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IMPACT OF COVID-19: HOW CEOs RESPOND TO SMEs RECOVERY PLANNING IN SAUDI ARABIA

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Executive Summary

COVID-19 pandemic has changed the whole world. How we run businesses, deal with customers, employees, community, and other all sorts of stakeholders in organisations and society became a challenge in times of this health crisis which has extreme ramifications for sustainable business as well as society. Businesses have been forced to find creative and innovative ways of addressing some of the great challenges facing our world resulting from COVID-19 pandemic. This report presents the perceptions of chief executive officers (CEOs) of a sample of small and medium enterprises (SMEs) in Saudi Arabia. Our purpose was to understand CEOs' views around three key areas: a) challenges their business face due to the COVID-19 pandemic; b) the impact of the COVID-19 health crisis on their businesses; and c) their recovery plans to sustain in their businesses. We conclude this report by outlining some policy implications for SMEs and regulatory agencies in Saudi Arabia and other countries across the globe.

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Background

Different organizations and scholars are providing estimations of the economic impact of the COVID-19 crisis across countries. It is difficult to know, however, ex-ante, what the world economic impact of COVID-19 will be.

The COVID-19 pandemic originated in December 2019 in Wuhan (China). Currently (April 2020), the virus continues to spread all over the world, with around 1.4 million of cases reported by WHO (WHO, 2020) in 212 countries as of April 9, 2020. While there are some discrepancies in the reported data, the figures undoubtedly indicate an unprecedented world health crisis in the last century. Maybe the closest precedent is the 1918–1919 “Spanish” influenza pandemic, which, before COVID19, was the most devastating epidemic in modern history. The estimated number of deaths stemming from the “Spanish” flu is around 20-50 million worldwide (Trilla et al. 2008).

While the death toll is devastating, the economic consequences will be extremely serious. It is too early to gauge the final impact of the pandemic, but some authors claim that the economic recession will exceed the 2008 global financial crisis.

COVID-19 impact on the global economy

In the globalized economy of 2020, the impacts of COVID-19 go beyond mortality. As such, governments around the world have been preparing contingency plans described above, and aid packages to sustain their economies. In China, we have seen severe lockdowns. This has led to a decrease in consumption, and interruptions to production. Overall, the functioning of global supply chains has been disrupted. Millions of people will request unemployment subsidies. Consumers have also changed their consumption patterns, resulting in shortages of many goods in supermarkets around the world (Fernandes 2020).

As we said before, the economic impact of an ongoing pandemic is difficult to estimate while it is occurring. It will take months or years to accurately gauge the real consequences. However, some literature has estimated the impact of a global pandemic in the past, together with recent papers trying to anticipate the final impact of this crisis, under different scenarios (from the most optimistic till the most pessimistic).

The COVID-19 crisis, combined with a Saudi Arabia vs. Russia oil-price war, plus travel bans, has led stock markets to their worst day since 1987 (Fernandes 2020). In the base scenario, GDP growth would take a hit, ranging from 3-5% depending on the country. In other scenarios, GDP can fall as much as 10%. On average, each additional month of crisis will cost 2%-2.5% of global GDP.

The economic costs of a recession are unequally distributed. Also, based on prior crises, it seems that younger and less-educated workers will, unfortunately, be more likely to lose their jobs (Fernandes 2020). Applied to KSA, foreign workers, largely from India, Pakistan, and Bangladesh, constitute more than half of the total workforce, and they tend to be relatively unskilled. Therefore, the impact will be important on these workers. One consequence of that unskilled workforce is that Saudi Arabia's track record for labour productivity is weak (McKinsey 2015). To fill this gap, so that the labor force is better prepared for the next crisis, two KSA sectors are essential. On the one hand, manufacturing by leveraging the country's natural endowments, and relatively large market size. On the other, petrochemicals, further integrating its oil refining and petrochemical sectors, and investing in innovation to get higher-margin products, the KSA could boost the sector's GDP by up to \$30 billion (McKinsey 2015). These two factors would attract skilled workers from abroad and press the Saudi educational system to prepare young, highly skilled professionals.

While some countries are more likely to need the countermeasures described above than others, the global public good of living without fear of pandemics requires cooperation and cost-sharing. Besides, wealthy countries at relatively low risk of suffering massive health impacts from a pandemic could suffer disproportionately large economic losses—even from faraway epidemics—given the size of their economies and reliance on foreign trade (Bloom et al. 2018). Therefore, most of the countries will have an economic downturn, even those that are going to be able to control the health crisis to a better extent.

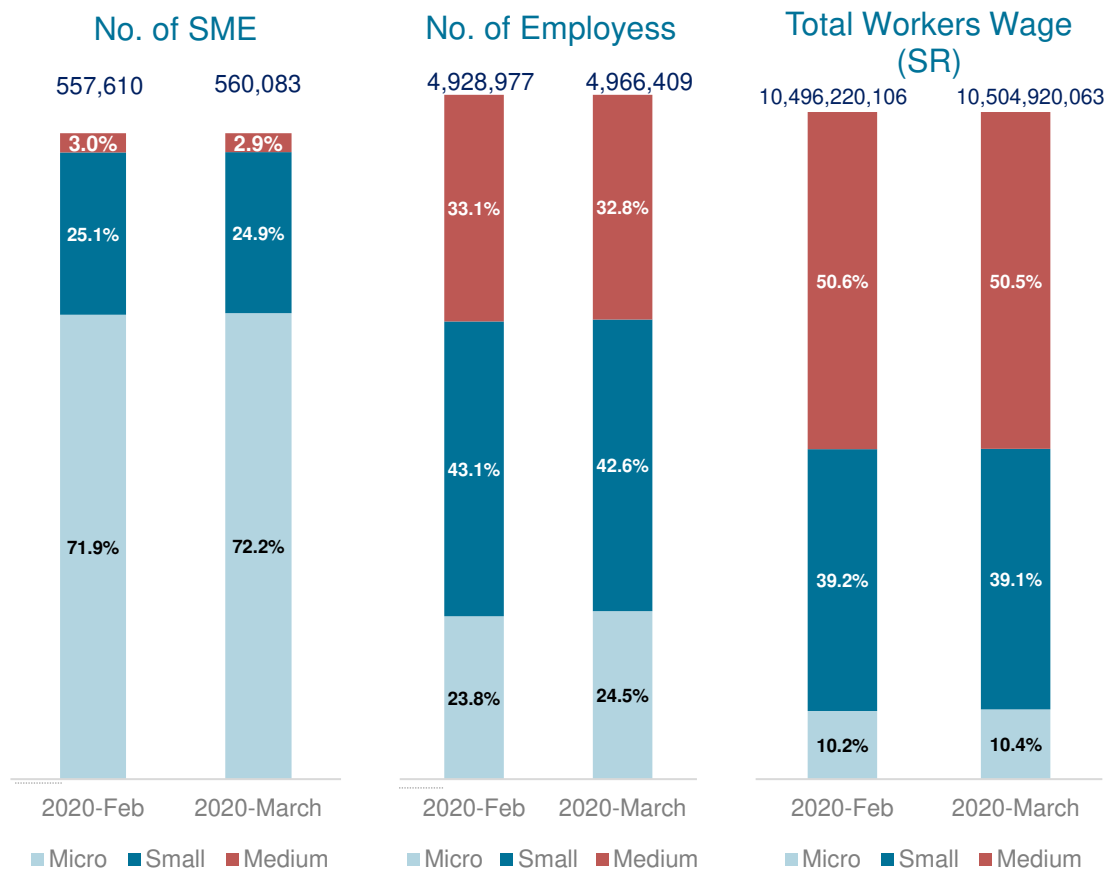
COVID-19 impact in Saudi Arabia

Kingdom of Saudi Arabia (KSA) is being hit by two shocks, namely, the spread of COVID-19 and the sharp decline in oil prices. Government policy is responding to both these developments. Key measures undertaken by the KSA government are:

- A SAR 70 billion (\$18.7 billion or 2.7 percent of GDP) private sector support package was announced on March 20, 2020: suspension of government tax payments, fees, and other dues to provide liquidity to the private sector and an increase in available financing through the National Development Fund.
- The Saudi Arabian Monetary Authority (SAMA) has reduced its policy rates twice in March 2020, lowering its reverse repo and repo rates by a combined 1.25 pp to 0.5 and 1 percent respectively.

SMEs in Saudi Arabia

SMEs contribute to promoting growth, creating job opportunities and encouraging innovation, accounting for 99.41% of the private sector in Saudi Arabia, while their contribution to GDP is 28.7% in 2018 and is one of the most important drivers of economic growth. The Kingdom seeks to support the SME sector by improving the economic environment and looking for possible ways to increase its contribution to GDP, diversifying sources of income and expanding the kingdom's production base in order to achieve the goals that the Kingdom seeks to achieve and the role of SMEs in economic transformation and Vision 2030. The Kingdom is working **to increase the contribution of SMEs to GDP from 20% to 35%.**



The Study

COVID-19 pandemic has changed the whole world. How we run businesses, deal with customers, employees, community, and other all sorts of stakeholders in organisations and society became a challenge in times of this health crisis which has extreme ramifications for sustainable business as well as society. Businesses have been forced to find creative and innovative ways of addressing some of the great challenges facing our world resulting from COVID-19 pandemic. This report presents an analysis of the findings from 111 small and medium enterprises (SMEs) in Saudi Arabia about the impact of the COVID-19 pandemic in Kingdom of Saudi Arabia. More specifically, we wanted to understand the perceptions of the chief executive officers (CEOs) of a sample of 111 SMEs around three key areas: a) challenges that SMEs in Saudi Arabian businesses are facing due to the COVID-19 pandemic; b) the impact of the COVID-19 health crisis on their businesses; and c) their recovery plans to sustain in their business.

The findings of this study from Saudi Arabia will be useful to global SMEs and policymakers and practitioners by providing examples of how Saudi SMEs are surviving at this challenging time by implementing various sustainable strategies and measures. The outcome of the findings offers a broader understanding of how a wide-ranging of innovative ideas associated with an organisation's desire for improving its efficiency, effectiveness and value creation for customers and other stakeholders such as government and the community. Our study has also implications for future research.

The rest of the report is structured as follows. In the following section, we describe our research method. Next, we present our findings. We report our results under three key issues as mentioned above. In the final section, we discuss our findings and conclude the report by offering some recommendations for SMEs and policymakers.

Research Method

To collect empirical data, we adopted a qualitative research design¹ carried out across multiple cases². We conducted interviews via videoconferencing with 111 CEOs across cross-sectional of SMEs in Saudi Arabia. All interviews were conducted in the Arabic language, audio-recorded, and translated into English. A narrative method was followed using NVivo software³ in analysing our observations from interviews. Findings are presented using both quantitative (frequencies) and qualitative (conversation) data. In doing so, initially, we started with an open coding approach which enables us to remain in tune with the

¹ Patton, M.Q. (1980), *Qualitative Evaluation Methods*, Sage Publications, Beverly Hills, CA; Morgan, G. and Smircich, L. (1980), "The case for qualitative research", *Academy of Management Review*, Vol. 5, pp. 491-500.

