The Role of Universities in Developing Small and Medium Enterprises (SMEs): Future Challenges for Bahrain

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Abstract
The role of Small and Medium Enterprises (SMEs) in world economy has been momentous, especially in increasing GDP and enhancing employment opportunities. SMEs have played and are still playing an outstanding role in the development of several developed and developing countries mainly due to the fact that SMEs comprise a major part in the industrial and economic activities in the economies of these countries. It must be emphasized that the role of SMEs is considerably high in the economic development irrespective of the fact whether it is a developed country or a developing one. Furthermore, not only the financially subsidized promotion but the strategic implementation becomes very important for the sustainable development of SME sector as well.

Key words: SME’s; Universities; Human capital; Entrepreneurs

INTRODUCTION
Guided by dynamic SMEs, Taiwan and Japan are examples of the countries that have a high economic growth. Columbia, on the other hand, is another case in point for a country which has a fast SME development. One may point, in fact, to many other countries that show off their economic escalation by powerful SMEs. The strategic importance of Small and Medium Enterprises (SMEs) and their role in the growth of economy, both in developed and developing countries cannot be underestimated as they are responsible for the sustainable development of any economy.

Several lessons can be learned from developed countries’ SME sector. These countries have implemented most, if not all, of the tangible strategies for the development of SMEs. Hence, policy makers in the developing and under developing countries, for their part, need to focus upon as many aspects that help the SME sector become a supporting element in these countries and fuel their economic development (Pandya, 2012).

1. HIGHER EDUCATION INSTITUTIONS’ ROLE IN SME’S
Universities being seats of higher learning not only produce highly qualified and skilled human resources. They help flourish new ideas and businesses. Tipple, Cumming, Taylor, and Tan (2012) stress that higher education institutions should be contributing to students to place up set of connections events for SMEs. The event could be linked with a student society to maintain continuity (or a suitable university department). A single internet site/portal is necessary for SMEs to share out openings around HEIs. This could also reduce places for students to look online; SMEs should advertise the possible career succession in graduate positions.

graduates being employed by SMEs.

One of the conclusions of Hendry (2000) is that the relationship of SMEs with Universities can be beneficial for the creation and innovation environment. By putting into practice, it must be restrained by bringing in relation SME opinions on the matter of universities’ intellectual property rights. It goes without saying that local grouping in suitable research centers makes available an innate atmosphere for creation and innovation. The achievement of such an endeavor depends, amongst other things, on the society of research which, surely, may spread through the university, and basically, will obtain a lot from the nationwide society within which universities activate.

The real challenge is how to initiate collaboration. One may resort, in surmounting this problem, to some schemes that have been already presented by specialists, such as “Knowledge Transfer Partnerships (KTPs)” in the UK, and other consultancy bodies for the interaction between SMEs and universities if the businesses have trusted relationships and the relevant knowledge. In addition, specialists could, in this respect, play a vital role in signifying the business scenarios and potentials to start building relationships and translating knowledge to SMEs (National Center for Universities & Business, 2013).

Plecher (2011) is of the opinion that the traditional role the universities perform, through the educational system, is to be important actors who interrelate with business and industry by supporting the innovation strategies shared by both parties. The role of universities in supporting the strategies in business and industry is emerging one of the most attractive goal in educational studies in general, as well as for the regional and national systems of research particularly in context of creation and innovation. It is clearly noted that this topic is being still focused that studies should be conducted based on the relationship between industrial structures these may be high technology firms and huge corporations, particular industries and universities.

The empirical material collected in Plecher (2011) study referred to above, demonstrates that there is a relationship between conventional Small Medium Enterprises with universities, and the product innovations, particularly of increasing nature and activities of process, that can sustain improvements of firms’ performance is the base of building the relationship that these relations are mainly built around activities of process and product innovation, especially of incremental nature, that can sustain improvement of firms’ performance.

The study finds out that, generally, the relations between universities and SMEs are developed mainly by direct contact and informal with researchers and professors. In this field, research which will be done in future could be geared up towards discovering more in-depth the formulation of procedures and policies so that mobility of researchers towards business and industry is inspired and gets priority. The universities, on their part, must identify the home needs and capabilities and to respond specifically to the needs of the market and innovation possibilities in addition to the important, well known task of contributing to knowledge.

