Change Induced Factors On Small And Medium Sized Enterprises’ Performance As A Consequence Of COVID 19 Disruption The Case Of United Arab Emirates

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ABSTRACT

COVID 19 pandemic has become one of the biggest disruptor of progressive business operations in this century. The term, ‘business un-usual is no longer a fad but a reality. This current era has come to be known as the ‘COVID 19 pandemic times’. It has come to be typified with reduced business operations, business closures, restructuring, refocusing and downright activation of business plans and protocols which are rarely employed, like business continuity plans, risk management plans and strategic contingency plans. The phenomenon has been experienced all over the world, however this paper is based on the United Arab Emirates, more specifically the small and medium sized enterprises in its two northern emirates, the emirates of Sharjah and Dubai. With a review of oil based economy, the two emirates have been on an economic diversification model and hence the growth impetus of service industry like tourism and hospitality and manufacturing. These have seen the springing up of many SMEs competing to fill up the emerging opportunities as a result of the economic diversification. The role of SMEs in the entire UAE cannot be underscored since they critically have become one of the pillars of the economy.

This paper tested whether the combination of an organisational processes, its manpower and industry relevant government policy has any significant effect on the firm’s sustainable financial performance. For the purposes of the research, 400 hundred units were chosen randomly, which are within the stipulated sample criterion, since as at the end of the last quarter of 2019, there were 400,000 SMEs registered and actively doing business in the UAE. The response rate was 95.75 percent. This high response rate may be attributed to that fact that the questionnaire was online and in both English and Arabic. Piloting of the questionnaire had been done earlier in different emirate called Ajman and the results showed high reliability and consistency of the instrument.

The findings indicated that the variable under study have a significant effect on the firm’s sustainable financial performance. The regression model adopted indicated that the predictor variables could explain 15 percent of the outcome.
The research therefore concludes that, for a positive impact on an organisations’ sustainable financial performance, the three dependent variables, which were organisational processes, the manpower of the organisation and governmental interventions through appropriate policy framework are necessary.

The researchers further recommend that other factors which contribute to the sustainability of the financial performance, non-financial performance or the overall performance, within all the seven emirates of the UAE may also be studied.

**Key Words:** SME, COVID 19, Financial Performance, Pandemic Disruption, UAE, Manpower, Government Policy, Organisational Processes

**1.0 Introduction.**

Positive organisational performance is the expectation of every business. Business performance is a concept which can be explained using several parameters. Effectiveness and efficiency are the hallmarks of a positive business performance. Sebhatu (2008) defined sustainable business performance as the harmonized financial, social, and environmental purposes of a firm in the delivery process of core business actions with the aim of maximizing value. This is the performance of an organization in every dimension including all the factors which drive corporate sustainability. As the backbone to small business players, sustainability of performance is core to survival of Small and Medium-sized Enterprises (SMEs). This corroborates with the studies done by several researchers like Kot (2018), Williams and Schaefer (2013), Moore and Manring (2009), Masurel (2007) and O’Gorman (2001). In addition to business strategy alignment, the precedents for sustainable business performance regardless of the size, industry and type can be categorized into three, these are government policy, manpower and processes. Different studies in different countries have identified the outcome of the proper integration of these factors together with the right strategy alignment with a clear exploitation of a firm’s sustainable competitive advantage leading to enhancement of sustainability in the business performance. Some of these studies are by Saeidiet al, (2015), Baker, Al-Gahtani and Hubona (2007) and Porter (2008). As per Singh (2020), small and medium sized enterprises represent more than 94% of all the registered companies operating within the UAE, they employ about 86% of the country’s private sector workforce and generate about 52% of the non-oil GDP. This is quite phenomenal and an important cog in the wheel of the UAE economy. Their performance cannot be taken for granted. In a report by the Financial Times (2020), it had been noted that close to about 70% of business entities in Dubai would close by the end of the year 2020 as a consequence of the pandemic and global lockdowns ravaging demand. The report was based on existing and operational business entities by April 2020 and almost 75% of those survey’s respondents were small and mediumsized business firms with less than 20 employees on their employ.
Disruptions are situations which may be caused by business environmental factors. In this context, the type of disruption is the COVID 19 pandemic. This has forced business entities to rethink their structured plans like business continuity plans (BCPs), operational and functional plans and also their strategic plans. The COVID 19 pandemic has become a unique case of business environmental disruption which has not only severely affected firm’s performance but will also have a long-lasting impact on the operations and the sustainability of the firm’s performance. In their research, Paul and Chowdhury (2020) argued that, an epidemic outbreak that spreads over a geographical area and can be contained, is generally perceived as a disruption that has high uncertainty, with a long-term negative impact (Paul, Sarker, & Essam, 2018), and several ripple effects (Ivanov & Sokolov, 2019). Pandemic outbreaks in the past like the Tsunami in March 2011 in Fukushima, Japan and the Ebola outbreak in West Africa in 2014, have made organizations seek alternative ways of doing business, engaging their crisis and risk management plans to bring assurance and continuity (Aldighetti, Zennaro, Finco, & Battini, 2019). The impact on many spheres of business life by the outbreak of this pandemic and especially on the manufacturing firms has already been very severe and there is a likelihood of medium-to-long-term negative after effects which are likely to be higher than the effect of the other previous pandemic outbreaks such as the 2003 SARS and the 2009 H1N1 (Haren & Simchi-Levi, 2020; Koonin, 2020; Laing, 2020; Mogaji, 2020) which were generally regional. However, the COVID 19 has not been restricted within certain geographical regions, it has a global phenomenon, which has seen economies shut down, meaning that businesses, their value chains, their complementary firms and the entire market has been disoriented. This has led to the disruption of interdependencies within the industries which guarantee sustainable performance through sourcing from other regions when the affected region cannot provide required materials. This paper therefore only deals with the situation of small and medium enterprises in the UAE particularly the two emirates of Dubai and Sharjah.

