

# AN INVESTIGATION INTO STRATEGIES USED BY IRAQI SMEs TO SURVIVE IN THE HOSTILE ENVIRONMENT: THE CASE OF AL-KHALEEJ COMPANY

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## ABSTRACT

*This research identifies the strategies used by SMEs to survive in the hostile business environment of Iraq specifically in Basra city. The study follows an exploratory approach in order to explore the firm survivals' strategies in such an environment. A case study conducted on one of the most successful entrepreneur in the field of water industry in Basra city. The findings of the study show that five strategies are used by the founder to keep his firm alive. Those strategies are; sale on credit (buy now and pay later), groundwater to produce fresh water for low cost, great care for wholesale and retail dealers and good quality products, technology investment for cost cut down and social network and family support.*

**Keywords:** Hostile Business Environment, SMEs, Firm Survivals' Strategies of Entrepreneur.

## INTRODUCTION

Over the last decades the world has seen serious political changes in the West and the East especially in the Middle East. A significant attention has been paid to issues linked to starting and developing new enterprises in the countries that face obstacles in the transition toward free market and support for small and medium businesses (Dyer & Mortensen, 2005). Small and medium-sized enterprises (SMEs) are important to economic growth in terms of pushing the development wheel and creating new jobs, especially high-growth ones (Acs & Mueller, 2008; Acs et al., 2008; Henrekson & Johansson, 2010), reducing recessionary pressures (Storey & Greene, 2010) and sustaining survival (Phillips & Kirchhoff, 1989). However, with volatile environment and declining markets, the growth of those SMEs is unpredictable and difficult to maintain (Barringer et al., 2005). Rapid growth may be a one-time occurrence (Parker et al., 2010); consequently, few firms out of many that do grow and only a very small number continue to do so (Storey, 2011). Firms' strategies have received significant attention in the literature (Baum et al., 2001; Coad, 2009; Durand & Coeurderoy, 2001) however, the result of the bulk of those studies remains inconclusive.

In this study, we will have an in-depth look in the strategies used by SMEs in Iraq, which is in a state of muddled economy due to the condition of insecurity and wars. Therefore, it is the first study of its kind in such a situation. Small and medium enterprises play an important role in the development of Iraqi economy. According to Harash et al. (2014), SMEs in Iraq represent 99 percentages of all companies in private sector. Despite this vital effect, past statistics showed that three out of five small and medium enterprises faced the threat of failure in the first months of run (Bowen & Mureithi, 2009). In fact, some studies figure out that small and medium businesses survive and perform in the hostile environment because they are more flexible and

they use their social capital and family network (Covin & Slevin, 1989; Vial & Garonne, 2010).

The factors that affect the decision making, growth and performance of a firm may be classified into two categories: External environmental factors and internal factors (Acar, 1993). This study focuses on the external environment and in order to have reasonable results, we chose water industry sector because the firms are subject to the same conditions. After 2003 and the fall of the previous regime, the mineral water industry became the first sector that appeared as a mature sector in terms of its market share, real annual growth, the popularity of its products and services and the competitive structure and technology.

The objective of this study is to shed some light on strategies used by one of Basra SMEs in order to survive in the hostile environment. This is the first research in the country that investigates the hostile environment and its effect on the SMEs. It is therefore important for both local business and academic sectors to study the business environment in Basra and determine its threats on the companies. When the entrepreneurs understand their environment, they will develop their strategies and tactics in order to survive in the harmful environment. It is subsequently hoped that this paper gives a better understanding of these companies' performance in such environment. In addition, it focuses on the strategies that present a deep insight on Basra entrepreneur's resilience, tactics and actions to survive in the market.

The purpose of our study is to answer the major question of what the strategies used by Basra entrepreneurs that help their businesses survive in a hostile environment. This study focuses on water industry because it is the first sector that started to rise after the collapse of Saddam's Regime in 2003 as a group of companies competing each other in the same market. At the time of conducting the research, Basra city has around six water companies. These companies are suitable and mature to be used as a sample for the research. Unfortunately only one factory which is AL-KHALEEL Company has accepted to participate in this study. The companies that refused to participate in this research think it a kind of interference in their own affairs; they consider any kind of gaining information about their business as journalistic work that may reveal secrets regarding work conditions.