The scene in the EU shows that there are some indications as to how member states approach the SME’s sector. Acorys’ European Commission (2012, p.63) presents interesting results in this respect. According to Acorys, SMEs in the member of EU states operate their productions in a rather complicated macroeconomic atmosphere. They, the study notices further, persist to effort to regain the employment and value added pre-crisis points. The study shows that there are deviating tendencies in SME act amongst the member of EU states. According to the study, three members were in states in 2011; namely Malta, Germany and Austria that managed to even exceed the employment and value added 2008 levels in their SME sector. Since 2008, Finland, Belgium, Luxembourg, and France, have been experiencing flat SME performance. SMEs in the remaining EU countries however could not succeed to regain their pre-crisis realvalue added level and employment. The study concludes, further, that there is a requirement for enhancing the availability of highly skilful manpower that can be employed in the knowledge-intensive areas, as this sector can perform better than others. Here the universities have a great potential. They can support local and international policymakers, as their business incubators are considered best instrument for economic growth, innovative ideas and technology-based growth materialization,

From the previous review, we can conclude that the collaboration between universities and the different economic sectors is of paramount importance. The examples referred to above concentrate on having some framework to initiate strategic planning and policies to follow. The discussion focused mainly on developed countries where there is an ample experience which has been accumulated during the process of economic development.

Looking into the issue from a different perspective Tijana et al. (2013) are of the view that university graduates and researchers are the key resource when it comes to commercialization of new ideas based on technical and economic skills. The authors, further, emphasize that cooperation with universities is of immense value to a sustainable development. The significance of this to the economy is obvious enough. In addition, the process of commercializing original ideas is a major issue in the SME’s development.

In their ILO report Viral, Rezende, and Christensen (2009) highlight an important life skill that all students must possess at all education levels and irrespective of whether they become employees or they embark on their own enterprise in the transition from school to work or at some later stage in their adult life. The countries that have gone far in the implementation of KAB(Know About Business) entrepreneurship education have acknowledged
According to Investopedia, human capital is a measure of the economic value of an employee’s skill set. This measure builds on the basic production input of labor measure where all labor is thought to be equal. The concept of human capital recognizes that not all labor is equal and that the quality of employees can be improved by investing in them. The education, experience and abilities of an employee have an economic value for the employers and for the economy as a whole.

Renowned economist Schultz (1961) expressed the significance of human beings’ capacities. Schultz believes that human capital could be invested in education and trainings like any other type of capital resulting in enhanced benefits quality improvement and level of quality production.

It is commonly believed that one of the major barriers to new SME development in the GCC is that the local population is attracted to the public sector- as a long term option for employment as a career choice. Such seemingly traits as job security, benefits, short work hours, familiarity with co-workers and relatively higher wages make the public sector more attractive for young job seekers. This has consequently led to an inflated public sector with lower productivity and an unwelcome added heavy burden on the government.

Apparently, the private sector has not been able, up to now, to compete with high salaries and working conditions of the Public Sector and has preferred to hire expats who are comparatively less expensive. This has resulted in low participation and involvement of the locals in the private sector (Martin Baldwin-Edwards, 2011).

Discussing the situation in Bahrain, Hertog (2010) argues that:

Tamkeen plan is perhaps the most vital body to hold up SMEs in Bahrain. Tamkeen, as is well known, has been shaped in the trail of the recent Bahraini labour market reforms and the main aims of which are to train and financially support small-scale entrepreneurs. It is financed through a fee levied on foreign labour in Bahrain. Tamkeen has managed to partner with various training institutes and banks – such as Shamil Bank and the Bahrain Development Bank. The partnerships aim to provide training courses on entrepreneurship, smaller-scale loans, as well as business development grants. However, Tamkeen seems to focus mostly on micro- and small enterprises and provides a number of fairly specific training courses in a variety of sectors, as well as business planning support. Although its’ approach seems comprehensive and oriented towards genuine diversification.

Tamkeen has looked at contentiously within Bahraini business community. This, perhaps, is mainly because of it is fee-based approach; as the real market mechanism’s absence exists in providing its services. Moreover, it is not clear how accurately Tamkeen responds to small entrepreneurs’ needs (see Figure 1).
introduced measures to keep certain jobs in specific sectors exclusive to the locals only. This move is taken with the intention to encourage and shield employment in areas where the locals have a high preference or interest. Thus, most governance, police work, customs and regulatory jobs in most of the GCC countries along with majority of the administrative positions in the public sector are conserved for the Locals.

