories were unified into several main topics.

Furthermore, the study was conducted as a quantitative study. Data analysis was performed using the SPSS program, and it afforded statistical analyses. Analysis of the research questions was performed primarily in a descriptive manner, that can indicate the attributes of the SBEs in the Arab sector in northern Israel and their owners.

## IV. FINDINGS

### Promoting and inhibiting factors in entrepreneurship

#### External factors /extrinsic

Regulation and establishment factors/local government

Periphery and infrastructure of the locale

Majority-minority political-social situation

Globalization

Environment and business culture

Non-profit associations, societies

#### Internal factors / intrinsic

Effective team management and organization, marketing and sales effort, internal inspection

Business planning

Business development – training/consultancy/guidance

Creativity/innovation/ purposeful and visionary

Choice of suitable occupational domain/business planning

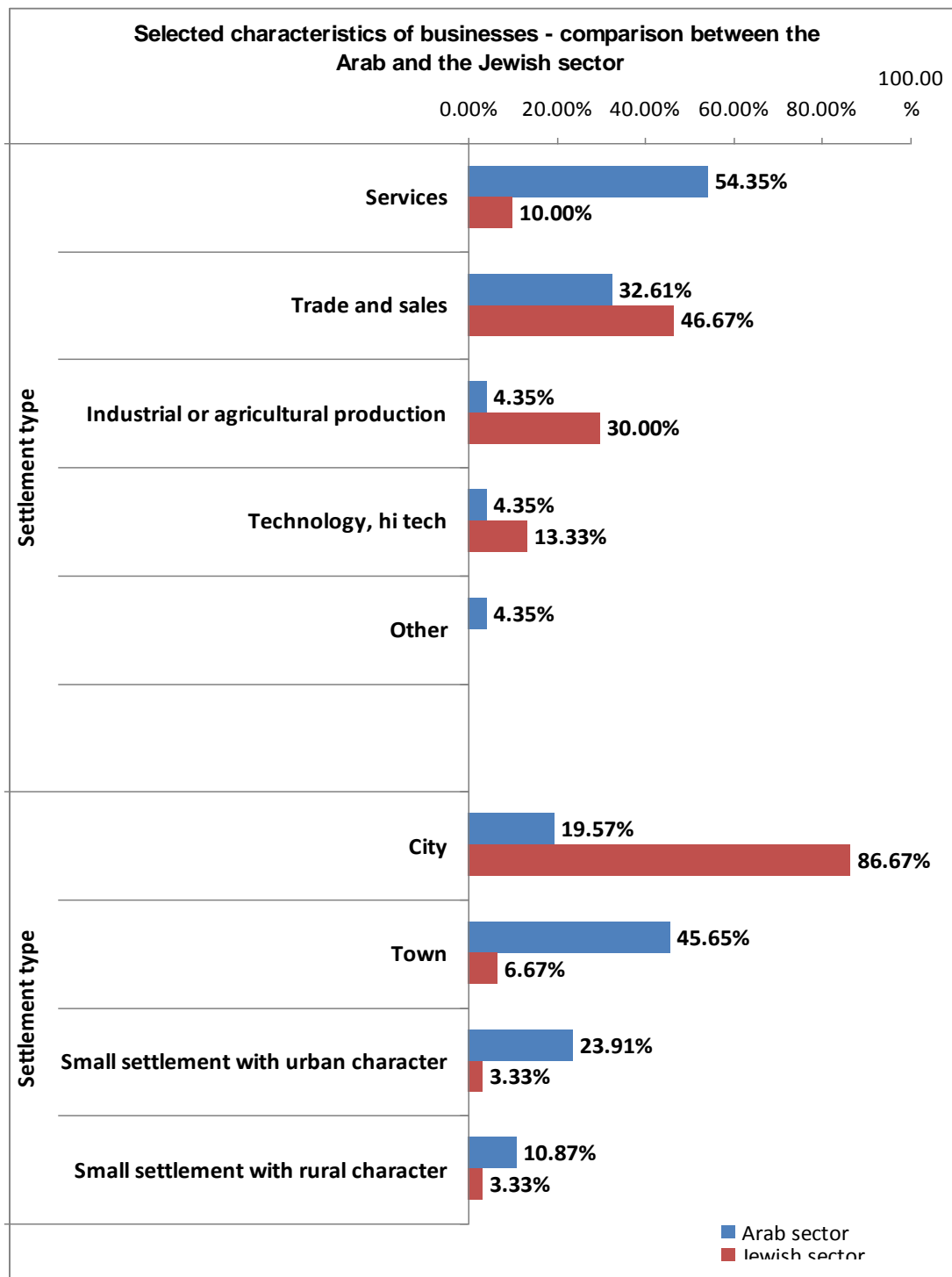
Investment and financing/private capital