2.0 Literature Review

2.1 Organisational Performance

An overall organisation's performance is the sum total of the integration of its 5Ms, meaning manpower standing for human resources, money standing for its financial capability, machines standing for equipment and technology, means and methods standing for strategy and processes, and Materials representing the inputs. Appelbaum et al., (2011) while citing Locke and Latham (2006) on goal setting theory confirmed that setting goals in regards to the people and availability of other resources is a key determinant to organisational performance. Within the resource-based view context of a firm, positive firm’s performance should be focused towards the realization of the firm’s sustainable competitive advantage through its internal resources (Daniel Lee et al, 2020; Pfeffer, 1995; Barney, 1991). However Sumiati (2020) defines business performance as an outcome that is achieved after comparing targets expectations and real achievements by a business unit at a certain time period. Business performance and organizational performance are taken to be the same concept in this context.
Semrau, Ambos, and Kraus (2016) explained that, a firm’s performance can be measured by way of two major dimensions, which are; financial and non-financial dimensions. The financial dimension is established by comparing the changes in value in financial statements issued by companies, whereas non-financial measurements is conducted by stakeholder satisfaction and organizational structure growth which may mostly be non-monetary.

There is subjectivity when measuring a firm’s performance. This means that measurement of performance is highly dependent on the context, time and at times the tools and parameters used. Fairoz et al (2010) felt that, while considering performance, both financial and non-financial components should be considered. The component dealing with the financial dimension will entail factors like profit growth, while the component dealing with non-financial dimension is measured through sales, employee growth, market share, and business owner satisfaction (Shehu & Mahmood, 2014; Otache & Mahmood, 2015).

Since the last business quarter of 2019, the performance of SMEs in the UAE has not been optimal due to the COVID19 disruption. According to a survey conducted by Statista Research Department (2020), in the United Arab Emirates in 2020, 51 percent of small and medium-size enterprises (SMEs) reported regular exports and on the same survey as opposed to nearly 80 percent in the previous year, only 36 percent of SMEs reported to be trading online which is a fall from a higher score. UAEs economy hasn’t also fared on well given the shocks of the COVID19 pandemic. The World Bank (2020) on its growth projection of 2020 and beyond projected that the UAEs economy will to contract by 6.3 percent as a result of COVID19 and low oil production after the revitalization of the OPEC+ agreement. It proposed that over the medium term, and on the basis of the speed of global recovery, economic growth should be expected to rise to 2.5 percent by 2022; this also due to the government support through the government’s mitigation and recovery plans, increased oil prices and enhanced production capacity, positive business sentiment and a boost from Dubai Expo2021. Such projection mean that the mainstay of the economy, which in this case are the SMEs are likely to have their performance negatively affected when the economy contracts. Based on the above, the hypotheses below was postulated

H0: The combination of Organisational processes, Manpower and government policy has no significant effect on A firm’s sustainable financial performance.