Another step that has been taken to reduce the dependence on expat workforce is putting a ceiling on a maximum percentage of foreign employees in an organization or limiting the number of employees according to nationalities. For instance, the government of Qatar has a policy of limiting issuance of work visas by nationality in order to prevent one industry or sector to become dominated by one particular group.

Table 1
Number of Workers by Sex, Bahraini, Non-Bahraini Citizenship, and Age Group (September 2013)

<table>
<thead>
<tr>
<th>Age group</th>
<th>Both sexes</th>
<th>Male</th>
<th>Female</th>
<th>Both sexes</th>
<th>Male</th>
<th>Female</th>
<th>Both sexes</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>512,968</td>
<td>460,214</td>
<td>52,754</td>
<td>83,932</td>
<td>58,755</td>
<td>25,177</td>
<td>429,036</td>
<td>401,459</td>
<td>27,577</td>
</tr>
<tr>
<td>15-19</td>
<td>2,547</td>
<td>2,058</td>
<td>489</td>
<td>1,323</td>
<td>1,015</td>
<td>308</td>
<td>1,224</td>
<td>1,043</td>
<td>181</td>
</tr>
<tr>
<td>20-24</td>
<td>42,947</td>
<td>36,592</td>
<td>6,355</td>
<td>12,685</td>
<td>9,311</td>
<td>3,374</td>
<td>30,262</td>
<td>27,281</td>
<td>2,981</td>
</tr>
<tr>
<td>25-29</td>
<td>116,595</td>
<td>104,140</td>
<td>12,455</td>
<td>18,609</td>
<td>12,599</td>
<td>6,010</td>
<td>97,986</td>
<td>91,541</td>
<td>6,445</td>
</tr>
<tr>
<td>30-34</td>
<td>115,200</td>
<td>103,508</td>
<td>11,692</td>
<td>16,047</td>
<td>10,764</td>
<td>5,283</td>
<td>99,153</td>
<td>92,744</td>
<td>6,409</td>
</tr>
<tr>
<td>35-39</td>
<td>83,654</td>
<td>75,431</td>
<td>8,223</td>
<td>12,372</td>
<td>8,481</td>
<td>3,891</td>
<td>71,282</td>
<td>66,950</td>
<td>4,332</td>
</tr>
<tr>
<td>40-44</td>
<td>62,808</td>
<td>57,222</td>
<td>5,586</td>
<td>8,096</td>
<td>5,585</td>
<td>2,511</td>
<td>54,712</td>
<td>51,637</td>
<td>3,075</td>
</tr>
<tr>
<td>45-49</td>
<td>41,387</td>
<td>37,391</td>
<td>3,996</td>
<td>6,551</td>
<td>4,543</td>
<td>2,008</td>
<td>34,836</td>
<td>32,848</td>
<td>1,988</td>
</tr>
<tr>
<td>50-54</td>
<td>26,884</td>
<td>24,403</td>
<td>2,481</td>
<td>4,650</td>
<td>3,458</td>
<td>1,192</td>
<td>22,234</td>
<td>20,945</td>
<td>1,289</td>
</tr>
<tr>
<td>55-59</td>
<td>15,359</td>
<td>14,239</td>
<td>1,120</td>
<td>2,575</td>
<td>2,107</td>
<td>468</td>
<td>12,784</td>
<td>12,132</td>
<td>652</td>
</tr>
<tr>
<td>60-64</td>
<td>4,439</td>
<td>4,142</td>
<td>297</td>
<td>745</td>
<td>640</td>
<td>105</td>
<td>3,694</td>
<td>3,502</td>
<td>192</td>
</tr>
<tr>
<td>65-69</td>
<td>857</td>
<td>811</td>
<td>46</td>
<td>190</td>
<td>169</td>
<td>21</td>
<td>667</td>
<td>642</td>
<td>25</td>
</tr>
<tr>
<td>70-74</td>
<td>217</td>
<td>205</td>
<td>12</td>
<td>62</td>
<td>56</td>
<td>6</td>
<td>155</td>
<td>149</td>
<td>6</td>
</tr>
<tr>
<td>75+</td>
<td>74</td>
<td>72</td>
<td>2</td>
<td>27</td>
<td>27</td>
<td></td>
<td>47</td>
<td>45</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: The statistics in the above table have been drawn from the data set provided by General Organization for Social Insurance (GOSI) monthly to LMRA.
Notes: Since total is rounded up. Therefore, the sub total may differ to each other.