Customer service

### Promoting factors in management

External/extrinsic factors	Internal/intrinsic factor
Business culture and environment -regulation	Administrative, organizational and monitoring ability
No difficulties penetrating other markets	Personal attributes of the manager and cohesive team work
Geographic distance from the center or from customer foci	Professional knowledge and experience
Shortage of industrial areas	Communications with customers
Loan financing/government funds and financial support	Proper financial management and registered flow
No impact or positive exploitation of ethnic origin	Managing human resources
	R&D

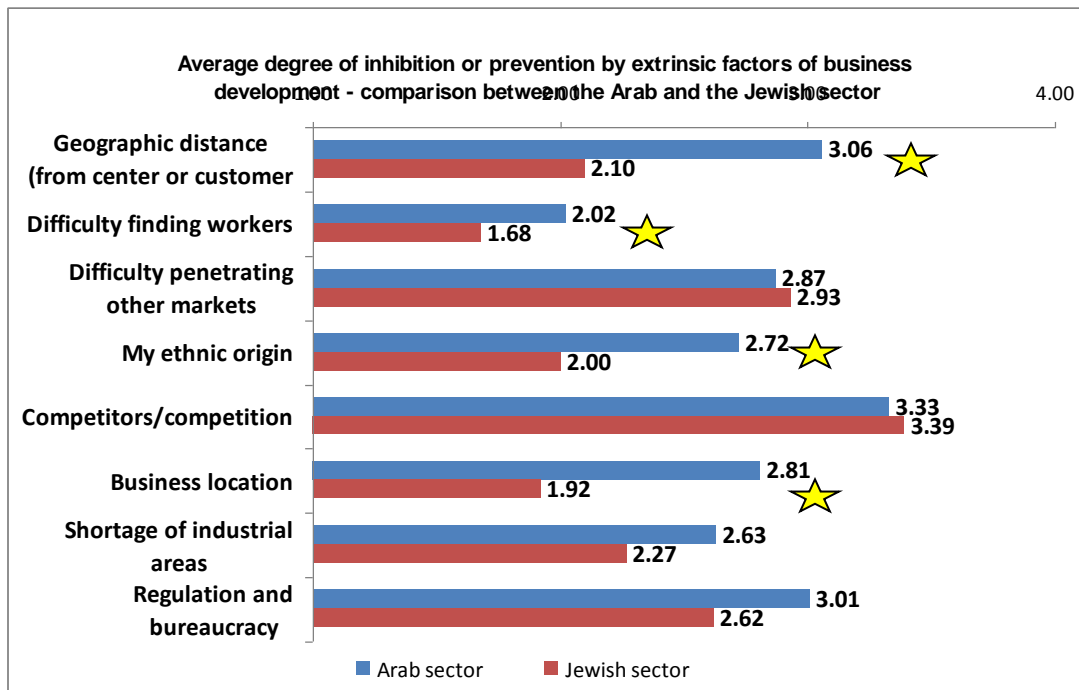
## Quantitative Findings



## Selected characteristics of businesses – comparison between the Arab and the Jewish sector

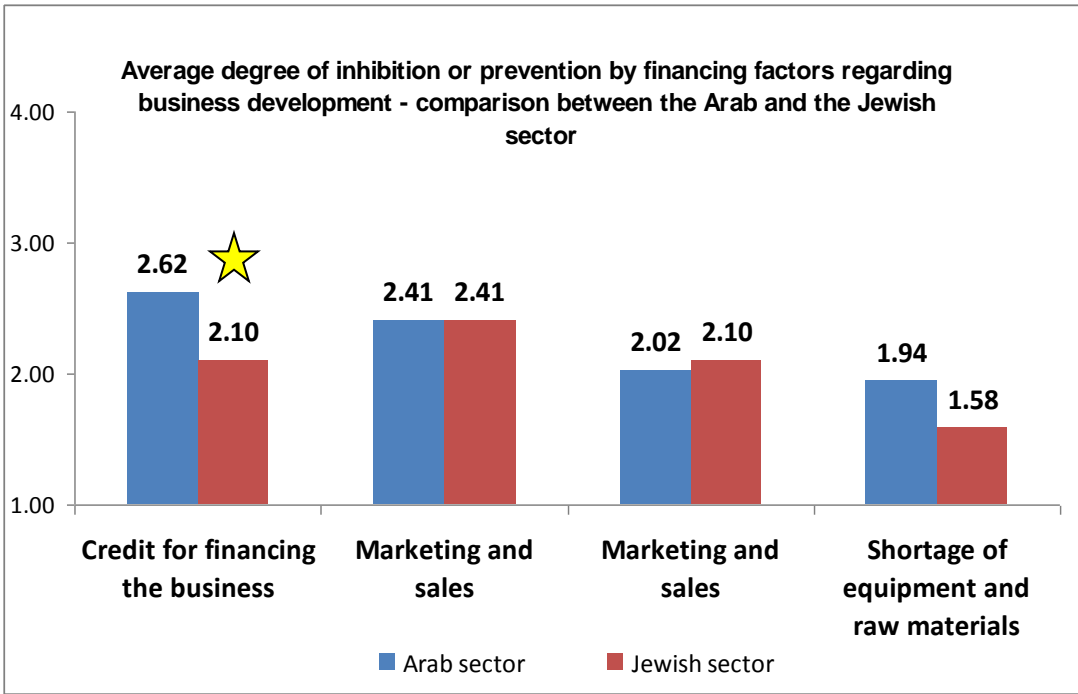
In general, most of the businesses belong to the following economic branches: professional scientific and technical services (11.48%), construction (9.02%), catering and hospitality (8.20%) and information and communications (8.20%). In the Arab sector, most of the businesses belong to the professional services, sciences and technical branch (10.87%), construction (10.87%), and catering and hospitality (9.78%). At the same time, most businesses in the Jewish sector belong to the professional, scientific and technical services (13.33%) health management and support, and social welfare branches (13.33%).

Within the entire sample and in the Arab sector, most of the businesses are services (43.44% and 54.35% respectively) or trade and sales (36.07% and 32.61%) respectively. Within the Jewish sector, most businesses are in trade and sales (46.67%) or production, industry and agriculture (30%).