## LITERATURE REVIEW

There are many factors that have a role in the growth of small-medium enterprises. Several studies have found firms' size, age, human capital and social capital competence, location and strategies influence the growth of those SMEs (Davidsson et al., 2002; Dobbs & Hamilton, 2007). The firm's strategy, growth and relationship among SMEs have received much attention (Baum et al., 2001; Coad, 2009; Durand & Coeurderoy, 2001), but despite numerous studies, there rather seems to have been no analyses related to growth strategy in inimical environment. The literature about hostile environment probably has started to emerge at the end of the eighties when Covin & Slevin (1989) published their research, "Strategic management of small firms in hostile and benign environments". They classify some of the aspects of a hostile environment such as "precarious industry settings, intense competition, harsh and overwhelming business climates and the relative lack of exploitable opportunities" (p.75). They also argue that entrepreneurs with characteristics associated with flexibility such as organic structure were more able to survive in hostile environment.

Dyer & Mortensen (2005) classify business environments in some eastern European and developing countries as hostile for many reasons: (1) High inflation which causes decline in purchasing power; (2) industrial difficulties which reduce gross domestic product; (3) poor

infrastructure, such as, transportation, banking system, electricity power shortage, communications system; (4) Poor education system and migration or declining population that lead to lack in skilled workers; (5) Financial and administrative difficulties due to lack of legal protection; (6) immoderate governmental interference, for instance, tax laws and burdensome regulations; and (7) political issues and wars.

Small firms are often stated to be ‘inexperienced in planning and the development of strategy (Deakins & Freel, 1998). The number of ways that small firms tend to respond to change exemplifies this. Firstly, they tend to look inward rather than outward and ignore change. Secondly, some continue to rely on efficiency based measures as their ‘strategic plan’ for the future. Thirdly, some firms believe that, as they are part of a localized supply chain, they are immune to any external influences. However, the organization for economic corporation and development (OECD, 2009) indicates that small and medium enterprises are predominately vulnerable especially during the crises time for the reasons below:

1. The decision of downsize is difficult since they are already small.
2. Their economic activities are individually less diversified.
3. Lower or non-credit rating business.

The available data provided by the central statistical organization in Iraq (CSO) website shows that the number of small establishments between 2004-2014 in the industrial field raised from 17599 to 21809, whereas the number of medium industrial establishments declined from 218 in 2012 to 120 in 2014, seven of them are in Basra (CSO, 2017). Few researches have tried to study SMEs in Iraq. The majority of them investigate the contribution of those companies in Iraqi economy and development. However, few of them tried to shed light on their growth, resilience and performance (Rasheed & Jaber, 2005; Al windawi, 2008; Al windawi, 2011; Salman, 2013). We believe that this research will cover this gap and study in depth the strategic performance of an entrepreneur, which is considered as a leader in the water industry in Basra.

## **THE CHARACTERISTICS OF BUSINESS ENVIRONMENT IN WAR ZONE COUNTRIES**

Al Ghanemi & Al Khazraji (2017) conducted a research about the financial and administration corruption that lead to the curbing of the Iraqi economy. They argue that, the external interference in the governmental decision badly affected the business environment. After the occupation of Iraq, the Coalition Provisional Authority (CPA) granted large concessions to specific companies loyal to or following official circles and US decision-makers. These companies do not play any proper role in the Iraqi economy and they are not subject to the same circumstances and risks in the economic environment as other local companies. Others classified the economic effects of the corruption in the country into three categories. First, difficulties in obtaining grants and loans from abroad or not benefiting from them due to the lack of confidence of international institutions in the proficiency of the Iraqi government. Secondly, Corruption leads to economic distortions and significant deficits that increase the cost of business through illegal payments in the form of commissions and increased administrative expenses. Finally, The emergence of a rich, corrupted, incompetent class monopolizing the business, leads to the emigration of national skilled work force (Salih & Salah, 2013). The World Bank reports show that business environment in war zone countries and post war countries is significantly hostile and harmful for business (The World Bank, 2017). The World Bank, for

