

The Dream has come True with Turbalances

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Abstract: This case study is about the telephone mobile shop business founded in Abu Dhabi, United Arab Emirates (UAE) in 1992 by a Middle East investor, the owner. Due to his passion for initiating telephone businesses, he started his own business venture in the mobile phone industry through this shop. He has struggled since the advent of the shop and eventually, in 2014, noticeably gained weight because of how he had experienced and managed his business for 22 years. The changes he had experienced in his friends' lives inspired him to start his journey in his own business. On realizing how important and effective the mobile business was in the UAE, he thought about founding his mobile shop, and decided to establish his own business in the region. In time, the owner also found that having this business in his life gave him the opportunity to know different types of employees, customers, and suppliers as well.

Key Words: decision making, small business venture, United Arab Emirates, Abu Dhabi, telecommunication industry, employees' performance, entrepreneurship

1. Introduction: A young Syrian man's dream was to have his own business, particularly in the UAE, where his friends and relatives lived and worked. In July 1990, the owner arrived in the 46°C heat at Abu Dhabi, heat which he has never encountered and a city he has never seen. However, he was happy to be starting his new life in this land. Since then, his ambition has been to open a car accessories shop due to the low cost and high income. He started his dream by renting a small space to manage his business, with a capital value of US\$408. He has worked in his neighbors' shops to get even low income from every service he provided due to his financial situation from one side and his new shop from the other side. Then, the real business conducted and within two years his capital significantly increased to \$190,218 (in 1994). However, during his journey he encountered several management and financial issues due to mismanagement of the company and disorganized business methods; also, due to higher local labor costs, he depended totally on unskilled young sons, friends, and relatives to run his business activities. During the long journey doing business, with 24 years in one location, the revenue and income of the firm has, from time to time, fluctuated. The owner said, "I don't know where this journey will end". He is curious to know what the future holds for his Mobile Telephone.

1.1 Background to Shop

The owner was born in 1965 in Syria and finished elementary school. He has experienced several management and financial issues during his journey since the founding and establishment of his business in UAE in 1992. The mobile shop is a small business entity located at Defense Street, in the Emirate of Abu Dhabi, UAE. The owner, as an expatriate from Syria, has been working in this business for 22 years at time when most of the car accessories and industrial shops were conducting their business activities in this area of Abu Dhabi. Over a long period of time he has displayed mismanagement and carelessness towards his business due to an inability to make decisions. In 1996, he opened a new mobile shop 'Sky Phone' near to the first business and has operated this successfully with no issues.

The first shop was operated successfully until 2004 when the first losses occurred, when he lost \$407,610 due to issues of

labor and dishonesty. The owner was started by renting a small space that was empty of equipment, for which the owner paid only \$408 (10% deposit of the total space annual rental rate) deciding to pay the remainder in three installments. The owner was confused as to how to calculate the total amount of the rental rate.

He has used the empty space for car accessories in spite of the fact that the trading licence was issued for mobile phones' trading and maintenance. Later on, he started mobile installation in cars and decided to trade the used mobile telephones, such as Jawal, Anis, and the heavy big telephone (in UAE is called Telephone Bu Shanta) that was as a mobile in the leather bag carried on the shoulder due to the weight and size. He was buying these devices from the users as used devices and considered as the black market at the minimum rate of US\$1,630. These new telephones were only available and traded by Etisalat. However, his customers were concerned as to why the price of used mobile phones was so high. He was adding a margin of 100% in order to recover his shop expenses. The sales price for such devices was US\$3,260 as minimum. The telephone numbers were consisted of only five digits excluding the area code (now seven digits).

The owner has not considered any vision, goals, objectives or strategic plan to enhance his business. The only issue he has thought about is to have a comfortable and pleasant life with his family in the UAE, but he has not realised that a successful business is achieved through a strong strategic plan. The mobile shop has no organisational structure, nor has a formal strategic plan been conducted from the beginning to the end of 2013 when he encountered a second financial issue. He has refused to mention the employees' names due to their dishonesty and the loss they caused for his business in 2004 (the first crisis) and from 2009 to 2013 (the second crisis). However, he has decided to change employees several times and finally his two unskilled sons (16 and 17 years old in 2009) have taken over responsibility for the mobile business with direction and training by the owner.