Note: The stars indicate significant differences

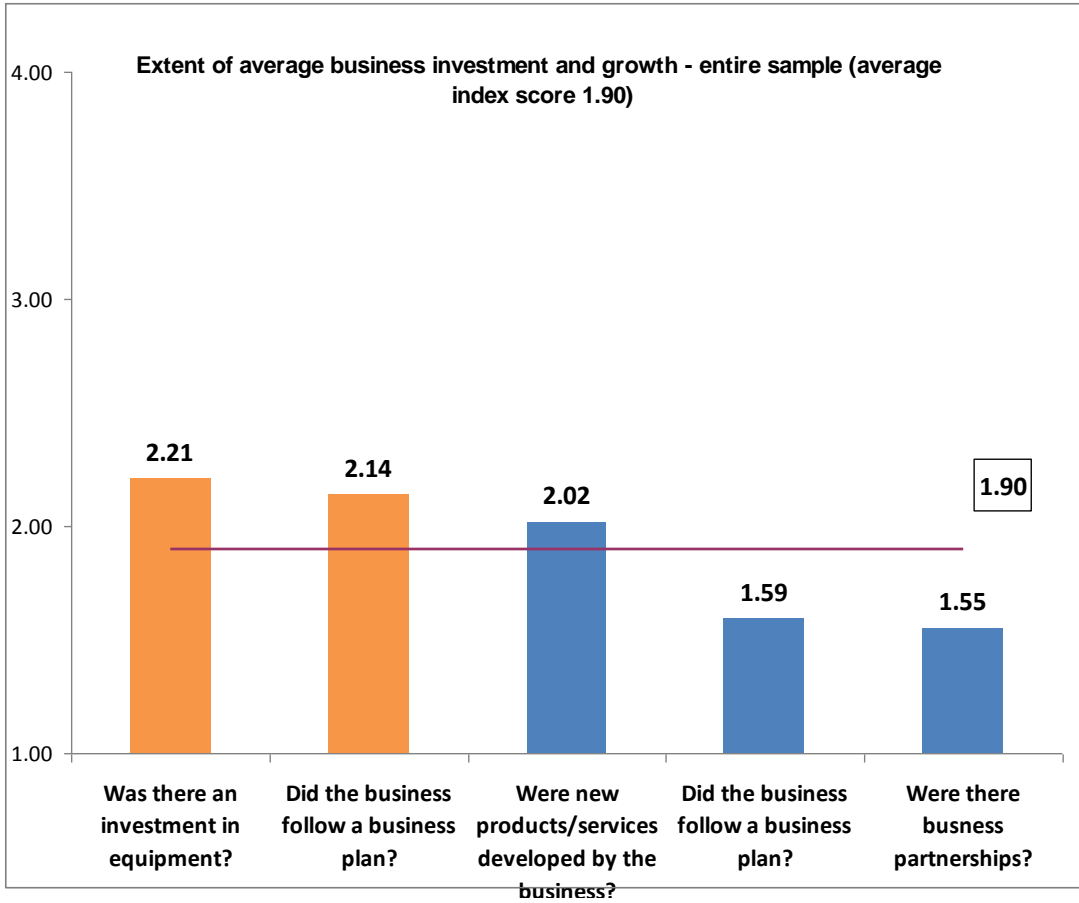
**Average degree of inhibition or prevention by extrinsic factors of the business development – comparison between the Arab and the Jewish sectors**



Note: Stars indicate significant differences

**The average degree of inhibition or prevention of financing factors regarding the business development – comparison between the Arab and Jewish sector**

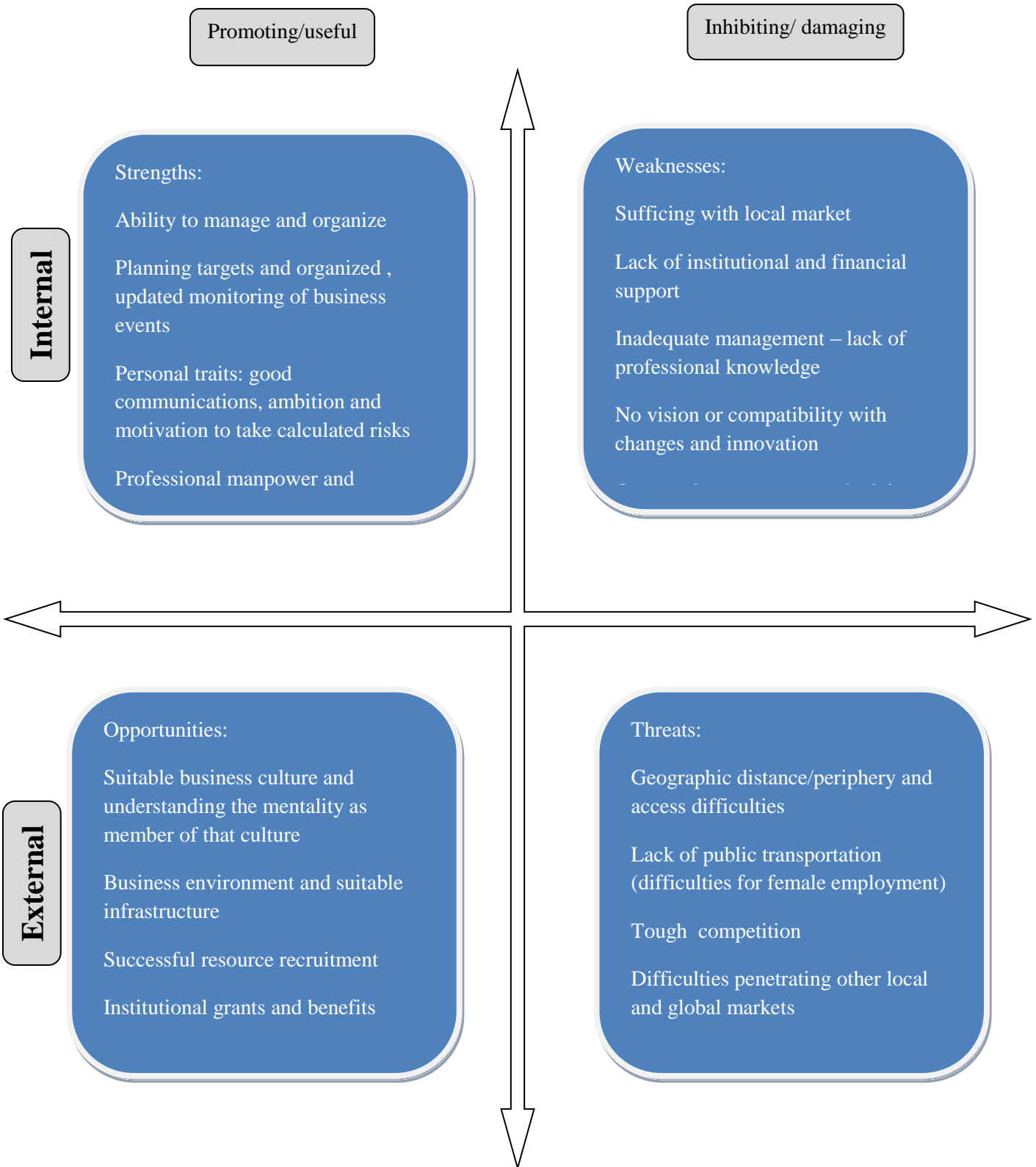
The research findings indicate that no significant differences were found in the degree of inhibition or prevention by financing factors in general of the business development between the Arab and the Jewish sectors. However, a significant difference was found between the two groups regarding the impact of the credit (for business financing) factor specifically. Thus credit for financing the business inhibits or prevents the development of the business in a significantly higher extent in the Arab sector compared to the Jewish sector (2.62 compared to 2.10 respectively).