2.2 Organisational Processes

Organisational processes entail all the interconnected activities a firm indulges into from within and without. In one of its reports, the ISO (2019, p. 1) defines a process as a “set of interrelated or interacting activities that use inputs to deliver an intended result”. There are many processes within the organizations, others are without, those which connect the organization to its environment. Organizational process inputs and outputs may be intangible for instance information or tangible
like raw materials or finished product. Biswas (2021) argues that all the organizational processes should have a source, that is the supplier and end user that is the customer. The suppliers and the customers are part of either internal or external processes to the organization. Each and every process should have a person whose responsibility is to account for such, i.e., an individual whose tasks have been defined for such responsibility and given the authority to operate, to control and to improve the process. At every stage of the process, resources are required, e.g. – materials, equipment, people, technology, etc. The resources are to be used as inputs (information like for instance customer specifications, raw materials etc.) and also for the value-adding conversion activities (e.g. use of software and hardware technologies, people skills, use of machines and equipment, etc.) to convert raw materials (inputs) into finished products (outputs).

All processes which organizations have installed must meet regulatory, organizational and customer applicable and allowed requirements. How the processes perform can be monitored in certain ways and measured within certain parameters. Process effectiveness and compatibility should be an essential feature of all the processes, this will help subdue costs and guarantee optimal performance for the organization. Organizational processes are many, they can however be categorized into several categories like; customer oriented processes (COPs), COPs entail having the highest level of interaction between the firm and its external customers. They include activities such as, design and development, production, marketing and sales, packaging, shipping, servicing/ warranty, customer satisfaction (Sulonen, et al., 2020; Svensson, 2018), etc., whether they are carried out onsite or off-site; management oriented processes (MOPs) which entail the provision of leadership and resources for all types of planning –business, quality, resource, strategic, operational crisis and risk planning, management review (Ang & Buttle, 2006); quality management processes (QMPs) which entail documentation, measurements, analysis and improvement of all processes. They are linked to the organizations quality management systems (Kordab et al., 2020); support oriented processes (SOPs) which entail provision of adequate resources for the facilitation of organizational goal realization, some of the activities there of are as competent human resources, appropriate information technology, procurement and receiving, facility management, laboratory and testing, maintenance, tooling, (El-Awad, 2019; Akbari & Ghaffari, 2017; Liu, 2018) etc.; and eventually outsourced processes (OPs); these entail any other process which may be necessary in an organization and can be carried out by an internal party which may be outside the organizations’ management control and may be or may not be subject to the clients quality management systems (Happonen & Siljander, 2020; Engström & Käkelä, 2019).

2.3 Manpower
Manpower stands for the human resources and the skill and competences within the organisation. Lin and Huang (2020), felt that manpower performance is a critical concern for management and employees as they interact one with the other through integration of different activities and job requirements through learning opportunities and support from the organization. Kumari et al., (2020) cited Wibawa et al (2018) and Bondarouk et al (2017) and concluded that in today’s organisations, adoption of a proper human resource information system in place helps encourage employees to work towards high productivity and proficiency in their performance. There is a general consensus that electronic human resource management (e-HRM) supports the improvement and the enhancement of overall efficiency of the entire manpower. Several human resource development (HRD) scholars have accumulated a lot of evidence as regards to the impact of manpower processes on workforce-related performance and outcomes, like for instance, job satisfaction, innovation capacities and capabilities, motivations and intentions to transfer learning and knowledge, firm’s commitment and turnover intentions (Lin et al., 2019; Watkins and Kim, 2018; Wang and Ellinger, 2011; Joo, 2010; Lien et al., 2006; Egan et al., 2004), however prior research has predominantly investigated the outcome of manpower elements on performance on the context of a non-static development. A few and a limited number of research studies have been based on settings whereby there is change (Liu et al., 2020; Singh et al., 2020; Rehman et al., 2019; Uppal, 2020; Uppal, 2017; Swart and Kinnie, 2010). This study is set on an environment made dynamic by the onset of a pandemic.