Nonetheless, his older son who was educated to secondary school, appointed as manager of the first shop, in which the total value of losses was US\$461,956 (at the rate of AED 3.68 = US\$1) in the second crises. His younger son who has the same level of education with more experience has conducted

the managerial functions at the second branch that was opened in 1996. The owner appointed his sons after considering their age, qualifications, education and the size of the two branches. The concern is that if business continues to be run with the same disorganised business methods, then what will be the future of this firm?

Nevertheless, the owner has totally depended on his two sons to run his business with assets of US\$815,217 (Table 1). They lack experience, are young, and have insufficient skills, qualifications and education. The question here is: why has the owner decided to appoint his young and unskilled sons as managers for the two locations? And why has he depended totally on them from the end of 2013 only, when the losses ranged from 2009 to 2013?

2. Case Methodology

In this case, the primary data collection process is solely derived from an interview with the owner, the business owner of the telephone shop. The internet and the published materials were used as the secondary source of data collection.

2.1 Prime Shop of the owner

The main shop of the owner's telephone shop started business activities in 1992 with US\$408 capital. This location has attracted potential customers since the start. Then, the real business that was conducted under the trading license was initiated and within two years the owner's capital had increased significantly to \$190,218 (in 1994). Authority for this prime location was transferred to one of the skilled employees as acting manager, as he was well known to the owner. The owner found that there was a sufficient fund to purchase a new shop. In 1996, he started a similar business in a new shop (mobile shop) as the second branch, in the same area of Abu Dhabi, and close to the first one in order to be monitored and easily accessed. However, in 2004, the owner encountered an unexpected financial problem, the first crisis, impacted him losing \$407,610 due to labor issues and dishonesty. Immediately, he took action and replaced the employee who had caused the situation. The owner spent most of his time managing, organizing, monitoring and controlling his business activities. In 2008, the owner suffered from moving between two locations trying to manage and organise both shops in order to avoid any unexpected circumstances.

He thought about the family business as his two sons were grown. In February 2009, he appointed his two sons (16 and 17 years old), one for each location, to depend on them as managers to manage all business transactions after five months' in-house training. By the time of his two sons' appointment, the owner had started spending most of his time socially, considering that all employees were well known and he was confident with the way the business was being run in both locations under his sons' authority. The older son (17 years old) was appointed as manager to the first shop. He continued his assignment until November 2013 when his father asked for the financial status and this date marked the end of the second crisis after five years from the start of the issue. He discovered that his son was dealing with suppliers and customers with no cash, in addition there were insufficient assets (equipment) in the shop.

2.3 The New Branch 'Sky Phone'

In 1996, the owner started a similar business activity in the new shop near to his first location in Abu Dhabi. It was initially run by the owner with four employees until 2004 and had significant transactions and benefits through potential customers. This branch has been acting smoothly without any financial issues due to centralised authority by the owner. For any transactions, the owner must be involved.

2.3.1 Training Two Young Managers

By September 2008, he started training his two young and unskilled sons in order to prepare them for both locations. Both sons were in one location undertaking training activities in different transactions with the suppliers and customers. The owner disregarded some of the minor and major mistakes made by the trainees. The training was conducted for about five months.

2.4 First Crisis

The owner stated that his company had good growth from the beginning until 2004 when suddenly the first financial crisis arose due to the actions of one of the very well skilled and experienced employees and the absence of the owner. The owner added that "I trusted him in the shop as I trust myself". However, he was suddenly surprised by the financial issue of losing \$407,610. He said: this employee has opened a telephone shop and is currently considered as one of the owner's rivals in the same area.

He has taken action, stopped the employee from working in the firm and replaced him with a new one. He has taken charge and assumed responsibility for managing his business transactions. This phase moved smoothly on until 2013 with the same employees as in previous years. However, at the end of 2013, he realized that the second financial issue had been occurring since 2009 without his knowledge.

2.4.1 Second Crisis

By the end of 2013, the owner had found out his company's assets were decreased. He started doing his research and found out that the issue had been ongoing since 2009 when his son was appointed as manager in one of his mobile business shop. the owner said that the young manager had not involved him in the issue from the beginning and that he had kept it to himself, waiting to recover and solve the problem. However, the question is: why has the owner failed to monitor transactions closely for about five years (February 2009–November 2013)?

2.5 TELEPHONE SHOP Strategies

During an interview with the owner, he stated that "I never planned a strategy to organise my firm". From his point of view, he decides when it is time to make a decision whether to purchase, sell, recruit and/or fire an employee. He never set strategies for the two shops.