example, categorizes the risks that harm the business environment in Iraq into nine types and the classification of it ranges between High level and significant as shown in the table below:

o.	Risk categories	Classification
.	Politics and governance	H/High Degree
.	Macro-economic risk	H/High Degree
.	Sectorial policies and strategies	Degrees/Significant
.	Technical design of the project or program	Degrees/Significant
.	Institutional capacity for implementation and sustainability	H/High Degree
.	Credit risk	H/High Degree
.	Environmental and social hazards	H/High Degree
.	Interested parties	H/High Degree
.	Other risks (the risk of internally displaced persons due to the crisis of the organization of the Islamic state in Iraq and Syria and the repercussions of the Syrian conflict)	Degree/S//Significant
0	Total Risk	H/High Degree

Source: (World Bank, 2017)

This Table 1 clearly shows how the business environment in Iraq is hostile and harmful for small and medium companies. Although the economic policies of the country have gradually shifted towards free market economies and the government has encouraged investment through an incentive package for internal and external investors, it can be said that the Iraqi business environment is a dismissive environment for investment, not an attractive one.

In Syria, the other War Zone country, the economy has been badly affected by the on-going war. The war prevents import, export and the international trade and investment. This has led to economic instability and damage in the financial system. As a result, the government has cut down the electricity, water, diesel and heating oil subsidies to keep resources for its fight against ISIS insurgents (Heritage, 2017). Moreover, the ranking of it in the World Bank report of Group's Doing Business (2017) scored 174<sup>th</sup> globally in 2017 compared to 173<sup>rd</sup> last year, while it maintained its 19<sup>th</sup> position in the Arab world, in a clear indication of the decline of its capabilities contrary of a suitable business environment for new and existing projects.

## **THE BUSINESS ENVIRONMENT IN BASRA CITY**

After 2003, the economic governmental orientation has shifted toward free market economy but the regulations and laws have not. As a result, the Iraqi economy has become ambiguous and blurred. This situation has opened the doors to imports and therefore the local markets have become dumped with those counterfeit imported goods. The private sector has been seriously affected, local industries have lost their ability to compete due to the low cost of such goods and tariff barriers and bureaucratic procedures imposed on the business sector in Basra. In addition, the security situation harms Iraqi economy. The military operations in the north and west of the country deplete the financial resources (Alnadawi, 2011).

The Iraqi economy can be categorized into five main sectors; (agriculture, industry, commerce, tourism, transport and banking). These sectors suffer from several challenges, which are as follows: (1) Poor infrastructure; (2) lack of technologies and materials that can handle emerging developments; (3) Limited capital and the underdevelopment of the financial sector; (4) Poor training, practices and lack in encouraging of private sector. (5) Unstable security situation; (6) Absence of standardized laws to regulate all sectors (multiple laws); (7) Administrative and bureaucratic impediments (Abdulredha, 2012). Basra business environment needs revolutionary solutions that can be applied directly and indirectly by the central and local governments.

A report has been conducted by the USAID in 2010 which shows that SMEs in Basra face lots of challenges and obstacles that threatens their existence in the local market. First, in term of human resources, Basra entrepreneurs suffer from the lack of qualified employees and their high cost of employment in addition to problems related to discipline and productivity. Secondly, the operational constraints, such as poor quality of products and the lack of working capital, low-quality equipment and old machines cause high costs of production. Thirdly, 61% of the companies are unregistered in the government and they work in the shadow economy. This high percentage of unregistered SMEs will harm their development in the long term and limit their opportunities of accessing finance, technology, sources of skilled labour and other inputs of production process. Finally, financial corruption and security turbulence push these companies to increase their spending on security requirements and pay bribes to facilitate their work which leads to increase the production cost (USAID, 2010). We believe that the prevailing feature of the Iraqi firms is that they do not last long and they do not possess enough experience.