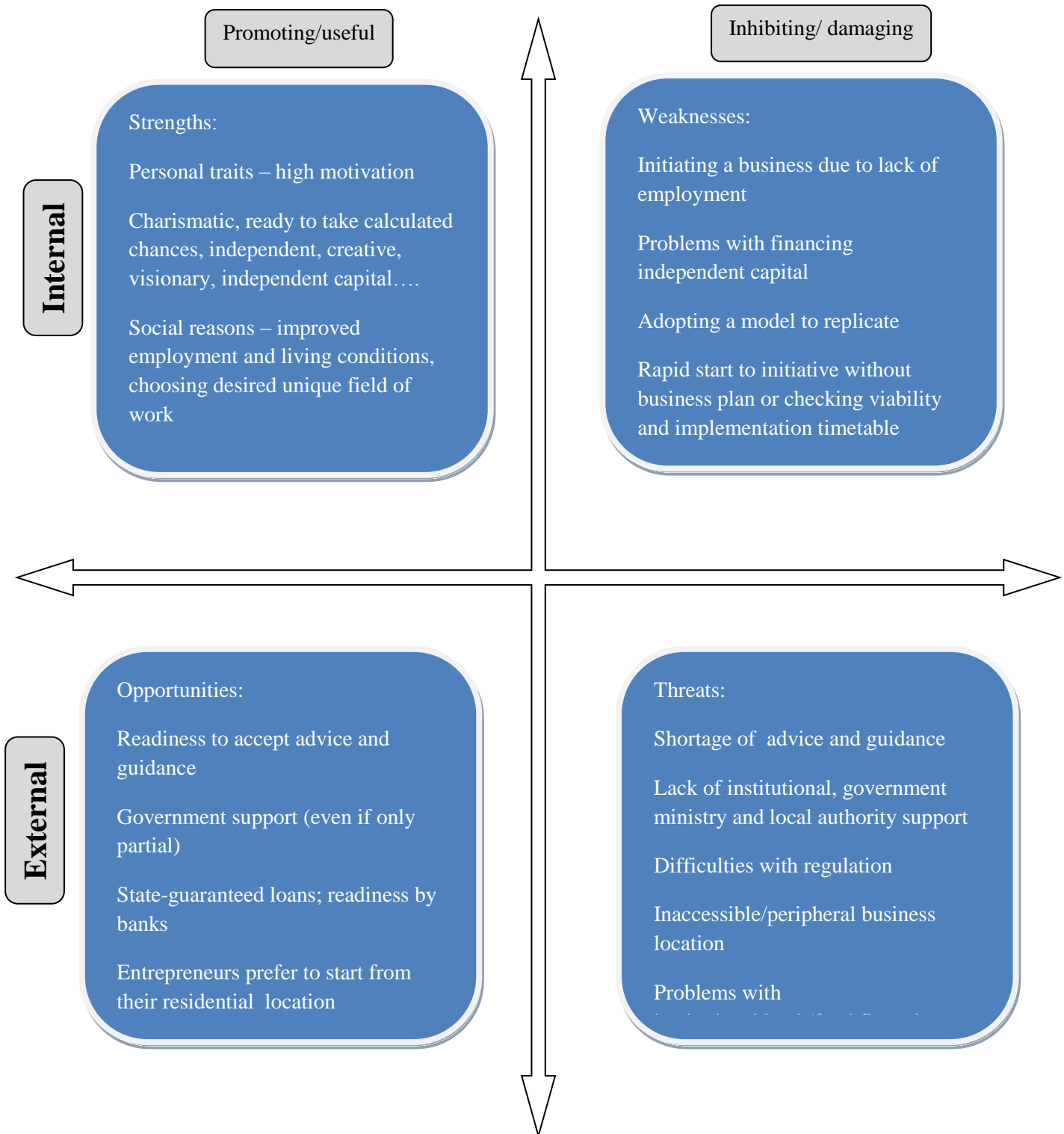
**Extent of average business investment and growth – entire sample**