2.6 Financial Status

As illustrated in (Table 1), the total assets of the firm in 2013 is US\$977,717 which have increased significantly compared with the total assets value in year 2000, while the owner's equity in year 2012 is lower than 2013.

The owner has no official documents to supply some of the required details related to years 2000 and 2012. the owner has stated that the firm's monthly profit is very significant, at a

value of US\$27,174 per month, effective from 1/1/2014. “This is due to the fact that I have tried to be present at the firm on a daily basis since the beginning of 2014”, he said.

Table 1. The mobile shop Balance Sheet, USD (by

Year	2000	2012	2013
Assets	163,043	815,217	815,217
Cash	54,348	NA	15,489
Account receivable	5,437	2,717	4,891
Total assets	223,369	815,353	977,717
Liabilities and owner's equity			
Liability	NA	NA	461,956
Account payable	00	00	NA
Long-term debt	00	00	00
Total liability	00	00	461,956
Owner's equity		815,353	515,760
	223,369		

Source: Company internal information

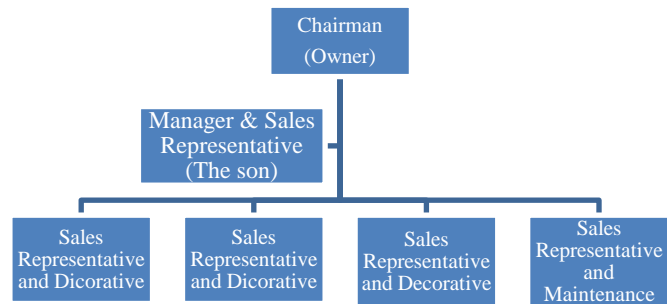


Figure 1. Brief overview of the Phone Shop Organizational Structure

2.6.1 Cost and Price Strategies

As the owner mentioned:

“We have to consider that some expenses arise daily, monthly and annually. We have to add sufficient margins to the original costs in order to be able to survive in the market. He said, our expenses include accommodation, salary, family expenses, annual rent, renewal of the trading license, and so many other issues. We cannot sell at the same price, we have many responsibilities and we are a large family with daily expenses. Therefore, prices depend on the products, quality and time spent for maintenance. The owner of the building is continuously asking for an increase in the space rental rate as well”.

3. Organizational Structure of thr Phone Shop

Since the advent of the business, he has acted as manager with three other employees until 1994. However, since then, he has started managing the new mobile shop and has depended on one of his well-skilled employees to manage. This employee caused the drop in the value of assets by 2004, as explained in the first crisis.

Since then, the owner continued with five employees in TELEPHONE SHOP and he considered that the manpower is an important asset [5]. By 2014 and exactly after the second losses of US\$461,956, the owner took over responsibility for the organization with his son and four other employees (Figure 1).

Source: Company Internal Information

4. New Partner

A Syrian investor has become involved in the owner’s business and supported him with \$407,609 in a three-year contract in order to recover the shortfall in funds during 2010–2013. The contract was signed with 70% of the profit going to the owner and 30% to his partner. Then, the investor, on completion of the agreed period, has the right to return the amount or continue with the same contractual terms and conditions. As owner said, this is considered as a support during the shortfall in funds.

In addition, this investor works in an external organization and he is authorized to take any action in terms of organizing, monitoring, and controlling employees at any time he observes problems. Therefore, he has been monitoring and controlling the finance and inventory for two hours a day since the beginning of 2014.

5. Competitors

As the owner has stated, most of the shops located near his firm are considered as competitors. He said: “Unfortunately, some of my competitors were working in my firm for a long time and right now they are considered as my rivals in this area; this means that they have already prepared while working with me, and this was their main plan”.

6. Employees’ Performance

The owner has no records for his employees’ performance and he evaluates them as they perform tasks visibly and daily and while he is available at the shop, otherwise he would never be able to see employees’ performance. He stated that “some of them perform well and some do not, but that he doesn't try to talk with them directly due to his concern that they may behave less well

in his absence”. He rarely receives feedback from customers a few years ago when a customer complained about the attitude on one of his employees.

7. Salary, Compensation and other Benefits

The owner stated that his employees’ monthly salary is categorised in two ways:

- ✓ Employees receive a salary of US\$888 with accommodation, housing allowance, and food.
- ✓ Employees receive a salary of \$1,360 without any allowances or benefits.