## **METHODS**

In order to answer the research questions, we conducted a case study of AL-KHALEEJ water enterprise in Basra city. At the beginning, we chose the water sector because such factories have begun to appear as a phenomenon in terms of their number and speed of deployment, while the other industrial sectors are either suspended because of security situations or have exited from business. Conducting comparative case studies among those water plants is clear and effective because they are similar and are subject to the same conditions. Therefore, we designed the theoretical sample of the study as a comparative case study among at least four family and non-family enterprises to guide us to explore how those entrepreneurial firms survive in Basra hostile environment. We approached the enterprises that work in the field of water industry in Basra, but only one owner has accepted to be interviewed. Therefore, we decided to conduct it as a single case study. The case study approach has been used in several previous researches

(Amoako, 2013; Okoli, 2011; Dyer & Mortensen, 2005; Nahhas et al., 1997). This study measures the high-growth performance through relative sales growth. It is not easily accessible and this could be the main reason for the refusal of other firms to participate in this study. The case study approach is more preferred if there is little known about the dynamics of business environment. Subsequently, we believe that this approach provides an in-depth look into the company and may lead to more valuable data to generate “grounded theory” (Glaser & Strauss, 1967).

On the other hand, gathering data from such approach does not help in testing hypothesis (Flyvbjerg, 2006). Therefore, the processes are the main objective for the study to give insight and generate theories into it. This study will be the ground for future studies that can formulate hypotheses.

The interview questions are adopted from (Dyer & Mortensen, 2005) with some modification and adaptation to make them more suitable for the Iraqi business environment. The interview questions are translated into Arabic language. It is also divided into two sections; the first for the demographic factors and the second for the firm performance which reveals the substantial activities that seem to lead to the survival of entrepreneurial firms.

We interviewed the firm's CEO in February 2017 and gathered demographic data regarding their age, gender, education and work experience to determine what human capital has the founder brought to the firm. We also gathered basic data regarding the firm's performance, size, degree of planning, resources, dynamics, the tactics and strategies used by the founder in order to help his firms to survive. The interview was conducted in the interviewee's native Arabic language and then translated into English.

### **AL-KHALEEJ FIRM FOR HEALTHY WATER**

The firm was founded in September 2009 by the business man Murtadah Abdullah Qudhaib, (born in 1978). The CEO of the company is his brother Ibrahim and the accountant of the company is their kinsman Adnan. The founder has entered the business world as a sub-contractor for mobile companies after Saddam's regime collapse in 2003. After that he established his own two private companies for general trade and contracting. At this stage, he worked hard to save money as much as he could and got advantage from the government orientation toward depending on local contracting companies to do infrastructure work. Finally he decided to run his own business and he chose the water industry. At that time, he realized that Iraq, which is a country with two sweet rivers, imports mineral water from Kuwait and Saudi Arabia that have only salty sea water. Therefore he established AL-KHALEEJ healthy water factory.

The owner hired an international consulting company in the field of water industry in order to establish his firm. The factory uses advanced machines and equipment from reliable global sources. In the beginning, the factory started with 250 employees. However, due to using new technologies and machines the number has decreased to 138 in 2012 and 90 in 2016 respectively. The production capacity is 40000 bottles per hour in different sizes, 330 mL and 500 mL and this can be increased depending on the market demand. The sales of the company have decreased in the year 2016 because of the financial crisis in the country after the decline of the oil prices, in addition to the invasion of ISIS to northern and western Iraqi cities and the war of recovering them.

However, the company managed to cut down its costs through the acquisition of water

bottle capsule factory. This factory was in war zone and the owner had to sell it out. This new firm allows the company to produce the bottles inside the factory and sells out the rest to the other water companies. The owner of the company considers this as their competitive advantage among their rivals.