² Yin, R. K. (1994). *Case Study Research: Design and Methods* (2nd ed.). Thousand Oaks, California: Sage.

³ <https://www.qsrinternational.com/nvivo-qualitative-data-analysis-software/home>

participant's perception of his/her reality (Charmaz, 2000)⁴. Under this coping process, the emerged themes were originated from the words used by the interviewees. Further, a constant comparative technique was also used for comparing like with like which helped us uncover various dimensions of the issues under study.

We contacted 300 potential interviewees (CEOs of SME) via email and mobile. The potential interviewees were contacted from all 13 administrative regions in the Kingdom: Riyadh, Makkah, Madinah, Qassim, Eastern Region, Asir, Tabouk, Hail, Northern Border, Jazan, Najran, Al-Baaha, and Al-Jowf. However, 111 interviewees agreed to participate from six areas: Al-Baaha, Eastern Region, Madinah, Makkah, Qassim, and Riyadh.

The interviews were conducted via phone and skype/zoom from 15 April to 1 May, 2020. Face to face interview was not possible due to lockdown measures. On 8 March, the Saudi Arabian government announced that it was temporarily halting all transport in and out of the Qatif Governorate, though residents of the area would be permitted to enter the city. On 24 March, a nation-wide curfew was put into place with movement restricted to between 7 p.m. and 6 a.m. In a larger effort to contain the spread of the deadly virus, the curfew started from 3 p.m. instead of 7 p.m. in the three cities of Riyadh, Mecca and Medina⁵. Further, the government bans residents in the Kingdom's 13 regions from traveling between different areas. On 30 March, the Jeddah Governorate was subjected to a curfew by the Ministry of Interior, with all movement to and from the city suspended. The holy cities of Makkah and Madinah were subjected to a 24-hour curfew starting 2 April. On 6 April, it was announced that 24-hour curfews would be implemented in the cities of Riyadh, Dammam, Tabuk, Dhahran and Hofuf and the governorates of Jeddah, Ta'if, Khobar and Qatif, with movement restricted to only essential travel between 6 a.m. and 3 p.m.

Interviewees were guaranteed anonymity to participate in the study. Interviews were conducted in both Arabic and English. The Arabic interviews were then translated into English by two research assistants to validate the translation.

⁴ Charmaz, K. 2000. Grounded theory objectivist and constructivist methods. In N. K. Denzin, & Y. S. Lincoln (Eds.), Handbook of Qualitative Research. Thousand Oaks: Sage Publications, Inc.

⁵ <https://english.alarabiya.net/en/News/gulf/2020/03/25/Coronavirus-Saudi-Arabia-s-King-Salman-orders-lockdown-in-Riyadh-Mecca-Medina>

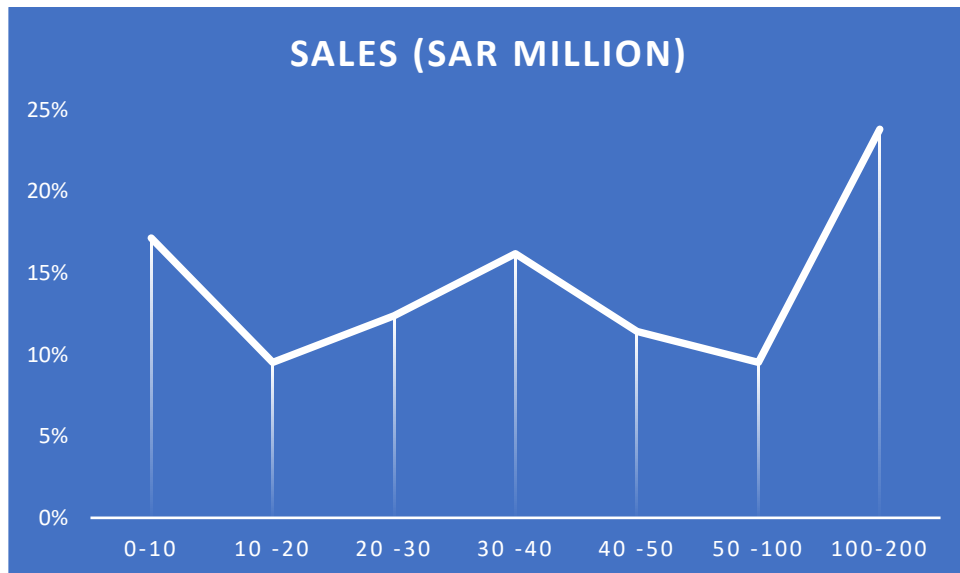
Findings

Profile of *Participant SMEs*

Exhibit 1 presents a brief profile of CEOs participated in the study and Exhibit 2 presents the industry profile of SMEs in Saudi Arabia.

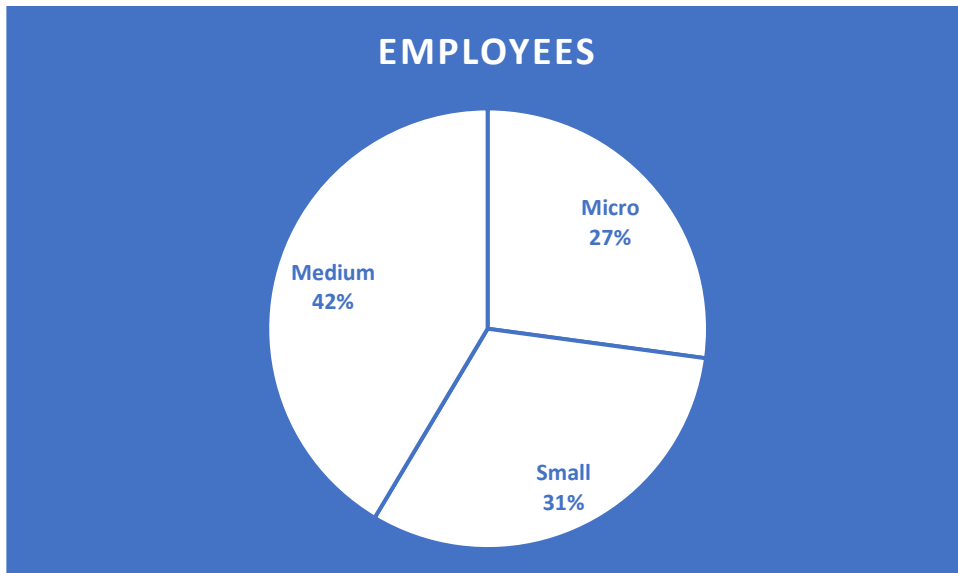
Exhibit 1 shows that sales revenues range between 50 to 100 million Saudi Riyal (SAR) for about 10 to 15 percent of SMEs under investigation. About 25 percent of SMEs reported their sales revenues between SAR 100 and SAR 200 million.

Exhibit 1 Sales Revenue (SAR million). N = 111



As shown in Exhibit 2, medium enterprises employed about 42 percent of the total number of employees of SMEs under study, followed by 31 percent by small enterprises and 27 percent by micro organisations ranging from 0 to 5 employees.

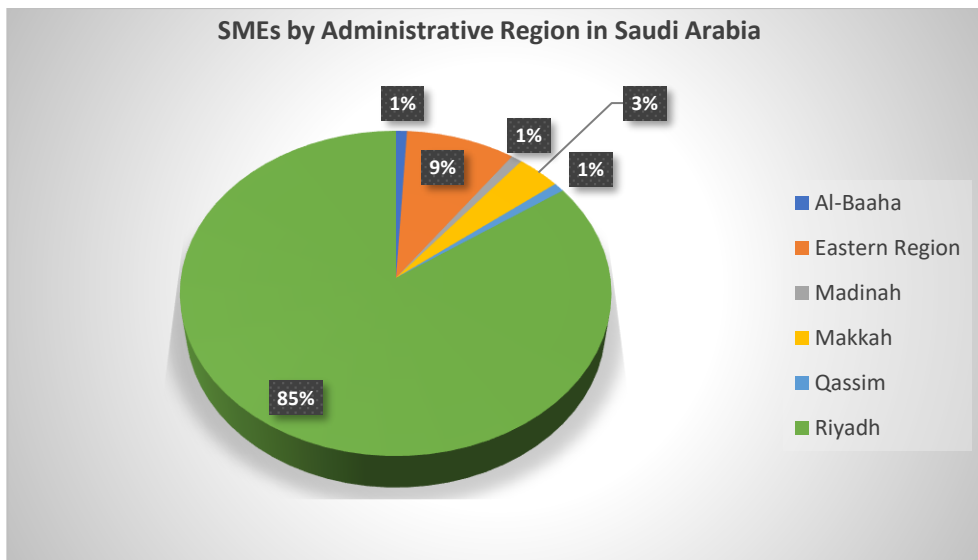
Exhibit 2 Number of employees (N = 70)



Legend: Micro 0-5 employees = 19; Small 6-49 employees = 22; Medium 50-250 employees = 29.

Our data (Exhibit 3) shows that most SMEs (about 85 percent of 111 under study) are in greater Riyadh areas, followed by 9 percent in the Eastern region and 3 percent in Makkah region. Other regions, namely Al-Baaha, Madinah and Qassim share 1 percent each of SMEs under study (N = 111).