Figure 2
Labor Market Challenges Related to the Human Capital

3. THE CONCEPT OF ENTREPRENEURIAL UNIVERSITY

According to Farsi, Imanipour, and Salamzadeh (2012), “Entrepreneurial universities” have drawn the concentration of policy makers and researchers of developing countries to discover this human resource production of universities to acquire more important roles. Among these one the most important issues the study highlights is the consideration of the related and distinctive fundamentals of developing countries. Author of this study consider that additional native capitalist university conceptualizations could assist the rule makers and researchers in attaining their objectives. On the other side, portentous common and worldwide conceptualizations could combine native and international conceptualizations to deal with global governance issues. The authors of this study endeavor the conceptualization of capitalist universities in developing countries. The core hub of their study is the university in itself, and not the ecological fundamentals surrounding the university. The
rule makers can benefit from these conceptualizations for making local or countrywide policies, or these could be of use for researchers to look into the primary features of these universities in developing countries.

Prospect studies may focus on ecological elements and convoluted on the facts of capitalist university in its context. Some studies show that this approach has been utilized in modeling the capitalist universities in Spain. They managed to develop some useful theories to investigate the environmental factors. However, still need exists to design and conduct such researches in a better shape.

4. UNIVERSITY’S BEST PRACTICE

4.1 The Asian Dimension

“The National University of Singapore” (NUS) has presented a role model by transforming itself from a small, newly industrialized economy to an educational institution which effectively contributed to the dynamic shift of the country towards a regional knowledge-based economic hub. However, the approach adopted should be admitted that technology commercialization is a risky and explicit goal of the university and inevitably public scrutiny and actual performance of the university is at risk. Many leading universities in the world have been remained unsuccessful in promoting technology commercialization; The NUS’s chance of failing in such a risky task raised in public expectation is significant. Moreover, technology commercialization goal of the university require broad organizational changes and it will, ultimately, run into extensive resistance. However, according to Wong, Ho, and Singh (2007) initiative in worth taking risks shall rewards gains for considerable success.

Kim and Park (2008) give another case in point from Korea. Their study reveals that:

Five Graduate Schools of Entrepreneurship achieve great outcomes in terms of both quantity and quality. Construction of entrepreneurship infra, qualitative growth of entrepreneurship market, creation of employment, academic establishment of entrepreneurship education, advancement of entrepreneurship education, and network with other universities and local autonomous entities are the representative of qualitative outputs. Despite these qualitative outputs, Graduate Schools of Entrepreneurship, unfortunately, have several problems.

In spite of the good progress, some problems, however, entrepreneurship education can face are the limited environment of entrepreneurship education and not being systematic, for instance, the absence of institutional entrepreneurship education for kids is the flexible network between organization, insufficient courses, and absence of a long term planning of the entrepreneurship in education.

Therefore, it is recommended that the government should formulate a policy framework for the entrepreneurship education and it should establish a clear plan for entrepreneurship education institutions, and a proper training of faculty and researchers. Entrepreneurship institutions must formulate a unique program that confirms the institutional targets of entrepreneurship’s improved quality, and to develop long and short term objectives and measuring output index.

The authors believe that commendable and diversified program will be benchmark and helpful in employing various pedagogies that are necessary to help students to get a better job or better opportunity of entrepreneurship in business. The study recommends further that improving recognition through public relations is of prime importance in addition to creating a strong circle between the five Graduate Schools of Entrepreneurship referred to in the study.

4.2 Arab Dimension

In their survey of four Arab countries, Masri et al. (2010) concluded that, two group factors can influence the Entrepreneurial Education: personal and external factors. According to the researchers, professional competences, communication skills, and higher mental skills are the personal factors and on the other hand, “social, cultural, economic and political conditions that prevail in society” are the external factors that directly effect on EPE or the education system.

Effective Policy making, proper legislation and good governance system can become a significant venue to support EPE in the education systems through clear references to EPE competences and skills needed to perfuse innovative ideas in teaching and learning. Good governance at the levels of centre, region, as well as at the school can play a vibrant role in anchoring EPE in the education system. The study, focuses that specific strategies for are of great help to fulfill the purpose.