8. Recruitment and Selection Strategy

The owner said that there is no written policy or strategy for recruiting or selecting employees in the shop and that:

“I recruit employees from Syria. He prefers to recruit people who are known friends and relatives. He said this makes him feel more confident and happy because they are known and I know where they come from”. However, during the past financial dilemmas, the owner stated that I didn’t want to hurt anyone who participated in the loss of my assets and caused a drop in my business. He added that mobile shop does not have a website to recruit employees through the internet”.

9. The Theoretical Perspectives

The way the owner has distributed and allocated the manpower resource in his firm was improper. Resource allocation is efficient in the sense that it maximizes revenue and profits [4]. This is based on the efficiency of manpower and other resources [2]. Efficiency is one of the criteria for evaluating a company’s outcomes [1] that is based on the business employees’ ethics.

The dishonesty and unfairness of employees at his mobile shop led Khalid’s firm to a critical situation in 2004. This was due to the lack of allocation and distribution of one of the company’s resources, manpower. Thus, it may be employees focused on the inability of the owner to allocate, distribute, and continually observe the outcomes of resources as their distribution is opposed the allocation of company resources [2].

These two criteria could have affected the owner’s business conditions as the employees have been uneasy due to the business ethics and implementation of the sole source of manpower recruitment (Syrian) without diversification of manpower [3] in the mobile shop work place, because the business owner is uncomfortable with the diverse policy, which has an effect on efficiency and also improves productivity as well [2]. As the owner mentioned, “it is inefficient and unfair to create a situation where the company loses and the assets of the company are taken out to help one group at the expense of another group”. It is important to say that the benefit of having diversified manpower leads to improved stability in the workforce, which in turn produces higher firm values [4].

10. Conclusion

Although the location of the shop is strategic, the owner has encountered management and financial issues since the beginning of his journey in business. He has displayed disorganized business activities due to his lack of experience and qualifications, and the trust placed in people in his business. However, his company has faced two financial crises during 22 years in the market.

The employees have demonstrated their performance, honesty and loyalty by providing exemplary and significant services in front of the owner. However, in his absence, something went wrong due to employees’ dishonesty, as happened in 2004 with the first crisis. Thus, he has not learned from his past crises, situations and mistakes because history provides plenty of evidence to support future plans.

Moreover, the owner has never given up and has continued his business without initiating or developing his business strategies. The owner continued employing his unskilled and unqualified relatives, despite the lessons he has learned from the past, until the second case (2009–November 2013), when he appointed his two young unqualified sons as managers to run business activities. They had followed the instructions given by the owner but their young age and lack of experience put their father’s business in a risky and critical situation.

Finally, the owner decided to run his business personally. He appointed his sons as acting managers under his authority with no organized or written strategies, goals, objectives or policies. As he said, he is satisfied running his business without strategies and in fact he has not involved how the business plan is established and developed. However, currently he is satisfied due to the experience and lessons learned and he is optimistic of a successful business in the future.

11. References

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About the Authors

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Table 1.

Activities	Person/Group Task	Time Frame
1) Give an overall idea of the case and instructions.	Instructor	15 minutes
2) Discuss about that a business man should have background in accounting and/or finance or having accountant to follow up the company’s transactions in order to monitor the company’s account when it is required.	Group 1	45 minutes
3) Discuss the policies that should be conducted in small businesses for selecting employees.		
4) Discuss some issues that cause the failure, shutdown, and bankruptcy of small firms.		
5) Discuss why some suppliers monopolize products and customers purchase the products from the black market.	Group 2	45 minutes
6) Discuss the efficiency of having the right skilled people in the business environment.		
7) Discuss how to enhance the organisation's position in the market and avoid deficiencies in the future.	Group 3	45 minutes
8) Discuss how the chairman (owner) should follow up his/her business activities and processes on a daily basis.		
9) Reporting	Each group will be given 15 minutes to report	45 minutes
10) Wrap up	Instructor	15 minutes
TOTAL		120 MINUTES

Source: It has been prepared by the author.