Exhibit 3 Location of SMEs in Saudi Arabia



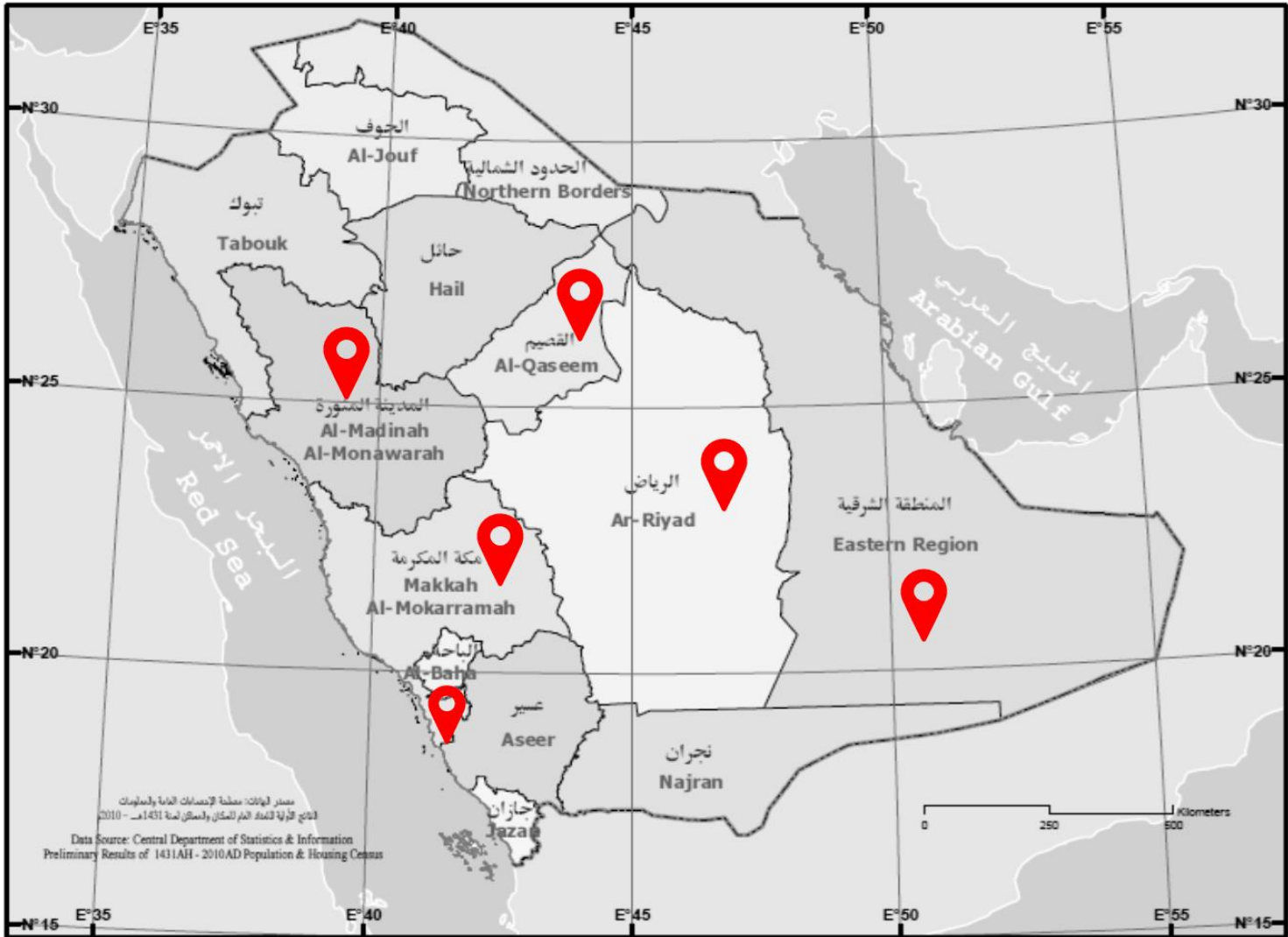


Exhibit 4 shows the profile of SMEs studies by industry type. Most SMEs under study (N = 111) belong to chemical and constructions (over 8 percent), food and beverage and healthcare (about 12 percent), and human resources and IT (about 15 percent).

48 percent of participating SMEs run by families and 23 percent by non-family members (see Exhibit 5).

As expected, 94 percent of CEOs participated in the study were male (see Exhibit 6).

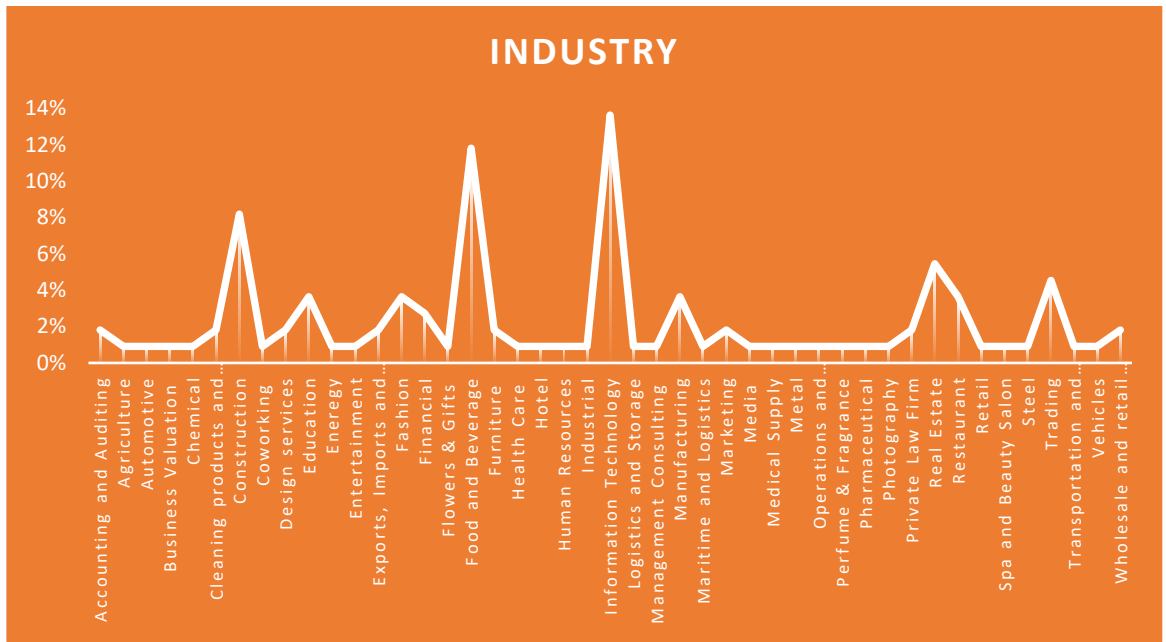


Exhibit 4: Profile by Industry Type

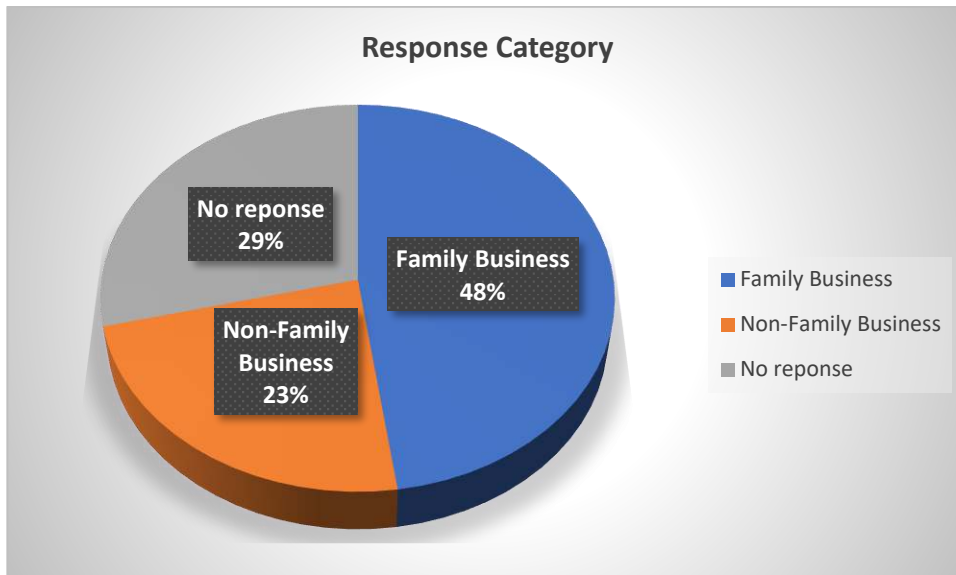


Exhibit 5 Profile by business type

Legend: Total sample (N) = 111; Family business = 53; Non-family business = 26; Non-response = 32

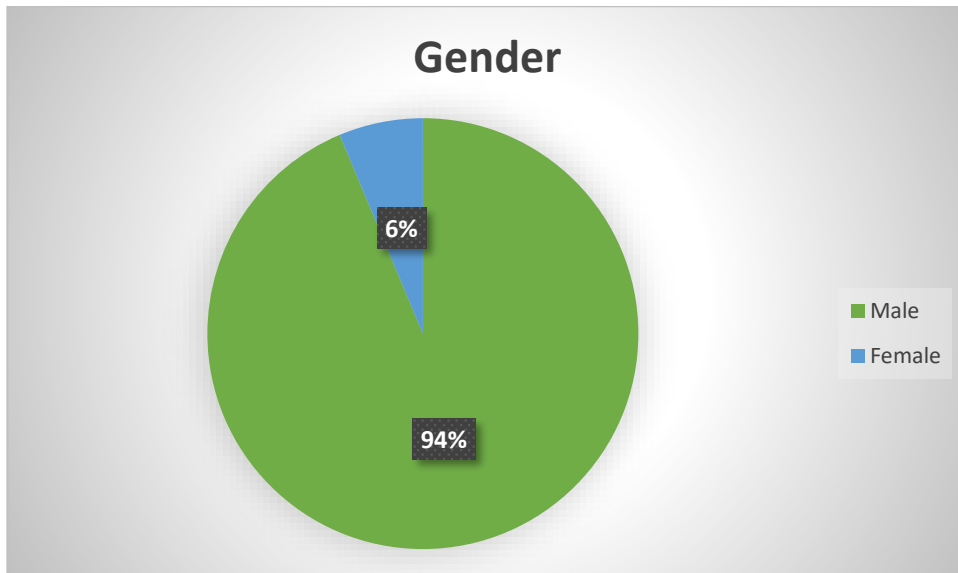


Exhibit 6 CEOs by Gender
 Legend: Total sample (N) = 111. Male = 104; Female = 7

Exhibit 7 shows that 75 percent of SMEs participated in the study (N = 111) were financed by equity capital, 23 percent by both equity and loan, and only 2 percent by the loan.

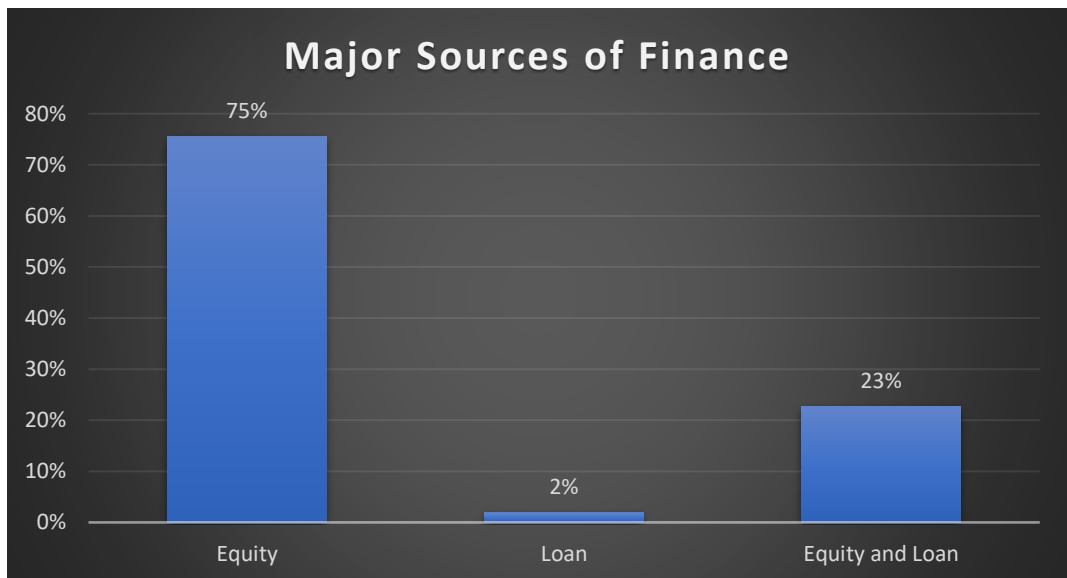


Exhibit 7 Major sources of finance

CEOs' Reflections

The primary purpose of our study was to understand CEOs' views around three key themes: a) challenges their business face due to COVID-19 pandemic, b) the impact of the COVID-19 health crisis on their businesses, and c) their recovery plans to sustain in their business after COVID-19 crisis. We present our findings under each theme.