<b>Year</b>	<b>Number of Employees</b>	<b>Value of sales (IQD)</b>	<b>Profits</b>	<b>Effectiveness per employee</b>
2012	138	3,877,827	289,494,004	Medium
2013	122	4,486,432,500	416,340,936	Good
2014	115	5,108,774,400	596,023,680	Very Good
2015	102	6,020,520,210	720,970,270	Excellent
2016	90	6,887,421,550	964,239,017	Excellent

Source: AL-KHALEEJ Company, 2017

As we can see from Table 2, the sales value and profits increased in the last four years. However, the data shows that the company's expending is noticeably high. The CEO, Ibrahim says that this high cost is due to many reasons; Firstly, the company pays considerable money to the National Electricity Directorate (NED). The NED charges a high tariff on its services whereas it provides the electricity for few hours due to lack of electricity production in the country. Therefore, the company depends on its own generators which also increase the costs. Secondly, the company spends considerable money on the transportation, offers and incentives. Thirdly, the company keeps on reducing the prices because of the aggressive competition.

Although the number of employees dropped from 138 in 2012 to 90 in 2016, the effectiveness per employee has improved gradually. The profits also increased during the same period of time from roughly 300 million IQD to approximately 1 billion IQD which means from 230,000\$ to 769,230,769\$. This may explain the company's orientation toward using advanced technology in water industry and improving the effectiveness of employees and production process. All in all, although the company expenses are significantly high, it is still making profits and growing in the local markets. In addition, the company also has a good reputation among its rivals in terms of the quality of products.

## **RESULTS AND DISCUSSION**

Based on the interview with the founder of the entrepreneur and analysing his answers to our questions, we started to figure out five major strategies utilized by the company in order to maintain its businesses and survive in the hostile environment.

The first strategy is to sale water on credit for both wholesale and retail dealers. The second strategy is to use groundwater to produce fresh water which allows the entrepreneur to avoid taxes and to cut down the costs of buying water. The third strategy is to pay a great care

for wholesale and retail dealers. The fourth, it produces a high quality bottle of water and cuts down the production costs through technology investment. Finally, it makes use of social network and family support. These strategies are as follows:

### **THE FIRST STRATEGY: SALE ON CREDIT (BUY NOW AND PAY LATER)**

This strategy is one of the most noticeable strategies of the firm in this study. When the sales have started declining due to oil prices crisis and the invasion of ISIS to the north and the west of Iraq, the Iraqi economy has seriously been affected and the government could barely pay the salaries of the public employees. This led to cash shortage and shifting of people's orientation from spending toward saving. The per capita income has fallen to its lowest level since 2003 especially for those who are unemployed or have low salaries. It should be considered that the majority of Iraqi people drink water treated by ozone and reverse osmosis because the tap water is salty and polluted. Thus, they buy water produced by water companies and use tap water for washing and household purposes. The founder has realized that the wholesalers and retailers may not buy products that they cannot sell. Therefore, he decided to sell his products on credit to give them flexibility in selling water and let them take time to pay back. Although some dealers pay their debts late, however the CEO sees that this strategy helps the company to keep and maintain their market share against their rivals. Moreover, sale on credit with a price lower than other competitors encouraged some people to work as water sellers of the company in the streets. You can find such sellers in most of the streets of Basra who sell Al-Khaleej Company water. This thing has two benefits; the first is that it offers employment opportunities for unemployed young people, while the second is that the company will have, for its own, voluntary salesmen in all the streets of Basra, just for a slight reduction in the price of the products. Therefore, the producer entered most of the houses of Basra in all regions, even those far away. This led to increase the company's share in the market and it made the company more competitive. Lastly, this great number of sellers of Al-Khaleej Company product who are spread in the streets promoted the image of the company and its trademark in the minds of people and that made the product the most popular and marketable.