In general, the degree of investment and business growth was found to be moderate – low within the entire sample of business men who participated in the study (average 1.90 out of 4). The highest investment in businesses is manifested in the following areas: equipment/other means needed for production/and of product supply (2.21), business activity according to a business plan (2.14), while the lowest investment was manifested in business partnerships with other businesses (1.55).

# SWOT model for entrepreneurship



## SWOT model for management





## V. CONCLUSIONS AND RECOMMENDATIONS

There is no disagreement that SBEs in the modern economy are considered a growth engine, and an important economic resource as they are flexible and dynamic, despite the barriers and difficulties. Therefore, in the State of Israel, as in the rest of the world, SBs play a key role in the local economy. Their number is estimated at 486,000 (according to the Israeli Central Bureau of Statistics, 2014): half of the industrial and commercial producers employ 55% of the employees.

The research findings enable developing frameworks and business training for SBs in the Arab sector, as well as regional development for the northern part of the country, where there is uniqueness that should be exploited. There is still a lack of exploitation of the economic potential in the Arab sector.

There is a need for further monitoring of budgets by the government in order to fill the disparities in promoting the Arab community as regards the economic and social aspects. Integrating the academic Arabs and Arab women in the labor market by establishing professional guidance centers in Arab locales and investing in infrastructures and public transportation will certainly promote this aspect.

In view of the above, the researcher recommends further examination of the reliability of the findings arising here. He recommends more extensive research that would include more interviews with experts on small businesses in the Arab sector to examine the ability to generalize. In this framework, expanding the study to include other areas of Israel in which small Arab businesses operate (such as in the Negev in southern Israel) in order to enjoy insights and new comments and to increase ability to generalize about the Arab business sector in Israel. Future research would recommend using such measurements over time, in order to reduce as far as possible the impact of events occurring close to the time of completing questionnaires by the participants. If additional studies would indicate similar findings, the factors and members of the establishment involved in promoting small businesses in general and those in the Arab sector in particular, would take this into consideration when they are in contact with entrepreneurs from the Arab sector.

The researcher further suggests examining in greater depth socio-demographic variables of the participants such as age, gender, and education, as well as personal attributes, in view of the importance that arose in the current study. Similarly, additional intervening variables should be examined that are connected to Arab culture and tradition, in order to obtain new insights regarding small business opportunities in that sector and their attributes. In addition, future research should include research teams to manifest additional aspects generated naturally from the team work and reciprocal input.