Challenges Facing by SMEs Due to COVID-19 pandemic

Like other countries, Saudi SMEs are facing uncertainties in their businesses due to the COVID-19 outbreak. This health crisis is unfolding daily with significant impact on the Saudi economy. We asked CEOs the type and extent of the challenges their business are facing due to the COVID-19 outbreak. Of 111 participants, almost all were agreed on the significant economic downturn because of the forced shutdown of their businesses.

We generate a Wordcloud image through NVivo qualitative data analysis software (see below) to produce a summary of CEOs views about the issue. This Wordcloud image displays several common themes derived from 114 interviews. The common views include Revenue (decline/loss); Supply chain issues (procurement); Supply of materials; workforce (redundancies); Working capital (shortage); Customer management; Wages and salaries (employees); Health and wellbeing of employees; Regulation; Loan repayment. The word 'cost' appears to be large. This indicates how important it is, that is, how often (frequency) it appears in our conversation with CEOs. Other important words include 'demand reduction', 'working capital', 'salaries', 'supply', and 'customer revenue'.

Exhibit 8 Challenges - Wordcloud

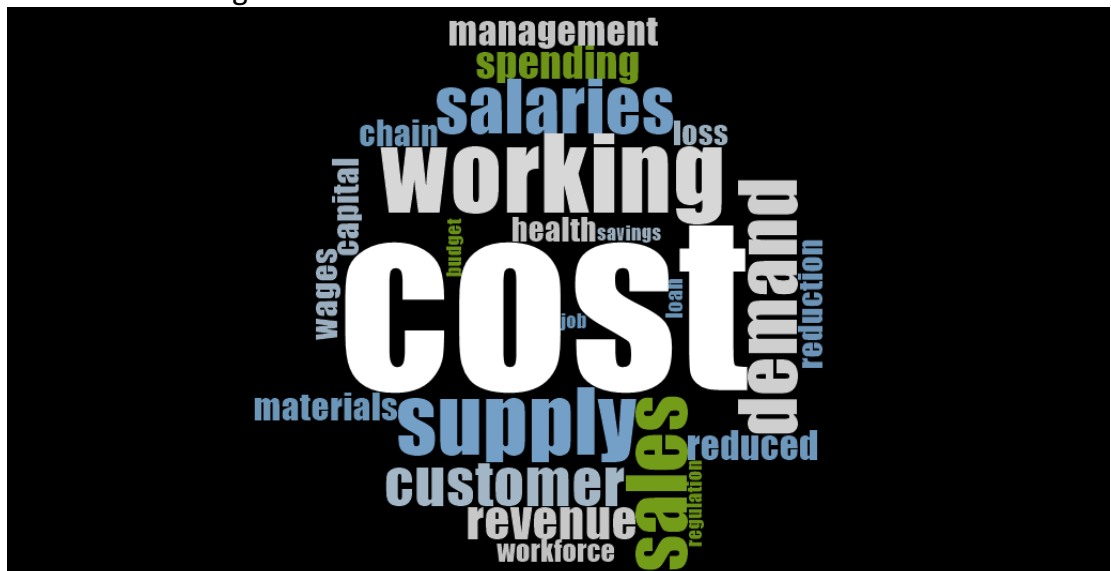
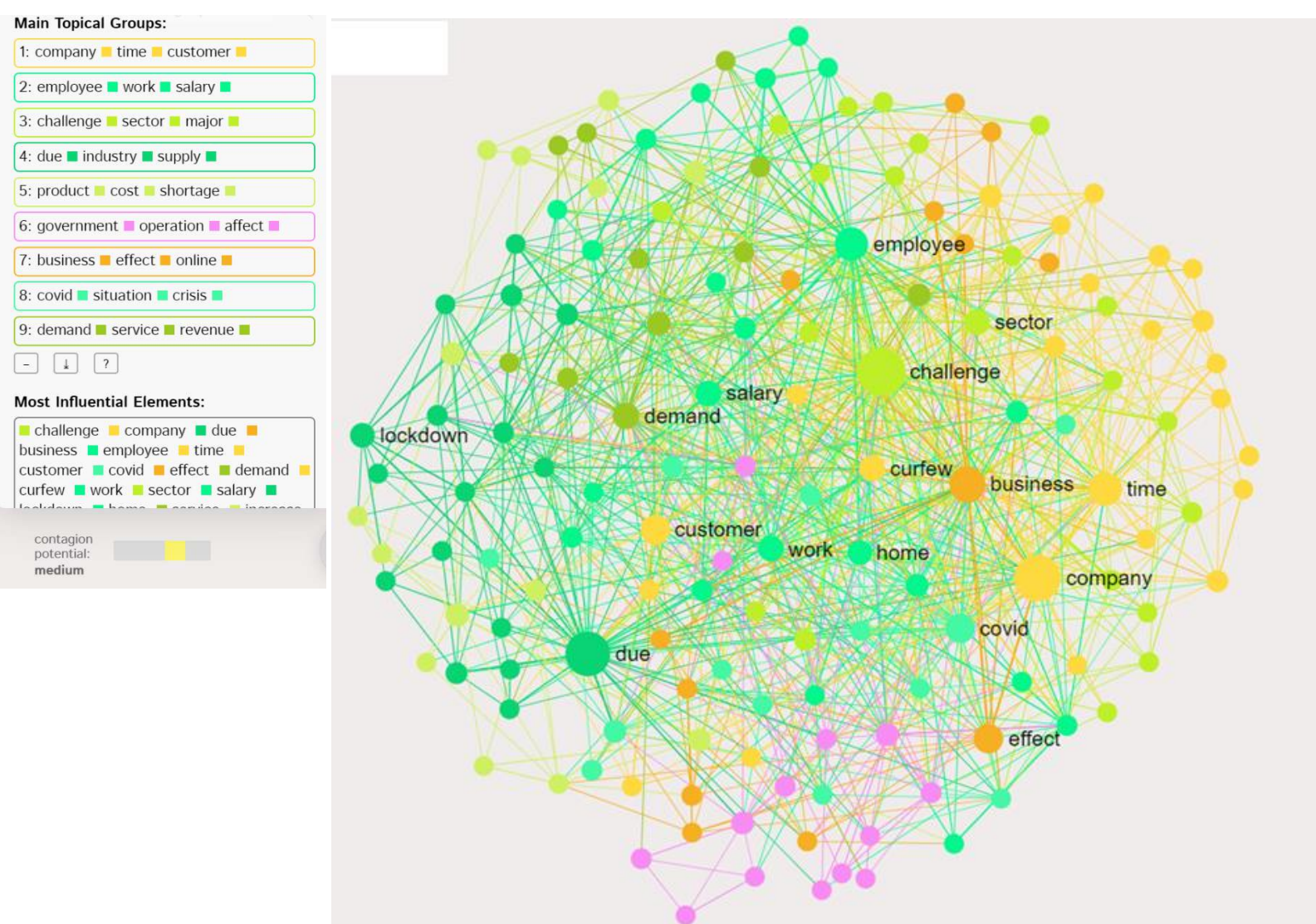


Exhibit 8a Challenges - Text Network Analysis



Our interview data reveal some interesting findings of the challenges Saudi SMEs continue to face due to the COVID-19 pandemic. Analysis of conversation with CEOs reveals several emerging themes. We discuss them in turn.

Forced shutdown/curfew

Majority of our interviews expressed their concerns with their unable to run the business due to the government curfew. Below we reproduce some comments made by some interviewed CEOs:

It is challenging these days; for a small business, with everyone staying home, daycare operation has stopped, we cannot continue due to government regulation, we cannot maintain our rental if this kept going for the next month.

Our business focuses mainly on delivery, with the shop being closed and more restriction during curfew we faced many challenges and orders were dropped more than 60% as consumer mind are shifted to necessary grocery, our business is a complementary product. It is a difficult time, our real estate development projects have been paused, Tenants are not able to pay fees as their business is affected. Leading them to decide to evacuate as they cannot fulfil the payment.

In addition to the 24-hours curfew which affects our business, among such crisis, people are afraid of being infected of the COVID-19 and such fair is increasingly concerned when they consider eating from a restaurant. During those difficult times, people tend to cook and eat and stay together. Thus, we face many different types of challenges

There has been an approximate decrease of 80% in business since the government curfew. Some employees have been given a salary decrease to keep the business from defaulting.

The most challenge for us is to try to sell online since our stores are closed, but it didn't happen because we were not ready, and our customer never purchase online. The financial challenge was to keep pay salaries when there are no sales.

Uncertainty and working capital

Because of the forced shutdown, businesses are encountering enormous uncertainty in every aspect of their operation: customer demand; supply chain; keeping people in their position; paying wages and salaries; and day-to-day operational activities. One CEO has said: *Uncertainty is the major challenge. Domino effects of other business. The whole economy.*

Other CEOs reflect on uncertainty thus:

Challenges are paying our operational cost during the closure such as employees' salaries.

The challenge is to sell and provide maintenance services at the same pace which is very difficult because we operate under very limited time.

The two challenges we have is the high electricity bill since we keep the AC running 24/7 and the salary of all 650 employees to be paid.

Challenges are paying our operational cost during the closure such as employees' salaries.

The challenge is to sell and provide maintenance services at the same pace which is very difficult because we operate under very limited time.

The two challenges we have is the high electricity bill since we keep the AC running 24/7 and the salary of all 650 employees to be paid.

There are some challenges regarding the shipment and the fulfilment of my orders as the demand is high for medical supplies around the world but mainly the business is good, and we are working hard to fulfil our contracts with the government and the private sector.

Well, there are many challenges: 1- the supply chain: is taking longer to get my orders. 2- the work from home for the employees. 3- the lower demand as people driving fewer people need car parts less.

The most challenge was to close some of the ongoing deals and finish the requirement by the ministry of justice sine we are in the real estate business.

Two CEOs of IT companies said:

...as an IT company, the major challenge is our reliance on the government as a buyer during this period of cut costs and reduction of budgets.

We operate mainly in the IT server rooms designs. Our existing projects are still under operation, while most employees working from home. However, projects under awarding are currently on-hold.

One CEO has summarized their current crisis as:

- Covering employee salary.....employee satisfaction
- Selling the goods after the season is done
- No cash flow for next season
- No clear picture: how and when it will be done.

Another CEO went on further to describe their challenges as follows:

- Ensure Employee Safety – Most Important.
- Drop-in demand and disruption of revenue streams
- Supply Stock out & Price hike, due to country lockdown and factory layoffs

- Logistics issue due to country lockdown and shortage of sea containers
- Increase in operating costs – like freight, reduced manhours.

Another CEO summarizes the challenges in two main parts:

"The first one is the complications and difficulties we face in order to issue curfew passes to our technicians. For which, we highly appreciate the government efforts and we understand a large number of requests for the passes."

"The second one is the fear that our customers have to receive our maintenance teams in their houses due to the current COVID-19 crisis. However, we've successfully passed this challenge by convincing our clients of the safety precautions we are following. We've worked on publishing videos via our accounts on the social media which show how careful we are when it comes to our clients and our employees' safety."