### **THE SECOND STRATEGY: GROUNDWATER TO PRODUCE FRESH WATER FOR LOW COST**

The location of the firm in an agricultural area called Abo Al Khasseeb gives it a competitive advantage of using groundwater among their competitors. The factory uses salty underground water and mixes it with tap water to reduce the salt percentage in it. The next step is to treat this mixed water which is reserved in big tanks by ozone and reverse osmosis in order to produce a bottle of fresh water with high quality. This striking strategy allows the company to cut down the costs of water that is supposed to be bought from the government water stations to more than 50 percent. In addition, the firm has its own fleet of tankers that carry water from the government water stations for free, whereas Salsal Company takes water from Shat Al Arab river for free but it pays for transporting it to the factory. This strategy highly supports the firm to implement its first strategy (Sale on credit) which gives the company flexibility toward the threats in the external environment.

### **THE THIRD STRATEGY: GREAT CARE FOR WHOLESALE AND RETAIL DEALERS**

Although the company has long term contracts with foreign oil companies such as Shell and British petroleum, it pays big attention for the wholesalers and retailers. The company uses a special care plan as a set of incentives for its dealers in the market. For example, it gives them generous quantity discounts and allows them to work as brokers. In this context, the company accepts from its wholesalers and retailers to sell off products for other parties while it is in the company warehouses. In other words, they get commotions from selling of products that do not own. The company transports goods to customers, loads and unloads goods freely. In addition, the company provides the clients with their demand in fixed schedule and quantities using additional production lines for emergencies and high demand on water during summer. Recently, Basra city has become one of the hottest places around the world and the demand on purified water has become massive. In such conditions, responding to the customers' requests makes them feel satisfied and loyal.

### **THE FOURTH STRATEGY: GOOD QUALITY, TECHNOLOGY INVESTMENT FOR COST CUT DOWN**

In water industry in Basra city the company under research is well known for high quality products among its rivals. The company spends a lot of money in technology to cut down the costs and improve the quality. The firm has a long term contracts with the biggest international oil companies such as Shell, British Petroleum, Exxon Mobil and Petro China. These giant oil companies request a high quality purified water for their expatriate and local staff. Therefore, they keep monitoring the quality in laboratories abroad and locally. The quality requirements do not stop in the production process, but also extends to the transportation process. The company has a fleet of refrigerated trucks with international specifications in terms of insulation and use of most up-to-date thermo cooling units that are capable of maintaining the required cooling degrees.

In addition, the company is the only party that has a factory for producing water bottle capsules. Other water companies have shifted from importing those capsules from factories located in other cities or even in China toward this company. All these characteristics work as a competitive advantage for the firm which increase its capability of serving wide range of customers and gain their loyalty and satisfaction. This could explain how quality-driven company can overcome the threats in the hostile environment.

### **THE FIFTH STRATEGY: SOCIAL NETWORK AND FAMILY SUPPORT**

The fifth strategy is reliance on social network and family support. The owner's brothers have several companies working in different business field. These companies provide substantial support for AL-KHALEEJ Company. For example, the oldest brother Kadhim has a security company called "Al Shaher" and it provides the company under research with its needs from the security services. The middle brother Ali has Food Company called "Khairat Dar Al Salam" which supplies its services to the company. The youngest brother Mostafa has "Fajer Al Eman" company for printing, publishing and advertising. This company is based in Baghdad the Capital

of Iraq. In addition to its services, this company facilitates and finishes the company paper work with the government. The deal with all these companies is based on the exchange of services and benefits. AL-KHALEEJ Water Company gives them water with generous discount and it gets other companies services in return.

Furthermore, the companies collaborate in their technicians, equipment, heavy duty tools and vehicles. This strategy gives the water company an advantage which put the company in a superior position among its rivals. The family members have a strong social network not only in the city but also in the whole country. This network helps the company to facilitate the work and solve its issues. Although Ibrahim the CEO of the company avoids talking directly about paying bribes, he indirectly agrees. It is without no doubt, paying bribes is a way of life for any company working in Iraq which became the eleventh worst country in the corruption perception index 2016. This strategy is the only in-line strategy with previous studies. Dyer & Mortensen (2005) & Abuznaid, (2014) found that Lithuanian and Palestinian SMEs depend on their social network and family support in order to draw on family, friends and acquaintances for different resources especially capital.