The researcher also recommends expanding this study regarding clarifying the weak factors revealed such as integrating members of the Arab minority on industry, hi tech and training to exploit this potential, preparing the infrastructure for suitable business initiatives. Training and increasing the awareness of initiatives and business management is a lever for economic development and solves diverse problems such as employment, raising the standard of living, and exploiting human resources. The official establishment entities should take part in encouraging and investing in small business initiatives in the Arab sector.

Reliability in this study reflects the entire process, including the evidence gathered with explanations of the stages of work. Almost every claim relied and was based on the research literature and on the findings that accompanied each claim with detailed examples.

The validity was informed by theoretical anchoring of the findings, by triangulation and by asking whether the colleagues would have explained the findings in the same way as the researcher.

### **Anticipated scientific contribution**

The discussion of the subject of the growth of small and medium-sized businesses into large businesses is certainly suitable. This sector is supposed to realize the preferred potential rather than that existing, since it is a growth engine of the Israeli economy and contributes to a stable developing economy. Study of the subject is worthy as the phenomenon of small business failure in Israel is considerable and definitely worrying

"Every year 45,000 new businesses are opened in Israel, most of them small businesses, and 39,000 businesses close. This is a net growth of 6,000 businesses on average annually. However, the growth depends on micro-economic variables, such as change in the business product, and thus its proportion changes" ([www.tamas.gov.co.il](http://www.tamas.gov.co.il)).

(Felsenstein, 2008).

Examination of the segmentation of small businesses in Israel finds that construction and infrastructure account for 10%, trade and services for 76%, agriculture – 4%, tourism – 4%, industry – 6% (Felsenstein, 2008).

The proposal is based on data from the field that examines and reveals the barriers to business growth and the extent of the impact of each factor as a barrier and/or obstacle based on the professional literature from Israel and abroad, from relevant data pools.

The research results allow expecting their implementation amongst the factors involved in the topic. They afford part of a solution to the existing problem, and an answer to the growth of existing businesses in the short and long run.

There is no doubt that this study is unique and offers fresh insights into the subject.

- It responds to questions in revealing that which characterized entrepreneurs and business owners as regards points of strength and weakness to find the proper solutions and be more aware of events in the business environment of which they are part.
- The study clarifies important issues that are unclear or were mentioned only partially.
- It has practical implications with the various entities that are involved and will be taken into consideration.
- The study offers new directions of research for completing the subject comprehensively with clear and new conceptualization.
- It enables identifying neglected topics regarding business entrepreneurship in the Arab sector.

### **The expected benefit from the study to promote the small business sector**

The importance of small businesses and their importance to the economy and economic growth should not be repeated endlessly.

The benefit expected from the research is to create knowledge as a solution to the issue of growth barriers in businesses in an attempt to answer the questions: What turns a small business into a medium-sized business? And from a medium-sized business to a large business? What motivates these processes? In other words, the difficulties and barriers facing small and medium-sized businesses in their attempt to grow. The study reviews and hones these barriers and exposes to the reader the difficulties faced in order to enable business owners to protect themselves, to be aware of similar mistakes and of the possibilities and alternatives offered, and to cope with them.

### **The scientific contribution of the study**

There is no doubt that the study has a scientific contribution in its uniqueness. No similar study has been conducted.

- The study answers questions that have been asked regarding the attributes of entrepreneurs and business owners, and their strong and weak points, in order to find the suitable solutions, and to be more aware of events in the business environment in which they function.
- The study clarifies important issues that are not clear or were only alluded to.
- The study has practical implications if the various factors involved should consider.
- The study proposes new directions of research and recommends new and more comprehensive conceptualization.
- The study enables identifying topics that should be nurtured regarding business initiatives in the Arab sector.

### **Recommendations to the existing business owner**

- A manager in an existing business should be up-to-date regarding the condition of the business and his ability to satisfy the environment in which he functions;
- The manager should have a vision and short- and long-term objectives, and be aware of all the partners to the business;

- Communications and proper PR with the staff and the customers;
- The intrinsic professional factors with proper positions such as financial management and cash flow, marketing and sales management, investment and development, customer service and a relationship with the suppliers according to the type of business;

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