Several CEOs of real-estate businesses revealed renting out their units as one of the most challenging things that they were facing because of the outbreak of Covid-19. Overall, Coronavirus (COVID19) affected many and most of the sectors in Saudi Arabia. According to one CEO:

- A. The industrial sectors that require a large number of workers who are in the same place and many factories have closed their doors and stopped the production entirely.
- B. The tourism and travel sectors are among the sectors that face major challenges, especially the summer season is coming, which is the peak season for global travel and tourism.
- C. Among the challenges facing the emerging sectors is the lack of infrastructure for the remote work environment and the lack of preparation and training of employees for that.
- D. The most affected are daily business owners such as taxi drivers, café owners, restaurants, barbershops and workshops. All are directly affected, as these sectors receive income once the service is performed. All of these and more challenges are faced by most sectors.

Another CEO revealed the following challenges for his company:

- "Ensure Employee Safety – Most Important.
- Drop-in demand and disruption of revenue streams
- Supply Stockout and Price hike, due to country lockdown and factory layoffs
- Logistics issue due to country lockdown and shortage of sea containers
- Increase in operating costs – like freight, reduced manhours

- Delay in Customer Payments – Customers not very liquid
- Suppliers demanding Advance Payment due to uncertain period
- Credit Risk - Chances of Customers going bankrupt
- Decrease in the Oil price – due to price war etc.
- Banks' liquidity risk and reservations."

Almost all interviews identified the 24-hour total ban process as the most prominent challenges for their businesses. This means they have a lack of sales against high operating expenses, most notably salaries, as well as disruption of supply chains for basic materials for suppliers, and finally scarcity of cash flows.

Employee health and wellbeing

A few CEOs expressed their concerns about their employees' mental health and wellbeing. One CEO has mentioned about the health and wellbeing of his employees thus:

Currently, the main objectives are assuring the maintenance of the health and wellbeing of our employees as well as assuring the continuity of the operations with no interruptions.

In addition to their economic suffering, one CEO has spoken about challenges from a wider context, as he comments:

Coronavirus pandemic is considered to be the most significant effect on both humanity and economic aspects. Countries have been closed for more than two months, and curfew applied within cities."

In summary, our findings revealed a very tough time to cope up with numerous unprecedented challenges that SMEs have faced and the major effect of them is the operational cashflow which has made SMEs consider implementing drastic decisions such as cut off supplies of raw material, cutting down the entirety staff's payroll and regrettably some forced staff layoffs.

Impact of COVID-19 pandemic on business

When asked about the impact of the COVID-19 on their businesses, we observed a mix of reactions from CEOs interviewed. Our interview data revealed businesses ranging from start-up to mature companies. Almost all businesses at their early stages talked about the huge impact of the COVID-19 spike on their operation.

Customer demand

Three CEOs explained how the COVID-19 outbreak affect their businesses and sales revenues:

The business has a lifetime of less than a two year, I believe the impact it made is bigger as the business is at its early stages and aiming to target a market share, that for sure will affect its business operation. Our most impact was with inventory products, we had to request additional equipment that helps maintain the flowers while in stock if the flowers are affected it will cause huge loss.

We are very impacted due to universities, schools, training centers, public and private entities closure. Because our business is primarily living off these customers demand. We supply them with devices for exams and educational assessment correction such as Scantron Machines. Due to the online shift, there's no demand for our products such as devices and answer sheets. In order for customers to use our products, human presence is required. But the current circumstances do not allow it.

The impact is a drastic drop in our revenues. Previously our technicians work as technicians and salespersons because they have to perform the inspection at homes then bring suggest necessary materials to install. Typically, they offer high quality more profitable materials to the consumer. Now, even the construction projects are stopped, so our customers never show up again.

Another CEO remarked:

We have severely been impacted by the COVID-19 situation. Our sector is not considered as an essential sector. Therefore, we had to close not only our retail showrooms but also our main head office and operations.

One CEO talked about the financial challenge as he commented thus:

The financial challenge was to keep pay salaries when there are no sales. So, the impact was we had to tell employees to take unpaid leave and there was no sales and the most impact was this is our high season for Ramadan and Eid-ul-fitre since we sell Men's clothes.

Long-term effects/strategies

Several CEOs were worried about the long-term impact of this COVID-19 in their businesses. For example, a CEO talked about the impact of COVID-19 on every aspect of his business from a long-term strategic perspective. He said:

The strategic level impact is on trust level decline due to failure of Corporate Governance forward-thinking capabilities & Emerging Risks handling / Controls/lack of Readiness etc.... along with the business model maturity to secure additional or alternative revenue streams (diversity). The operational level impacts are loss of volumes, non-readiness in savings and contingency planning and consequently the acute decline and back-up in revenues. Hence all the financial projections, manpower planning and supply chain activities will be impacted hard. Industry structure would be re-shaped / re-thinking to save more via virtual and automated business processes. On individual levels, the loss of jobs and multi-usage workforce preparedness is the key impacts.

Another CEO shares similar sentiments as he remarked:

The impact of COVID-19 was shown in all directions, as for us in Lord company we are considered as one of the medium companies which got affected by COVID-19, with 18 branches around the kingdom and over 200 employees, the yearly plan has changed, by the beginning of 2020, Lord co. started an organized campaign targeted occasions in each month in order to raise the profit and get to more customers, but the plan did not go as it was supposed to and many changes were applied. First, the malls were shut which caused employees to be sent homes, fall in profits and cargo overstock, due to the sell was stopped. Second, all coming shipments were cancelled and the shipments which were at the port were stuck and by days it became expired and this caused major loss, also factories had to stop producing.

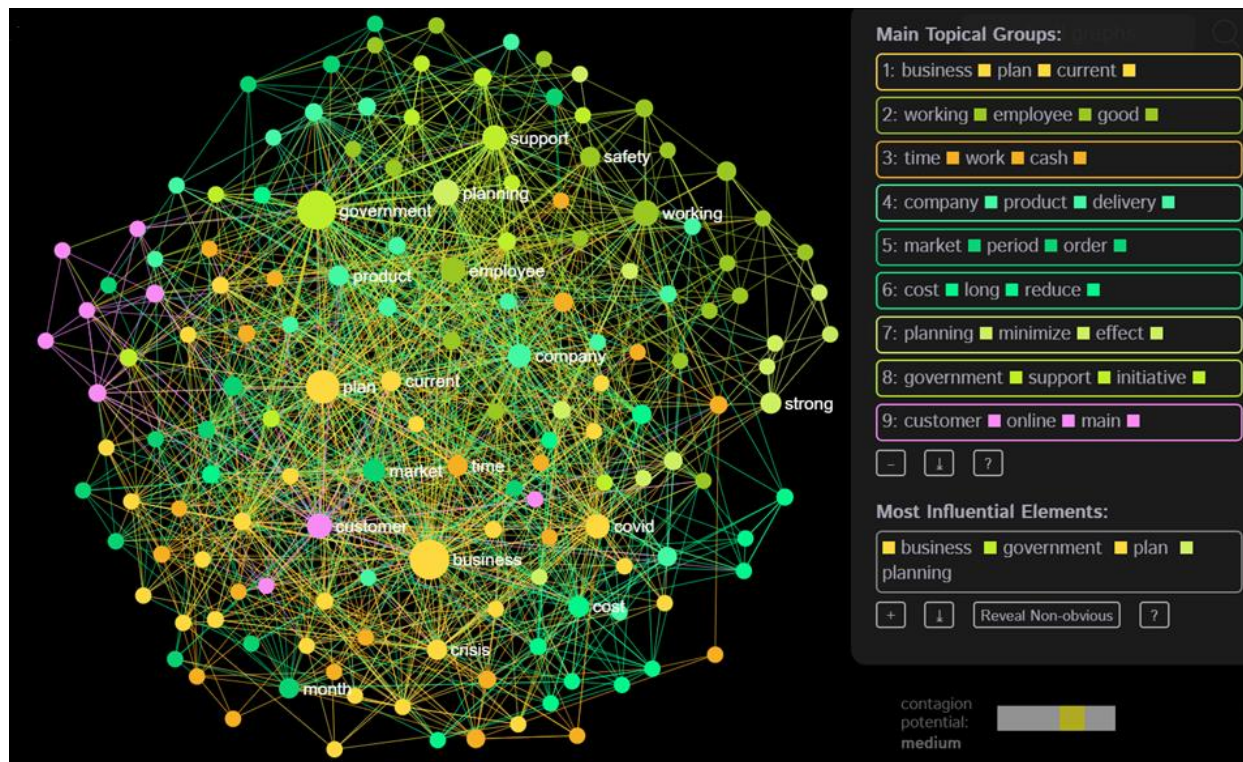
We have also observed similar concerns as reflected below from their conversation with us:

Although we are deeply sad about the current world-wide unfortunate crisis, the ongoing situation has reflected a quite good
SME Recovery Planning in Saudi Arabia: Perceptions of CEOs

Recovery plan to sustain in the market after the COVID-19

We asked our participants to tell us about their plans for recovering from the economic crisis due to COVID-19 health crisis. The findings are shown in text analysis in exhibit 10. We discuss them next.