2.4 Government Policy

With the onset of the negative effect on the economy by COVID19, many governments have announced measures to bail out businesses, support and rekindle economic growth. Many governments have already established regulations for the same purpose and put up policy frameworks to guide businesses during these times of covid19 pandemic. These regulations and guidelines are likely to affect business directly or indirectly for instance, guidelines on minimum wage, taxation, interest rates, export and import trade regulations (Williams., 2019) etc. are meant to boost manufacturing, cushion on costs and guarantee continuity of operations. The ease of availability of funding and finance required for growth and development is an essential component for the functioning of SMEs. The level of tax and interest rates is another factor which may also determine the functionality of SMEs (Razumovskaia et al., 2020). Nakku et al., (2020) felt that when governments have support mechanisms and programs focused to help SMEs overcome financial and nonfinancial challenges, the eventual performance of the economy is impacted positively. Several researchers have found out that more than 98% of the totality of formal and informal business structures respond directly to the state of the economy (Lemes & Machado, 2007; Ronda et al., 2020; Government of Russia, 2016; Shafi et al., 2020). Government policy makers always design government support policies for small and medium enterprises to develop entrepreneurial capacities and capabilities and enhance access to enabling resources, like finances. This makes SMEs become more effective and efficient in job
creation and enhanced economic opportunities (Dennis Jr., 2011).

3.0 Methodology

3.1. Population and Sample

This research study is a descriptive research that focused on the relationship between selected variables. The population of the research was the SMEs in two northern emirates of the United Arab Emirates, the emirate of Dubai and the emirate of Sharjah. The study used primary data obtained directly from the respondent’s (Sekaran & Bougie, 2020). The unit of analysis of the research study entailed all SMEs chosen, the respondents were one individual with management responsibilities per SME. The study used random sampling technique as the number of SMEs in the two emirates is high and it was assumed that any unit chosen would represent the rest accurately (Bell et al., 2018). The sample size was 400 out of which only 383 responded. As per Refinitiv (2019), by 2019, the UAE had 400,000 SMEs in operation which contributed 60 percent and above of UAEs non-oil economy and provided 86 percent of the workforce in the private sector. They consisted of 73 percent of the entire wholesale and retail trade sector, made up to 16 percent of the entire services sector, and comprised of 11 percent of the overall industrial sector. Schindler (2021) has the opinion that a practical sample size should be at least 10 percent of the universe as long as it doesn’t exceed 1000. A questionnaire was the main research instrument. For the purposes of getting the required information, it had been divided into two main areas. The first section addressed the demographics of the respondents, while the second section addressed the variables of the study. Of the respondents, 95.75 percent gave their feedback. The high response rate is attributable to the reason that the questionnaire had been uploaded online and was in both English and Arabic the trading languages in the region. The questionnaires piloting for reliability and consistency had been done earlier in a different emirate called Ajman and the results indicated that the instrument was highly reliable and consistent. The parameters used in the study were adapted from existing literature. Parameters for performance of business were adapted from Fairoz et al (2010). The measures for organizational processes were adapted from ISO (2019), those for manpower from Kumari et al., (2020) and for government policy adapted from Williams (2019). The instrument of research used the five points Likert scale which were anchored on; strongly disagree (1) to strongly agree (5).

4.0 Analysis of Results

From a set 400 questionnaires distributed, only, 383 respondents returned their responses. The demographic characteristics of the study indicated that Emiratis (UAE nationals) were 30.3 percent and the rest were foreigners, it was established that 34.7 per cent of the total number of respondents were women and the rest were male, of the 34.7 percent, 73.6 percent were foreign females. The profile of the respondents’ also indicated that 79 percent of the participants had a first degree, were as only 11 percent had a graduate degree. In addition, respondents had been classified based on three levels of operations, and the results showed that 50.2 percent were on the shop floor, 28.7 percent were in middle level management and 21.1
percent were in top level management. In terms of the work experience, majority of the respondents at 42.3 had a work experience of between 1 to 5 years, this was followed closely by those who had between 5 to 10 years at 36.3 percent, those with more than 10 years at 15.1 percent and eventually those with less than a year were only 6.3 percent.