Basic education without any doubt is considered the best tool to incorporate EPE. This stems out from the basic fact which is common, non-specialized, and compulsory and covers variety of disciplines. Unlike basic teaching, secondary education let somebody borrow itself to provide further for person divergence and incorporates essential assumptions of EPE with more space for extra-curricular activities. Internship systems in this type of education have the additional benefits of adding employability and self-employment abilities. Unnecessarily to say, appraisal tools that aim for the beginner and escort curricula and textbooks can play vital role in incorporating EPE concepts and competences at all levels of education in the education systems.

Discussing the case of Saudi Arabia, Ahmad (2012), is of the opinion that there is a need for business organizations ,such as chamber of commerce, business support agencies and related associations to adapt their approach towards strengthening these micro SME’s.

4.3 European Dimension

The European Commission Bureau (2013) shows that between 15% and 20% of students who participated in a
It is a glaring fact that there is lack of sufficient training and education for SME’s in Bahrain. The risk factor is another challenge to SME’s. These enterprises need to be shielded with full support by universities whereby potential entrepreneurs could be better equipped to meet future challenges and any possible discrepancies in the management of these SME’s. Due to the challenges facing this vital sector a lot has been done to support SME’s. Arabian Business.com (2012) showed that Tamkeen of Bahrain is giving ample support and guidance to Bahraini’s with the intention of boosting the economy of the country. A good evidence around 4,200 enterprises, mostly SMEs, benefited from the schemes of providing ($360 million) which included more than 1,000 startups and 700 micro enterprises, SME’s. Further, there is a good
business environment that will help new entrepreneurs; this is reflected by the international ranks achieved by Bahraini economy (Global Competitiveness Report 2012-2013: World Forum).

It is recommended to conduct in-depth analysis for conducting training and education to establish entrepreneurship in the region. An improved training and education require encouraging entrepreneurship; include initiatives and incentives in business start-up, in the Gulf region with constant support for entrepreneurship business and greater research on the effects of different models of SME development (Al-Dairi, McQuaid, & Adams, 2012). However, at the educational level there is little done to prepare entrepreneurs for the future challenges. There is a lack of educational base and training opportunities on our part of the world. There are attempts taken in the region with constant support for entrepreneurship business initiatives and incentives in business start-up, in the Gulf region with constant support for entrepreneurship business and greater research on the effects of different models of SME development (Al-Dairi, McQuaid, & Adams, 2012). However, at the educational level there is little done to prepare entrepreneurs for the future challenges. There is a lack of educational base and training opportunities on our part of the world. There are attempts taken in

CONCLUSION

Universities in the world are responding to the needs of the economy. This is reflected in the number of courses offered in this discipline. There are 224 universities offering majors in entrepreneurship all over the world in nearly 17 countries mainly in Europe where courses count to 110 (http://www.slu.edu/x17964.xml).

This reflects the need for building up capacities to support the economy and create new jobs. From the previous issues discussed in this paper, it is clear that there is a lack of educational base and training opportunities on our part of the world. There are attempts taken in establishing the basis for entrepreneurship, however still more to be done in terms of the educational infrastructure. The need for qualified manpower is immense due to the fact that there are ambitious plans to push the economy forward. Educational and training institutions have progressed but not the extent where it meets the market demands to the full extent. This is clear from the numbers of expats still dominating the labor market, see table in the preceding pages. Also, most of the studies reflect the notion of having shortages in educational and training facilities. Here, quality is a major issue for providing the economy with the required skills and qualifications that will support entrepreneurship. We at Bahrain need to address the following issues to promote the SME sector through university education:

- Poor Coordination and Lack the capacity for continuation.
- SME support programs lack effective implementation.
- Lack of effective policy environment for SME formation and growth is difficult for SMEs to survive.
- Adequate educational programs are crucial to make SME’s a success.
- Lack of Education may lead to poor management on part of the entrepreneurs.
- The lack of proper training programs to the SMEs projects owners in the Kingdom of Bahrain and eastern region of Saudi Arabia.
- Limited access to financing; Higher borrowing cost;

Limited collateral resources; Poor book keeping and accounting practices,
- None of the missions of private universities shows special interest in entrepreneurship.

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