Exhibit 10 Business Recovery - Text Network Analysis



Renewal strategy/business transformation

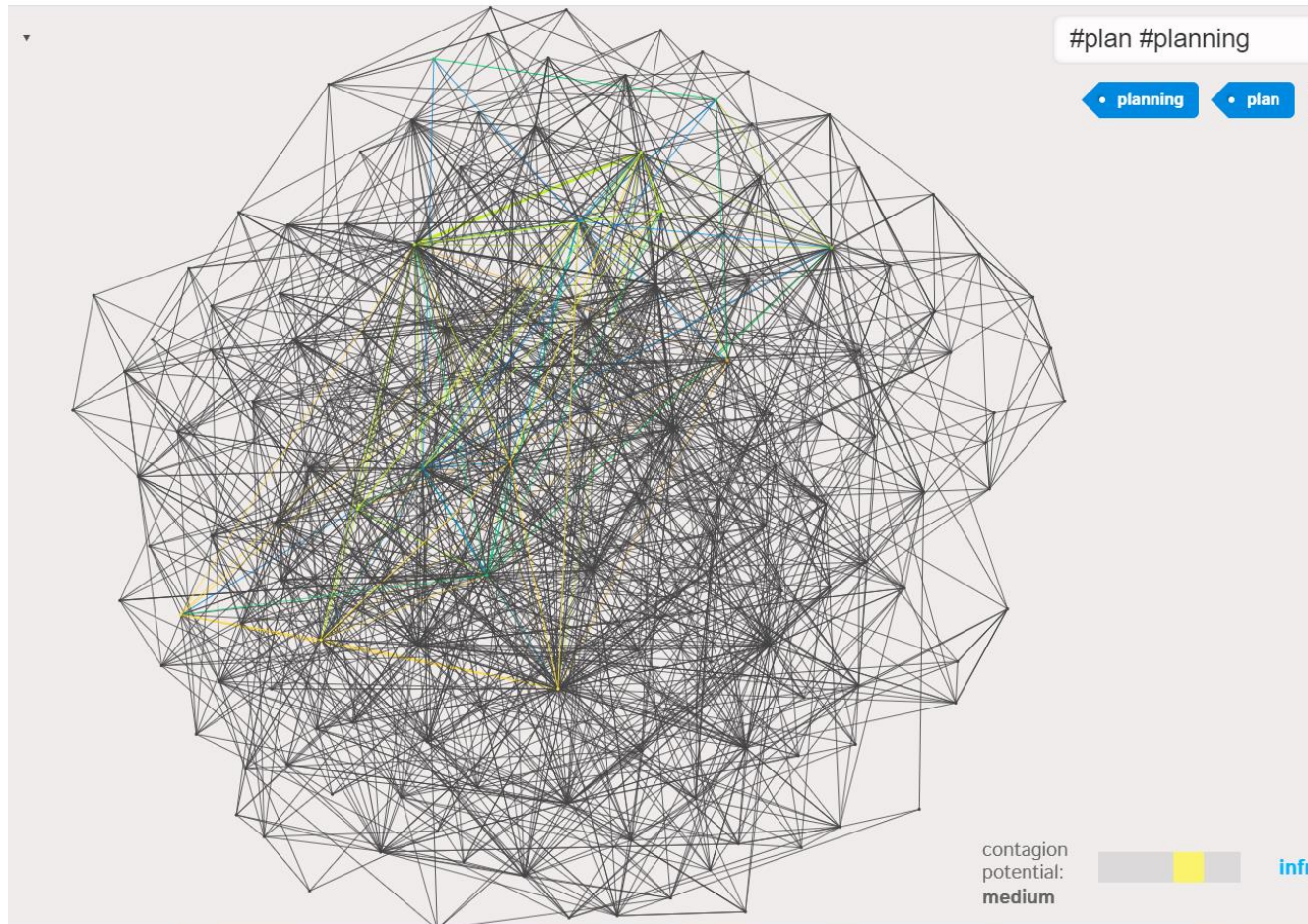
Most of our CEOs interviewed talked about how they would turn their businesses to the strategic-renewal process to recover from this extreme economic crisis amid COVID-19 pandemic. Interviewees told us that they are thinking of implementing a corporate turnaround strategy as a response to their decline in their revenues due to a decline in customer demand and increasing operating costs. For example, one CEO commented thus:

I have begun to do a strategy refreshment for this year to adapt to the impact of this virus, we are focusing to maintain a customer base.

Another CEO was referring to his company's partnership with Monshaat to run his operation, as he remarks:

Thanks to Monshaat, we were able to partner with other company to support the demand on grocery, we begin to partner with Nenea Application (Grocery Delivery) where our staff shop for their customer and hand out to application driver, this, led maintain certain income for the business to be maintained.

Exhibit 10a Business Recovery (Plan and Planning)- Text Network Analysis



We observed another CEO saying:

At first, we went with Monshaat support to partner with logistic companies to help sustain current orders and delivery. Also, the support of the government to reduce the burden on staff salaries and avoid unemployment.

When talking about his future plan, one CEO said that COVID-19 experience has led them to reconsider their inventory plan, looking for alternative solutions to maintain their inventory, increased customer demand and improved customer satisfaction. According to him:

Our digital Experience is improving within time, though with such crises we will focus on enabling an enhanced user experience as part of consumer acquisition.

Finally, I believe that it is necessary to adjust the strategy to focus on marketing and inventory management. And reconsider cash flow reserves.

A real-estate company's CEO was considering a long-term plan to overcome its current crisis by renewing its strategy. He pointed out this idea thus:

Luckily, the company have a financial power to sustain its business, we decided to postpone all tenants fees for a couple of months in order not to have a vacancy in our properties, we want to enforce our relationships and show our support, it is important to keep as much as you can occupy, if he decided to leave then it will be hard to find a replacement post this pandemic is everyone will focus to recover from it.

Cost-leadership strategy

Some CEOs have told us that they are considering renewing their product-differentiation strategy to cost-leadership strategy to recover from current revenue losses. For example, one CEO said:

We are investing our time developing a software product that has a subscription-based pricing model which we did not have before and way cheaper than our current one. Our strategy is to provide software that is so cheap. But, with a subscription-based license that needs to be renewed yearly to gain new customers and retain our current ones by providing an attractive offer.

One CEO has, however, sees the cost leadership strategy as a short-term focus to exploit the scale of production, as he commended:

Still too early to think about but one option we have is market Penetration can; low-profit high sales at least for a couple of months to gain additional market share. Then revert to our previous position.

Another CEO went on further to share his vision, as:

Close the new store that's already struggling in King Abdulaziz Road and reduce the number of staff to shrink our costs and cash spending. Introduce new products and properly formulate an agreement with home delivery applications in order to gain more market share and popularity. We are hoping this does not remain longer because it hit the market really hard.

Portfolio diversity

Our interviews with several CEOs have revealed some companies who like to explore diversifying their product and service portfolio. One CEO told us the plan thus:

Diversify our portfolios in order to diminish risk and minimize the bumps in our investment journey.

Another CEO has shared his plan for expanding his business, as:

We are planning to launch a huge marketing campaign as soon as we cover the losses. We will continue our plan in expansion and opening new branches and showrooms across the kingdom.

Other renewal strategies considered by several companies include the following:

Offer discounts to keep regular customers that been affected by the crisis.

Once the market is open, we have to renegotiate our previous customer to a new agreement. It's going to be hard since most of the market is looking for the cut on cost, that's why we need to lower our quotation and make some offers. But we believe the new government plan to help SME might help us and the companies we work with.

In the worst case, shutting down and taking huge losses remains a possibility and this has been made clear to all employees. We are operating with a sense of urgency as is displayed by all our crisis-measures. The goal of our strategy is simply to attempt to keep our company afloat by exploring new revenue streams for the coming weeks until business resumes and we can hopefully regain contact with most of our regular customer base.

We were planning to open a physical office in Riyadh in Q4 2020. Now with the current situation, our plan is to keep functioning virtually until mid of next year. We also plan to find investors in two of our projects since the curfew increased the digital market. Our company did not get benefit from the Saudi government support because we don't have a live product yet and we did not have any Saudi employee rather than the owners.

After the end of COVID 19, the products will be diversified, work on new production lines and obtain other alternatives.

It appears All of this, of course, has drastic financial implications on businesses like ours with high running costs, needless to say, the COVID-19 crisis has caused a huge cash flow issue for many businesses that will take

months at least to fully recover from, depending of course on the timeline of the economic restart so to speak.

A CEO has discussed his recovery plan in detail. He told us that:

Due to the major financial implications due to COVID-19 pandemic, we have made clear to both our suppliers and major customers that we will have to scale down our current product portfolio and rate of deliveries and the priorities and concerns of all parties involved are being carefully considered in this transition. Simply speaking, we had to take a big step back in almost everything, so that we may live to take our next steps forward on the other side of this dire situation. Our current estimate is that recovery will take us anywhere from 6-12 months to arrive back at our pre-crisis output levels. Depending on the success or failure or the rollouts of our new initiatives, we may need to secure more funding to live to see that day, and finally, I'd like to say that this a very dynamic situation and all options are being considered and reevaluated daily.

Financial sustainability - a top priority

Most CEOs shared one common strategy which is 'achieving financial sustainability' in the short- and medium-term as a top priority. For example, one CEO said that his "...plan after COVID-19 is working on managing our costs and holding our regular customers".

Some CEOs are considering their plans for sustaining in the market and adopt a strategy which could help them achieve financial sustainability in the longer run. He remarks thus:

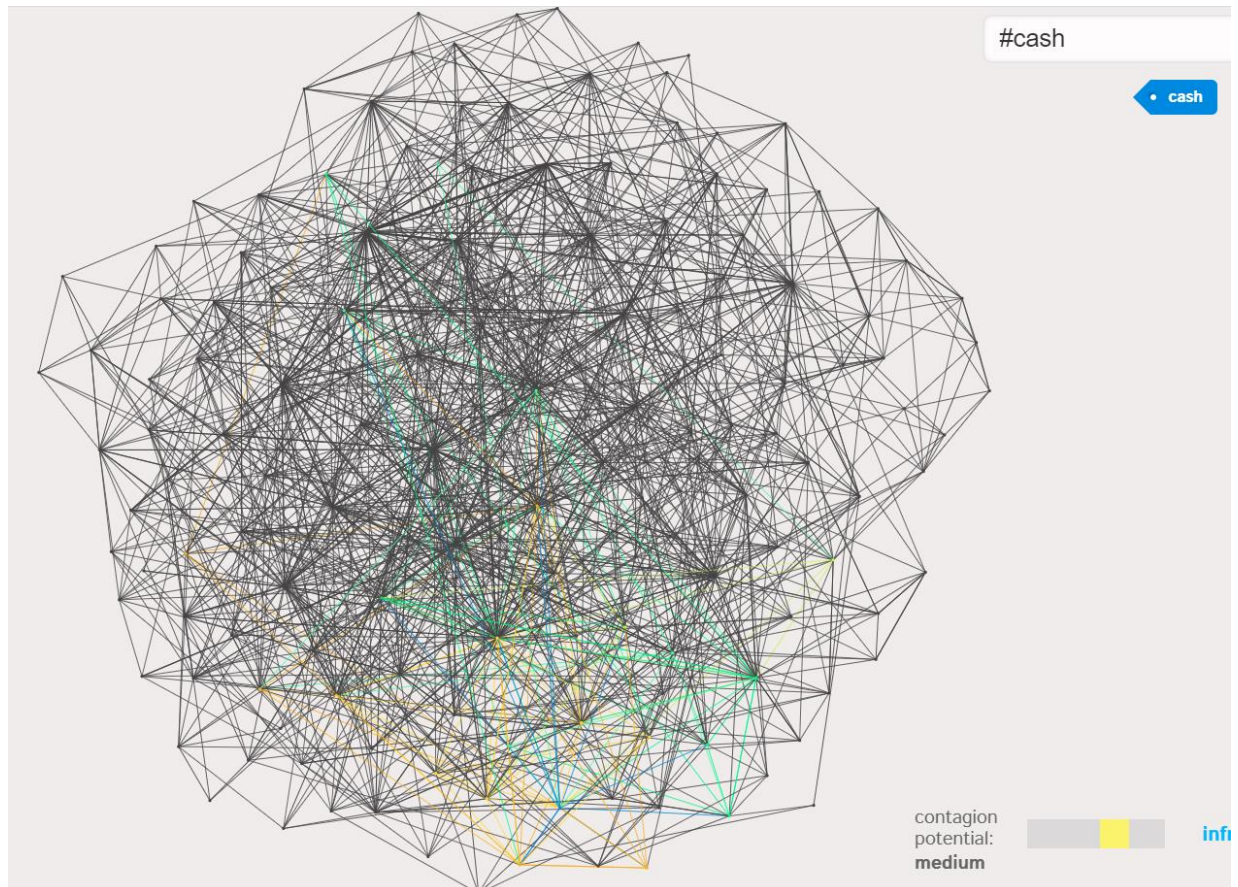
The key to sustenance in the market in any situation is adapting your services to the current situation and ensuring that the service/product remains relevant in the market. Similarly, in this case, recognizing our challenges ahead of time and scheming the appropriate solutions would be the plan. As this outbreak is a temporary shock to all industries, one of the key elements to sustain the business is to ensure that only the very necessary expenses to be allocated during this time, while managing the cash reserves and cash flows for at least one year time to overcome this short shock and re-adjust all revenue/expense forecasts for the upcoming period.