### CONCLUSION

The participation of SMEs in the Iraqi economy remains a neglected area. This research sheds light on strategies used by AL-KHALEEJ Company in the politically and economically hostile environment. The company under research is considered as one of the most successful companies in the water industry field. The findings of the study show that five significant strategies are used by the company. Those strategies are; sale on credit, groundwater to produce fresh water for low cost, great care for wholesale and retail dealers and good quality, technology investment and cost cut down and social network and family support. Except the final strategy of social network and family support, the other four strategies are not in line with previous studies (Dyer & Mortensen, 2005; Abuznaid, 2014; Garonne & Vial, 2010). This could be due to the natural differences between the Iraqi environment and other countries. In addition, the mentality of business men in the Middle East may differ from Eastern Europe or other hostile environment countries and this is why their reaction to the environment is different. The customer also differs from one country to another with reference to the experience, culture, preferences and knowledge.

However, the strategy of social network and family support is in line with Dyer & Mortensen (2005) strategy that found the family support important for small and medium companies in order to survive in the hostile environment. This is, may be, logical for people to help each other anywhere around the world since the human being is by nature social. Moreover, it is found that bribes in Basra are a way of facilitating the work and solving the issues. In the business field it is almost impossible to get the work done without paying bribes. This is also in line with Dyer & Mortensen (2005) study. However, Lithuania where Dyer & Mortensen conducted their study in (2005) ranked 38 in the corruption perception index (2016), whereas Iraq ranked 166 at the lowest bottom. Although the difference in ranking between the two countries is too big, Lithuania is still lagging behind many European countries. This may explain that although the bribes trend in Lithuania is small in contrast to Iraq, they are still a way of managing the business issues.

The other water companies in the city may use one or two of these strategies or they may have their own unique strategies. For example Salsal Company which is considered the second successful water company uses Shat Al Arab river water and mixes it with tap water to cut down

the cost of buying the water from the government. This strategy is in line with the AL-KHALEEJ Company in using underground water to produce fresh water. Unfortunately, Salsal CEO refused to participate in this study after the first meeting with him.

It is without doubt the business environment in Iraq suffers from serious challenges and obstacles. However, the findings of the study answer the question that is asked by (Dyer & Mortensen, 2005) of their direction for future research which is: "Do the entrepreneurial strategies and resources needed to succeed differ depending on the "type" of hostile environment"? The answer is yes depending on our findings. The success of survival strategies is influenced by the type of the environment and what works in a certain place may not work in another.

Finally, this is the first study that investigates the hostile business environment in Basra and points out the reactions of the entrepreneurs toward it. The strategies of this company are unique in contrast to other strategies that have been used by companies in different environments. We believe that SMEs in Iraq have their own strategies and reactions toward the hostile environment. Therefore, there is a need for further research studying different sectors and bigger samples in order to introduce a framework that can be generalized among SMEs in Basra.

### **FUTURE RESEARCH DIRECTION**

The case study approach provides an in-depth look into the company and its strategies, which may lead to more valuable data to generate "grounded theory". This could also lead to a clear vision about the hostile business environment of Basra. However, it is difficult to generalize a case study of one company on the whole environment. Therefore, there is a need for more research with bigger samples to support the study findings. These studies may test the same strategies to emphasize the findings or investigate different ones.

Dyer & Mortensen (2005) in their future direction recommendations ask a question about whether the entrepreneurial strategies to succeed differ depending on the "type" of hostile environment. We believe this study confirms that the strategies differ depending on the type of environment. Taking this into the consideration, we address the question of whether the strategies differ depending on the type of business sector or the type of the company.

By highlighting these future recommendations and questions, this will allow us to have a deep understanding of Iraqi SMEs reactions toward the hostile environment in order to survive.

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