To test the null hypotheses of the study, which was, ‘the combination of Organisational processes, Manpower and government policy has no significant effect on A firm’s sustainable performance’, regression analysis was used. The results showed that the adjusted r square was 0.15, indicating that the overall model accounts for only 15 percent of the predictor variables.

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Squar e</th>
<th>Adjusted R Squar e</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.407&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.165</td>
<td>.150</td>
<td>.52969</td>
<td>.165</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Business Regulations, Procurement Process, Workforce Recruitment, Workforce Retention, In-out Conversion, Administration Process, Business Laws

b. Dependent Variable: Performance

The ANOVA table indicate that the p value was less than 0.05, then the predictor variables are able to account for a significant amount of variance in firm’s sustainable financial performance. Therefore, the regression model is significant, F (7, 375) =10.610, P<.000, p =0.00. This means that the null hypothesis is rejected.

ANOVA<sup>a</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>20.839</td>
<td>7</td>
<td>2.977</td>
<td>10.610</td>
<td>.000&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>1 Residual</td>
<td>105.214</td>
<td>376</td>
<td>.281</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>126.052</td>
<td>383</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Financial Performance

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>3.139</td>
<td>.260</td>
<td>12.085</td>
<td>.000</td>
</tr>
<tr>
<td>Procurement Process</td>
<td>-.171</td>
<td>-.228</td>
<td>-4.789</td>
<td>.000</td>
</tr>
<tr>
<td>Administration Process</td>
<td>-.106</td>
<td>-.079</td>
<td>-1.655</td>
<td>.099</td>
</tr>
<tr>
<td>In-out Conversion</td>
<td>.135</td>
<td>.201</td>
<td>4.202</td>
<td>.000</td>
</tr>
<tr>
<td>Workforce Recruitment</td>
<td>-.154</td>
<td>-.224</td>
<td>-4.692</td>
<td>.000</td>
</tr>
<tr>
<td>Workforce Retention</td>
<td>-.095</td>
<td>-.073</td>
<td>-1.537</td>
<td>.125</td>
</tr>
<tr>
<td>Business Laws</td>
<td>.067</td>
<td>.057</td>
<td>1.056</td>
<td>.291</td>
</tr>
<tr>
<td>Business Regulations</td>
<td>.098</td>
<td>.077</td>
<td>1.426</td>
<td>.155</td>
</tr>
</tbody>
</table>

The coefficients table revealed that, procurement process, in-out conversion and work force retention were significant as their p values were less than 0.05, hence accounting for a unique variance, as opposed to administration processes (0.099), workforce retention (0.125), business laws (0.291) and business regulations (0.155).

5.0 Discussion Conclusion and Recommendations.
From the finding, it is evident that the null hypothesis has been rejected, this is in concurrence with Dennis Jr., (2011) and Singh et al.,(2020). Organisational processes may be many and diverse in different organisations, human resources practices at times may be similar and governmental intervention may vary from time to time. Some countries would have industry wide interventions in order to bring some determined change in the economy, some of these interventions may be specific to certain industries and others would be general. The economy of the emirate of Sharjah and that of the emirate of Dubai in the UAE are specifically focused on tourism, this therefore places most of the small and medium scale business as the supporting cast for the economy, this is in agreement with the Financial Times (2020) and Nakku et al., (2020). In their findings on the performance of small and medium term enterprises, Fairoz et al., (2010) recommended that the antecedents for performance should never overlook what the government does, the processes of the firm and the role of human resources.

The study therefore concludes that, for an SME to register a positive performance, the business environment should be favourable. Favourability should be driven by the policy framework...
instituted by the government. For a positive performance, the processes the organisation has are a big contributory factor. These processes may be those in the entire value chain of the business. Even during the times of change, the human element in an organisation regardless of the size can’t be discounted. Processes like all the activities of the human resource planning processes are critical. The study therefore recommends that in the future, variables within the firm’s competitive environment may be used to ascertain the extent of their effect on the performance of a firm in the presence of change like the COVID19 pandemic.

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