Another two CEOs said:

We are planning to hold future expansion until we recover all losses and use the expansion budget to survive. We are also planning to close two stores that have the lowest revenues and try to open one store instead of in a high traffic area.

We are planning on opening a branch in Jeddah since it is the number one city for us that we transport to. We are also planning on entering the market of liquid transportation, for instance, gas and water as well as opening a branch in Jubail city.

Exhibit 10b Business Recovery (Cash)- Text Network Analysis



Crisis Management

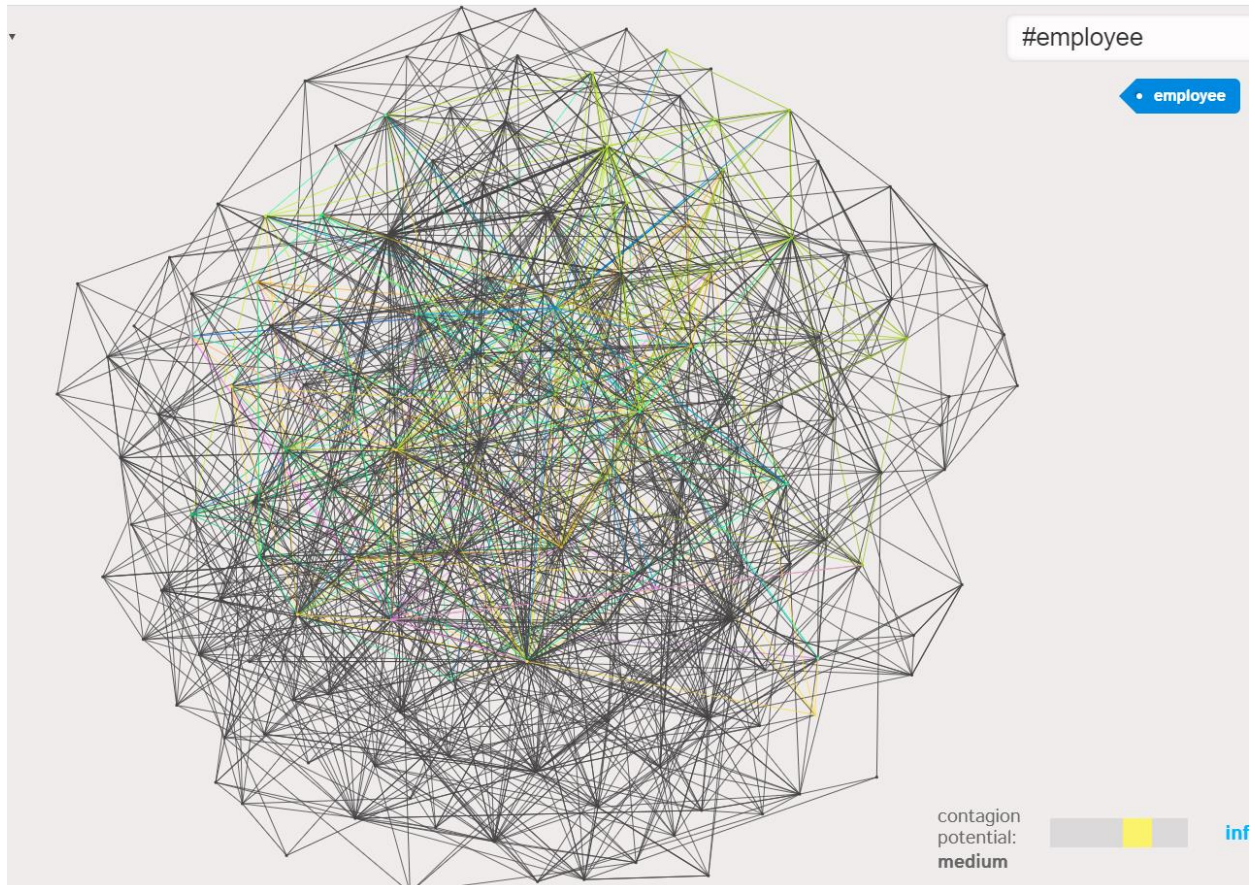
In addition to their plan for recovering operating losses due to low customer demand, some CEOs are also considering new ways of managing risk and uncertainty as to their long-term vision and mission. They regard this COVID-19 pandemic as not only a human health tragedy it is also a disastrous economic crisis in the coming months and years. According to a CEO:

Existing business continuity plans may not be capable of handling the fast-moving and unknown variables of an outbreak like COVID-19 but we can:

- *Develop incident management and scenario plans that are specific to this crisis*

- *Identify alternative supply chain scenarios especially as new cases of the virus emerge in different territories*
- *Assess disclosures on the current and future impact on liquidity and capital resources*
- *Explore opportunities focused on becoming more flexible in responding to arising uncertainties.*

Exhibit 10c Business Recovery (Employee)- Text Network Analysis



Another CEO has opted for continuous improvement strategies in order to recover from this challenging time. He shared his plan with us by making the following statement:

We are reviewing our business strategies almost daily and preparing for a contingency plan if COVID 19 impact takes a longer time. For now, we are requesting and using the available government support to reduce our losses and to maintain the business. Also, we are focusing to provide our services to high priority items like medical equipment, food, and any important items for the community.

A CEO has urged all business leaders and the Saudi Government to take this crisis seriously and prepare for increased extreme uncertainties in the future due to the COVID-19 impact on businesses in Saudi Arabia and other countries across the globe:

Business leaders need to understand this crises effect and start preparations for long-term planning and this including reducing employment in the workplace. Also need to improve technology and social for public communication. One other hand Saudi government provide great planning to guarantee business can stay in the market, when governmental expenses are free for all business which direct help organizations to overflow this crisis.

Another CEO outlines his recovery plan thus:

- *Optimize/re-think/re-arrange the manpower multiuse*
- *Show fast recovery and actions/crisis management / CSR acts to the government stakeholders*
- *Learn cost-efficient ways to do some business with automation, virtual resources and e-services.*
- *Optimize spending in non-essentials, non-critical and/or future investments that are possessing a lot of unclarity on value and future revenues*
- *Recover the OLD receivables faster / fewer discounts in those*
- *Prepare a business case for Government subsidies / receive a portion of the special package*
- *Invest in Risk Management and Proactive thinking in business continuity plans for all disciplines, not just IT!*

Employee health and safety

Several CEOs are planning to keep their employees safe and healthy to run their businesses smoothly and effectively. One CEO saw this important factor as a top priority for him, as he remarked:

The current plan is first to preserve the safety of all employees of the company, which is to provide adequate and overcrowded housing and to follow all directions of the competent authorities and implement them on the ground.

Another CEO has a plan for maintaining employees health alongside his business. According to him:

I plan to save our customers during this COVID-19. As of now, we have a new contract and I want to make sure that they will continue with us even right after the COVID-19. I have a plan also of opening the new branches in other cities of the kingdom. Before that, I would like to prepare the polices on hygienic behavior for employees and visitors to premises as guided by National recommendations adhere to respiratory etiquette and hand hygiene policies, to avoid again the attack of COVID-19 in our health.

Pay-cut and fractional employment

The strategy of fractional employment and pay-cut has been identified as most CEOs as an urgency recovery plan to save their business even in the short-term. Some CEOs have already sopped hiring new people and renewing fixed-term employment. Some have gone for introducing new KPIs for employees and their business units. Below are some examples of short-term strategies shred by CEOs:

Minimize the working hours and agreed to have salary reduction.

There are some actions have been taken recently in order to sustain in the market:

- *Stop recruiting*
- *Focusing on the performance of the employee and giving them what the deserve which take into account length of stay, as well as the level of payrolls*

One CEO has taken a softer policy concerning his workforce. He pointed out his policy thus:

I want to focus on not firing anybody, so I will give them cut and reduce the work hour, and thanks to the government programs it will help me stand especially with my loans. So, we mainly will focus on minimizing cost.

Another CEO shared his recovery plan with us, thus:

We had to convince all employees to participate in taking a paid vacation and voluntarily cut in their salaries whatever each one feels it suitable for himself after we sent a letter that describes the situation that we are in. For plan, we own a lot of assets and have a very solid balance sheet with very low debt, so we will capitalize on that as soon as thing get back to normal.

Below are some interesting observations from our interviews with several CEOs:

We are taking several measures to minimize our costs during the operation hold period. We are letting go some of the employees not essentially needed and we are temporary in reducing salaries for some. We expect this year to be a tough year for all businesses. However, we are optimistic that the situation will not continue forever, and life has to go on.

The plan, for now, is decreasing our expenses such as we reached with our employees to give most of them an annual leave without salary and some of them, we cut almost 50% of their salary and most

of them were collaborators on this new arrangement to keep their jobs. We are trying to keep our cash reserves to reoperation our business once this COVID 19 pandemic solved. We got benefited from government support by rescheduling our loan with the bank.

We are on contacting with the health ministry to provide our services in order to keep generating income to our hotel. For now, we are cutting cost many expenses and we are cutting almost 75% of our employees' salaries to manage to be in the business as long as possible. Moreover, we are rescheduling any due payment debts and looking if we could get advantage from the government support.

We have cut Bonuses, stopped all part-time employees. We transferred some labors to work in different businesses. We are discussing different strategies to sustain the business, still have not decided. We are optimistic that the government support will cover some of the losses until this pandemic is over.

Conservative Approach

Some CEOs have been very conservative in their recovery plans. For example, one CEO said:

The impact of the ongoing dilemma is going to affect our business for at least 2 quarters after the crisis is gone. Thus, we are still monitoring the possible impacts closely.

Another two CEOs have a similar approach:

It is hard to say now since we don't know how long it's going to take. But since the government will help with the salaries and the rent and our main products don't have an expiration date (like food and drinks). We will try to have some offers and see how the sales will be when we reopen. The most concern is that many people will be affected financially due to these circumstances and will be less able to spend in shopping.

We expect the effect of COVID-19 to remain until the end of Q2 2020. We believe our business is essential with enormous demand. Once, it is safe to go back to business.

Government Support and Strategic alliance

During our conversation with CEOs, we observed that most CEOs considered working closely with Government for recovering from the financial crisis due to the COVID-19 pandemic. Some CEOs have

acknowledged the support they are receiving from the government. Below are some representative quotes:

We plan to work hard with the government at this hard time and be a reliable source, also we are building relationships with local manufacturers to achieve that goal and overcome the problem with shipment and scarcity of medical supplies.

We need to make sure our productivity is high, and we deliver the value for our customers. The government initiatives helped us also financially, so we ensure that we don't have a problem financially.