Teaching Notes

Case Synopsis

This case study is about the telephone mobile shop business founded in Abu Dhabi, United Arab Emirates (UAE) in 1992 by the a Middle Easter investor, as owner. Due to the owner’s passion for initiating telephone businesses, he started his own business venture in the mobile phone industry through this shop. He has struggled since the advent of the shop and eventually, in 2014, noticeably gained weight because of how he had experienced and managed his business for 22 years. The changes he had experienced in his friends’ lives inspired him to start his journey in his own business. On realizing how important and effective the

mobile business was in the UAE, he thought about founding his mobile shop, and decided to establish his own business in the region. In time, Khalil also found that having this business in his life gave him the opportunity to know different types of employees, customers, and suppliers as well.

Acknowledgements: This study was successfully carried out, thanks to the generosity of the owner who collaborated in providing the valuable information required for the completion of the study. The case author would like to acknowledge the support of the Mobile Telephone shop owner, who provided me with this opportunity and spent time providing with incredibly helpful and valuable information about his company.

Subject Area: Strategic Management, Management Sources.

Study Level/Applicability: This case study is mainly based on a collection of primary (the owner of the shop), as well as secondary (internet and references), and all information gathered and included is factual and true. The case study is relevant for undergraduate business degrees, including courses such as small business management, family business and new business ventures.

Expected Learning Outcomes: The case has the following objectives: To demonstrate understanding of the key concepts of organising and managing a small business as well as it is prepared for the learning objectives.

Disclaimer: This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision making and / or business strategies.

Teaching Plan: The 120-minute class will be divided into the following activities. The class could be divided into several groups. They should choose some questions and ask for group responses. Each group will choose a representative to report their findings to the class.

The class will be instructed and will be divided into three groups in order to share overall information of the case with all students. The students should be directed to choose one speaker and one leader for each group. The case should be given to students to read and conduct relevant research and to collect further information related to the case which will be presented in the next class.

List of Questions

Question 1:

How would you calculate the total rental rate of this mobile shop in 1992? And how much the due amount should the owner pay for each instalment?

The owner has paid US\$408 as the deposit amount. Therefore, the total amount will be calculated as:

$\$408 / 10\% = \4080 total rental rate

$\$4080 - 408 = \$3,672$ remaining value for three instalments

$\$3,672 / 3$ quarters = \$1,224 remaining amount per instalment

Question 2:

Should the owner of this mobile shop change his policy in selecting employees? Why?

Yes. The owner should change the recruitment policy, diversify, and select skilled people regardless of relationship, friendship or family in order to increase profit.

Question 3: What was/were the reason(s) for the losses in 2004 and for the firm having a shortfall in funds?

The owner has lost US\$407,610 due to the unskilled labour that he was selecting randomly out of concern for relationships and family respect. Moreover, dishonest employees were another issue that caused a shortfall and loss of assets.

Question 4: Why has the owner purchased used mobile telephones from the black market?

In the past, all mobile phones were monopolised by the Etisalat organisation. Customers were buying mobiles from Etisalat and then they were selling the used phones to the shops. The price of the mobiles in Etisalat was cheaper than the value of those sold to the shops.

Question 5: Why has the owner appointed his unskilled sons as managers the mobile shop?

This policy is aimed at reducing costs by appointing relatives in the family business. The owner assigned them for several reasons: a) To reduce costs. b) Honest labor from family. c) Owner trusts them due to the close relationship (father and sons). d) They will be more calculating and circumspect with assets and funds. e) They would have the owner's best interests at heart.

Question 6: What should the owner do to enhance the organization and to avoid deficiencies in the future?

The owner should have strategies through a well planned organizational structure. He has to make the right decision at the right time. In addition, he has to allocate the right people to the right place at the right time.

Question 7: What is/are the reason(s) for loss of assets/funds in this mobile shop business during the period 2009–2013?

Wrong decision making in appointing his two young sons, unqualified and unskilled employees at the managerial level, mismanagement, disorganized process in terms of sale representatives and other assigned activities, carelessness and failing to advance business activities and financial issues for four years (he has not asked about the income statement or inventory of assets, and has totally avoided business issues and depended on other people to run his personal business).

Critical Questions:

1. What is the importance of organizing business activities and managing employees in organizations?
2. What are the responsibilities of supervisors/managers/chairmen in the small mobile telephone shop business?
3. How should a manager create successful business strategies?
4. What is a strategic plan?
5. Why has Khalil organised the second shop to be centralized?

Why has the owner not monitored the transactions closely for about five years (February 2009–November 2013)?