Our management took initiatives in keeping the business running with the guidance of both the Ministry of Human Resources and the Riyadh Municipalities since both sectors are responsible for overseeing most companies and establishments in the city.

We are still working on new strategies and initiatives and to make sure they are good practices, besides government support in that matter we will pass this through.

There have several reports that speculate what to expect and count for in planning for the future of the business. I believe it is early to determine the full impact on the economy, industry and businesses. In the industry of construction, I believe the government has to take a big role in funding projects to keep the economic cycle moving. If the government doesn't, then our company and other similar business will have to rely on the private sector, which relies solely on citizen purchasing power. This is most likely to be affected by the current crisis as we started to witness people losing jobs and their income is cut into as much as 50%.

We are grateful for the support from the Saudi government and we are planning to benefit from the current government initiatives. We plan to manage and maintain the current business by surviving from this crisis at lower costs possible and lower risk. We are reviewing and develop new projects which could be backing the business.

Our plan to sustain in the market after the COVID-19 is to utilize all the government support that all the private sectors have as an initiative from the Saudi Government at the first stage. We would like to use our marketing team at this situation to provide very competitive prices to our competitors' clients in order to have a large scale of customers which it will push our revenues up after the COVID-19.

One CEO has, however, identified a shortcoming of the Government's rescue package for businesses as the government package covers only Saudi citizen, not overseas (non-resident) workers and employees. According to him:

The government will support us for covering 60% of Saudi Employees, that is great. But, most of our worker are non-Saudis.

Most CEOs during our interviews regarded government support as one of the major factors that can help them as business owners to sustain their productions and be in the business for a longer time. However, CEOs are also taking serious steps for the short-term in which they planned to cut some costs like transportation and stop buying raw materials as well as negotiating rents rates with landlords to minimize cash outflow for this period and cut the operating cost. For the long-term, they are thinking seriously on diversifying their portfolio of products and services to capture some demand on other markets.

Further, we observed that as the world is going through the COVID-19 crisis, plans are being prepared by SMEs to return to their normal lives. Several CEOs are considering some steps to keep their work environment safe. First, to secure the workplaces and ensuring employees' safety by following the highest safety standards so that employees can return to their jobs. Second, reducing expenses and wages to the minimum in order to maintain liquidity, paying no rents for offices and factories with government support. One CEO has said:

...we receive great support from our government during this hard time, the government support program has covered wages and rents and eased the way to get loans which were very helpful. I hope that after this crisis finishes, we will get back stronger, bigger and with much more experienced, and knowledge we did not know that we were going to get.

According to a CEO, the Saudi Minister of Finance and Minister of Economy and Planning in charge, Mohammed bin Abdullah Al-Jadaan, stated that the government has taken a number of precautionary measures to contribute to protecting citizens and residents in the Kingdom, and provide the financial requirements necessary to implement preventive and direct measures to deal with the consequences of the epidemic and work to limit its spread, and ensure the continuity of the work of the agencies Governmental organizations, stressing that the health and safety of citizens and residents is the first priority of government action, and that the government will provide all the additional credits required for the health sector, and provide the necessary health services for prevention and treatment Preventing proliferation, based on the continuous efforts of the Custodian of the Two Holy Mosques government in dealing with the effects and consequences of the global epidemic (COVID 19), to take measures to

ensure the safety of citizens and residents, and to confront financial and economic impacts.

The Minister of Finance and the Minister of Economy and Planning in charge stated: "The government has prepared urgent initiatives to support the private sector, especially small and medium enterprises and economic activities most affected by the consequences of this epidemic, as the size of these initiatives reaches more than 70 billion riyals and its exemptions and postponements of some of the dues." Government to provide liquidity to the private sector so that it can be used to manage its economic activities, in addition to the support program announced by the Saudi Arabian Monetary Agency to banks and financial institutions, and small and medium enterprises at an amount of 50 billion riyals at the current stage.

The urgent initiatives were the following: Exemption from financial compensation for expatriates whose residency expired from its date until 30 June 2020, by extending their residency period for three months without consideration.

Enabling employers to recover the issued work visa fees that were not used during the period of the ban on entry and exit from the Kingdom even if they were stamped in the passport or extended for three months without consideration. And enabling employers to extend exit and return visas that were not used during the period of the ban on entry and exit from the Kingdom for three months without charge. Enabling business owners for three months to postpone the supply of value-added tax, selective goods tax and income tax, postpone the submission of Zakat declarations and postpone the payment of obligations due therefrom, and grant zakat certificates without restrictions for the period of approval of the fiscal year 2019, and expand to accept instalment requests without requiring a down payment from Before the General Authority of Zakat and Income Tax, in addition to the postponement of the implementation of the procedures to stop services and seizure of funds by the General Authority of Zakat and Income Tax, and set the necessary standards to extend the postponement period for the most affected activities as needed.

And postponing the collection of customs duties on imports for thirty days in exchange for providing a bank guarantee, for the next three months, and setting the necessary standards to extend the delay period for the most affected activities as needed. And delay the payment of some government services fees and municipal fees due on private sector establishments, for three months, and set the necessary criteria to extend the delay period for the most affected activities as needed.

The Minister of Finance is authorized to approve lending and other forms of financing and exemption from payment of fees and returns on loans granted until the end of the year 2020 AD, for the Corporate Sustainability

Program initiative. And the formation of a committee headed by the Minister of Finance and the membership of each of the Minister of Economy and Planning, the Minister of Commerce, the Minister of Industry and Mineral Resources, the Vice Chairman of the National Development Fund and the Governor of the National Development Fund, to undertake the following, determine the incentives and facilities, and other initiatives led by the National Development Fund or Any of its funds and banks, to alleviate the extraordinary economic situation, in light of the implications of the Coronavirus, and the impact of the precautionary measures taken by the Kingdom's government and the low oil prices, and reviewing them.

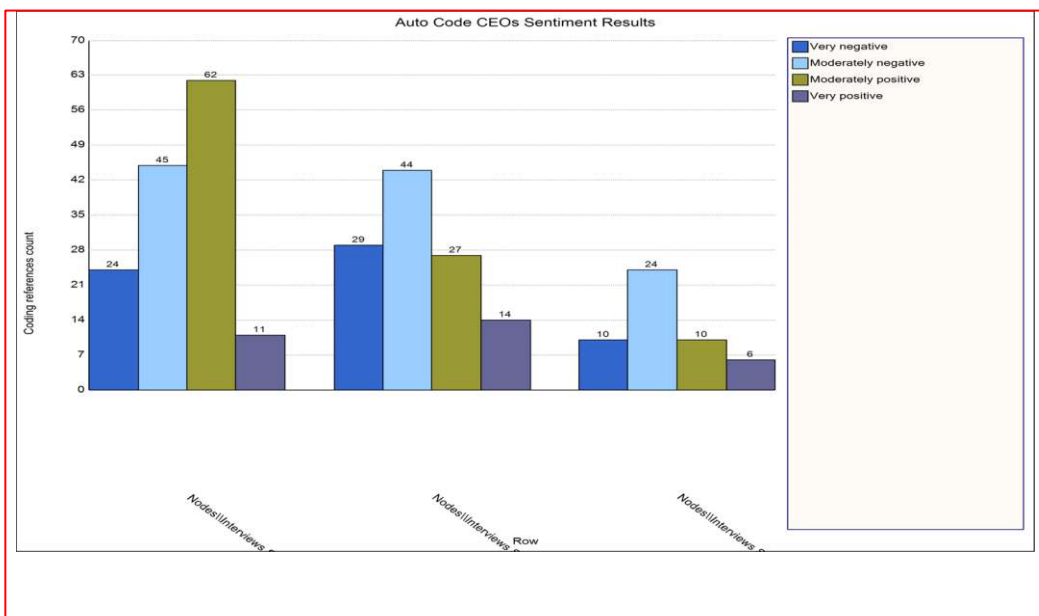
A CEO has said that some companies and government entities are not digitally mature enough in terms of how they are providing their services to the end-user. With the financial support of the government, they will consider providing digital-transformation consultation services, virtually, (for free of nominal amount) to raise awareness and attract new clients to jump on board and use our services.

coordinating with the government to find out a proper way to survive in the business with a sustainable renewal strategy.

Many sectors have been affected by the spread of the Coronavirus (COVID19) especially the aviation sector, the energy sector and the tourism sector. In such a situation, all these sectors are trying to have some plans for the administration to survive and continue. For example, the Aviation sector has updated some of the private flights to cargo freight trips to reduce losses and invest the needs of some countries of medical and food materials. Energy sector is trying to develop future plans to control the decline in prices as a result of the almost life slowdown which equals to 80% of oil. Oil prices decreased during the previous period by more than 110%. This sector is trying to control the global agreement of OPEC + 1 to reduce the supply to control prices. As the global demand for a period is 26 million barrels per day.

As can be seen from Exhibit 12, over 55 percent of CEOs participated in our study (N = 111) appeared to be moderately positive about their recovery plans and only about 10 percent appeared to be very positive. Slightly over a 40 percent CEOs observed to be moderately negative about the effectiveness of their recovery plans. Similarly, 44 percent of 111 CEOs have been moderately negative when it comes to talk about the challenges, they face at the current COVID-19 crisis; about 24 percent appeared to be moderately positive and 26 percent seemed to be very negative. Interestingly, 21 percent of 111 CEOs demonstrate moderately negative sentiments about the impact of the COVID-19 pandemic on their businesses, nine percent shows moderately positive as well as negative sentiments, and only about 5 percent shows positive sentiments. Overall, these observations highlight positive sentiments when combining both 'moderate positive' and 'very positive' together.

Exhibit 12 CEOs sentiments about COVID-19 related issues observed



Legend: Left = Recovery plans; Middle = Challenges; Right = Impact

Policy Implications

The impact of the COVID-19 pandemic on the global economy and markets continues. And its negative impact, in several aspects, which includes the supplies, manpower, operations, demand on products and services, and cashflow and liquidity position. Organisations need to monitor and evaluate all the developments associated with the spread of the emerging virus and to develop and implement contingency plans to meet any undesirable circumstances arising from COVID-19 pandemic. Thus, developing and implementing such plans is consider a respond to the crisis by changing their operational activities which could be a costly activity, so short emergency funds by the government could help firms to have better responses that appear to support the firms survival. Businesses also need to form a strategic alliance with their supply chains, customers, government and other stakeholders to maintain its operations and ensuring a sustainable business. More importantly, companies need to have a sustainable employee wellbeing strategic framework to keep employees Healthy and Safe and mentally strong to improve employee productivity which in turn would enhance company financial performance. In order to reduce the size of the impact, firms need to navigate through smart solutions that could be costly sometime to save their business during the crisis. Providing emergency funds for SMEs to deal with these additional expenses that happen to occur as result of the crisis's impact is a necessary step.

Government also needs to renew its strategic initiatives for supporting SMEs when needed in times of an extreme crisis like COVID-19 pandemic. Government support for salary subsidies is also needed to be extended to non-citizen workers and employees to save SMEs. Firms are doing what they can do to reduce costs and survive by closing less profitable stores and supporting firms by increasing traffic or demand of their products and services is highly recommended to reduce number of closed stores and safe jobs.

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